



County of Los Angeles  
**CHIEF ADMINISTRATIVE OFFICE**

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24

DAVID E. JANSSEN  
Chief Administrative Officer

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June 28, 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

**STATE LEGISLATIVE UPDATE**

**State Budget Conference Committee Report No. 13**

Yesterday afternoon, the Assembly rejected SB 75 (Peace), the Budget Bill, on a partisan vote of 50-28. Assembly Members Kelley and Pescetti did not vote. Reconsideration was unanimously granted.

The Assembly Republicans, like their Senate counterparts, indicated that they oppose the scheduled increase in the sales tax from the current 4.75 percent to five percent on January 1, 2002, under existing statutory authority.

It should be noted that the one-quarter cent sales tax trigger mechanism was enacted as part of the Budget deal in 1991 with the full support of then Governor Wilson and bipartisan support in both Houses of the Legislature. The 1991 statute, SB 179 (Deddeh-Chapter 88, Statutes of 1991), increased the State sales tax by one-quarter cent to help erase a \$14.3 billion State Budget shortfall, and it codified a mechanism to keep the quarter cent increase in place as long as the State's budget reserve was less than four percent of State General Fund revenues. When the State's reserve equals or exceeds four percent of State General Fund revenues for two consecutive fiscal years, the quarter cent sales tax increase is suspended for the succeeding calendar year.

Assembly Republicans also objected to the increase in the rate of growth in the Budget which they calculate at five percent. Assembly Democrats countered that the only significant growth in the State Budget is in education and corrections, and that the Budget already contains significant program reductions. They also indicated that the \$1.2 billion

Each Supervisor  
June 28, 2001  
Page 2

full-year price tag of repealing the sales tax trigger would only exacerbate the State's fiscal problems in future budget years. The debate ended in a standoff with Democrats stating that an additional \$600 million in cuts would harm critical services, particularly education, and Republicans stating the cuts could be accomplished without any harm to existing programs.

It is unclear at this time how the stalemate will be resolved. The Assembly is continuing to meet today, and it is scheduled to meet again on Friday. Both the Assembly and Senate will be on call throughout the weekend.

We will continue to keep you advised.

DEJ:GK  
DS: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  
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