



California Budget Project
Email Update
March 2, 2004

In this update:

- Don't forget to register for the CBP's upcoming conference, "Protecting Priorities in Uncertain Times"; and
- The CBP's analysis of the midyear spending cuts recently passed by the Legislature.

DON'T MISS THE CBP's THIRD ANNUAL CONFERENCE

Register now for the CBP's third annual conference, "Protecting Priorities in Uncertain Times." The deadline for the registration is March 10. Attendance is limited and space is going fast. This one day conference, which will be held at the Sacramento Convention Center on March 18, will examine the state's current budget crisis and how to balance the budget and protect services in the context of a changing political environment. Workshop and plenary sessions will feature state and national experts addressing the impact of federal budget proposals on California, the structure of the state's tax system, the impact of budget cuts on local communities, the changing demographics in California, the health care safety net, the affordable housing crunch, and the latest developments in welfare reform.

Sign up now. Registration materials are available from the CBP web site at www.cbp.org or by calling the CBP at (916) 444-0500.

LEGISLATURE PASSES 2003-04 MIDYEAR CUTS TO GOVERNOR

On Friday, February 26, the Legislature sent to Governor Schwarzenegger's desk two pieces of a three-piece package designed to provide \$990 million in General Fund "solutions" for 2003-04. SB 1041 (Senate Budget and Fiscal Review Committee) includes \$145.8 million in loans, transfers, disencumbrances, cuts, and reversions. SB 1057 (Senate Budget and Fiscal Review Committee) increases the Vehicle License Fee (VLF) backfill "loan" from local governments to the state. SB 1052 (Senate Budget and Fiscal Review Committee), which would suspend the Natural Heritage Preservation Tax Credit for a potential \$67 million in savings, awaits action on the Assembly Floor.

Specifically, SB 1041 does the following:

- Loans \$1.8 million from the Department of Financial Institutions to the General Fund.
- Transfers \$500,000 from the Department of Corporations to the General Fund.
- Disencumbers \$5 million of dormant project funds from the Department of Housing and Community Development.
- Reverts \$3.9 million of unused funds from the California Housing Finance Agency to the General Fund.
- Loans \$2 million from the Office of Real Estate Appraisers to the General Fund.

- Cuts \$600,000 of General Fund support from the Department of Motor Vehicles.
- Reverts \$105 million of unencumbered funds for prior year flood control projects from the Department of Water Resources to the General Fund.
- Reverts \$27 million in prior year savings and unspent current year funds from various health and human service department budgets to the General Fund. The largest of these include:
 - o Department of Health Services (\$9.3 million);
 - o Department of Rehabilitation (\$7.5 million);
 - o Department of Developmental Services (\$2.7 million);
 - o Department of Child Support Services (\$2.6 million);
 - o Managed Risk Medical Insurance Board (\$2.3 million); and
 - o Department of Mental Health (\$1.4 million).

SB 1057:

- Treats \$475 million in backfill payments to counties and cities for the reduction in the Vehicle License Fee (VLF) rate as a loan payable in 2006-07, consistent with the Governor's mid-year proposal. The 2003-04 budget agreement already treated \$825 million of the backfill as a loan. The Governor rescinded the increase in the VLF rate retroactive to October 1, 2003.
- Appropriates \$20.4 million from the General Fund in "hardship" allocations to local governments that have demonstrated that waiting until 2006 to receive their payment would impose an immediate hardship. This represents a savings of \$30.6 million as compared to the \$51 million in savings assumed by the Governor's Budget.

SB 1052 suspends the issuance of tax credits for donations of qualified land under the Natural Heritage Preservation Tax Credit Act of 2000 after the 2002 tax year, and deletes remaining years of eligibility. Approximately \$33 million in credits have been authorized to date. The Natural Heritage credit was suspended in 2002-03. By suspending the issuance of credits in 2003-04 and eliminating future credits, SB 1052 would prevent revenue losses of up to \$67 million if enacted.