

August 29, 2002

To: Supervisor Zev Yaroslavsky, Chairman  
Supervisor Gloria Molina  
Supervisor Yvonne Brathwaite Burke  
Supervisor Don Knabe  
Supervisor Michael D. Antonovich

From: David E. Janssen  
Chief Administrative Officer

## **STATE LEGISLATIVE UPDATE**

### **State Budget Update**

With Saturday's adjournment date fast approaching, there has been some movement on the State budget but it is unclear whether it amounts to serious negotiations or another round of political posturing.

As previously reported, last Saturday, August 24, 2002, the Speaker appeared at an Assembly Republican caucus and outlined a new proposal that included \$200 million in additional spending reductions in the budget year (which is needed anyway because of the delay in implementing proposed cuts), a spending cap in FY 2003-04, and a 1,000 position reduction in the State work force by the end of FY 2003-04 that would yield an additional \$100 million in savings. The Speaker concluded by asking the Republicans to make a counter-offer.

As reported by The Sacramento Bee, after discussions between the two caucuses on Tuesday, Assembly Republicans agreed in principle to \$500 million in "revenue enhancements," presumably some of the non-tax increases that are already part of the proposed budget such as improved collection of delinquent taxes and requiring withholding for some types of income currently exempt. They continued to insist that the balance of the budget gap, some \$3.3 billion to 3.7 billion, be closed through additional budget cuts.

In response to Republican complaints that the proposed budget did not solve the State's projected budget deficit in future years, the Speaker asked the Legislative Analyst's Office (LAO) to redo their forecast of the State's fiscal condition in future years based on the revenues and expenditures in the Democrat's proposed budget, assuming that expenditures in FY 2003-04 would be capped at the level of revenues available that year. Under these assumptions, the LAO reported "that the State would have a positive operating balance in most years." However, to bring spending down to the level of projected revenues in FY 2003-04, \$9.5 billion would have to be cut from the budget next year. (The full report is attached as Attachment A.)

In an effort to demonstrate that the Assembly Republican demand for additional budget cuts is unrealistic, the Speaker asked the LAO to identify \$3 billion of budget reductions in areas other than Proposition 98 (K-12 and community colleges), local government, and public safety, areas he said both parties agreed should be protected. With only 40 percent of the State budget available for cutting, the LAO could find only \$2.3 billion in potential reductions, including \$859 million in services for the elderly and disabled, \$513 million in health care, \$491 million in higher education and \$203 million in mental health.

When the LAO effort failed to identify \$3 billion in cuts, the Speaker asked the LAO to try again, but this time holding only Proposition 98 funding (roughly 50 percent of the general fund) harmless. The additional \$700 million of potential cuts come largely at the expense of counties and public safety and include most of the Governor's proposed reductions, that had been restored by the Legislature, and then some. (The complete list of the LAO's \$3.2 billion options list is attached as Attachment B.) The potential cuts (and the State savings) with the greatest impact on the County would:

- eliminate funding for COPS/Juvenile Justice programs - \$232 million;
- require quarterly status reporting for Medi-Cal - \$155 million;
- eliminate Children's and Adults Systems of Care and the Homeless Mentally Ill programs - \$142.8 million;
- cut 20 percent from Medi-Cal administration - \$88 million;
- eliminate trauma care funding supplement - \$25 million;
- cut 20 percent from Foster Care and IHSS administration - \$23 million;
- require counties to pay child support penalties - \$45 million;
- eliminate Public Library Foundation Program grants - \$31.5 million;
- eliminate general fund support for the Arts Council - \$20.5 million;
- eliminate Hi-Tech Enforcement Grants - 18.5 million;
- impose a 10 percent county share for EPSDT - \$5.4 million.

If all of these cuts were adopted, they would add over \$100 million to the \$131 million that the County would lose under the expenditure plan passed by the Senate and pending in the Assembly.

If the Speaker hoped the LAO cut list would convince Republicans to moderate their demands, initial indications were not encouraging. According to The Sacramento Bee, Republican budget spokesperson John Campbell indicated that the LAO cuts that he had seen were the same ones he had already supported without success in the budget conference committee. Moreover, in response to the Speaker's proposed spending cap, Republicans were insisting that it be limited to the revenues raised under the laws in effect on October 15, in order to prevent a post-election tax increase from increasing the cap. Finally, Republicans are also calling for a permanent, irreversible cap on State spending that would have to go on the 2004 ballot.

Indicative of the intense partisan nature of the budget stalemate, Senate Republicans last week formally banished from their caucus the lone Republican who had voted for the budget bills when they passed the Senate. And in a move that suggests that the stalemate may persist for some time, The Los Angeles Times yesterday reported that both the Democratic and Republican caucuses in the Assembly had retained outside political consultants to advise them on budget strategy.

As if matters were not complicated enough, the State Controller, Kathleen Connell issued a series of dire warnings yesterday. Because June and July revenues are \$434 million below projections, she speculated that the budget shortfall could be almost \$3 billion larger. She also announced that her office was preparing to borrow as much as \$12 billion to avert a cash flow problem in November if a budget was not passed by then and that the interest costs would likely be very high. Finally, she announced that beginning September 1, 2002, she would be unable to make payments for services that are not mandated by Federal or State law, including payments for abortion services and payments that support the 21 regional centers for the developmentally disabled.

### **Pursuit of County Position on Legislation**

**AB 716 (Firebaugh, Wesson, Cardenas)** was originally a spot bill that was amended in conference committee to appropriate \$219,765,000 of the \$267,500,000 authorized under Proposition 40 for the acquisition, restoration, preservation, and interpretation of California's historical and cultural resources. AB 716 would allocate \$74,680,000 to the State Department of Parks and Recreation for recreational grants including, according to the Speaker's Office, \$9.335 million to Los Angeles County for acquisition and development of local parks and \$2.334 million to Los Angeles County for the El Pueblo Cultural and

Performing Arts Center. The bill would also appropriate \$91,350,000 to the State Department of Parks and Recreation for grants to public agencies and nonprofit organizations to preserve and demonstrate culturally significant aspects of California history, and \$128,415,000 to the State Library for capital expenditures to be administered by a ten-member endowment board. The Board membership includes the State Librarian as chair, the Secretary of Resources and the Director of Finance, three members appointed by the Governor, two members appointed by the Senate Committee on Rules, and two members appointed by the Speaker of the Assembly. In addition, AB 716 appropriates \$11,669,000 to the City of Los Angeles of which \$1 million is for the Grand Avenue Project. The bill as amended is consistent with the Board's endorsement of Proposition 40 and existing policy to support increased funding for parks and open space. **Therefore, our Sacramento representatives will support AB 716.** The Conference Committee report is currently pending in both the Senate and the Assembly.

**AB 2596 (Longville)**, as amended on August 26, 2002, would require county elections officials to compile returns for each precinct reflecting the vote total for all ballots cast, including both absentee ballots and ballots cast at polling places, at any Statewide or special election. The election results compiled pursuant to this measure must be made available to the Legislature or any appropriate committee of the Legislature for use in connection with the reapportionment of legislative districts. AB 2596 appropriates \$500,000 for purposes of the bill. This measure has an urgency clause.

AB 1530 (Longville) of 1999 required absentee ballots cast at the November 2000 Statewide election to be tabulated by precinct and the election returns for each precinct to reflect the vote total for all ballots cast, including absentee ballots. The County took an oppose unless amended position on AB 1530 based on the adverse fiscal and administrative impact on the Registrar-Recorder/County Clerk's office. The County requested AB 1530 to be amended to allow counties to tabulate absentee ballots by an acceptable statistical method to apportion absentee votes to the voter's originating precinct. The Registrar-Recorder/County Clerk estimated the additional costs of implementing AB 1530 to be \$400,000 per major election.

AB 2596 would make the provisions in AB 1530 permanent, including requiring the vote total for all ballots cast to be compiled by precinct beginning with the November 2002 election because this measure has an urgency clause. When AB 1530 passed, the Registrar-Recorder/County Clerk had one year to prepare for the change because the bill was passed in 1999, but implemented in the 2000 election. The November 2002 election is less than 70 days away and all ballot orders (over 800 different ones) have already been made. The Registrar-Recorder indicates that implementing AB 2596 would be impossible, requiring the department to go back into a manual mode despite the County's investment

of hundreds of thousands of dollars in automating our absentee ballot front-end process of putting the ballot packages together.

The Registrar-Recorder recommends that the County oppose AB 2596. Opposition to AB 2596 is consistent with opposition to AB 1530 of 1999. **Therefore, our Sacramento advocates will oppose AB 2596.** This measure is currently on the Senate Floor awaiting a vote.

**AB 2308 (Chavez)**, as amended on August 22, 2002, would allow jurisdictions to deduct inert waste deposited in a surface mining operation from their waste stream if this activity complies with a reclamation plan. AB 2308 would benefit the County, according to the Department of Public Works (DPW), because the inert material deposited for reclamation purposes will count as a diversion of solid waste from landfills and help the County meet its 50 percent diversion mandate. DPW recommends that the County support AB 2308. Support of AB 2308 is consistent with Board policy to support increased flexibility for local agencies to meet waste reduction goals established in the State Integrated Waste Management Act. **Therefore, our Sacramento advocates will support AB 2308.**

**SB 1449 (Vasconcellos)**, as amended on August 20, 2002, clarifies some of the provisions of Proposition 36, the Substance Abuse Treatment and Crime Prevention Act of 2000. It would allow Proposition 36 funds to be used by clients for public transportation to and from drug treatment and assessment, vocational training, family counseling, literacy training, and any other ancillary service deemed necessary by the treatment provider and ordered by the court. The measure would also clarify that a probationer or parolee may be directed to discontinue narcotic replacement therapy only when their narcotic replacement treatment provider recommends the discontinuation and the court or Parole Authority agrees that the discontinuance is a necessary component of an effective treatment plan.

According to the Department of Health Services (DHS), most Proposition 36 clients are indigent and have no means of transportation or ability to pay for bus fare and that their failure to appear at assessment centers and treatment programs is often a result of transportation problems. To the extent this expanded use of Proposition 36 funds helps participants to remain in treatment, it will reduce the cost for wasted treatment, revocation hearings, and the return to custody of program participants. The bill will also ensure consistent application among all counties in the treatment of Proposition 36 clients who complete the drug treatment program but continue to require narcotic replacement therapy.

Because these changes will contribute to the successful implementation of Proposition 36,

DHS recommends that the County support SB 1449, and we concur. Support for SB 1449 is consistent with Board support for AB 1947 (Washington) on July 16, 2002, which would also assist Proposition 36 clients to successfully complete treatment. **Therefore, our Sacramento advocates will support SB 1449.**

SB 1449 is supported by the California Association of Alcohol and Drug Programs, California Organization of Methadone Providers, and the Drug Policy Alliance. There is no registered opposition. The bill is awaiting consideration on the Assembly Floor.

### **Status of County-Interest Legislation**

**County-supported AB 34 (Runner)**, which originally appropriated \$12 million from the Veterans Home Fund for the construction of a veterans home in the City of Lancaster, was amended in the Senate to instead include technical provisions to continuously appropriate Federal monies in the fund. The appropriation for the Lancaster home was previously added to **AB 2559 (Wesson)**, which was signed into law on August 14, 2002. AB 34, which was awaiting Assembly concurrence in the Senate amendments, was ordered returned to the Senate on August 28, 2002.

**County-supported AB 415 (Runner)**, which would require law enforcement agencies to utilize the State Emergency Broadcast System to interrupt television and radio broadcasts when they are informed of a child abduction, was amended on August 19, 2002, so that the Governor and the Highway Patrol would not have to consult with the Office of Emergency Services before using the Emergency Alert System or developing policies and procedures for usage of the Emergency Alert System. AB 415 was sent to the Governor on August 24, 2002.

**County-supported AB 989 (Chan and Cedillo)**, which originally would have eliminated the expiration date for the California Food Assistance Program and Cash Assistance Program for Immigrants, was recently amended to deal with holocaust restitution payments. Therefore, we will drop our support of AB 989 and take no position.

**County-supported AB 1838 (Hertzberg)**, which would increase penalties for acts of terrorism, expand the definition of weapons of mass destruction, and subject a perpetrator who employs a weapon of mass destruction to life in State prison without parole, passed the Senate Appropriations Committee on August 22, 2002. It is now on the Senate floor.

**County-sponsored AB 1926 (Horton)**, which would allow an owner of property containing a racially or unlawfully restrictive covenant to have the covenant stricken in a newly recorded deed without approval from the Department of Fair Employment and Housing, passed the Senate and was sent to the Governor.

**County-supported AB 2238 (Dickerson)**, which would prohibit a person from knowingly

posting personal information about any elected or appointed official on the internet, was amended on August 13, 2002 to create an advisory task force to determine how to protect public safety officials' home information. The task force will include State enforcement agencies, judicial and legal communities, State recorders and assessors, and the business community involved in real estate transactions. AB 2238 passed the Senate Appropriations Committee on August 22, 2002 and moved to the Senate Floor.

**County-supported SB 308 (Escutia)**, which originally required the State Superintendent of Public Instruction to submit a plan to the Legislature to provide high quality child care and development services for all individuals who meet the income eligibility criteria, was recently amended to deal with employee assistance programs. Therefore, we will drop our support of SB 308 and take no position on this measure.

**County-opposed SB 441 (Sher)**, which originally made clarifying changes to existing law, was amended on August 24, 2002 to limit the solid waste diversion credit currently allowed for the use of various kinds of waste, including green waste, construction debris, and demolition materials, as daily cover at landfills. In anticipation of the amendment, we took an oppose position on August 23, 2002, based on Board policy to oppose measures that decrease the County's flexibility to meet waste reduction goals. SB 441 remains on the Assembly floor.

**County-supported SB 1045 (Polanco)**, which would declare legislative intent to reaffirm diversity as a public policy goal in contracting and employment by State and local agencies, was amended on August 21, 2002 to include recruitment activities for the economically disadvantaged. It was amended again on August 24, 2002 to include a legislative finding that increasing the number of businesses that participate in the bidding process results in more competition and assists State and local agencies to obtain quality work at a lower cost. SB 1045 remains on the Assembly Floor.

**County-supported SB 1287 (Alarcon)**, which would increase penalties for acts of terrorism, expand the definition of weapons of mass destruction, and provide that a perpetrator using a weapon of mass destruction be subject to life in State prison without parole if the act causes the death of a human being, was amended on August 23, 2002 to delete the increased penalties for possession or use of weapons of mass destruction. It remains on the Assembly floor.

**County-supported SB 1346 (Kuehl)**, which would authorize the California Integrated Waste Management Board to provide grants to local agencies of \$2.50 per ton of rubberized asphalt concrete or emulsion aggregate slurry used on a road reconstruction project, passed the Assembly on August 25, 2002, and was sent to the Senate for

Each Supervisor  
August 29, 2002  
Page 8

concurrency.

**County-opposed unless amended SB 1793 (Burton and Karnette)**, the Youth Authority Accountability Reform Act of 2002, would have eliminated the Youthful Offender Parole Board (Board) and divided its responsibilities between juvenile courts and local probation department. It was amended on August 23, 2002 and no longer eliminates the Board, but requires the juvenile court to set an initial parole consideration date for wards committed to the California Youth Authority, as well as the maximum term of physical confinement. The Probation Department indicates that with this amendment the bill is acceptable. Consequently, the County has removed its opposition to SB 1793.

DEJ:GK  
JR:MAL:dlm

#### Attachment

c: Executive Officer, Board of Supervisors  
County Counsel  
All Department Heads  
Legislative Strategist  
Local 660  
Coalition of County Unions  
California Contract Cities Association  
Independent Cities Association  
League of California Cities  
City Managers Associations  
Buddy Program Participants