

STATE BUDGET SIGNED

Summary

The Governor signed the 2000-01 budget into law on June 30, 2000. As passed by the Legislature, the 2000-01 budget authorized \$95.4 billion in spending. The Governor vetoed \$1.064 billion from the Legislature's spending plan, leaving \$94.4 billion in the 2000-01 budget. Health and human service programs received the largest share of the reductions (\$246 million). As signed, the budget increases General Fund spending by 17.3 percent. A portion of the increase, however, reflects higher costs to the state's General Fund to backfill cities and counties for the Vehicle License Fee reduction included as part of the budget agreement (\$887 million in 2000-01).

The following summary provides a quick overview of items partially or fully vetoed by the Governor. The official summary and list of vetoes can be found on the web at www.dof.ca.gov/HTML/Budgt00-01/FinalHighlights00.pdf.

Housing

- The Governor vetoed \$75 million in funding for the Multifamily Housing Program, reducing total funding from \$263 million to \$188 million. The Governor also vetoed the \$19 million set aside within the multifamily allocation for projects at risk of converting to market rates, stating that the remaining multifamily housing money could be used to preserve "at risk" units.

CalWORKs

The Governor vetoed:

- \$18 million earmarked for a \$50/month work expense stipend for participants in wage-based community service programs. This amount was designed to offset the amount participants would lose in payroll taxes if they participate in wage-, rather than grant-, based community service.
- \$17.4 million to exempt the value of one car from the CalWORKs assets test.

Child Care

The Governor vetoed \$39.5 million from the child care package approved by the Legislature. Specific vetoes include:

- \$35 million from the legislative augmentation for general child care. This program will now be budgeted at \$524.6 million.

- \$4.5 million from the augmentation for migrant child care. This program will now be budgeted at \$26.8 million.

In his line-item veto message, the Governor indicated that he could support subsequent legislation that would utilize \$39.5 million for one-time child care programs. The Governor retained a \$33 million legislative augmentation to raise reimbursement rates for direct-contract child care centers. The augmentation partly compensates for several years when cost-of-living adjustments were not provided to child care programs. The Governor also retained a \$15 million augmentation to aid in the retention of child care workers. However, in his message of approval, the Governor implied that he would not support legislation that might use these funds to introduce "state subsidies into a profession that is subject to local market forces."

Other Vetoes

- \$10 million allocation of Workforce Investment Act funds to Summer Youth Employment programs.
- \$15.3 million allocation for the Public Library Foundation. This amount was largely allocated to local libraries.
- \$9 million to establish a single-point-of-entry for Medi-Cal and Healthy Families application processing. This augmentation was designed to help streamline application procedures and, thereby, boost enrollment among eligible applicants.
- \$24.8 million in funding for county health programs. The Governor's veto message states that "I am reserving these funds and will sign legislation authorizing their expenditure for emergency services as originally proposed."
- \$5 million in one-time funds intended to allow the Major Risk Medical Insurance Program to maintain current enrollment and provide coverage to persons currently on the program's waiting list.
- \$2 million in support for the California Health Interview Survey.
- \$121.3 million in funding for local juvenile treatment and prevention programs (AB 2885).
- \$50 million (General Fund) in reductions to a number of mental health programs.

In-Home Supportive Services (IHSS)

CBP's last budget summary neglected to mention the significant increase in support for the IHSS program. Legislation implementing the social services policy changes contained in the budget authorizes the state to pay its share of cost for increases in IHSS worker wages and allocates \$0.60 per hour to purchase health coverage for homecare workers. This measure also includes a set of "triggers" tied to continued growth in state revenues that provide funding for increasing wage levels to \$12.10/hour over five years. The budget includes \$100 million (General Fund) for the 2000-01 cost of the increases.

Tax Cuts: \$22 Million to Process Checks

The budget reduces the Vehicle License Fee tax rate to .65 percent (32.5 percent of the 2 percent rate in effect in 1998) on January 1, 2001. In 2001 and 2002, taxpayers will pay their VLF based on a tax rate of 1.3 percent and receive a rebate of the amount attributable to the reduction authorized as part of the budget agreement from the state. Providing the tax cut as a rebate, rather than a rate reduction, will cost the state an estimated \$22 million over the two-year period. A Sacramento Bee article quotes the Governor's spokesperson, Hillary McLean, as saying that the Governor "did insist that the savings be provided via rebate checks, rather than by simply reducing next year's registration bills, so 'folks have a tangible representation of the tax break that they are getting.'"

Other tax reductions included in the budget agreement include a refundable child care credit, a long-term care credit, a tax credit for teachers, an increase the amount of losses businesses can carryforward into future years, an increase in the state's research and development tax credit, and a one-year increase in the Senior Citizens Homeowners and Renters Tax Assistance programs.