



**Date:** November 8, 2007  
**To:** State Legislation Committee Members  
**From:** Patrick H. West, City Manager *PHW*  
**Subject:** **Sacramento Update**

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For your information, attached you will find a memorandum from Michael J. Arnold and Associates regarding an update on the State Legislature's Special Session.

For more information, please contact Tom Modica, Manager of Government Affairs, at 8-5091.

cc: Mayor and Members of the City Council  
Christine Shippey, Assistant City Manager  
Reginald Harrison, Deputy City Manager  
Tom Modica, Manager of Government Affairs  
Jyl Marden, City Council Liaison  
Mike Arnold and Associates

Attachment  
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**Michael J. Arnold and Associates, Inc.**  
Legislative Advocates and Consultants

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**Memorandum**

**TO:** Mayor and Members of the City Council

**FROM:** Michael J. Arnold, Legislative Advocate  
Kristian E. Foy, Legal Counsel

**DATE:** November 7, 2007

**SUBJECT: Quick Sacramento Update**

**Budget Clouds on Horizon**

We learned yesterday that the Governor has requested all State Agencies to propose budget options which include a ten percent cut in all budgets. We have also heard rumors that the Department of Finance is now anticipating a \$10 billion budget deficit going into the budget deliberations for the 2008-09 state budget.

**First Extraordinary Session on Health Reform – New Proposal: AB 1X 1**

Yesterday, the Speaker of the Assembly announced that he and Senate Leader Don Perata would be introducing a new health reform bill which incorporates many of the ideas the Governor has proposed in his universal health care plan. The new proposal from the Democratic Leadership attempts to address several issues which have separated the Administration and the Legislature.

- The new plan will include a sliding scale for employer contributions. The Governor's plan was at 4% while the Democrat's plan was at 7.5%. The new sliding scale is seen as an attempt to get closer to the Administration.
- The new plan includes funding from a proposed \$2 per pack tax on cigarettes. This part of the package would require approval by the voters at the November 2008 election.
- The proposal from Nunez and Perata would provide greater state subsidies to lower income families than were originally proposed in the Governor's plan. However, the new plan appears to try and strike a balance between where the Governor has been and where the Democrats

have been. The new plan uses income levels tied to a percent of the poverty level in apportioning the "individual responsibility" which is called for in the program.

- The plan will apparently include the imposition of a provider tax on hospitals which will be used to increase Medi-Cal reimbursement rates for services provided to Medi-Cal beneficiaries by hospitals. This will create winners and losers in the hospital industry, but the California Hospital Association has agreed with the Administration to support such a proposal.

The Assembly Health Committee will hold a hearing on the new plan on November 14, 2007. The bill will be in print on Thursday, November 8, as AB1X 1.

### **Second Extraordinary Session on Water – No Action**

No progress is being made in the special session on water. There was an initial flurry of activity with several meetings and behind the scenes negotiations, but the water issue seems to have floundered on the difference between the Administration and the Leadership in the Legislature concerning above ground storage facilities. The Governor is insisting upon the construction of new dams while the Legislature is opposed to any new above ground storage facilities. The Democratic Leadership in the Legislature reflects the view of many environmental groups that we should address our water needs through a combination of below ground storage and conservation.