



SACRAMENTO UPDATE

June 4, 2009
SU16-09

Budget Activities

The Governor addressed a joint session of the legislature this week to stress the need for a quick conclusion to the numerous budget adjustment proposals to avert cash flow problems and bring to a halt the growing budget deficit. The budget conference committee has met daily to hear from the public on how specific budget cuts or elimination of programs will affect those currently receiving these state services. The conference committee is now scheduled to begin considering the various options and start piecing together a proposal or number of proposals to eliminate the enormous budget deficit.

So far, funding for transportation projects (Proposition 42) have been spared, but it does represent a large pool of money (over \$1 billion annually) that could be borrowed to spare cuts in other programs. With a budget deficit of \$24 billion, there is a very real possibility that legislators will once-again look to borrow, shift or outright raid gas tax dollars that the voters have repeatedly said they want to fund transportation improvements.

While the Governor's various budget proposals do not include a borrowing of Prop 42 gas tax funds, the Governor has proposed diverting more than \$900 million in local gasoline excise taxes that fund city and county road repairs.

Shifting Prop 42 funds is not a long-term answer to the budget problem since the money has to be repaid – with interest – in three years. Further, with the construction industry struggling with more than 20 percent unemployment, the loss of these funds and will result in added job losses and cause more harm to our economy.

Earlier this week, I forwarded information of a coalition that is preparing for a budget fight should a raid of gas tax funds get any traction. Already, lobbying is underway to fight against the raid of \$700 million in local government excise taxes that fund critical transportation projects.

With approval of Keith Woods, I included GSBE as a member of the coalition and would encourage each BX to individually sign on as well.

Road Commissioner Legislation

Many BX's have taken an active role in assisting with the passage of CIFAC sponsored legislation to rein in county's use of force accounts on projects that should be publically bid. AB 1409 has struggled a bit because of strong opposition from public employees unions and local governments. AB 1409 was moved off of the assembly floor this week on a vote of 50-5. Over the past two weeks the sponsor has been dealing with major concerns from the public union sector. After meeting with the author, his staff and the public union opposition it was apparent that more negotiations are going to be necessary to move the bill forward. AB 1409 was amended to temper the public union opposition enough to move the bill out of the assembly prior to the deadline for leaving the house of origin. The version passed out of the assembly is not the final product. Major items that still need to be considered include the county's ability to use both the provisions of the California Uniform Construction Cost Accounting Act in addition to the road commissioner provisions in the Public Contract Code and the definitions of both "force account" and "day labor" under the road commissioner provisions.

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