

LEGISLATIVE COMMITTEE UPDATE

Welcome

The biggest day in the legislature is about to happen! May 27 is the Red Wedding (all you Game of Thrones fans will recognize the comparison) when it comes to California legislation. That's when both the Assembly and Senate Appropriations Committees plod through hundreds and hundreds of bills and kill off most of them.



Todd Bloomstine

Any bill that would cost the state more than \$150,000 is placed on something called the Suspense File. This file builds and builds until the May 27 deadline approaches and the committee is forced to pass the bills in order to meet the deadline. Usually, all bills on the Suspense File cumulatively add up to several billion dollars. There's simply no way the state can afford all the proposals in the Suspense File. So it holds many of them, effectively killing them for the year.

The chairs of the appropriations, Senator Ricardo Lara (D-Bell Gardens) and Lorena Gonzalez (D-San Diego) wield a lot of authority. Their recommendations literally mean a bill moves along or is held. That makes those chairmanships two of the most powerful in the legislature. Their day is about to come.



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Lease-Leaseback Fix Moving Forward

Assembly Bill 2316 by Assemblymember Patrick O'Donnell (D - Long Beach) passed the Assembly Floor and is headed over to the Senate. AB 2316 is a response to a court [decision](#), Davis v. Fresno USD, that declared all lease-leaseback contracts null and void.

Prior to the court decision, school districts would use a unique, some may call it a loophole, process to award school construction projects. They would utilize a "lease-leaseback agreement" as a way to work around certain aspects of the public contract code. AB 2316 clearly defines this process and establishes a competitive selection process modeled after "best value" procurement.

The bill also contains retroactive language that protects all contracts signed before the court decision, essentially nullifying the decision that nullified the "lease-leaseback" contracts. Yes that's two negatives -- the legislation positively protects those "lease-leaseback" jobs before Davis v Fresno USD was decided.

The SCCA Legislative Committee is reviewing the amendments. It does not yet have a position on the bill.

Intra-Industry Legislative Fight Heats Up

Senator Lois Wolk (D - Davis) is authoring a bill to carve out design professionals from defending construction defect lawsuits unless the allegations involved certain pre-defined areas of responsibility. The bill number for her proposal is SB 885.

Under the bill, design professionals are exempt from defending construction defect lawsuits unless the claim specifically involved their scope of work, in this case the design. This is a fundamental shift away from current law that usually assigns indemnity and defense costs to any entity that worked on the construction project.

In other words, design professionals would receive special treatment. At the same time, all the other contractors on the jobsite would be forced to carry the designer's defense costs should a construction defect lawsuit be filed.

The sponsors of SB 885, the American Council of Engineering Companies (ACEC), allege their insurance does not cover the defense costs therefore they have to pay out of pocket for it. They don't think this is fair and are pursuing SB 885.

Guess what ACEC -- SB 885 makes an unfair scenario even more unfair for all the non-designers working on the project.

The real solution to this issue is to stop construction defect lawsuit abuses. Current law allows for too much abuse. If we are going to see real relief, the laws must be changed for the entire industry, not just one group within the industry.

It was recently reported that 90% of all residences in California were subjected to a construction defect lawsuit. That's too many!

SCCA is strongly opposed to SB 885. The bill is currently on the Senate Floor awaiting to be taken up.

Take Action - Fix Our Roads!

We've talked a lot about transportation funding and have looked in-depth at many funding options in previous newsletters. We have focused on the need for stable, consistent transportation funding to rebuild our crumbling infrastructure.

The impact of our crumbling roads are felt in our wallets and on how we measure up compared to other cities and states. On average, Californians pay an additional \$762 in vehicle repairs due to poor road conditions. Four out of the five cities with the worst roads are in California.

Worst of all, the California Transportation Commission de-programmed \$726 million in transportation projects in the next five year due to the declining value of transportation funding.

We need to do something. Here's our chance. Click [here](#) to go to Fix Our Roads, a coalition of Californians seeking stable

transportation funding. You can send an email or tweet to your representative and let them know how transportation funding is essential to the future of California. This is your chance for your voice to make a difference. Visit the [Fix Our Roads website](#) to contact your representative.



Business Optimism Looking Up In LA

A recent survey of Los Angeles businesses shows optimism when looking at the rest of 2016. The Los Angeles County Business Federation (BizFed) conducted this survey and found that owners are optimistic that their businesses will improve this year.

While the survey takes a deeper look at the reasons for the optimism, there are a few key points worth noting. Some of them are not so optimistic though.

First, almost 41% of businesses plan to hire this year, although the increase of the minimum wage may ultimately affect the hiring process. Next, businesses will respond to the increased minimum wage by raising prices (25%) or reducing employees jobs or

hours (33%). Finally, another potential concern on the horizon for businesses is the Affordable Care Act (ACA). The survey finds that 64% of the respondents are experiencing a negative impact due directly to the ACA.

You can read more from author Joel Fox about the survey [here](#).



Clean Up of Exide Site Gets Needed Boost of \$176 Billion

Senate President Pro Tem Kevin De Leon's budget trailer bill, Senate Bill 93 appropriates \$176 billion in funds to clean up the Exide battery recycling plant in Vernon. The funds in SB 93 are required to be spent testing and cleaning contaminated sites, job training for cleanup, and pursuing cost recovery from Exide and other responsible parties.

Senator De León said the state will pursue recovery of the clean-up costs from Exide and other culpable parties through the legal process but that could take years "and the impacted communities can't wait that long."

Even the city of Los Angeles has stepped up and pledged \$2 million toward the cleanup process.



Senate President Pro Tem Kevin De Leon

Budget Process Primer

January 10th - The governor releases his state spending plan. The budget covers the state fiscal year, from July 1 to June 30 of the following year. Both the Senate and the Assembly evaluate the proposed budget and pass bills containing the budget enactment language. Sometimes the legislature disagrees with governor's individual budget item and substitutes it with its own amount.

May 15th - Governor releases his "May Revise" including any adjustments to his proposed budget. This is a better reflection of the actual revenue entering into state coffers since March and April are when most of the personal income taxes are paid to the state. The Senate and the Assembly form a Conference Committee to evaluate the different budgets passed by each house since some of them may substitute different budgetary amounts.

The Legislature must pass the exact same budget language by both houses by the June 15th deadline.

June 15th - The budget requires a majority vote of the Legislators. This was instituted in 2010 by the passage of Proposition 25. Prior to this, the budget required a 2/3rds vote to pass the budget. If any revenue increases are included in the current year budget, a 2/3rds vote is required. An additional provision of Prop 25 is that if a budget is not passed on time (June 15th deadline), then Legislators do not receive any pay until the new budget is passed. State Treasurer John Chiang mentioned how he actually withheld their paychecks several years ago when he was the State Controller.

July 1st - The fiscal year begins. During the fall, each state department and agency submits individualized budget requests (called budget change proposals or BCPs) to the governor's Department of Finance. Revenue projections are used as the foundation for the Governor's Budget Proposal that is submitted to the Legislature on Jan 10th.

Rumor Has It...

That there will be legislation moving forward as a result of the Senate Business and Professions hearing regarding the Berkeley Balcony Collapse.

Fact Check...

Still just a rumor...but whispers in the halls say that Senator Loni Hancock (D-Berkeley) will amend legislation to require contractors to disclose civil settlements. We will continue to monitor this rumor (SCCA continues to remain opposed to this concept) and keep you updated here! tion and other state government programs.

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