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Legislative Reports 2006

FINAL LEGISLATIVE UPDATE of 2005-06 Session - October 2, 2006

Below is the final outcome of bills followed by CBA after the September 30th deadline for the Governor to act on those bills sent to him in the final days of the legislative session.

2005-06 LEGISLATION

[AB 1835 \(Lieber-D\)](#) Minimum wage. (A-8/23/06)

Summary: This bill would increase the minimum wage to \$7.50 per hour, effective on and after January 1, 2007, and to \$8.00 per hour, effective on and after January 1, 2008. This bill does not contain indexing provisions tying increases to cost of living.

STATUS: Signed by the Governor; Chap. 230 of 2006 Statutes
CBA Position: None taken

[AB 2444 \(Klehs-D\)](#) Congestion management and motor vehicle environmental mitigation fees. (A-8/14/06)

Summary: This bill would authorize the congestion management agencies in the 9 Bay Area counties, by a 2/3 vote of all of the members of the governing board, to impose an annual fee of up to \$5 on motor vehicles registered within those counties for a program for the management of traffic congestion. The bill would require a program with performance measures and a budget to be adopted before the fee may be imposed. The bill would require the agency to have an independent audit performed on the program within 2 years after the fee becomes operative, and each year after that date, and to submit a report to the Legislature on the program by July 1, 2011. The bill would require the Department of Motor Vehicles, if requested, to collect the fee and distribute the net revenues, after deduction of specified costs, to the agency. The bill would require that the fees collected may only be used to pay for programs bearing a relationship or benefit to the owners of motor vehicles paying the fee, and would require the agency to make a specified finding of fact in that regard by a 2/3 vote.

Sponsored by Alameda County CMA/Transportation & Land Use Coalition.
Status: VETOED by the Governor.
CBA Position: Watch

[AB 2592](#) (Leno-D) California Travel and Tourism Commission. (A-8/24/06)

Summary: Existing law, the California Tourism Marketing Act, provides for the California Travel and Tourism Commission, a nonprofit mutual benefit corporation, and provides for a 37-member board of the commission, including the Secretary of Business, Transportation and Housing, 12 members appointed by the Governor, and 24 elected members. The 12 appointed members are required to represent the 12 officially designated tourism regions. This bill would specify that each appointed member of the commission shall represent only one of those designated tourism regions. The bill would also specify that appointed members are not limited to persons who are employed by or represent assessed businesses. **Sponsored by the California Hotel & Lodging Association.**

Status: Signed by Governor; Chap. 790 of 2006 Statutes

CBA Position: Watch

[AB 2593](#) (Keene-R) Compensation: meal periods: transportation industry. (A-8/16/06)

Summary: This bill would permit parties in the transportation industry to establish by a collective bargaining agreement an off-duty meal period and an on-duty meal period, if the agreement also provides for a premium rate for overtime hours and a specified regular hourly rate. This bill would provide that it does not affect the requirements for meal periods for employees other than commercial drivers subject to a collective bargaining agreement. **Sponsored by United Parcel Service**

Status: VETOED by the Governor.

CBA Position: Watch

[SB 263](#) (Speier-D) Sellers of travel: regulation. (8/14/05)

Summary: This bill would revise the definition of seller of travel (SOT) to include sellers of land or water vessel transportation, as specified. The bill would also revise regulatory requirements pertaining to disclosure and refund obligations of a seller of travel. The bill would allow a seller of travel, in lieu of a registration renewal, to file an attestation that no change has occurred to the information provided in its last filed complete registration statement. Because the attestation is made under penalty of perjury, the bill would impose a state-mandated local program by expanding the crime of perjury. The bill would prohibit a person from selling a travel business discount program, as defined, unless specified requirements are met. The bill would also prohibit a seller, as defined, from selling a seller of travel discount program, as defined, unless specified requirements are satisfied. The bill would require the Attorney General to suspend the registration of a person convicted of a felony violation of the provisions regulating sellers of travel and would also prohibit the person from registering as a seller of travel and from participating in the Travel Consumer Restitution Fund for 7 years. (2) Existing law provides for the Travel Consumer Restitution Corporation that is required to provide restitution for a claim filed by a

person aggrieved, defined as a person meeting certain conditions who has sustained a loss because a seller of travel failed to refund payments for travel services that were not provided to the person. Under existing law, this restitution is secondary to any other compensation or reimbursement to which the person aggrieved is entitled. This bill would specify that the restitution provided by the Travel Consumer Restitution Corporation is secondary only to specified sources of compensation or relief to which the person aggrieved may be entitled.

Sponsored by California Coalition of Travel Organizations

STATUS: Signed by Governor; Chap. 628 of 2006 Statutes

CBA Position: The Attorney General's Office clarified that the bill exempts those CBA companies already regulated by PUC. The August 14th amendments did not change this exemption.

SB 1161 (Alarcon-D) State highways: design-sequencing contracts. (A-6/21/06)

Summary: Existing law authorizes the Department of Transportation, until January 1, 2010, to conduct a pilot project to award design-sequencing contracts, as defined, for the design and construction of not more than 12 transportation projects, to be selected by the Director of Transportation. This bill would instead generally authorize the department, until January 1, 2012, to award contracts for projects using the design-sequencing contract method, if certain requirements are met. The bill would require the department to continue the use of a peer review committee to assist the department in preparing an annual report to the Legislature describing and evaluating the outcome of the design-sequencing contracts until December 31, 2011.

Status: Assembly Appropriations Suspense File.

CBA Position: SUPPORT (taken at 1st Qtr '06 Bd. Meeting)

SB 1611 (Simitian-D) Congestion management fees. (A-8/706)

Summary: This bill would authorize a congestion management agency, or where there is no congestion management agency, the board of supervisors, to place a majority vote ballot measure before the voters of a county authorizing the imposition of an annual fee of up to \$25 on each motor vehicle registered within the county for transportation projects and programs with a relationship or benefit to the persons paying the fee. The bill would define the terms "congestion management" and "pollution prevention" for purposes of the bill. The bill would require the ballot measure resolution to be adopted by a majority vote of the governing board of the congestion management agency or the board of supervisors, as appropriate, at a noticed public hearing and would also require the resolution to contain a specified finding of fact. The bill would require the Department of Motor Vehicles, if requested, to collect the fee and distribute the proceeds, after deduction of specified administrative costs, to the agency or the

board of supervisors. **Sponsored by the author.**
Status: Held in Assembly Appropriations Committee.
CBA Position: Watch

SB 1613 (Simitian-D) Vehicles: wireless telephones. (A-8/24/2006)

Summary: This bill would make it an infraction, operative July 1, 2008, to drive a motor vehicle while using a wireless telephone, unless that telephone is designed and configured to allow hands-free listening and talking operation, and is used in that manner while driving. This offense would be punishable by a base fine of \$20 for a first offense and \$50 for each subsequent offense. The bill would provide that this prohibition does not apply to a person who is using the cellular telephone to contact a law enforcement agency or public safety entity for emergency purposes, or to an emergency services professional while he or she operates an authorized emergency vehicle, as specified. The bill also would prohibit the assignment of a violation point for a violation of the above. The bill, until July 1, 2011, also would provide that this prohibition does not apply to a person when using a digital 2-way radio service that utilizes a wireless telephone that operates by depressing a push-to-talk feature and does not require immediate proximity to the ear of the user, and that person is driving a motor truck or truck tractor. The bill would specify that these provisions do not apply to a person driving a school bus or transit vehicle that is subject to certain existing wireless telephone usage restrictions, and would specify that the restrictions contained in this bill do not apply to a person while driving a motor vehicle on private property.

STATUS: Signed by Governor; Chap. 290 of 2006 Statutes
CBA Position: SUPPORT (taken per conference call with consensus of Legislative Committee)

SB 1675 (Kehoe-D) Vehicular air pollution: renewable diesel fuel. (A-6/29/06)

Summary: This bill would require all diesel fuel sold or offered for sale in the state for use in internal combustion engines to contain at least 2% renewable diesel fuel, as defined, no later than one year after a specified finding is made by the state board, and no later than two years after the implementation of the 2% standard, all diesel fuel sold or offered for sale in the state for use in internal combustion engines to contain at least 5% renewable diesel fuel. The bill would permit the state board to adopt regulations to grant exemptions to those requirements under specified circumstances. The bill would also permit the State Energy Resources Conservation and Development Commission to temporarily suspend those requirements if fuel supplies are shown to be inadequate, as provided. This bill contains other related provisions and other existing laws.

Status: Failed passage on the Assembly Floor.
CBA Position: OPPOSE (taken by a collective decision of the Leg Committee)

LEGISLATIVE UPDATE END OF SESSION WRAP UP - Week of September 6, 2006

The Legislature finished up its work last week for the 2005-06 Session and as is usual, the end of session antics were not a pretty sight. This is when bills get substantially amended overnight without reference to file and taken up on the floor, many times without hearing the new bill. So many bills are taken up in the last two days that it is hard for everyone to keep track.

Among the more controversial bills, the Legislature sent to the Governor a bill that will allow telephone companies into the cable television business; a minimum wage hike bill, but without the indexing that the Governor opposed and vetoed last year; a mandatory hands free cell phone bill while driving; and a major environmental bill, AB 32 which the Governor has agreed to sign, which would make California the first state to set caps on industrial gases linked to global warming by mandating that utilities and industries would have to reduce such pollution by 25 percent by 2020. Some major proposals that failed were the prison reform package as well as the major flood bill.

The Legislature also sent several workers' comp bills that were amended in the final hours of the session and with little review, to the Governor. These bills appear to erode some of the reforms enacted in the workers' comp reform legislation SB 899. Since these are undoubtedly on the "job killer" list of the Chamber, we would expect the Governor to veto these bills, including SB 815 by Senator Perata relating to disability benefits.

Below is the final outcome of legislative action on bills followed by CBA. The Governor has until September 30th to act on those bills sent to him for action.

2005-06 LEGISLATION

AB 1835 (Lieber-D) Minimum wage. (A-8/23/06)

Summary: This bill would increase the minimum wage to \$7.50 per hour, effective on and after January 1, 2007, and to \$8.00 per hour, effective on and after January 1, 2008. This bill does not contain indexing provisions tying increases to cost of living.

STATUS: To the Governor for signature.

CBA Position: None taken

AB 2444 (Klehs-D) Congestion management and motor vehicle environmental mitigation fees. (A-8/14/06)

Summary: This bill would authorize the congestion management agencies in the 9 Bay Area counties, by a 2/3 vote of all of the members of the governing board, to impose an annual fee of up to \$5 on motor vehicles registered within those

counties for a program for the management of traffic congestion. The bill would require a program with performance measures and a budget to be adopted before the fee may be imposed. The bill would require the agency to have an independent audit performed on the program within 2 years after the fee becomes operative, and each year after that date, and to submit a report to the Legislature on the program by July 1, 2011. The bill would require the Department of Motor Vehicles, if requested, to collect the fee and distribute the net revenues, after deduction of specified costs, to the agency. The bill would require that the fees collected may only be used to pay for programs bearing a relationship or benefit to the owners of motor vehicles paying the fee, and would require the agency to make a specified finding of fact in that regard by a 2/3 vote. **Sponsored by Alameda County CMA/Transportation & Land Use Coalition.**
Status: Senate Appropriations.
CBA Position: Watch

[AB 2592](#) (Leno-D) **California Travel and Tourism Commission.** (A-8/24/06)
Summary: Existing law, the California Tourism Marketing Act, provides for the California Travel and Tourism Commission, a nonprofit mutual benefit corporation, and provides for a 37-member board of the commission, including the Secretary of Business, Transportation and Housing, 12 members appointed by the Governor, and 24 elected members. The 12 appointed members are required to represent the 12 officially designated tourism regions. This bill would specify that each appointed member of the commission shall represent only one of those designated tourism regions. The bill would also specify that appointed members are not limited to persons who are employed by or represent assessed businesses. **Sponsored by the California Hotel & Lodging Association.**
Status: To the Governor.
CBA Position: Watch

[AB 2593](#) (Keene-R) **Compensation: meal periods: transportation industry.** (A-8/16/06)
Summary: This bill would permit parties in the transportation industry to establish by a collective bargaining agreement an off-duty meal period and an on-duty meal period, if the agreement also provides for a premium rate for overtime hours and a specified regular hourly rate. This bill would provide that it does not affect the requirements for meal periods for employees other than commercial drivers subject to a collective bargaining agreement. **Sponsored by United Parcel Service**
Status: To the Governor.
CBA Position: Watch

[SB 263](#) (Speier-D) **Sellers of travel: regulation.** (8/14/05)
Summary: This bill would revise the definition of seller of travel (SOT) to include sellers of land or water vessel transportation, as specified. The bill would also revise regulatory requirements pertaining to disclosure and refund obligations of a seller of travel. The bill would allow a seller of travel, in lieu of a registration

renewal, to file an attestation that no change has occurred to the information provided in its last filed complete registration statement. Because the attestation is made under penalty of perjury, the bill would impose a state-mandated local program by expanding the crime of perjury. The bill would prohibit a person from selling a travel business discount program, as defined, unless specified requirements are met. The bill would also prohibit a seller, as defined, from selling a seller of travel discount program, as defined, unless specified requirements are satisfied. The bill would require the Attorney General to suspend the registration of a person convicted of a felony violation of the provisions regulating sellers of travel and would also prohibit the person from registering as a seller of travel and from participating in the Travel Consumer Restitution Fund for 7 years. (2) Existing law provides for the Travel Consumer Restitution Corporation that is required to provide restitution for a claim filed by a person aggrieved, defined as a person meeting certain conditions who has sustained a loss because a seller of travel failed to refund payments for travel services that were not provided to the person. Under existing law, this restitution is secondary to any other compensation or reimbursement to which the person aggrieved is entitled. This bill would specify that the restitution provided by the Travel Consumer Restitution Corporation is secondary only to specified sources of compensation or relief to which the person aggrieved may be entitled.

Sponsored by California Coalition of Travel Organizations

STATUS: To the Governor.

CBA Position: The Attorney General's Office clarified that the bill exempts those CBA companies already regulated by PUC. The August 14th amendments did not change this exemption.

[SB 1161](#) (Alarcon-D) State highways: design-sequencing contracts. (A-6/21/06)

Summary: Existing law authorizes the Department of Transportation, until January 1, 2010, to conduct a pilot project to award design-sequencing contracts, as defined, for the design and construction of not more than 12 transportation projects, to be selected by the Director of Transportation. This bill would instead generally authorize the department, until January 1, 2012, to award contracts for projects using the design-sequencing contract method, if certain requirements are met. The bill would require the department to continue the use of a peer review committee to assist the department in preparing an annual report to the Legislature describing and evaluating the outcome of the design-sequencing contracts until December 31, 2011.

Status: Assembly Appropriations Suspense File.

CBA Position: SUPPORT (taken at 1st Qtr '06 Bd. Meeting)

[SB 1611](#) (Simitian-D) Congestion management fees. (A-8/706)

Summary: This bill would authorize a congestion management agency, or where there is no congestion management agency, the board of supervisors, to place a majority vote ballot measure before the voters of a county authorizing the

imposition of an annual fee of up to \$25 on each motor vehicle registered within the county for transportation projects and programs with a relationship or benefit to the persons paying the fee. The bill would define the terms "congestion management" and "pollution prevention" for purposes of the bill. The bill would require the ballot measure resolution to be adopted by a majority vote of the governing board of the congestion management agency or the board of supervisors, as appropriate, at a noticed public hearing and would also require the resolution to contain a specified finding of fact. The bill would require the Department of Motor Vehicles, if requested, to collect the fee and distribute the proceeds, after deduction of specified administrative costs, to the agency or the board of supervisors. **Sponsored by the author.**

Status: Held in Assembly Appropriations Committee.

CBA Position: Watch

SB 1613 (Simitian-D) Vehicles: wireless telephones.

(A-8/24/2006)

Summary: This bill would make it an infraction, operative July 1, 2008, to drive a motor vehicle while using a wireless telephone, unless that telephone is designed and configured to allow hands-free listening and talking operation, and is used in that manner while driving. This offense would be punishable by a base fine of \$20 for a first offense and \$50 for each subsequent offense. The bill would provide that this prohibition does not apply to a person who is using the cellular telephone to contact a law enforcement agency or public safety entity for emergency purposes, or to an emergency services professional while he or she operates an authorized emergency vehicle, as specified. The bill also would prohibit the assignment of a violation point for a violation of the above. The bill, until July 1, 2011, also would provide that this prohibition does not apply to a person when using a digital 2-way radio service that utilizes a wireless telephone that operates by depressing a push-to-talk feature and does not require immediate proximity to the ear of the user, and that person is driving a motor truck or truck tractor. The bill would specify that these provisions do not apply to a person driving a school bus or transit vehicle that is subject to certain existing wireless telephone usage restrictions, and would specify that the restrictions contained in this bill do not apply to a person while driving a motor vehicle on private property.

STATUS: To the Governor

CBA Position: SUPPORT (taken per conference call with consensus of Legislative Committee)

SB 1675 (Kehoe-D) Vehicular air pollution: renewable diesel fuel. (A-6/29/06)

Summary: This bill would require all diesel fuel sold or offered for sale in the state for use in internal combustion engines to contain at least 2% renewable diesel fuel, as defined, no later than one year after a specified finding is made by the state board, and no later than two years after the implementation of the 2% standard, all diesel fuel sold or offered for sale in the state for use in internal

combustion engines to contain at least 5% renewable diesel fuel. The bill would permit the state board to adopt regulations to grant exemptions to those requirements under specified circumstances. The bill would also permit the State Energy Resources Conservation and Development Commission to temporarily suspend those requirements if fuel supplies are shown to be inadequate, as provided. This bill contains other related provisions and other existing laws.

Status: Failed passage on the Assembly Floor.

CBA Position: OPPOSE (taken by a collective decision of the Leg Committee)

LEGISLATIVE UPDATE - Week of August 21, 2006

AB 1835 (Lieber-D) Minimum wage. (Amended 08/21/2006)

Summary: The current minimum wage for all industries is \$6.75 per hour. This bill would increase the minimum wage to \$7.50 per hour, effective on and after January 1, 2007, and to \$8.00 per hour, effective on and after January 1, 2008. The bill does not have indexing, which would tie future increases to inflation.

Note: Indexing was a deal breaker for the Governor; Democratic candidate Angelides indicated he supports indexing.

STATUS: SECOND READING FILE

CBA Position:

AB 2444 (Klehs-D) Congestion management and motor vehicle environmental mitigation fees. (A-5/3/06)

Summary: This bill would authorize the congestion management agencies in the 9 Bay Area counties, by a 2/3 vote of all of the members of the governing board, to impose an annual fee of up to \$5 on motor vehicles registered within those counties for a program for the management of traffic congestion. The bill would require a program with performance measures and a budget to be adopted before the fee may be imposed. The bill would require the agency to have an independent audit performed on the program within 2 years after the fee becomes operative, and each year after that date, and to submit a report to the Legislature on the program by July 1, 2011. The bill would require the Department of Motor Vehicles, if requested, to collect the fee and distribute the net revenues, after deduction of specified costs, to the agency. The bill would require that the fees collected may only be used to pay for programs bearing a relationship or benefit to the owners of motor vehicles paying the fee, and would require the agency to make a specified finding of fact in that regard by a 2/3 vote.

Sponsored by Alameda County CMA/Transportation & Land Use Coalition.

Status: Senate Floor.

CBA Position: Watch

AB 2592 (Leno-D) California Travel and Tourism Commission. (A-6/8/06)

Summary: This bill Modifies the conditions and terms of appointees and elected

members of the California Travel and Tourism Commission (CTTC), broadens industry segments which may voluntarily participate, and clarifies certain assessment and referendum procedures. **Sponsored by the California Hotel & Lodging Association.**

Status: Senate Floor.

CBA Position: Watch

AB 2593 (Keene-R) Compensation: meal periods: transportation industry.

(A-8/16/06)

Summary: Existing law prohibits an employer from requiring an employee to work during any meal or rest period mandated by an order of the Industrial Welfare Commission and establishes penalties for an employer's failure to provide a mandated meal or rest period. This bill would permit parties in the transportation industry to establish by a collective bargaining agreement an off-duty meal period and an on-duty meal period, if the agreement also provides for a premium rate for overtime hours and a specified regular hourly rate. This bill would provide that it does not affect the requirements for meal periods for employees other than commercial drivers subject to a collective bargaining agreement. **Sponsored by United Parcel Service Status: Senate Floor.**

CBA Position: Watch

SB 263 (Speier-D) Sellers of travel: regulation. (8/14/05)

Summary: This bill would revise the definition of seller of travel (SOT) to include sellers of land or water vessel transportation, as specified. The bill would also revise regulatory requirements pertaining to disclosure and refund obligations of a seller of travel. The bill would allow a seller of travel, in lieu of a registration renewal, to file an attestation that no change has occurred to the information provided in its last filed complete registration statement. Because the attestation is made under penalty of perjury, the bill would impose a state-mandated local program by expanding the crime of perjury. The bill would prohibit a person from selling a travel business discount program, as defined, unless specified requirements are met. The bill would also prohibit a seller, as defined, from selling a seller of travel discount program, as defined, unless specified requirements are satisfied. The bill would require the Attorney General to suspend the registration of a person convicted of a felony violation of the provisions regulating sellers of travel and would also prohibit the person from registering as a seller of travel and from participating in the Travel Consumer Restitution Fund for 7 years. (2) Existing law provides for the Travel Consumer Restitution Corporation that is required to provide restitution for a claim filed by a person aggrieved, defined as a person meeting certain conditions who has sustained a loss because a seller of travel failed to refund payments for travel services that were not provided to the person. Under existing law, this restitution is secondary to any other compensation or reimbursement to which the person aggrieved is entitled. This bill would specify that the restitution provided by the Travel Consumer Restitution Corporation is secondary only to specified sources of compensation or relief to which the person aggrieved may be entitled.

Sponsored by California Coalition of Travel Organizations

STATUS: Senate Floor for concurrence.

CBA Position: The Attorney General's Office clarified that the bill exempts those CBA companies already regulated by PUC. The August 14th amendments did not change this exemption.

SB 1161 (Alarcon-D) State highways: design-sequencing contracts. (A-6/21/06)

Summary: Existing law authorizes the Department of Transportation, until January 1, 2010, to conduct a pilot project to award design-sequencing contracts, as defined, for the design and construction of not more than 12 transportation projects, to be selected by the Director of Transportation. This bill would instead generally authorize the department, until January 1, 2012, to award contracts for projects using the design-sequencing contract method, if certain requirements are met. The bill would require the department to continue the use of a peer review committee to assist the department in preparing an annual report to the Legislature describing and evaluating the outcome of the design-sequencing contracts until December 31, 2011.

Status: Held in Assembly Appropriations Suspense File.

CBA Position: SUPPORT (taken at 1st Qtr '06 Bd. Meeting)

SB 1611 (Simitian-D) Congestion management fees. (A-8/706)

Summary: This bill would authorize a congestion management agency, or where there is no congestion management agency, the board of supervisors, to place a majority vote ballot measure before the voters of a county authorizing the imposition of an annual fee of up to \$25 on each motor vehicle registered within the county for transportation projects and programs with a relationship or benefit to the persons paying the fee. The bill would define the terms "congestion management" and "pollution prevention" for purposes of the bill. The bill would require the ballot measure resolution to be adopted by a majority vote of the governing board of the congestion management agency or the board of supervisors, as appropriate, at a noticed public hearing and would also require the resolution to contain a specified finding of fact. The bill would require the Department of Motor Vehicles, if requested, to collect the fee and distribute the proceeds, after deduction of specified administrative costs, to the agency or the board of supervisors. **Sponsored by the author. Status: Held in Assembly Appropriations.**

CBA Position: Watch

SB 1613 (Simitian-D) Vehicles: wireless telephones. (A-08/09/2006)

Summary: Under existing law, motor vehicle operation is regulated, and drivers must follow many legal requirements or face criminal sanctions. Under existing law, it is a crime for a person to drive a school bus or transit vehicle while using a wireless telephone, except for certain work-related or emergency purposes. This bill would make it an infraction, operative July 1, 2008, to drive a motor vehicle while using a wireless telephone, unless that telephone is designed and

configured to allow hands-free listening and talking operation, and is used in that manner while driving. There is an exemption for driving a motor truck or truck tractor when using a digital 2-way radio service that utilizes a wireless telephone. This offense would be punishable by a base fine of \$20 for a first offense and \$50 for each subsequent offense. This bill contains other related provisions and other existing laws.

STATUS: Assembly Floor

CBA Position:

SB 1675 (Kehoe-D) Vehicular air pollution: renewable diesel fuel. (A-6/29/06)

Summary: This bill would require all diesel fuel sold or offered for sale in the state for use in internal combustion engines to contain at least 2% renewable diesel fuel, as defined, no later than one year after a specified finding is made by the state board, and no later than two years after the implementation of the 2% standard, all diesel fuel sold or offered for sale in the state for use in internal combustion engines to contain at least 5% renewable diesel fuel. The bill would permit the state board to adopt regulations to grant exemptions to those requirements under specified circumstances. The bill would also permit the State Energy Resources Conservation and Development Commission to temporarily suspend those requirements if fuel supplies are shown to be inadequate, as provided.

Status: Assembly Floor

CBA Position: OPPOSE (taken by a collective decision of the Leg Committee)

LEGISLATIVE UPDATE - Week of June 16, 2006

The constitutional deadline of June 15th has just passed without a budget. While this is not unusual, there was some hope that the Legislature would be able to meet the deadline this year. However, there is hope that there won't be a big battle this year and the sides are not that far apart. There should be a budget by July 1st (or before the Speaker has to leave for his trip to the World Cup!)

2005-06 LEGISLATION

AB 2444 (Klehs-D) Congestion management and motor vehicle environmental mitigation fees. (A-5/3/06)

Summary: This bill would authorize the congestion management agencies in the 9 Bay Area counties, by a 2/3 vote of all of the members of the governing board, to impose an annual fee of up to \$5 on motor vehicles registered within those counties for a program for the management of traffic congestion. The bill would require a program with performance measures and a budget to be adopted before the fee may be imposed. The bill would require the agency to have an independent audit performed on the program and to submit a report to the Legislature on the program by July 1, 2011. The bill would require the

Department of Motor Vehicles, if requested, to collect the fee and distribute the net revenues, after deduction of specified costs, to the agency. The bill would require that the fees collected may only be used to pay for programs bearing a relationship or benefit to the owners of motor vehicles paying the fee, and would require the agency to make a specified finding of fact in that regard by a 2/3 vote. This bill would also authorize the Bay Area Air Quality Management District, which is the air pollution control district for the 9-county Bay Area, to impose an annual fee of up to \$5 on motor vehicles registered with its jurisdiction for programs that mitigate the impacts of motor vehicles on the environment, including, but not limited to, storm water runoff mitigation projects, water quality improvement projects, and air quality improvement projects. The bill would require a program with performance measures and a budget to be adopted by the Bay Area Air Quality Management District and the California Regional Water Quality Control Board for the San Francisco Bay Region before the fee may be imposed, and would require the fee to be adopted by a 2/3 vote of the governing board of the district. The bill would require the Department of Motor Vehicles, if requested, to collect the fee and to distribute the net revenues, after deduction of specified costs, to the Bay Area Air Quality Management District and to the California Regional Water Quality Control Board for the San Francisco Bay Region based on a specified formula. The bill would require the recipient agencies to have an independent audit performed on the program and to submit a report to the Legislature on the program by July 1, 2011. The bill would require that the fees collected may only be used to pay for programs bearing a relationship or benefit to the owners of motor vehicles paying the fee, and would require the board to make a specified finding of fact in that regard by a 2/3 vote.

Sponsored by Alameda County CMA/Transportation & Land Use Coalition.
Status: Senate Rules for committee assignment.
CBA Position: Watch

[AB 2592](#) (Leno-D) California Travel and Tourism Commission. (1-02/24/06)
Summary: This bill would specify that each appointed member of the commission shall represent only one of those designated tourism regions. The bill would also specify that appointed members are not limited to persons who are employed by or represent assessed businesses. The bill would provide that elected commissioners shall serve 4-year terms and that an appointed or elected commissioner would cease to be a commissioner 90 days following the date on which he or she ceases to meet the criteria for appointment or election as a commissioner, except as specified. Existing law authorizes the commission to accept voluntary assessments from any person in a travel and tourism related business, except persons whose primary business is gaming. This bill would delete that exception. Existing law establishes procedures for imposing assessments on businesses within various tourism industry categories or segments by means of referendum called by the Secretary of Business, Transportation and Housing. Existing law also exempts from assessment a small business, defined as a business location with less than \$1,000,000 in California gross annual revenue. This bill would require the secretary to identify, if possible

and provide an opportunity to vote to, businesses that would be newly assessed due to a referendum, and would set forth specified methods by which a business or person sharing common ownership, management, and control of more than one assessed business may calculate the assessment. The bill would also allow the exemption threshold amount to be lowered to not less than \$500,000 by referendum. **Sponsored by the California Hotel & Lodging Association.**
Status: Senate Appropriations.
CBA Position: Watch

[AB 2593](#) (Keene-R) Compensation: meal periods: transportation industry. (A-5/11/06)

Summary: Existing law prohibits an employer from requiring an employee to work during any meal or rest period mandated by an order of the Industrial Welfare Commission and establishes penalties for an employer's failure to provide a mandated meal or rest period. This bill would permit parties in the transportation industry to establish by a collective bargaining agreement an off-duty meal period and an on-duty meal period, if the agreement also provides for a premium rate for overtime hours and a specified regular hourly rate.

Sponsored by United Parcel Service (UPS)

Status: Senate Appropriations.

CBA Position: Watch

[AB 2621](#) (Strickland-R) Sales and use taxes: exemption: gasoline. (A-5/9/06)

Summary: The Sales and Use Tax Law imposes a tax on the gross receipts from the sale in this state of, or the storage, use, or other consumption in this state of, tangible personal property. That law provides various exemptions from that tax. This bill would provide an additional exemption for motor vehicle fuel, as defined. Counties and cities are authorized to impose local sales and use taxes in conformity with state sales and use taxes. Exemptions from state sales and use taxes enacted by the Legislature are incorporated into the local taxes. Section 2230 of the Revenue and Taxation Code provides that the state will reimburse counties and cities for revenue losses caused by the enactment of sales and use tax exemptions. This bill would provide that, notwithstanding Section 2230 of the Revenue and Taxation Code, no appropriation is made to reimburse local agencies for sales and use tax revenues lost by them pursuant to this bill. This bill would declare the Legislature's intent to make that reimbursement, pursuant to a subsequent bill. This bill would take effect immediately as a tax levy, but its operative date would depend on its effective date. **Sponsored by author**

Status: Assembly Appropriations; held under submission; this bill is now DEAD.

CBA Position: Watch

[SB 263](#) (Speier-D) Sellers of travel: regulation. (08/15/05)

Summary: This bill would revise the definition of seller of travel (SOT) to include

sellers of land or water vessel transportation, as specified. The bill would also revise regulatory requirements pertaining to disclosure and refund obligations of a seller of travel. The bill would allow a seller of travel, in lieu of a registration renewal, to file an attestation that no change has occurred to the information provided in its last filed complete registration statement. Because the attestation is made under penalty of perjury, the bill would impose a state-mandated local program by creating a criminally punishable offense. The bill would also prohibit a seller of travel from selling future transportation or other travel services, as specified, at a discounted price or on a preferential basis. Because the violation of this prohibition would be a crime under the seller of travel regulatory provisions, the bill would impose a state-mandated local program. The bill would require the Attorney General to suspend the registration of a person convicted of a felony violation of the provisions regulating sellers of travel and would also prohibit the person from registering as a seller of travel and from participating in the Travel Consumer Restitution Fund for 7 years. **Sponsored by California Coalition of Travel Organizations**

STATUS: Assembly Desk

CBA Position: The Attorney General's Office clarified that the bill exempts those CBA companies already regulated by PUC.

[SB 1161](#) (Alarcon-D) State highways: design-sequencing contracts. (A-5/26/06)

Summary: Existing law authorizes the Department of Transportation, until January 1, 2010, to conduct a pilot project to award design-sequencing contracts, as defined, for the design and construction of not more than 12 transportation projects, to be selected by the Director of Transportation. This bill would instead generally authorize the department, until January 1, 2012, to award contracts for projects using the design-sequencing contract method, if certain requirements are met. The bill would require the department to continue the use of a peer review committee to assist the department in preparing an annual report to the Legislature describing and evaluating the outcome of the design-sequencing contracts until December 31, 2010.

Status: Assembly Transportation on June 19th.

CBA Position: SUPPORT (taken at 1st Qtr '06 Bd. Meeting)

[SB 1611](#) (Simitian-D) Congestion management fees. (A-4/19/2006)

Summary: This bill would authorize a congestion management agency, or where there is no congestion management agency, the board of supervisors, to place a majority vote ballot measure before the voters of a county authorizing the imposition of an annual fee of up to \$25 on each motor vehicle registered within the county for transportation projects and programs with a relationship or benefit to the persons paying the fee. The bill would require the ballot measure resolution to be adopted by a majority vote of the governing board of the congestion management agency or the board of supervisors, as appropriate, at a noticed public hearing and would also require the resolution to contain a specified finding of fact. The bill would require the Department of Motor Vehicles,

if requested, to collect the fee and distribute the proceeds, after deduction of specified administrative costs, to the agency or the board of supervisors, as appropriate, and would enact other related provisions. **This bill is a statewide version of his bill of last year, SB 680 that applied only to Santa Clara County, that the Governor vetoed saying that “he didn’t want a piecemeal approach”. Sponsored by the author.**

Status: Assembly Desk for committee assignment.

CBA Position: Watch

[SB 1675](#) (Kehoe) Vehicular air pollution: renewable diesel fuel. (A-05/26/2006)

Summary: This bill would require, commencing January 1, 2008, all diesel fuel sold or offered for sale in the state for use in internal combustion engines to contain at least 2% renewable diesel fuel, as defined, and, commencing January 1, 2010, all diesel fuel sold or offered for sale in the state for use in internal combustion engines to contain at least 5% renewable diesel fuel. The bill would permit the state board to adopt regulations to grant exemptions to those requirements under specified circumstances. The bill would also permit the State Energy Resources Conservation and Development Commission to temporarily suspend those requirements if fuel supplies are shown to be inadequate, as provided. This bill contains other related provisions and other existing laws.

Status: Assembly Desk for assignment.

CBA Position: OPPOSE (taken by a collective decision of the Leg Committee)

[SCR 63](#) (Florez-D) California school bus emissions reduction. (I-09/08/05)

Summary: This measure would encourage the Public Utilities Commission work with the regulated utilities to consider developing, and possibly to develop, a program to retrofit diesel school buses in the state to reduce particulate matter emissions, while not increasing nitrogen dioxide emissions, with a minimal increase in the utility rate. **Sponsored by the author**

Status: Senate Transportation & Housing.

CBA Position: Watch

LEGISLATIVE UPDATE - Week of April 17, 2006

2005-06 LEGISLATION

[AB 1256](#) (Bermudez-D) Vehicles: school bus drivers. (I-02/22/05)

Summary: Existing law requires an applicant for an original or renewal certificate to drive a school bus, school pupil activity bus, youth bus, general public para-transit vehicle, or farm labor vehicle to submit to the Department of

Motor Vehicles a report of a medical examination of the applicant given not more than two years prior to the date of the application by a physician licensed to practice medicine. This bill, additionally, would authorize the medical examination to be given by a licensed doctor of chiropractic medicine.

STATUS: Senate Transportation & Housing. 2-YEAR BILL

CBA Position: OPPOSE (taken at 1st Qtr Bd. Meeting '05)

THIS bill has just been “gutted and amended” and now refers to sentencing as it relates to the three strikes law. Therefore, it will no longer appear on our list.

AB 2444 (Klehs-D) Congestion management and motor vehicle environmental mitigation fees. (A-4/6/06)

Summary: This bill would authorize the congestion management agencies in the 9 Bay Area counties, by a 2/3 vote of all of the members of the governing board, to impose an annual fee of up to \$5 on motor vehicles registered within those counties for a program for the management of traffic congestion. The bill would require a program with performance measures and a budget to be adopted before the fee may be imposed. The bill would require the agency to have an independent audit performed on the program and to submit a report to the Legislature on the program by July 1, 2011. The bill would require the Department of Motor Vehicles, if requested, to collect the fee and distribute the net revenues, after deduction of specified costs, to the agency. The bill would require that the fees collected may only be used to pay for programs bearing a relationship or benefit to the owners of motor vehicles paying the fee, and would require the agency to make a specified finding of fact in that regard by a 2/3 vote. This bill would also authorize the Bay Area Air Quality Management District , which is the air pollution control district for the 9-county Bay Area, to impose an annual fee of up to \$5 on motor vehicles registered with its jurisdiction for programs that mitigate the impacts of motor vehicles on the environment, including, but not limited to, storm water runoff mitigation projects, water quality improvement projects, and air quality improvement projects. The bill would require a program with performance measures and a budget to be adopted by the Bay Area Air Quality Management District and the California Regional Water Quality Control Board for the San Francisco Bay Region before the fee may be imposed, and would require the fee to be adopted by a 2/3 vote of the governing board of the district . The bill would require the Department of Motor Vehicles, if requested, to collect the fee and to distribute the net revenues, after deduction of specified costs, to the Bay Area Air Quality Management District and to the California Regional Water Quality Control Board for the San Francisco Bay Region based on a specified formula. The bill would require the recipient agencies to have an independent audit performed on the program and to submit a report to the Legislature on the program by July 1, 2011. The bill would require that the fees collected may only be used to pay for programs bearing a relationship or benefit to the owners of motor vehicles paying the fee.

Sponsored by Alameda County CMA/Transportation & Land Use Coalition.

Status: Assembly Transportation on April 17th.
CBA Position: Watch

**[AB 2592](#) (Leno-D) California Travel and Tourism Commission. (I-02/24/06)
NEW BILL**

Summary: Existing law, the California Tourism Marketing Act, provides for the California Travel and Tourism Commission, a nonprofit mutual benefit corporation, and provides for a 37-member board of the commission, including 12 members appointed by the Governor and 24 elected Members. The 12 appointed members are required to represent the 12 officially designated tourism regions. This bill would specify that each appointed member of the commission shall represent only one of those designated tourism regions. The bill would also specify that appointed members are not limited to persons who are employed by or represent assessed businesses. The bill would provide that elected commissioners shall serve 4-year terms and that an appointed or elected commissioner would cease to be a commissioner 90 days following the date on which he or she ceases to meet the criteria for appointment or election as a commissioner. **Sponsored by the California Hotel & Lodging Association.**
Status: Assembly Arts, Entertainment, Sports, Tourism and Internet Media on April 18th.
CBA Position: Watch

[AB 2593](#) (Keene-R) Compensation: meal periods: transportation industry. (A-4/5/06)

Summary: Existing law prohibits an employer from requiring an employee to work during any meal or rest period mandated by an order of the Industrial Welfare Commission and establishes penalties for an employer's failure to provide a mandated meal or rest period. This bill would permit parties in the transportation industry to establish by a collective bargaining agreement an off-duty meal period and an on-duty meal period, where the agreement also provides for a premium rate for overtime hours and a specified regular hourly rate. **Sponsored by United Parcel Service (UPS)**
Status: Assembly Rules for assignment.
CBA Position: Watch

[AB 2621](#) (Strickland-R) Sales and use taxes: exemption: gasoline. (I-02/24/06)

Summary: The Sales and Use Tax Law imposes a tax on the gross receipts from the sale in this state of, or the storage, use, or other consumption in this state of, tangible personal property. That law provides various exemptions from that tax. This bill would provide an additional exemption for motor vehicle fuel, as defined. This bill contains other related provisions and other existing laws.
Sponsored by author
Status: Assembly Revenue & Taxation on May 8th.
CBA Position: Watch

SB 263 (Speier-D) Sellers of travel: regulation. (08/15/05)

Summary: This bill would revise the definition of seller of travel (SOT) to include sellers of land or water vessel transportation, as specified. The bill would also revise regulatory requirements pertaining to disclosure and refund obligations of a seller of travel. The bill would allow a seller of travel, in lieu of a registration renewal, to file an attestation that no change has occurred to the information provided in its last filed complete registration statement. Because the attestation is made under penalty of perjury, the bill would impose a state-mandated local program by creating a criminally punishable offense. The bill would also prohibit a seller of travel from selling future transportation or other travel services, as specified, at a discounted price or on a preferential basis. Because the violation of this prohibition would be a crime under the seller of travel regulatory provisions, the bill would impose a state-mandated local program. The bill would require the Attorney General to suspend the registration of a person convicted of a felony violation of the provisions regulating sellers of travel and would also prohibit the person from registering as a seller of travel and from participating in the Travel Consumer Restitution Fund for 7 years. **Sponsored by California Coalition of Travel Organizations**

STATUS: Assembly Desk

CBA Position: Seeking clarification that the bill exempts those CBA companies already regulated by PUC.

SB 1161 (Alarcon-D) State highways: design-sequencing contracts. (1-01/10/06) **NEW BILL**

Existing law authorizes the Department of Transportation, until January 1, 2010, to conduct a pilot project to award design-sequencing contracts, as defined, for the design and construction of not more than 12 transportation projects, to be selected by the Director of Transportation. This bill would instead generally authorize the department to award contracts for projects using the design-sequencing contract method, if certain requirements are met. This bill is almost identical to AB 1266 (Niello-R) of last year that was supported by CBA (see below)

Status: Senate Transportation and Housing on April 18th.

CBA Position: SUPPORT (taken at 1st Qtr '06 Bd. Meeting)

SB 1611 (Simitian-D) Congestion management fees. (1-02/24/2006) **NEW BILL**

Summary: This bill would authorize a congestion management agency to impose an annual fee of up to \$20 on each motor vehicle registered within the county for transportation projects and programs with a relationship or benefit to the persons paying the fee. The bill would require a specific transportation program with performance measures and a budget to be adopted before the fee is imposed. The bill would require the resolution imposing the fee to incorporate the specific transportation program to be funded by the fee and specified findings of fact. The bill would require the resolution to be adopted by a 2/3 vote of the governing board. The bill would require the agency to have an independent audit

conducted annually on the program and to provide a specified report to the Legislature. The bill would require the Department of Motor Vehicles, if requested, to collect the fee and distribute the proceeds, after deduction of specified administrative costs, to the agency, and would enact other related provisions. **This bill is a statewide version of his bill of last year, SB 680 that applied only to Santa Clara County, that the Governor vetoed saying that "he didn't want a piecemeal approach". Sponsored by the author.**
Status: Senate Transportation & Housing on April 25th.
CBA Position: Watch

[SCR 63](#) (Florez-D) California school bus emissions reduction. (1-09/08/05)
Summary: This measure would encourage the Public Utilities Commission work with the regulated utilities to consider developing, and possibly to develop, a program to retrofit diesel school buses in the state to reduce particulate matter emissions, while not increasing nitrogen dioxide emissions, with a minimal increase in the utility rate. **Sponsored by the author**
Status: Senate Transportation & Housing on April 25th.
CBA Position: Watch

[GOVERNOR'S STATE OF THE STATE - January 5, 2006](#)

Thank you very much Lieutenant Governor Bustamante I think you have a new career as a comedian. Very nice.

Senate Pro Tem Perata, Speaker Nuñez, Minority Leader Ackerman and Assembly Minority Leader McCarthy, my fellow servants of the people, ladies and gentlemen, it's great to be back in this chamber.

Now what a difference a year makes - a year ago USC and I were #1 - what happened?

People recently have said to me, "Arnold, I bet you wish you were back in the movie business?"

I say, "No, not for a minute."

This is still the best job I've ever had. It's an honor to serve the people of California and a joy to serve the people of California and to stand here with you at the start of this new year.

I've thought a lot about the last year and the mistakes I made and the lessons I've learned. What I feel good about is that I led from my heart.

Now it's true that I was in too much of a hurry. I didn't hear the majority of Californians when they were telling me they didn't like the special election. I barreled ahead anyway when I should have listened.

I have absorbed my defeat and I have learned my lesson. And the people, who always have the last word, sent a clear message -- cut the warfare, cool the rhetoric, find common ground and fix the problems together. So to my fellow Californians, I say -- message received.

And I hope the members of the Legislature also got the message that people want us to work together. I have always felt that the people are my partners.

So I haven't for a moment doubted our fundamental agenda -- to regain California's fiscal integrity, to return government to the people and to prepare our state for the extraordinary changes to come.

So, as we begin the new year, I stand before you here tonight happy, hopeful and wiser. And I'm confident that California has the innovative spirit to address the challenges we face here at home and as part of a dynamic global economy.

In fact, let me brag a little bit about what California has accomplished over the last two years.

Together, with the help of the Legislature and the people, we brought California back from the brink of bankruptcy. We balanced the budget without raising taxes, and record revenues are flowing into our treasury, and we are paying down our debt.

We reformed workers' comp and we now have more Californians working than ever in our history -- with over 450,000 new jobs created.

We made unequalled investments in education -- a record of 50 billion dollars this year.

And we made our schools healthier by becoming the only state in the union to ban sodas and junk food from our schools.

We set some of the most aggressive targets in the world in energy efficiency and reducing greenhouse gases.

And we enforced Prop 42 so that for the first time all the sales taxes on gasoline went for the roads, not for general spending.

All of which brings me to tonight.

Over the years, some remarkable governors and some remarkable men and women who have gathered in this chamber have addressed the needs of the people. Tonight my mind especially goes back to former governors Earl Warren, Goodwin Knight, Pat Brown, Ronald Reagan and to the legislators who have served those leaders.

In the face of massive change and huge challenges, they built the foundation of California's prosperity. They built the schools and the universities that became the envy of the world. They built the bridges and the aqueducts, the highways and the hospitals that made California the economic powerhouse it is today. And they did it, through wars and recession, year in and year out, for decade after decade.

The challenges that we face here today are similar but even more complex. They built California with steel, concrete, hard work and vision. We must do all of that and more.

We must not only expand the concrete highways that connect Los Angeles to San Francisco and Stockton -- but the digital ones that connect Stockton to Shanghai, and to Sydney and to Seoul.

We must build a California eager to meet the challenges of the 21st Century without reluctance or fear.

Let me ask you, what California do you want in 20 or 30 years? What kind of highways will we drive on? What kind of schools will our children attend? What kind of jobs will we have? What kind of air will we breathe? And what kind of hospitals will care for our sick?

Now some would say, "How can we plan for 20 or 30 years when we can't even meet our needs today?" Well, the answer is that we will never catch up, unless we know where we're going.

A new California is coming whether you plan for it or not.

California's population is expected to increase by as much as 30 percent over the next 20 years. That is the equivalent of adding three new cities the size of Los Angeles. Yes, it's astonishing.

Our systems are at the breaking point now. We need more roads, more hospitals, more schools, more nurses, more teachers, more police, more fire, more water, more energy, more ports... more, more, more.

But, we cannot be overwhelmed by this reality. We cannot freeze in the face of this future. We cannot bury our head in the sand and say -- if we don't build it, they won't come.

As my friend Senator McClintock likes to say, California stopped building three decades ago, and the people came anyway. And now the people sit in gridlock on our roads. They wait for hours in our emergency rooms. They drop their children off at overcrowded schools. But, again, I say to you, do not be overwhelmed.

Half a century ago, our predecessors faced exactly the same challenges, but they still planned for our future. And now, it is our turn. The need is urgent, but this is not just about keeping up; it is about growing with strength and confidence and moving ahead.

We are perched on the Pacific -- looking across to a continent where there is tremendous economic growth. California is better placed to be a leader in the global future than any other state in the union. We have the outlook, the innovation, the technology, the people. We have the location.

In fact, almost half of everything made in Asia and sold in the U.S. comes through California comes through our ports. We are already the golden gateway to and from the emerging economies of Asia. Our ports are jammed to capacity. The cargo ships are lined up -- waiting. Ports in Washington, Oregon, Texas and Mexico are vying for a chance to take business away from us. What will our reply be?

I was in China recently. Let me tell you, what a sight. Construction cranes fill the sky. Over a billion people work and save and study. Now, we all know that China has enormous problems -- environmental, social, political -- problems much larger than ours, but they are preparing for a global future. Do we not have the same ability to think as dynamically and optimistically about our people's future? Of course, we do.

California is already on the leading edge of global economy and it's changing and growing by leaps and bounds. And yet we will let this advantage slip from our fingers, if we don't make the long-term investment in our ports, our roads, our schools, our information systems and all the other infrastructure required to compete in a world that thrives on innovation.

Ladies and Gentlemen, California is innovation. For more than a century California's ideas have been the gold standard for innovation and progress. To maintain that edge we must strategically invest in our future and in our children's future.

Think of California as a mutual fund --in particular, a growth fund. Why do we invest in a growth fund? Because we believe in the economic future. So I ask each of you... do you believe in California's economic future? Well then we must invest in it. If we do not invest in ourselves, how can we expect others to invest in us?

So today I propose a Strategic Growth Plan for California's Future. We in this chamber can lay the foundation for the next generation, just as our predecessors did 50 years ago.

In recent decades, California has invested piecemeal, crisis by crisis, traffic jam by traffic jam. There is a better way, a smarter way, a more fiscally responsible way to invest in our future.

We cannot spend more than we have; but at the same time we cannot afford costly delay in investing in critical infrastructure. The reality is that we face more than 500 billion dollars in infrastructure needs over the next 20 years.

With this first phase of our Strategic Growth Plan, we will take a ten-year chunk out of that need. This plan will leverage 70 billion dollars in bonding capacity over the next ten years to achieve a total investment of more than 200 billion dollars. And we can do it without raising taxes.

We can use our bonding capacity more wisely by planning and leveraging our tax dollars to attract other resources -- like federal funding, more local funding and more private investment. For example, most of the dollars that we will invest in levee protection will be matched with 130 percent with federal dollars.

Yes, things will be tight, but funding our future is, is the fiscally responsible thing to do. Not to do so is to abandon the people. So I will propose that the Legislature adopt a debt ceiling that maintains our debt at a prudent level, regardless of the amount of our debt authorized.

Now let me give you an idea of where we would invest the money over the next ten years:

Transportation. Traffic does not have to keep getting worse. It can get better. If we add 1200 miles of new highway and HOV lanes into congested areas, and add 600 miles of mass transit, we can actually reduce traffic delays in the next ten years, even as our population grows and at the same time this investment in transportation will create 150,000 new jobs for our state. I say build it.

Air Quality. Congestion on our roads and in our ports pollutes our air. Pollution decreases our productivity and increases our health care costs. When one in six children in the Central Valley go to school with an inhaler, it is time to consider clean air as part of our critical infrastructure. We have the technology to clean our air. So I say build it.

K-12 Education. In the next ten years, a quarter of a million more students will be attending our schools. To meet this need, our plan over the next decade proposes construction of more than 2,000 small schools, 40,000 classrooms and modernizing another 140,000. I say build it.

Higher Education. California's system of colleges and universities is an enormous asset that fuels our innovation economy. In the next ten years, we must prepare for more than half a million new students. To meet the infrastructure needs of higher education, we need new classrooms, libraries and science labs in hundreds of new buildings on our campuses. I say build it.

Water and Flood Control. We have done little to expand our water supply in nearly 50 years. We must build more storage capacity, expand our delivery network and strengthen our levees. The Strategic Growth Plan increases our water supply to serve an additional 8.5 million people, supports our agricultural industry and doubles the amount of flood protection in the Sacramento area -- better shielding us from a Katrina-type disaster here at home. I say build it.

Public Safety. Local jails and state prisons are so overcrowded that criminals are being let out or left on the street because we have no room to lock them up. Our proposal provides for two new prisons, a new crime lab, emergency response facilities and space for 83,000 new prisoners over the next ten years. We must keep the people safe. I say build it.

Courts. Our courts are as congested as our roads and our prisons are, but something even more basic to our democracy is at stake -- justice. Justice delayed is justice denied. So our Strategic Plan includes 101 new courts, 56 renovations and 44 expansions, so that justice will not be denied at home. So I say build it.

Now, here's the catch. Our ability to pay for these investments is directly tied to the fiscal discipline of the past two years. This discipline must continue. The investments must go hand-in-hand with budget reform.

Although a strong economy has produced billions of dollars of unexpected revenues, we still face a structural deficit that will soon resurface. We cannot make the mistakes of the past. So this year must continue to be the year of reform. Because one thing I know: autopilot spending will fly us into the ground... not into the future.

Now, I realize that you did not like the proposal I place on the ballot to reduce spending when revenues are down. But the problem is still there, it didn't go away. Tell me how you would fix it. Bring me your innovative ideas. Work with me on a new proposal. Work with me on harnessing private sector investment. Work with me to invest in California's future growth and prosperity.

Now some may say that we can't plan for the long term, because the needs are simply too great and the amounts are too much. But, ladies and gentlemen, we have no other choice than to prepare for our future. I believe that we can improve our schools, our roads, our environment, our health care and our future. If I didn't

believe this, I wouldn't have become governor. And you wouldn't have become legislators.

Now, while planning ahead, we must also, of course, focus on making people's lives better this year. I believe we can find common ground on issues that can improve the lives of millions and million of Californians.

For example, when I ran for governor, I said that we could not afford an increase in the minimum wage unless the economy bounced back. Well, the economy has bounced back, so it is now time for those who often work the hardest and earn the least to benefit from California's growth. So let us increase the minimum wage by one dollar an hour, with half starting this year. So and I ask you to pass this measure immediately so that I can sign it without delay.

In education, the budget I will introduce next week will propose immediate repayment of the entire 1.67 billion dollars in Proposition 98 money. Now this, in addition to an automatic budget increase of 2.3 billion dollars, will be the largest increase in funding in education's history. Now I propose that we use part of this money so that children once again can have art, music and physical education in our schools.

Also this year, California's Proposition 49 after-school initiative kicks in, which will provide an additional 428 million dollars for after-school programs. This will make our state the only one in the nation to offer comprehensive after-school programs. Every elementary and middle school can have a program so that working parents will know that their children will be in a safe environment -- getting help with their homework, doing arts and physical activities. This will be good for both the children and the parents.

In higher education, we need to reduce the burden on families who send children to our state universities. I propose we should eliminate the increase in tuition scheduled to take effect this fall.

Health care. I ask myself, what's the quickest way that we can help the greatest number of people with the spiraling health care costs? I believe in the free market. I believe in free trade. I mean we buy food from overseas. We buy cars from overseas. Why not prescription drugs? So I call upon the federal government to permit the safe importation of prescription drugs. I say, let the free market work.

And in terms of helping families right now, we must always put public safety first. California should pass Jessica's Law to track sex offenders. Every parent's nightmare is that their children are vulnerable to predators on the Internet and in their neighborhoods. There should be no loopholes, no leeway, no leniency for those who harm our children.

If we work together, there is literally no problem we cannot solve -- even the issues we have struggled with last year. Now I am already talking to the legislative leaders about how we can move forward with important budget reform, pension reform, redistricting reform and all kinds of other issues.

I want to close with a story about Senator Escutia.

One day I ran into her and she told me about her bill to get sodas and junk foods out of the schools. And I said, "I love that idea. It's great to fight obesity. Let's do it together." And we did. And we got it passed.

But the point is this. She told me she that had been working on the bill for six years. It shouldn't have to take six years to address the health of our children. But the thing that really impressed me, was her perseverance, her stamina, her commitment, that is what was so unbelievable.

I ask you tonight to have that same perseverance, that same stamina, that same commitment, to help our children, to help our families, to help our communities and our state.

We must remember that this is the state that represents a dream. If you talk about the Illinois dream or the Delaware dream or the Kentucky dream, no one would know what you meant or what you're talking about. But our dream --the California dream-- ah, that means something. People understand it.

It is the means to a better life, where anything is possible -- no matter where you came from, no matter who you are. This is what people understand. This is what draws them here. This is why I came here.

So ladies and gentlemen, the state of our state is sound because our dream is sound. Let us commit to building California so that the dream can remain alive for this generation, for the next generation and for generations to come.

Thank you very much and God bless all of you.