



SACRAMENTO UPDATE

July 10, 2009
SU20 -09

BUDGET RECAP

California's worsening economy and plunging state revenues are making for difficult negotiations on closing a \$26 billion budget gap. California already has a 2009-10 fiscal year budget in place that was approved in February. Part of the budget plan were five ballot initiatives to raise certain taxes and undo some previous ballot budgeting. All five of these initiatives failed on May 19, driving the state budget \$5 billion further in debt from the approved February budget. Since that time, declining tax receipts have pushed the deficit to \$26 billion. Lawmakers and the Governor agreed that the budget gap would be closed by June 1. The Governor provided a blue print that was comprised of budget cuts only and no new taxes based upon the May 19 rejection of all new taxes. This is not a cuts-only budget, as last year's budget raised \$10 billion in taxes in this fiscal year primarily through an increase in the state sales tax. The Democrat dominated legislature oppose a "cuts only" budget revision and put on the floor for vote a package that contained cuts and some new taxes, primarily an oil severance tax. With the taxes included, democrats were refused since they could not get the requisite number of republican votes for the necessary 2/3'eds vote margin to pass a budget. With the state Controller issuing a warning that the state would pay vendors and others with IOU's if a budget wasn't passed by July 7, the assembly sent to the senate a package of bills that contained \$3 billion in cuts that would provide a cash flow cushion so IOU's would not be necessary. The Governor rejected this plan indicating he does not support a piecemeal approach and prevailed upon Senate Republican's to withhold support for the partial solution. Since then, the Controller has begun the process of issuing IOU's and the Governor recently added a third day to two unpaid furlough days per month for most state workers, translating into a 14 percent cut in pay. The legislature is scheduled to take summer recess on July 17, but few are counting on this budget logger-head to be completed by this date. At this point, it is merely a guess as to what moves the warring factions to agree on a budget plan.

LEGISLATION

A snap-shot of legislative activity this week.

AB 660 (Torrico) - Prohibits any person from installing or modifying a fire sprinkler system, a wet standpipe system, or an automatic fire extinguishing system without a certificate of registration issued by the State Fire Marshal (SFM). Made a two-year bill. GSBE opposes.

AB 1086 (Miller) - Would codify the intent of Section 3400 of Public Contract Code to encourage contractors and manufacturers to develop and implement new and ingenious materials, products, and services that function as well, in all essential respects, as materials, products, and services that are

required by a contract, but at a lower cost to taxpayers. Passed Senate Judiciary Committee. GSBE supports.

SB 45 (Padilla) - Establishes a permanent debarment for contractors in repeated violation of specified public works laws. Passed Assembly Labor Committee.

SB 258 (Oropeza) - Establishes a public works certification requirement under an unnamed state certifying agency for licensed contractors and subcontractors who perform public works projects. Made a two-year bill. GSBE opposes.

SB 389 (Negrete-McCloud) - Adds specified licensees (including contractors) to the existing list of licensees required to furnish to the licensing agency a full set of fingerprints for purposes of conducting criminal history record checks, and imposes these requirements on a petitioner for reinstatement of a revoked or cancelled license. Defeated in Assembly Public Safety Committee. GSBE opposes.

SB 392 (Florez) - Would allow a limited liability company (LLC) to be licensed as a construction contractor, departing from the general rule that LLCs cannot engage in "professional services" under the Beverly-Killea Limited Liability Company (LLC Act). There was last minute opposition from the State Building Trades. The bill was held in the Assembly Judiciary Committee with the understanding that it would be negotiated on prior to the end of this year's legislative session. GSBE supports.

SB 802 (Leno) - Prohibits a public entity from retaining more than 5% of a contract price until final completion and acceptance of a project. Passed the Assembly Business and Professions Committee. GSBE supports.

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