

Davis Proposes \$102 Billion State Budget

By Greg Lucas and Robert Salladay
CHRONICLE SACRAMENTO BUREAU

Davis Announces His State Budget

► **SPENDING**
From Page 1

to the Legislature this week, is his idea for how the state's revenues should be spent during the fiscal year that begins July 1.

The more important event is what the budget looks like when the Legislature returns it to Davis for his signature in June. As it always does, the Legislature will revise it — cutting or reshaping some programs and adding its own spending priorities.

This year's budget plan is similar to the past two put forth by the politically cautious governor.

Although Davis says there is \$8 billion more in cash than needed to pay for existing state services, he earmarks most of it for one-time expenses, rather than permanent expansions of programs.

The main exception is public education, which will receive \$2.9 billion more than they did this year and \$1.9 billion more than the minimum required by law.

Counting federal funds and local property tax revenue, public schools receive \$53.3 billion under Davis' budget plan. Of that amount, the state would kick in \$32.6 billion — nearly 40 percent of all spending.

The Democratic governor would devote \$700 million of the new money for schools to programs he favors, including \$335 million in teacher training in reading and math and \$30 million in incentives for algebra teachers.

Lengthening School Year

Davis' plan to add six weeks of additional instruction for middle-school students — which has already been criticized by some students, parents and educators — eats up \$100 million in the first year of the three year, \$1.45 billion phase-in.

Republicans said they want the increased instructional time to be more flexible so districts could add the new time in whatever way they wish rather than simply lengthening the school year.

"The governor also didn't put any money aside for school construction. With \$8 billion it seems very reasonable to set aside \$1 billion to invest in schools — cash — this year," said Assemblyman George Runner, R-Lancaster.

Major Items in Budget Proposed by Davis

Here are some of the highlights of the budget plan presented yesterday by Gov. Gray Davis for the state's fiscal year that begins July 1, 2001. The spending blueprint will be debated and changed over the next five months by the Legislature then returned to Davis for his signature.

PUBLIC SCHOOLS

\$32.6 billion from the state and \$20 billion more in federal spending and local property tax revenue — an increase of \$2.9 billion over this year. Of the new money Davis earmarks \$727 million for programs he advocates including \$335 million for more math and reading training for teachers.

HIGHER EDUCATION

\$11 billion including a \$202 million increase for the University of California and a \$216 million increase for California State universities. Community colleges receive \$400 million more than this year. No fee increases for undergraduates at CSU and UC.

WELFARE AND AID TO THE AGED, BLIND AND DISABLED

\$6.2 billion in state funds that, among other things, will lift monthly checks from \$645 to \$676 for a family of three on welfare living in cities and from \$614 to \$644 in rural areas. Payments to the aged, blind and disabled will rise from \$712 to \$747 for an individual and from \$1,265 to \$1,326 for a couple.

PRISONS

\$5.4 billion, a 5 percent increase over this year. Five hundred treatment slots for substance abuse would be added and \$16 million spent to improve the health care offered inmates.

HEALTH AND HUMAN SERVICES

\$468 million on tobacco settlement money would be used to expand health care programs including prostate cancer and breast cancer treatment for the uninsured. Spending for Medi-Cal, California's health care program for the poor, will increase by \$204 million to \$9.5 billion.

TAX CUTS

\$108 million including a three-day sales tax holiday the last weekend in August in which purchases of up to \$200 in clothes and shoes and up to \$1,000 for computer and related accessories would be sales tax-free.

SACRAMENTO — Gov. Gray Davis presented a new state budget yesterday with record spending for public schools, \$1 billion to attack California's energy woes and even a three-day holiday from paying sales tax on "back-to-school" purchases.

The \$102 billion spending plan, described by Davis as "responsive and responsible," is by far the largest of any state. It's more than the size of the next two biggest states — Texas and New York — combined.

"It's responsive because it makes critical investments in the challenges facing our state, especially education and energy," Davis said. "It's responsible because it emphasizes one-time investments instead of long-term commitments and builds up our reserve."

Davis' spending plan, which he is required to present

► **SPENDING:** Page A8 Col. 5

For energy, Davis spends \$1 billion but neither in his public statements nor the budget does he say how all but \$250 million of that will be spent.

The \$250 million, Davis said Monday, would be used as incentives to encourage energy conservation.

Not all parts of state government would see an increase in Davis' budget.

Davis allows payments to nearly 500,000 disabled low-income seniors who get checks from the Senior Citizens Renters Tax Assistance program, to drop by 50 percent.

Payments were increased in this year's budget by 50 percent on a one-time basis. Davis does not renew the increase.

Health and Welfare

Behind schools, the next biggest area of spending was for health and welfare programs, which account for \$25.6 billion of Davis' budget.

In a reversal, Davis proposed spending \$468 million from the settlement against tobacco companies on health-related programs. Previously, Davis said the settlement money should simply be dumped into the state's general fund with no strings attached.

Health care groups wanted Davis to do what he proposed yesterday — spend the money exclusively for health programs.

The University of California, California State University system and the state's community colleges with \$11 billion, make up the third-largest spending area of the budget.

Tax Holiday Proposed

The sales tax holiday would add California to seven other states, including Texas and New York, which have at least one weekend a year when buyers do not pay state or local sales tax on purchases.

Davis wants the tax holiday to be during the last weekend in August. Buyers could purchase tax-free as much as \$200 in clothing and shoes and as much as \$1,000 in computers and related equipment.

Cities and counties would lose a weekend's worth of sales tax revenue unless county supervisors or the city council voted to keep their share of the sales tax on during the three days the state's portion disappears.

"It takes money away from local governments unless they want to put a tax increase on their agenda," said Runner.

Changing the sales tax rate costs

ENVIRONMENT

\$4.6 billion including \$29.1 million to improve Lake Tahoe and \$50 million to encourage people to buy zero-emission vehicles and \$540 million for various flood control projects

LOCAL GOVERNMENT

\$250 million in onetime money that can be spent by cities and counties on any purpose.

RESERVES

\$1.9 billion for emergencies, \$500 million to pay for settling lawsuits.

TOTAL SPENDING

\$102 billion

For more information on the budget, visit the Department of Finance's Web site at www.dof.ca.gov
Source: Governor's Budget Summary, 2001-02

businesses and the state money, but retailers say the cost is more than made up by the increased sales during the weekend.

"It's been shown it increases sales both in the tax-free products as well as the other taxable categories. Some of the costs to the state in giving up the tax-free items is recovered by regular nontax-free items," said Pamela Williams, vice president of the California Retailers Association.

Some budget analysts questioned how much consumers would actually benefit.

"If you look at what it means for the average family," said Jean Ross, executive director of the California Budget Project, "It's probably going to be a very minimal amount, pennies or dollars."

Ross said the average sales tax bill for a middle-class California family is \$595, but that average includes people who buy cars or other high-cost items in a given year.

Prompted by the voting chaos in Florida during the presidential election, the Democratic governor set aside \$40 million to expand the use of touch-screen voting to three counties.

It was used only by Riverside County during the last election to great success, but Davis said he was still cautious.

"I think it's a mistake for the state to rush headlong into new technology," Davis said of the limited amount of money for touch-screen voting. "(But) this is the next logical step after the experiment in Riverside County."

E-mail Greg Lucas at glucas@sfchronicle.com and Robert Salladay at rsalladay@sfchronicle.com.