

# Agenda Report

**TO:** CITY COUNCIL **DATE:** NOVEMBER 7, 2005  
**FROM:** CITY MANAGER  
**SUBJECT:** CITY OF PASADENA'S OFFICIAL POSITIONS ON SEVERAL PROPOSITIONS IN THE NOVEMBER 8, 2005 SPECIAL ELECTION

## RECOMMENDATION

This is an information item only.

## BACKGROUND

On September 12, 2005 the City Council approved taking positions on several proposition in the upcoming November 8<sup>th</sup> Special State Election. Tomorrow Pasadena registered voters will go to the ballot to make their selection. This report serves as a reminder as to what position the City Council took and their justifications.

### Oppose Proposition 76 – Live Within Our Means

After much deliberation and testimony by members of the Pasadena Unified School District, the City Council chose to oppose this measure. Analyzing the measure solely on the merits of how it impacts local government, then it does offer additional protections from revenue raids by the State. To do this, however, the Governor could unilaterally suspend portions of Proposition 98 funds thereby further reducing funding to public schools. City Council found that this measure was a simplistic approach for dealing with a highly complicated problem. Furthermore, this proposition shifts the balance of power from the legislature to the Governor thereby continuing to diminish our representative form of government.

Oppose Proposition 78 – Discounts on Prescription Drugs  
Support Proposition 79 – Prescription Drug Discounts & State Negotiated Rebates

Propositions 78 and 79 will appear on the November special election and both address the issue of the rising cost of prescription drugs. They will be discussed together, as they are competing measures. If both Propositions 78 and 79 are approved by the voters in the State of California, only the proposition that receives the most yes votes will take effect.

The primary differences between Proposition 78 and 79 can be found in their methods of persuading pharmaceutical companies to participate in the discount program. Proposition 78 relies on drug companies to voluntarily provide discounts and does not allow the state of California to enforce the discount program. It is based on a similar program currently operating in the state of Ohio. Opponents of Proposition 78 claim that without an enforcement mechanism, drug companies have no incentive to participate. A similar program of voluntary drug discounts in the state of California in 2001 was not successful in reducing prescription drug costs.

Proposition 79 includes an enforcement mechanism through a provision allowing the state to punish firms that don't discount their drugs. If a pharmaceutical company refuses to provide significant discounts, the state would be permitted to shift business away from that company and buy more from other drug companies that do offer discounts. This is accomplished by linking the new discount program to the state's MediCal program. Proposition 79 is modeled on a similar program implemented by the state of Maine.

In analyzing the two propositions, it appears that Proposition 79 would result in the greatest benefit to Californians. While it is certain that the pharmaceutical industry will challenge the measure in court should it pass, recent judicial decisions in other parts of the country point to a likelihood that Proposition 79 would stand. With the tremendous purchasing power of the State of California and a drug discount program that could punish drug companies for not participating, millions of residents are likely to see significant reductions in the costs of their medications. A voluntary program for pharmaceutical companies is unlikely to result in the same level of participation.

**FISCAL IMPACT**

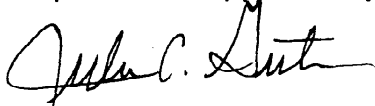
At this time, there is no fiscal impact associated with either supporting or opposing the ballot initiatives. Although passage of Proposition 76 may impact future revenue received from the State.

Respectfully submitted,



CYNTHIA J. KURTZ  
City Manager

Prepared and Approved by:



Julie A. Gutierrez  
Assistant City Manager