



Tidbits from Sacramento

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LEGISLATION AND THE DEFICIT

It is clear that the 2000 pieces of legislation introduced since January, as well as the 600 or more bills left over from the first half of the 2007-2008 Legislative Session, will have a very tough time making their way to the Governor. Some bills are being dropped as their authors take a look at the various barriers their bills will face in the first policy committee. Other bills were dropped before they even began the process and some authors have bills that are continuing to move, but with substantial amendments.

The biggest hurdle legislation will face will be the fiscal committees. Legislation may make it out of a policy committee only to face the prospect of the bill going to the Appropriations Committee “Suspense File.” This is where many of the bills will “die.” The Senate made it very clear several weeks ago when they set their fiscal policy. If a bill content will cost the State over \$50,000, the bill will automatically go to the Senate Appropriations’ Suspense File. While the Assembly has not yet set their cost standard, many of their bills will also be sent to the Assembly Appropriations Suspense File if it is deemed to have a substantial state cost.

As with everything in the political process, nothing is just black and white. Some bills which exceed the Appropriation Committees limits may be released at some point, most likely to address a specific “hot button” political issue. This year, I expect a large number of bills to remain in the Suspense File, at least until after the budget process is completed.

THE DEFICIT CONTINUES TO GROW

Despite the 10 percent across the board cut the Governor ordered for all departments earlier this year, California is still facing a significant and growing deficit that will significantly impact the ability of the legislature to balancing the 2008-2009 year budget. As I watch the budget hearings, it is very challenging to see how the legislature will be able to bring a balanced budget to the Governor, particularly in light of the various cuts to critical problems that are being proposed. Our law requires a “balanced budget” to be submitted to the Governor each fiscal year. During other challenging fiscal times, we were able to borrow money, shift monies around, etc. This time, we have run out of “gimmicks.”

For the last 10 or more years, we have relied on a strong economy that increased our revenues enough for us to get through the challenge of submitting a yearly “balanced budget.” For a number of those years, however, we continued to spend more than the revenues we received. Now we are faced with choices neither Republicans nor Democrats can agree upon. Decrease services or increase taxes. This is not rocket science. When you spend more than you take in, you have a deficit, even if you are the Government. The most current deficit numbers indicate the deficit will be somewhere between \$11 and \$14 billion for the coming fiscal year.

On May 14, the Governor is scheduled to release his annual May revision. At that time, we will have a better idea of the entire fiscal picture. The Department of Finance did state that California's tax revenues are down significantly.

WHAT WILL BE THE EVENTUAL SOLUTION?

No one believes we can "cut" our way out of this budget dilemma – it would necessitate cutting services that all Californians have come to expect. It may even begin a revolt of the taxpayers and certainly rein havoc on those affected, the ill, the elderly, etc. The word revolution comes to mind.

Ultimately we will get through this fiscal mess, but it will take a lot of leadership and tough negotiations. Once the name-calling stops, sanity will force both sides of the aisle to move. Already, I see some things happening, albeit, quietly.

Will we face an increased sales tax? Will it be time-limited? Will it apply to services as well as goods? Time will tell how this fiscal debacle will play out. However, until the May Revision of the Governor's budget is released the full extent of the deficit will not be known. Then the real work will begin. Eventually resolution to all the questions and a "balanced" budget will be put together, but I expect it may be a long, hot summer.

HEALTHCARE MANDATES AND THEIR IMPACT

This may go down in history as the year of the healthcare mandates. We have seen at least 11 of them thus far this year and a number of others still moving through the process from last year. Legislation with a mandate is sent to the California Health Benefits Review Program (CHBPP) for analysis. This program is administered by the Division of Health Affairs at the University of California Office of the President. These reviews include an identification of the specific provisions of the legislation, including the utilization expected, the impact on healthcare coverage and the expected costs incurred.

The following are examples of some of the bills reviewed this session:

SB 1198 (Kuehl) – Requires health plans and insurers to offer coverage for durable medical equipment in the group market and do so at the same levels of coverage as other health care benefits

SB 1634 (Steinberg) – Requires health care plans and group insurance policies to provide coverage for orthodontic services deemed necessary for medical reasons by a cleft palate or craniofacial team identified by the Cleft Palate Foundation for repair.

AB 1774 (Lieber & DeLeon) - Mandates coverage of "any test necessary for the screening and diagnosis of gynecological cancers when ordered by a physician, nurse practitioner, or certified nurse midwife in whose judgment the test would assist or facilitate the diagnosis of cancer."

AB 1887 (Beall) – Expands the mandated coverage for mental health services to a broader range of conditions than currently covered. It also requires that coverage for mental health services be no more restrictive or limited than for other medical conditions.

AB 1894 (Krekorian) – Requires health plans and insurers to provide coverage for testing for HIV antibodies and AIDS regardless of whether the testing is related to a primary diagnosis.

AB 1962 (De La Torre) – Requires health insurance products regulated by the Department of Insurance to cover maternity services.

AB 2174 (Laird) – Mandates coverage of amino acid-based elemental formulas, regardless of the delivery method, for the diagnosis and treatment of eosinophilic disorders and short bowel syndrome when the physician has written an order stating that the formula is medically necessary.

AB 2234 (Portantino & Wolk) – Requires that health plans and insurers cover tests necessary for the screening and diagnosis of breast conditions in accordance with national guidelines, including mammography, MRIs, ultrasound and computer-aided detection.

LEGISLATIVE & CONSTITUTIONAL OFFICERS PAY RAISES?

In 1990, the California Citizens Compensation Commission was created. The Commission reviews the pay of all elected legislators, members of the Board of Equalization and constitutional officers. Current salaries range from \$212,179 to \$116,208. While the Governor is entitled to a salary of more than \$200,000, he does not accept it. All legislators receive \$116,208 except the Senate and Assembly majority and minority leaders who receive a bit more.

This week the Commission met to consider the current salaries and much to the surprise of all, asked if they had the legal right to reduce the current salaries!! Stay tuned, this will be interesting given the current state of the budget crisis.