The legislature is focused on infrastructure more right now that it has over at least the last decade, maybe even more.

The housing crisis has created a natural ground swell of individuals rising up and traveling to the Capitol to air their concerns. Housing costs in the major urban areas of the state, especially ones closest to the coast, are increasing at extraordinary rates.

The failure of the Oroville Dam spillway has also created a broader awareness of California’s failing infrastructure, including transportation infrastructure.

The interesting part about politics and policy is that sometimes bad or poor situations lead to significant changes. I usually refer to this point as reaching “critical mass.”

The legislature may just about be at a “critical mass” level to move significant infrastructure funding proposals in the near future.

SCCA is helping to create that level of interest and we’ll continue to do so until a long-term, stable funding solution for transportation is passed.

Welcome!

Trump vs. California: Reporting Heats Up

As we have talked several times in the newsletter, the Trump administration is at fundamental odds with many of California’s political leaders. We have discussed several policy areas of impact in previous issues.

Now, it looks like more members of the media are starting to take a closer look at these differences and tracking what the “fight” might look like as well. The non-profit and non-partisan CALmatters has introduced on-going coverage called Trump V. California: Scoring the Bout. You can click here to keep track of the coverage based on subject matter – the economy, education, health care, immigration, and others.

CALmatters writes, “On a wide array of issues, the Trump administration and California’s Democratic leaders are prepping for protracted battle. Some of these conflicts will end up in court. Some will result in new state law. A few may play out exclusively on Twitter. All will affect how Californians live their lives…. The next four years look to be a slugfest. We’ll help you keep score.”

Rumor Has It...

That Assembly Member Chad Mayes recently said that California’s poverty rate is higher than any state in the nation when considering factors such as cost-of-living.

Fact Check - TRUE!

California has a poverty rate of 20.6 percent according to the US Census Bureau’s Supplemental Poverty Measure. Florida’s poverty rate is the closest at 19 percent. You can read the article that fact checked Assembly Member Mayes’ statement by clicking here.
“Game Changing” Public Works Claims Legislation Goes Into Effect

On January 1, 2017, Assembly Bill 626 went into effect – fundamentally changing the way public works contract claims are processed and ultimately, determined. Any contract entered into on or after January 1, 2017 is now subject to the requirements found in AB 626. SCCA supported AB 626 throughout the legislative process.

Mary A. Salamone and Dan J. Bulfer from Atkinson, Andelson, Loya, Ruud & Romo write, “AB 626 declares that it is intended to ensure contractors are paid in full and in a timely manner for work that is complete and not in dispute.” According to Salamone and Bulfer, AB 626 lays out a three-step process.

Step One: Written Claim – AB 626 establishes a mandatory process that must be used by all local public entities in California. It requires that contractors submit their claim in writing and via registered or certified mail, with a return receipt requested.

This step in the process requires a response from the public entity within 45 days after a “reasonable” review of the claim and details how a dispute of the claim is to be documented. Any undisputed portion of the claim must be paid to the contractor within a timely manner.

Step Two: Meet and Confer Conference – If the public entity fails to respond or issues a written statement, or if the contractor wishes to dispute the written statement, then the contractor may request an informal meet and confer conference. This request must also be made in writing and via registered mail, just like the requirements of step one.

The conference must take place within 30 days of the request and the public entity must respond to the meet and confer conference within 10 days.

Step Three: Non-Binding Mediation – Regarding step three Salamone and Bulfer write, “If the contractor disputes the public entity’s post-conference statement or the public entity fails to issue a written post-conference statement, then the dispute is submitted to non-binding mediation.”

The process laid out with this new law will streamline the claims process and require both contractors and public entities to adhere to a strict timeline. For a more in-depth look at this process and the requirements of AB 626, click here to read the full article.
Protecting Gas Tax in Transportation Funding

One of the biggest obstacles in finding a deal for increasing transportation funding is determining how the new funding is protected. That’s if any protection should be made in the first place. This political division is generally between transportation advocates that prefer the funding to be locked away and never touched. Others, including those responsible for balancing the state’s budget (the governor and legislative leaders) as well as interests dependent on General Fund revenues, prefer unlocked funds that can be used in times of economic hardship. That latter group includes teachers, firefighters, police officers, and others.

If history is any indicator, unprotected gas tax funds will be used to shore up the state’s General Fund in times of budget deficits. Since the Schwarzenegger Administration, tens of billions of dollars dedicated to transportation funding have been transferred out of transportation streams and into the General Fund. As of last year, the state still owed approximately $850 million in outstanding loans to transportation funding.

Thankfully, Proposition 22 passed in 2010 as a direct result of Schwarzenegger’s redirection of transportation funding. Prop 22 amended the constitution to lock away transportation funding without any legal mechanism for the funds to be transferred.

But this creates a new problem for today’s legislature. If it increases the gas tax in 2018, as is planned in AB 1 and SB 1, those funds are not protected under Prop 22 because they were raised after Prop 22 passed. Additionally, any new funds deriving from vehicle registration fees, electric car fees and others dedicated to transportation infrastructure would not be constitutionally protected.

There is one bill that could provide protection, though. State Constitutional Amendment 2 by Senator John Newman (D – Fullerton) prevents any gas tax revenues from being siphoned off to pay for any General Fund shortfalls. Essentially, it locks any new transportation funds away, just like Prop 22 does, so it can’t be raided and used for other programs.

The need to protect new transportation funds is critically important. Unfortunately, the political complexities are compounded when interests dependent on the General Fund, and the governor, ultimately see increases in the gas tax as a means to protect their programs in the General Fund during economic downturns.

This is one of the major obstacles in passing new transportation funding. SCCA is working to pass SCA 2.
Inadequate Supply: Housing Crisis Appears to Continue with no Relief in Sight

We’ve all seen the mad scramble of offers that buyers make to get into their dream home. That story is one we are going to continue to hear because for all intents and purposes, there is a chronic housing shortage problem in California – and the Legislature isn’t doing anything about it.

Tim Coyle, a consultant specializing in housing issues wrote in a recent political blog: “California is home to roughly 13 percent of the nation’s population, and has slightly greater than average population growth. Yet, over the last 20 years the state has accounted for only eight percent of all national building permits. Consequently, the state is short on supply and, correspondingly, has the nation’s most unaffordable housing markets.”

A recent report from the state’s Department of Housing and Community development didn’t give much hope regarding California housing. Along with the lowest home ownership rates since the 1940s, housing production over the last 10 years has fallen behind – more than 100,000 new homes short of demand, leading to increased housing costs at all levels.

The best way to affect the housing market is to leave it alone to allow the private sector to communicate to both developers and consumers based on each community’s needs. Coyle goes on to say, “The right signals produce the right housing. And, the signals to consumers that new housing send are supreme. They are the ultimate. They produce the goal on which lawmakers and policy-makers should be concentrating their 2017 legislative efforts – increasing supply.”

To learn more about the housing bills in the legislature and to read Coyle’s full article, click here.

SCCA Contact Information

Southern California Contractors Association
info@sccaweb.org
600 City Parkway West., Suite 165
Orange, CA 92868
Todd Bloomstine | 916-444-9453
toddb@blobby.com
SCCA Legislative Advocate

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