



California Budget Project
Email Update
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BUDGET CONFERENCE COMMITTEE: SPENDING PLAN NEARLY COMPLETE, REVENUES UNCERTAIN

After meeting since June 4, the six member Budget Conference Committee has nearly reconciled the Senate and Assembly versions of the 2002-03 spending plan. However, the Committee has yet to approve sufficient revenues to finance the spending proposal.

The following summary is based on notes taken in Conference Committee hearings. No official summaries of the Committee's actions have been published and all actions taken thus far are subject to change prior to adjournment.

THE BIG PICTURE

Including actions taken through Thursday afternoon, the Conference Committee's spending plan sets General Fund spending for 2002-03 at \$77.3 billion, about \$800 million higher than the Governor's May Revision proposal and \$491 million higher than the proposed 2001-02 spending level. The increases are mainly due to partially restoring proposed spending reductions to health and social service programs.

The Conference Committee has not finished discussing the revenue side of the budget, including fund shifts and transfers. Traditionally, revenue-raising measures are the jurisdiction of the Revenue and Taxation Committees and discussion over these issues has involved the leadership of each party in each house of the Legislature. The Conference Committee may discuss various options and their work will determine the gap that needs to be filled by additional resources. The Governor's May proposals raise an additional \$3.9 billion through a variety of increases and accelerations, including an increased cigarette tax, a temporary increase in the vehicle license fee (VLF) or "car tax," and a two-year deferral of net operating loss carryforwards.

HEALTH: A MIXED BAG

The Conference Committee restored a number of to Medi-Cal proposed by the Governor in May, while sustaining several proposals to limit Medi-Cal coverage. The Committee also approved an expansion of the Healthy Families Program to cover working, low-income parents.

Major actions include:

- Approving expansion of the Healthy Families Program to eligible parents, beginning October 2002.
- Rejecting the proposed rollback of the 1931(b) Medi-Cal program for working families.
- Reinstating a requirement for adult Medi-Cal recipients to file quarterly status reports, despite rejection of this proposal by both the Senate and Assembly. This will result in loss of coverage for nearly a quarter of a million recipients.
- Partially rejecting the May Revision proposal to eliminate selected "optional" Medi-Cal benefits.
- Rejecting a proposed 20 percent reduction in Medi-Cal county administration funding.

- Rejecting a January proposal to require copayments for Medi-Cal recipients.
- Partially restoring proposed reductions in Medi-Cal provider payments.
- Postponing “express lane” Medi-Cal eligibility for enrollees in the National School Lunch and Food Stamp programs.
- Retaining the “asset test” for Medi-Cal applicants, despite elimination by the Senate and the Assembly.
- Sharply reducing the outreach budgets for the Medi-Cal and Healthy Families programs.
- A \$55 million increase in the fee the state charges public and University of California hospitals. The Committee rejected the May proposal to increase the fee by an additional \$31 million.

SOCIAL SERVICES: DEEPEST CUTS RESTORED

The Committee restored or partially restored a number of spending reductions for social service programs. Major actions include:

- Delaying the cost-of-living adjustment (COLA) for CalWORKs recipients until June 2003.
- Partially restoring the proposed May reductions to CalWORKs county administration.
- Partially restoring state funding for employment services for CalWORKs recipients through the Community Colleges and the Department of Education.
- Delaying the state COLA and passing through the federal COLA for Supplemental Security Income/State Supplemental Payment (SSI/SSP) recipients.
- Rejecting a proposed 20 percent reduction in county administration for the Food Stamp, Foster Care, and In-Home Supportive Services programs.
- Rejecting a provision in the Assembly budget exempting one vehicle for each adult member of a CalWORKs or food stamp household for purposes of determining eligibility.

EDUCATION

The Conference Committee maintains spending under the Proposition 98 guarantee at \$32.2 billion, the level proposed by the Governor in May. This is approximately \$900 million higher than the minimal constitutional requirement and would repay the so-called maintenance factor from the current year (2001-02) entirely within the budget year.

The Conference Committee also approved a higher education spending plan that includes fee increases for University of California (UC) and California State University non-resident students, as well as a 10 percent reduction in funding for UC research.

LOCAL GOVERNMENT

The Conference Committee largely approved the Governor’s May proposal to defer state payments to local governments for various reimbursable state mandate claims.

CORRECTIONS

The Conference Committee maintained funding for the construction of the Delano II state prison, rejecting a Senate proposal to delete the funding.

WHAT COMES NEXT

The Budget Conference Committee may finish its work when it meets again on Saturday, June 15, the constitutional deadline for each house to submit its budget to the Governor. After the Conference

Committee finishes its work, each house must approve the Committee's budget by a two-thirds vote, and it is uncertain whether the current plan will have sufficient votes for passage. The new fiscal year begins July 1.