

## LEGISLATIVE COMMITTEE UPDATE

### Welcome!

The legislature kicked off the 2017-2018 session with a bang last week. Normally the first Floor Session of the two-year term is uneventful and ceremonial. Newly elected legislators bring in their families to sit at their desks while they formally take the oath of office. Crying babies, restless toddlers and awestruck spouses are the norm.



*Todd Bloomstine*

But this year was quite different. Article IV Section 2 of the California Constitution requires the legislature to meet. They do so in order to elect officers and to organize the body. But the legislature took a step into the political this day with the introduction of two identical resolutions on immigration. The ceremonious day turned into a heated one in a short amount of time.

The resolutions in question had not, allegedly, been seen until that morning. This caused Republicans to immediately object, which they officially did but were immediately tabled.

The resolutions, formally named HR4 and SR7, declare the importance of immigration in the foundation of our country and in its continued success. But the resolution's praise exceeds legal immigration and asserts the value of illegal immigration, to which the Republicans objected.

Bleary-eyed Assembly and Senate guests quickly woke up as the confrontation between California and President-elect Trump played out right in front of them.

Ultimately, both resolutions passed on party line votes.

The struggle between the California Legislature and President-elect Trump's administration began as soon as it officially could in the 2017-18 legislative session. I suspect it will be a continued theme throughout the next two years as it plays out in different policy areas.

### A Look In This Issue

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### Bill Update: AB 2844

Assembly Bill 2844, by Assemblymember Richard Bloom (D-Santa Monica) requires that contractors must certify that they do not discriminate against any individual, based on the non-discrimination laws in California (California Fair Employment and Housing Act and the Unruh Civil Rights Act).



*Assemblymember Richard Bloom  
(D-Santa Monica)*

This bill "requires the contractor to certify that any policy that they have adopted against a sovereign nation or peoples recognized by the U.S. Government is not used to discriminate in violation of the state's anti-discrimination laws."

In other words, companies must certify that they are not discriminating against a sovereign nation or peoples recognized by the United States, including, but not limited to, Israel. Contractors that enter into agreements with the state valued at \$100,000 or more, must comply with this self-certification.

# Bill Update: SB 1234 Goes Into Law

At the end of the legislative session, we discussed a bill, Senate Bill 1234 by Senate Pro Tem Kevin de Leon (D-Los Angeles) that calls for a mandated retirement account (administered by the state) for all employees with contributions of up to 5% of an individual's annual salary IF an employee does not already contribute to a retirement fund. This bill was signed into law by Governor Jerry Brown in September.

As you remember, the significant part about SB 1234 is that it applies to private employees. Legislators approved a bill (and the Governor signed it into law) that mandates that **private employees** contribute a minimum amount of their income to retirement.

While we should applaud, and encourage, each individual to invest in their future retirement, this law does raise some serious concerns. First, we must consider that CalPers (the current state employee retirement program) and social security are both showing shortfalls, and inability to meet their unfunded liabilities. Would this program, named Secure Choice, go down a similar fate?

Also, who is going to be responsible for guaranteeing the investment for each employee that participates in this program? The

bill seeks to make sure that the state is not on the hook by saying, "the state shall not have any liability for the payment of the retirement savings benefit earned by program participants pursuant to this title." While this sounds like very strong language, there is still plenty of "wiggle room."

And if the state isn't liable, then who is? Businesses?

SB 1234 does authorize employees to "opt-out." Of course, that requires them to affirmatively do so meaning the default assumption is that employees participate in the program first then opt-out. It also guarantees participation for employees if they fail to opt-out, maximizing participation. If the state were truly concerned that private employees did not have enough retirement savings options, why not have the program "opt-in" for employees wanting to participate. No – this bill has all the signs of money grab.

This bill was ultimately signed. At this point businesses need to be focused on compliance and educating their employees on its requirements.

## Los Angeles Metro Pays \$300 Million Claim to Kiewit for 405 Project

Last month, the Los Angeles Metropolitan Transportation Authority agreed to pay almost \$300 Million in settlement costs to Kiewit, the contractor on the 405 widening project in LA. This concludes the years-long dispute between the two parties over schedule delays, design changes and cost overruns.



The settlement brings the total cost of the project to more than \$1.6 billion – 55% more than original budget costs for the Sepulveda Pass Project. The project opened the 10-mile north-bound carpool lane more than a year behind schedule after causing five years of traffic congestion and challenges in one of the busiest traffic corridors in the nation.

The resolution comes after both parties agreed to non-binding arbitration to settle the suit that Kiewit filed against Metro in 2014, seeking reimbursements for hundreds of millions in alleged cost overruns. Metro stated publicly that it was pleased with the quick settlement through arbitration along with the final settlement amount – far less than the original \$518 million claim.

One of the major points of cost overruns were problems with utility relocation; with 7 of the 13 schedule delays claimed by Kiewit came from challenges with third party utility companies. For example, crews discovered more than 9 miles of unexpected buried utility lines...



# Berkeley Balcony Collapse – Contractor State License Board Complaint Filed

Recently, a complaint was filed with the Contractor’s State License Board (CSLB) against Segue Construction, the developer on the project where the Berkeley Balcony Collapse occurred.

This tragic circumstance resulted in significant coverage both in the media and the California Legislature. After lengthy hearings, Senators Jerry Hill (D-San Mateo) and Loni Hancock (D-Berkeley) introduced SB 465 because of those hearings.

This filing with the CSLB is the most recent development in this ongoing story. The claim against Segue details that there was a

departure from plans and specifications and a departure from accepted trade standards. For these reasons, the request was made that Segue’s contractor’s license be suspended or revoked.

The media has continued to comment on the development of this issue, most recently in an opinion editorial that was published in the Sacramento Bee. The article is critical of the construction industry for watering down the bill. Click [here](#) to read the full opinion piece if you are interested.

## Could Moderate Democrats Ruin the Democratic Super Majority in California?

After the November election, the Democrat party holds a super majority in both houses of the Legislature with a 55-25 edge in the Assembly and a 27-13 democratic advantage in the Senate. While on the surface, it looks like the Democratic leaders will have all the votes they need to make major policy changes to raise taxes, place constitutional amendments on the ballot, and passing emergency bills – all measures that need a 2/3rds vote to pass. But this may not actually be the case. And that is due to the number of moderate Democrats in office.

As we have discussed here in previous newsletters, the moderate democrats, or the “Mod Dems” as many call this group, can have significant influence on policy. Typically, this group of legislators, while liberal on many social issues are much more moderate when it comes to business issues.

Author Jeff Horseman from *The Press Enterprise* explains it this way, “And those moderate Democrats could stymie liberal plans for climate change legislation and other issues facing state lawmakers.”

Political observers are watching to see how the Democrats use this super majority. How they respond to this “blank check” will certainly impact public perception about Democrat legislators. It will certainly positively or negatively influence the public’s perception on the legislature’s work.



### Contact Information

Southern California Contractors Association  
P. 657-223-0800 | F. 657-223-0801  
E. [info@sccaweb.org](mailto:info@sccaweb.org)  
600 City Parkway West., Suite 165  
Orange, CA 92868

Todd Bloomstine  
SCCA Legislative Advocate  
916-444-9453  
[toddb@bblobby.com](mailto:toddb@bblobby.com)

Need to talk to us?  
We’re listening....



# Legislative Analyst's Office Releases Cal Facts

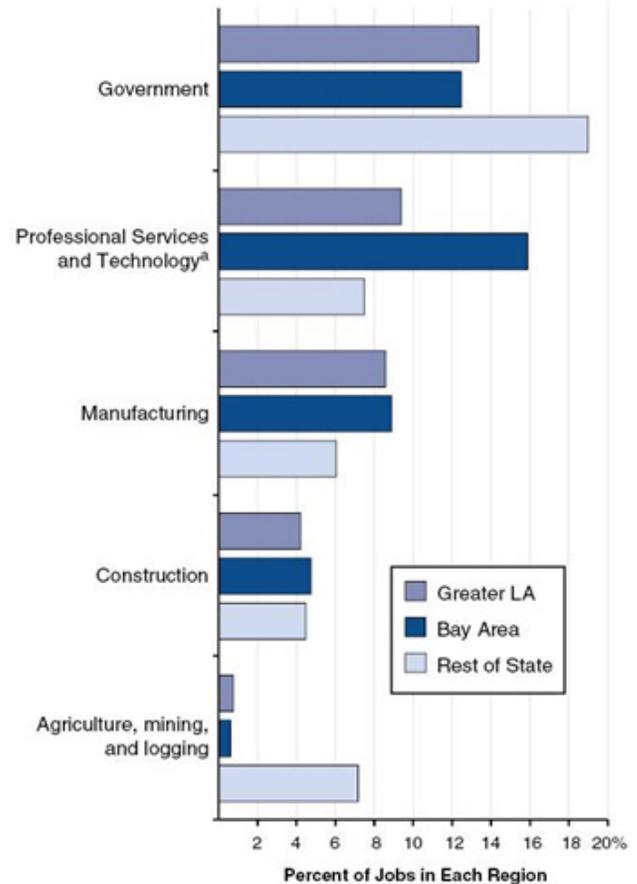
## *Facts About California's Economy*

“With a state as big, populous, and as complex as California, it would be impossible to quickly summarize how its economy or state budget works. The purpose of Cal Facts is more modest. By providing various snapshot pieces of information, we hope to provide the reader with a broad overview of public finance and program trends in the state. Cal Facts consists of a series of charts and tables which address questions frequently asked of our office. We hope the reader will find it to be a handy and helpful document,” said Mac Taylor, Legislative Analyst.

California has the 6th largest economy in the world with a gross domestic product of \$2.5 trillion, behind the United States (excluding California), China, Japan, Germany, and the United Kingdom.

There are five major employment sectors throughout the state: government, professional services and technology, manufacturing, construction, and agriculture. The following graph shows which part of the state has the largest contribution to each of these sectors. Pay particular attention to the growth in the Government sector – that above all else is the largest employment sector throughout the state.

Cal Facts looks at all sectors of California's economy including Education, Health and Human Services, Criminal Justice, and Transportation, among many others. To read the full report click [here](#).



<sup>a</sup> Includes information sector and professional, scientific, and technical services sector.

## Worth Referencing...

*“Consciously or not, the European politicians advocating open borders have failed to prioritize their own citizens over foreigners. These leaders’ intentions may be noble, but if a state fails to limit its protection to a particular group of people – its nationals – its government risks losing legitimacy.”*

Jakub Grygiel. “The Return of Europe’s Nation States.” Foreign Affairs, September/October 2016, page 97.

