



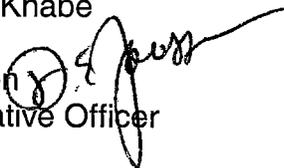
County of Los Angeles
CHIEF ADMINISTRATIVE OFFICE

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DAVID E. JANSSEN
Chief Administrative Officer

June 4, 2001

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

From: David E. Janssen 
Chief Administrative Officer

Board of Supervisors

GLORIA MOLINA
First District

YVONNE BRATHWAITE BURKE
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

STATE LEGISLATIVE UPDATE

State Budget Conference Committee Report No. 1

The Conference Committee Chair, Assembly Member Tony Cardenas, convened this year's State Budget Conference Committee, on Sunday, June 3, 2001 and plans to complete the budget writing process by Sunday, June 10, 2001, at the latest. Senator Steve Peace urged the conferees to quickly reach a mutual agreement on the revenue figures the committee will be operating under, and the amount of the reserve. He said that the Senate anticipates lower State revenues than does the Assembly, and has also adopted a higher reserve. Senator Peace said the Senate stands firm on not going below a \$2 billion reserve. He also noted that the Committee not only needs to look at the budget year's fiscal constraints, but future budget years as well, especially when considering new programs. A further bone of contention raised by the Senator is the Assembly's action to fund bills through the budget process, whereas the Senate's leadership barred such action.

Assembly Member George Runner also urged a higher reserve be adopted, especially since the State is moving into uncertain economic times. Further, the Republicans want the 4.75 percent State sales tax rate maintained and not increased on January 1, 2002.

The Department of Finance (DOF) and the Legislative Analyst's Office (LAO) also provided their perspectives. DOF indicated that the State faces further economic challenges because the new federal tax reduction package is expected to result in a \$326 million reduction in State tax revenues, which could grow to about \$1 billion in the next four years. The LAO noted that expenditures exceed revenues in the budget year by about \$4 billion.

None of the County's major issues were considered on Sunday, and the Conference Committee reconvened at 10 a.m. on Monday, June 4, 2001.

Each Supervisor
June 4, 2001
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Republican Alternative to the SCE Legislation

On May 23, Assembly Republicans announced their alternative to the Governor's proposal to keep Southern California Edison (SCE) out of bankruptcy. Assembly and Senate Republican leaders rejected the purchase of transmission lines (or hydroelectric plants). Instead, the Republican alternative, which applies to Pacific Gas and Electric (PG&E) as well, proposes:

- that the Governor negotiate concessions from the power generators to accept 70 percent of the roughly \$14 billion owed them by SCE and PG&E;
- that the parent companies of both utilities transfer to the utilities the tax refunds they gained as a result of the losses of their subsidiaries;
- that the balance of the utility debt be paid through a dedicated portion of the existing rate structure in return for negotiated concessions such as an equity stake in future utility power plants or discount electricity rates.

In effect, the Republican alternative proposes to cover past purchases with the budget surplus, thereby lowering the amount needed from the bond issue.

We will continue to keep you advised.

DEJ:GK
DS:ML:md

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