

SCCA

February 2016

SOUTHERN CALIFORNIA CONTRACTORS ASSOCIATION

Volume 1 Issue 3

LEGISLATIVE COMMITTEE UPDATE

Welcome!

Tuesday, March 15 is SCCA's Legislative Day! We highly encourage you to come up to Sacramento and spend the day lobbying and meeting legislators and their staff.

We'll start the day with a lunch meeting at the historic Sutter Club and then spend the afternoon in the Capitol. At the end of our day, we'll head over to the Citizen Hotel where SCCA will host a reception for legislators and their staff.



Todd Bloomstine

If you're interested in coming up to Sacramento, please contact Alicia DiSanto at adisanto@sccaweb.org. We hope to see you on March 15!

A Look In This Issue

Why is California Gas More Expensive?	Page 1
Appellate Court Decision	Page 2
California Gas Consumption Up	Page 2
Rumor Has It.....	Page 2
California Public Utilities Commission	Page 3
January Membership Meeting	Page 3
Legislative Video Web Log	Page 3

Why is California Gas More Expensive Than Other States?

It has been a relief to see decreasing gas prices throughout the State in the last weeks. But, as a recent report shows from Consumer Watchdog, California businesses are still paying some of the highest prices at the pump.

Consumer Watchdog goes into detail regarding what caused these higher gas prices, particularly in 2015. It is worth noting the many factors of higher gas prices in our state, up first: California's gas taxes.

They average approximately 59 cents per gallon. Breaking it down specifically, California drivers pay 18.4 cents per gallon in federal taxes, 30 cents per gallon in state taxes, and an additional 10.6 cents per gallon in other taxes and fees. These add up to the fifth-highest per-gallon fee of any state, much higher than the national average of 47.9 cents per gallon.

While taxes and fees do influence overall price, Californians see prices spike when a refinery is off-line — resulting in less supply available on the market. In 2015, California suffered from three unplanned refinery shut-downs (each for various lengths of time); Tesoro's Golden Eagle in Martinez, Chevron's Richmond refinery, and ExxonMobil's Torrance facility all impacted the overall inventory of gas; thus driving prices higher in California.

Finally, Californians are paying more at the pump even though the price for a barrel of oil has gone down significantly over the past year. For example, Brent Crude closed last week at \$32.88 per barrel, down from last year's price of \$58. At the pump though, Californians only saw a two-cent drop in gas prices. This disconnect is what is driving the high gas prices in California.

HUB Construction Specialties, Inc v. Esperanza Charities, Inc 2016 DJDAR

SCCA Legislative Committee member Patrick Hartnett from the Hartnett Law Group reported on a recent Appellate Court decision. He has this to contribute:

The Second Appellate District, Division 8, published a case on February 10, 2016, which provides that even though a lien claimant failed to use the certified receipts for a preliminary notice, the claimant can enforce the lien if the other side admits or stipulates that it actually received the notice.

This is a really narrow ruling and will not affect contractors that follow the law with respect to serving the preliminary notices with the Certified Mail RRR cards; however, traditionally the preliminary notice and the Return Receipt Requested / Certified Mail requirements were strictly enforced by the courts. As a

practical matter, I suspect that most property owners will now have “amnesia” when it comes to whether or not they actually received the 20-Day Preliminary Notices and will never admit that they actually received them. I can’t imagine a general contractor doing the same regarding a preliminary notice from a sub but I am sure that there are some not in the SCCA that would.

In sum, this is a good case for contractors because it is the first case in some time that “liberally construes” the mechanic’s lien laws in favor of contractors and does not erode contractor’s rights.

The case is HUB Construction Specialties, Inc. v. Esperanza Charities, Inc. 2016 DJDAR 1395. It is not in the official books yet but it has been published and is good law.

California Gas Consumption Up While Revenues Down

Dropping gas prices, improving economy, and higher employment rates results in increased gas consumption. The California State Board of Equalization reported that consumption increased 2.4 percent in the 2014-2015 fiscal year. In total, motorists purchased 14.92 billion gallons of gas, up from 14.57 billion gallons of gas the previous year.

The Board also noted that diesel fuel consumption is up 2.5 percent in the 2014-2015 fiscal year as well. This totaled more than 2.8 billion gallons of fuel purchased, indicating an increase in truck commerce. While this study shows that Californians are using more fuel for business and personal travel, recent reports indicate that there will be cuts in state transportation funding.

Last month, the California Transportation Commission noted they need to cut by 38%, a total of \$754 million due to lower revenues caused by decreasing gas prices and increasing fuel efficient vehicles on the road. The LA Times reported on Feb 3rd that, “Those falling prices cut the state’s gas excise tax revenue from 18 cents a gallon two years ago to 12 cents last year, and revenue is expected to sink to 10 cents in July. Every penny in revenue lost per gallon means a \$140-million drop in transportation funding.”

What does this mean when we look at the bigger picture? Not only will new transportation improvement projects not be funded, but many of the 200 projects that are currently in development will be delayed or dropped altogether. With state funding \$59 billion behind for basic infrastructure maintenance and local funding even further behind with a \$78 billion shortfall, we know that now, more than ever, a stable funding source is needed for transportation dollars. This is an issue that SCCA has been

watching for years, and has advocated for stabilized funding for our transportation projects.

Last year, the Legislature had a special session on transportation but were unable to make any headway in funding transportation projects. Stay tuned as transportation funding will continue to be point of discussion this legislative session.

Rumor Has It...

That an Pro-Israel contracting bill is going to be introduced in the 2016 Legislative Session.

Fact Check: Assemblymember Travis Allen (R-Huntington Beach) introduced Assembly Bill 1552 which will require parties contracting with state government to certify that they do not participate in boycotts against California’s trading partners.

Allen’s office says, “AB 1552 reinforces California’s trading priorities and ensures that our relationships with supportive countries are not undermined by companies here and abroad. California maintains the right to choose with whom it will contract, recognizing that prudence with taxpayer funds is an important part of reinforcing public policy and the basic ethical standards of government.”

This bill is one of several on a national level that has been introduced in response to increased discrimination based on national origin. The author’s intent with AB 1552 is to ensure that this (along with many other types) discrimination is not acted upon by any entity that contracts to do business with the state.

While this measure is well intentioned, SCCA members need to look closely at how this measure would be implemented.

California Public Utilities Commission Keeps Rooftop Solar in Play

Last month the California Public Utilities Commission (PUC) voted to continue the practice of Net Energy Metering (NEM) - the way that residential customers on the electricity grid can “sell” excess rooftop solar generated energy back to the utility companies and the electricity grid. This policy has enabled California to lead the nation in the installation of rooftop solar.

Recently, this practice came under fire by utility companies and many proposals were circulated that would have dramatically changed the dynamic of how those rooftop solar owners and utilities work together in getting excess energy back to the grid. The decision also included new rules that will require customers that have rooftop solar to move to a time-of-use rate that they will pay for their energy based on when they are utilizing energy from the grid and will vary based on demand.

By the PUC continuing their NEM policy, combined with the federal investment tax credit extension, most believe this will add further stability to the industry in California. With about 55,000 solar installation jobs throughout the state, any policy changes would have had far-reaching effects.

While you may or may not agree with this policy, it does show the influence and impact that government agencies and decisions can have upon Californians — both in the business and private sectors. Governor Jerry Brown signed Senate Bill 350 last fall which required the state to get to 50 percent of its electricity from renewable sources by 2030. SCCA must be involved in the conversation to ensure that business has a voice in the face of meeting this energy requirement in the next 14 years and shaping green energy policy for the future of our state.

January’s Membership Meeting Summary

John Husing was our guest speaker at our January Membership Meeting and shared about the “green economy” and his assertion that Sacramento is depending upon the green economy to be a major driver in turning around our economy. While Husing stated that Sacramento politicians are driving this bus, he said that real economic growth is driven by other sectors of the economy. For example, California construction job growth created 161,291 jobs (8.3% of the total) from 2011 to 2015.

There’s been a fundamental shift in Sacramento where leaders are focusing more intently on the green economy to the exclusion of other economic drivers. California has fully engaged in the climate change conversation; especially following the accord that was reached in Paris last fall where participants committed to combating global climate change.

This is seen in a recent report from California Treasurer John Chiang where he states, “Foremost is the possibility of developing new forms of municipal borrowing, dubbed “green bonds.” I, and my staff, together with business groups, environmental advocates, the investment and finance industries, and other states and nations, are exploring green bonds’ potential as a new market for financing critically needed environmental work. Wind farms, clean air vehicles, public transit, and cleaner manufacturing technologies are among such investments.”

While the idea of promoting more efficient energy use and utilizing all forms of energy to contribute to the grid is ongoing, we must not ignore conversations about the cost of green energy for consumers. Right now, California has the most expensive industrial electricity in the nation and political leaders continue to invest in supporting the green economy, further increasing the cost.

Instead, our leaders need to be discussing ways to support growing industries, that are providing jobs and improving our economy today - just like the construction industry.

Contact Information

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

Todd Bloomstine
SCCA Legislative Advocate
916-444-9453
toddb@bblobby.com

Video Web Log



The SCCA Legislative Committee’s Weblog episode 3 is available at: <https://youtu.be/Pw5Y2VLRm04>.