

LEGISLATIVE COMMITTEE UPDATE

Welcome

The month of May brings many changes to Sacramento. Not only are the flowers in full bloom, but expectations are high in the Capitol.

Will Governor Jerry Brown's May Revision to the 2016-17 budget bring us closer to a full transportation funding bill? And what bills will be held in the Appropriations Committee when it holds its epic hearing on May 27.



Todd Bloomstine

We'll be sure to give you our insider's view when they happen. For now, enjoy this issue of the SCCA Legislative Committee's Newsletter.

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State Treasurer John Chiang to Speak at the Next SCCA General Membership Meeting May 11th

Recently, Treasurer John Chiang and his staff took an in-depth look at the "No Blank Checks" Initiative that is set to go before voters this November. Chiang states that the initiative is filled with unintended consequences.

This initiative would require voter approval of the sale of any revenue bonds for projects of \$2 billion or more. This means that any project, or series of smaller projects that are related, must be approved by a vote of the people.

This presents some concerns. For instance, what if the UC School system decided to improve on-campus housing conditions for students? Although the project is at various campuses, and each campus project is less than the \$2 billion threshold, would it require voter approval because all the smaller projects



Honorable John Chiang

add up to more than \$2 billion? Even if each school is financing the individual project on their campus? These are the types of situations that are unknown at this time.

There are also concerns regarding the state's credit rating. Having more of the state's fiscal decisions driven by voters hamstrings budget decisions and gives the state less flexibility to meet its obligations. That makes it more challenging for Wall Street to lend the state money, making California a riskier borrower.

This initiative will decrease local control, decrease flexibility in times of disaster or crisis, and make our state a more risky investment for creditors.

[You can register here](#) to attend the SCCA General Membership Meeting with Treasurer John Chiang as the guest speaker.

Senate Bill 954 Passes Senate Floor

Senate Bill 954, authored by Senator Robert Hertzberg (D- Van Nuys) prevents non-union contractors the opportunity to set up industry advancement funds. The law generally authorizes the appropriation of industry advancement funds only to contractors that have entered into a collective bargaining agreement with particular trades and crafts.

However, the non-union contracting



industry have identified a loophole that authorizes the industry advancement contribution for purposes that are “similar” to a collective bargaining agreement. The significant difference -- there was no authorization by the workers or anyone representing them to have industry advancement funds appropriated from their wage to an advancement fund.

SCCA has taken a support position on this bill, joining the sponsors the State Building and Construction Trades Council in seeking its passage.

SB 954 passed the Senate Floor on a 26-12 vote.

SCCA Supports Assembly Bill 1793 Regarding Lapsed Licenses for Contractors

SCCA has joined with many other construction organizations to support AB 1793 by Assemblymember Christ Holden (D-Pasadena). This bill strikes a fair and thoughtful balance between upholding high consumer protection within the construction industry, while not unfairly punishing contractors who may have an inadvertent licensing lapse due to clerical or technical errors.

Currently, under the Contractors State Licensing Law, an individual, corporation or public agency construction project owner that utilizes a contractor and later discovers the contractor to be unlicensed at any time during the project (for even just one day), may disgorge the contractor of all construction costs performed by the contractor.

AB 1793 clarifies existing law by limiting the recovery time and disgorgement amount to monies paid to the contractor for work performed while the contractor was not properly licensed. This change ensures that properly licensed and law abiding construction firms are not placed at fatal monetary risk.

A note to remember, this measure does not allow an unlicensed contractor to seek or retain any monies paid to them for the performance of a construction contract while they were not duly licensed.

AB 1793 passed the Assembly Business and Professions Committee on a 16-0 vote.

Senate Committee Conducts Hearing on Berkeley Balcony Collapse

On April 25th, members of the Senate Business and Professions Committee discussed the Berkeley Balcony Collapse and “what are regulators doing to improve oversight of firms with a history of construction defect settlements.”

The hearing lasted about 2 hours and had heard testimony from representatives from the Contractors State License Board, California Building Standards Commission, and the Contractors State License Board, among others.

The question being discussed was where do we go from here? What type of reporting needs to take place, if any, and how should the state be involved with licensing issues and settlements that contractors enter into? At the end of the day, we are all on the same page - no one wants a repeat of the Berkeley Balcony Collapse.

What we need to focus on is real information and facts that can guide a decision-making process. Berkeley conducted an enhanced inspection of existing residential balconies as a result of the accident. This is a more direct approach to preventing future tragedies.

We must remember that settlements are a symptom of litigious state and are not necessarily a result of faulty work. Unfortunately, in our state, many contractors who work in California, have been civilly sued and forced to settle for financial reasons instead of defending itself in court. It is, sadly, a part of doing business here in California. We will continue to monitor this issue.

Transportation Funding Update: Senator Jim Beall Amends His Senate Bill 1X 1

Senator Jim Beall (D-San Jose) recently amended his bill SB 1X 1 providing greater detail to his \$6.5 billion transportation funding bill. Below is a breakdown of the Transportation Funding Proposal:



Senator Jim Beall (D-San Jose)

Gasoline excise tax increase: \$0.12/gallon	\$1.7 Billion (Indexed)
Diesel excise tax increase: \$0.22/gallon	\$600 Million (Indexed)
Road access fee: \$35 per vehicle annually	\$1 Billion (Indexed)
VRF adjustment: \$35 per vehicle annually	\$1 Billion (Indexed)
Zero-emission vehicles Fee: \$100 per vehicle	\$10 Million
Increase diesel fuel sales tax from 1.75% to 5.25%	\$300 Million
Caltrans reforms & efficiencies	\$100 Million
Restoration of weight fees	\$500 Million
Cap and Trade distribution increases	\$300 Million
Total ongoing:	\$5.5 Billion
Loan Repayment Acceleration:	\$1 Billion (One-Time)
Total Revenue:	\$6.5 Billion

As we have talked about often, a full transportation funding bill must be passed if we are going to address the funding issues at a state-wide level. This looks to be a great first step in getting our transportation funding back on track.

7 Bridges on Interstate 80 Receive Lift

This June, CalTrans, in conjunction with private contractors, will finish an almost 2-year project to raise seven bridges on interstate 80 between Auburn, CA and the Nevada border. These bridges literally fell short of the federal requirements of the 16-foot-6-inch vertical clearance needed for today's supersize transportation trucks and military vehicles.

Most recently, CalTrans has been working on a bridge in Newcastle, CA raising the bridge from its original height of 14-feet-9-inches to the federal standard. The project required 20 hydraulic jacks lifting the 1,250 ton bridge little-by-little to the required height. Then crews worked to rebuild the columns supporting the bridge at its new height. The surrounding roads were re-built to the new height to accommodate the freeway entrances and exits.

This project is the culmination of CalTrans' work to modernize the highways between the CA-Nevada border; allowing for the free flow of traffic and commerce, connecting CA to the rest of the nation. 170,000 vehicles travel the I-80 corridor from Auburn to Nevada every day with an estimated \$4.7 billion in consumer goods crossing the summit each day.



Transportation - What's the Right Fix?

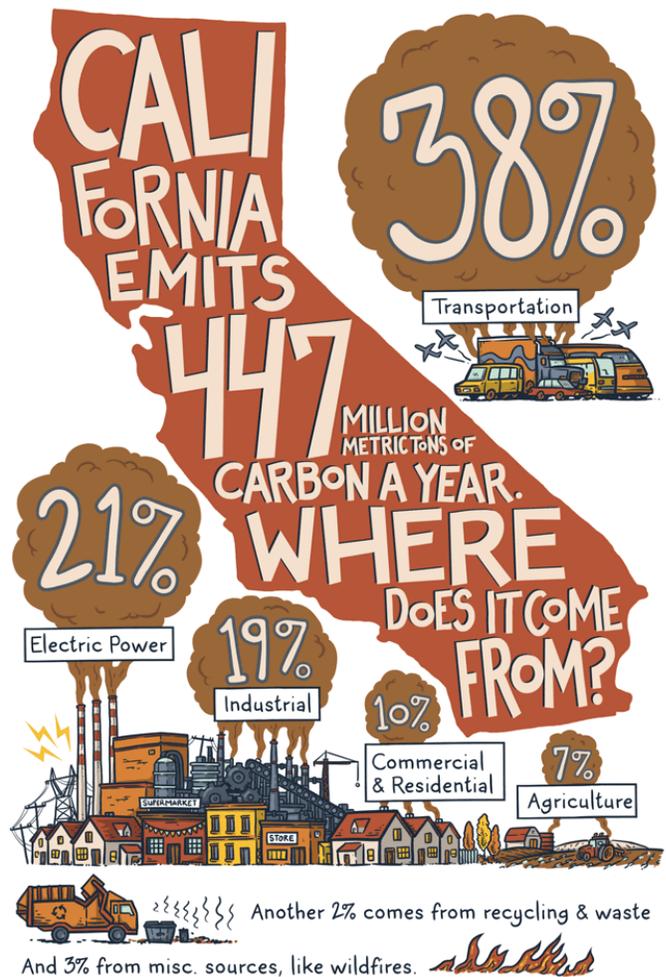
We've been talking a lot about the state of transportation funding in California, both in our newsletter and during the SCCA Legislative Day. Recent news reports are pointing out another area that we need to examine as we discuss a comprehensive transportation funding plan for California. This area is the cap and trade program and how it relates to gasoline sales.

Cap-and-trade is a pollution-restriction program launched in 2012 and applied to gasoline and diesel just last year. According to Sacramento area news television station KCRA, "the program is designed to control emissions of heat-trapping gases and to spur investment in clean technologies." Essentially, it limits the amount of pollution a business can emit - resulting in a marketplace designed for businesses that exceed their allowable emissions to purchase emission credits.

One component of this program is its application to gasoline refineries. The purchase of emission credits by refineries were passed along at the pump and resulted in a 11-13 cent surcharge. But it was implemented as gas prices nose-dived in California so it was not noticed by California motorists.

A spokesman for the Air Resources Board, who administers the cap and trade program, was asked how those funds would be used. The representative said that Californians will see these funds reinvested in transportation, most specifically the high-speed rail program.

We contend instead that the funds generated by this 11-13 cent "tax" should absolutely be spent on transportation at the local level — by completing highway projects, fixing roadways, and making our transportation system work for Californians. The only way we can do this is to have them earmarked to be used for specific transportation programs. They absolutely should be part of an overall transportation funding package.



Based on 2010 data from the CA Air Resources Board. Illustrated by Andy Warner.

Rumor Has It...

That citizens are leaning toward supporting a continuance of higher tax rates.

Fact Check

A PACE/USC Rossier School of Education poll showed that 63% of voters are in support of extending at least one provision of 2012's Proposition 30, set to expire at the end of this year. Voters could choose to express support for two provisions of Prop 30 - tax increases on high incomes, the sales tax hike, or both. The poll showed that 28% of voters said that both provisions of the Prop 30 should be allowed to expire. Funds generated through the taxes on higher incomes (\$250,000 and more) and a sales tax of a quarter cent go to fund education and other state government programs.

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