



Tidbits from Sacramento

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Legislative and Governmental Advocacy
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December 14, 2007 – Issue #16

HEALTHCARE REFORM – IS IT ON LIFE SUPPORT?

As I peruse most of the California newspapers, it appears that they believe the “plug” has been pulled on any attempt to move forward with a comprehensive healthcare reform plan to cover all Californians. Did anyone believe it was going to be easy? I doubt it. Any time you attempt to make such major sweeping changes in public policy, you will encounter a few “walls” along the way. I believe it is remarkable that several of the major healthcare organizations have moved a few “mountains” allowing the dialogue to continue.

It appears that some participants in the negotiations may be willing to “downsize” from the Governor’s original proposal to get some healthcare reform through the process. Others are holding fast to their belief that healthcare reform should include a mandate for all Californians to buy insurance or apply for subsidized insurance.

At this point, it is very difficult to see how a comprehensive reform package will be enacted this legislative session, despite the months of intense negotiations that have taken place this year. There is no question that the efforts of the Governor’s team have met with significant success in addressing the issues of a number of key stakeholders. These negotiations are intense and very time consuming for all. There are still major issues that must be addressed and at this point, the task looks daunting. Negotiations have continued in the last week, but thus far it appears that that a timely agreement may be illusive

Time is running out! A key component of the proposal under negotiation is financing. In order to fund any proposal, a ballot initiative will be required. To qualify an initiative for the November, 2008 ballot, it must go through several processes, including getting the required voter signatures, a time consuming process. Its final step is certification which must be completed by June 26 in order for an initiative to be placed on the November, 2008 ballot.

So where do we go from here? The budget deficit for 2008-2009 is now pegged at \$14 billion. That will impact decisions on many issues, including healthcare. However, there is a great deal of support to address the issue of healthcare for all children, both in the legislature and among the public. Several bills are pending in the legislature and are well positioned to specifically address that issue. I expect the legislature may take those bills up when the current session reconvenes on January 7, 2008.

THE BUDGET DILEMMA!!

In a relatively short period of time, the fiscal picture of the State has declined significantly. Why? We spend more than we take in and sometimes budget projections appear more optimistic than actually materialize. The Governor and the legislature knew some months ago that we would have a shortfall this fiscal year, but it was projected at approximately \$6.1 billion. Based on that projection, the Governor ordered all state departments to cut their projected budget for the coming fiscal year, which begins July 1, 2008, by 10 percent. Had the shortfall remained at that amount, such an action may have been successful.

However, in the last two weeks, the Legislative Analyst, Elizabeth Hill has projected a more dire fiscal picture for the State, a \$14 billion deficit over the next 18 months. The entire national economy is having challenges; however, given the size of California, the problems here are huge and difficult to resolve. There does not appear to be a viable solution without enormous pain for all. While some Democrats are looking at tax increases as a solution, Republicans say absolutely “no” to any tax increases, cut the spending.

Much like the “dot com” bust of a number of years ago, California’s housing bust has created a snowball effect that is impacting a large number of other businesses which may feel the impact for a long time to come. Employment is down in the construction business to the tune of about 30,000 jobs. Its ripple effect has impacted various financial institutions, home furnishings, building suppliers, and numerous others, including the entire real estate market. Further increases in unemployment will most likely occur.

So what options will the members of the 2008 legislature have to “fix” the deficit? Under a voter approved Proposition 58 passed in 2004, the Governor could declare a state of fiscal emergency and present a budget to the legislature to address the deficit. The legislature would then have 45 days to act on it. If no action, the legislature would not be able to act on any other legislation until an agreement is reached on the budget proposal. More likely, there will be many hours of negotiations between legislative leaders to find viable solutions – I expect cuts, but it is clear that some taxes may be put on the table, probably for a defined period of time.

It appears that the impact of this budget deficit will chill the atmosphere for moving forward in 2008 on any significant healthcare reform proposals. While it appears that significant progress has been made over the last few months, some legislative leaders are reluctant to move a major healthcare proposal forward at this time. The most we may see will be the expansion of healthcare for children in some form – most likely under the Healthy Families Program probably with some changes to the current program.

WATER, WATER AND MORE WATER

The Water Bond is another issue that was unable to be resolved through the legislative process, including the special session that was called by the Governor in September. Is there a water issue in California?? No one seems to doubt that there is a problem. The issue, however, is how to “fix” the problem. Like healthcare reform, many hours/days were spent attempting to reach a resolution on this issue during the latter part of this year to no avail.

A coalition of business, labor and agricultural groups have come together to form the Californians for Clean and Reliable Water to enact a solution to what they see as a critical issue

facing this state. According to the Association of California Water Agencies (ACWA), California's water delivery system faces a complex set of problems that threaten water supplies for people, the economy and the environment. The Association has begun a public education program to alert Californians about the water problems they have identified. Most Californians are totally unaware of the pending water crisis and its impact on them according to the Association. Among these impacts may be:

- The Delta – a key natural estuary which is in an ecological crisis that threatens people as well as the environment affecting 2.5 million acres of farmland and 25 million Californians
- Aging Delta levees are at risk of a natural disaster. A 6.5 magnitude earthquake would cause damage to levees, resulting in severe flooding of communities/farmland
- A recent court ruling cut water supplies from the state's 2 largest water delivery systems by 1/3 to protect an endangered fish. This will affect the SF Bay Area, Central and Southern California water supplies
- Statewide water reserves are extremely low and would not meet public demand during a major disruption to the state's water delivery system.
- Farmers need water to plant and grow crops. With reduced water supplies, some California farmers are letting fields sit idle
- California's population continues to grow rapidly, but it has been 30 years since appropriate investments were made in the water system
- 2007 ranks as a record dry year in some regions. If this continues, mandatory water rationing may be imposed in many areas.

Some recent comments by a newspaper editorial put a different spin on this issue, although they do state that some water entities have become very reliant on supplies of water from the Sacramento/San Joaquin Delta. The issues seem to revolve around whether or not you believe that dams are the answer or more conservation measures.

It appears that we may have dueling water propositions should opponents to the Coalition also choose to put an initiative on the ballot.

The budget, healthcare and water are major issues that we will see play out in the legislature, the ballot box or both. Stay tuned for the next installment.