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August 29, 2008

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

From: William T Fujioka
Chief Executive Officer

SACRAMENTO UPDATE

State Budget Activities

Today, the Senate met to consider **AB 1781**, the Conference Committee Budget Report, and **AB 88**, a companion bill containing the Democrat's revised version of a State Budget compromise introduced by Governor Schwarzenegger last week. After deliberating for about two hours, both bills failed passage by identical partisan roll call votes of 24 to 15. Both bills were immediately placed on call and, as of 2:00 p.m., their status had not changed. The partisan roll calls would seem to indicate that a budget compromise remains elusive.

While AB 88 is not available in print, according to a document entitled "Governor's Budget *with Revisions*," the Senate Democrat's plan retains most of the key components included in the Governor's proposal including budget reforms which would: 1) increase the size of the Budget Stabilization Account rainy day fund from 5 percent to 12.5 percent of the State General Fund; and 2) grant the Governor mid-year authority to reduce State spending by up to 7 percent of the State General Fund. The Senate Democrat's plan also includes the proposal for a ballot measure to modernize the State lottery and securitize future proceeds to repay debt and augment the rainy day fund. Securitization is estimated to generate \$5 billion in FY 2009-10.

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The Senate Democrat's proposal differs from the Governor's Budget compromise in a number of ways. While it retains the Governor's proposal to increase the sales and use tax rate temporarily from 5 percent to 6 percent over a three-year period, excluding diesel, gasoline and jet fuel, it does not contain a proposed 0.25 percent reduction from the current tax rate starting in FY 2011-12.

The Senate Democrat's plan also retains the Governor's proposal for an additional \$2.0 billion in budget cuts on top of the reductions adopted by the Budget Conference Committee for a total of \$9.9 billion in spending reductions in FY 2008-09. However, it restores the pass-through Cost-Of-Living-Adjustment for Supplemental Security Income (SSI) recipients, and it reduces the proposed restoration for local public safety programs from \$145 million to \$101 million. This proposal would affect the Mentally-Ill Offender Crime Reduction Grant, the Juvenile Justice Crime Prevention Act and Citizen's Option for Public Safety programs.

Finally, the Senate Democrat's plan rejects the Governor's proposal to allow for a two year carry back for losses incurred in taxable years beginning on or after January 1, 2011. It retains the proposal to suspend for two years the ability of corporations to reduce their tax liability based on prior year losses, and to phase in conformity with Federal law by extending the period to carry forward losses from 10 years to 20 years.

The Governor praised the Senate President for putting a budget plan to a vote, but he indicated that the proposal was missing key components of the budget compromise that he proposed last week.

Pursuit of County Position on Legislation

In an August 21, 2008 Sacramento Update, this office indicated that the Sacramento advocates would be working to secure amendments to correct a technical drafting error in **County-supported SB 1773 (Alarcon) of 2006**, which authorized counties to collect an additional \$2 penalty assessment on every \$10 penalty for all criminal offenses and moving violations to augment the Maddy Emergency Medical Services (EMS) Fund. The technical drafting error omitted reference to the distribution to the EMS Fund of a portion of the fines collected when a motorist chooses to attend traffic school. The proposed amendment would restore the authority of counties to distribute these funds as originally intended, and would hold harmless counties, such as Los Angeles, which complied with the requirements of SB 1773. On August 28, 2008, **AB 3076 (Huffman)** was amended to correct the drafting error contained in SB 1773. **Therefore, the Sacramento Advocates will support AB 3076.** This bill is on the Senate Floor.

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Status of County Advocacy Legislation

County-opposed AB 2262 (Torrico), as amended August 12, 2008, which would increase the age that an infant can be safely surrendered from 72 hours to up to seven days, passed the Senate Floor on August 28, 2008 by a vote of 33 to 3, and now proceeds to the Assembly for concurrence in Senate amendments.

County-supported SB 1420 (Padilla and Migden), as amended August 22, 2008, which would require that all chain restaurants in the State with 19 or more outlets to provide nutritional information for each item on standard menus, passed the Assembly Floor on August 27, 2008 by a vote of 46 to 28, and now proceeds to the Senate for concurrence in Assembly amendments.

We will continue to keep you advised.

WTF:GK:ML
MR:IGA:hg

c: All Department Heads
Legislative Strategist
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Coalition of County Unions
California Contract Cities Association
Independent Cities Association
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