

## May Revision to the 2003-04 Budget Proposal: Highlights

(May 15, 2003)

On Wednesday, May 14, 2003, Governor Davis released the May revision (May Revise) to the proposed budget for the next fiscal year (2003-2004). The May Revise allows the Governor to adjust his January budget proposal based on updated revenue and economic forecasts. Included in the revision is an increase in funds available for Proposition 99 funded programs. The Governor also lowered his proposed cigarette tax increase to 23-cents, down from the \$1.10 increase proposed in January. Highlights of the May Revise pertaining to tobacco control and a brief outline of the budget process are provided below.

### Prop 99 Funding

The Governor's May Revise estimates a \$15 million increase in funds available to Proposition 99 over the Governor's January Budget proposal. Of this amount, \$10.4 million is due to the Board of Equalization's decision to provide a one-time adjustment in the Proposition 10 backfill. Of the remaining \$4.6 million, \$3.1 million is attributed to available unallocated funds and \$1.5 million is due to revised estimates to the amount of carryover, revenue, and interest available. Due to this projected increase, the Governor has proposed the following changes in program funding:

### Tobacco Control Funding

	Current Year Budget (2002-2003)	January - Governor's Proposed Budget (2003-2004)	May - Revised Budget Proposal (2003-2004)
<b>DHS/TCS</b>			
<i>TCS Admin.</i>	\$1.79 million	\$790,000	\$790,000
<i>Media Campaign</i>	\$21.1 million	\$16.7 million	\$19 million
<i>Competitive Grants</i>	\$16.8 million	\$17.3 million	\$18.8 million
<i>TEROC/Evaluation</i>	\$4.15 million	\$4.03 million	\$4.03 million
<i>Local Lead Agencies</i>	\$16.5 million	\$15.0 million	\$19.5 million
<b>Dept. of Education</b>	\$28 million	\$28 million	\$28 million
<b>Tobacco Related Disease Research</b>	\$19.4 million	\$19.4 million	\$23.9 million

### Cigarette Tax

The May Revise proposes a 23-cent tobacco tax increase for next year (2003-2004) with an additional 40-cent tobacco tax increase in the following year. The proposed 23-cent increase in the cigarette tax is estimated to generate \$267 million in revenue. The additional 40-cent increase for the 2004-2005 fiscal year would increase this revenue to \$678 million annually. The May Revise still does not include an earmark for tobacco control programs. However, it does include a backfill of \$6.5 million to Proposition 99 to compensate for lost revenues due to decreased consumption caused by the tax increase. This means that whether or not these proposed tax

increases pass, the funding available for Proposition 99 programs would remain the same.

### **The Budget Process**

Here is a reminder of what happens to the budget between January when it is introduced and July 1, the beginning of the new fiscal year. Now that the May Revision has been release, it is the Legislature's turn to re-shaping this fiscal document.

#### **Late January/Early February**

The Legislative Analyst submits a nonpartisan analysis of the Governor's proposed budget along with recommendations for changes to the budget.

#### **March-May**

Both the State Senate and Assembly budget subcommittees hold hearings to review each specific appropriation in the budget document.

#### **May 14**

The Governor will submit revisions to his January budget proposal. The "May Revise" is the Governor's budget adjusted for updated revenue projections.

#### **Late May**

The budget subcommittees will review and take action on the changes in the governor's May Revise Budget and then report their recommendations to the full budget committee. The Senate and Assembly Budget committees then adopt a budget plan and this budget then will go to the full house.

#### **June**

June 15 is the Constitutional deadline for approval of the budget by the Legislatures. For passage, the budget bill is required to receive a two-thirds vote on the floor of each house. A Budget Conference Committee, made up of members of both houses, is established to work out any differences between the Senate and Assembly version of the bill. Once identical bills have received a two-thirds vote in each house it is passed on to the Governor for his signature.

#### **July 1**

This is the beginning of the new fiscal year.

#### **Resources**

More information on the budget and the budget process can be obtained at the Senate's web site <http://www.sen.ca.gov/>, the Assembly's web site <http://www.assembly.ca.gov/>, The Department of Finance web site <http://www.dof.ca.gov/> and the Legislative Analyst's Office web site <http://www.lao.ca.gov/>. The Department of Health Services' Tobacco Control Section will also be posting an analysis of the May Revise on the PARTNERS web site.

If you have questions about this analysis, please contact the Center's Policy Coordinator, Julie Bradley-Hart at (916) 442-4299 or at [jbhart@alac.org](mailto:jbhart@alac.org).