



## **SACRAMENTO UPDATE**

June 13, 2009  
SU17-09

### **Budget Activities**

The Budget Conference Committee voted 5-0/5-0 (5 senate members/5 assembly members) not to suspend Proposition 42 as part of the budget plan. Earlier this year, the Legislative Analyst Office presented an option of partial suspension of Prop 42 in 2009-10 for General Fund savings of close of \$1.2 billion. The committee wisely determined that with the 3 year pay back requirement of the funds, suspending Proposition 42 does little to help with the long term structural needs of the budget. Thanks to all who weighed in on this including those who signed coalition letters.

As the conference committee continues its work, the partisan back and forth is reaching a higher volume. Yesterday the Governor said he would not borrow money to keep the government running if the legislature does not act to make cuts to balance the budget. He said he was willing to bring the state to a grinding halt. In response, some democrat budget conferees called his words "irresponsible." The leader of the senate has proposed that reserve funds be used in combination of cuts to bring things into balance. The Assembly Speaker has said her caucus wants a combination of taxes and cuts as solution. Republicans and the Governor have rejected any talks of new taxes.

The conference is working to close out by June 15 so both houses can take action on a budget solution.

### **Pending Workers' Compensation Rate Increase**

After falling for five years, the cost of workers' compensation coverage seems to be headed up. At a hearing week, Insurance Commissioner Steve Poizner heard conflicting testimony over a proposal to raise the benchmark rate of workers' compensation insurance by 23.7 percent as recommended by the Workers' Compensation Insurance Rating Bureau. The WCRB reported medical costs for treating injured workers are now rising at an annual rate of more than 16 percent. Poizner has three weeks to accept or amend that recommendation. But insurers are free to ignore the benchmark and set whatever rates they deem prudent. California's largest workplace insurer, SCIF, recently said it plans to hike rates by 15 percent, citing medical cost inflation.

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