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Legislative Reports for 2004

LEGISLATIVE UPDATE: Week of September 27, 2004

Veto of AB 606 - Employment Conditions of Hotel Workers

In keeping with his pro-business policy, the Governor vetoed AB 606 on Friday. The California Bus Association opposed this bill and wrote a letter to the Governor asking for a veto. Below is the veto message:

Governor's Message

To the Members of the California State Assembly: I am returning Assembly Bill 606 without my signature. California has many laws and regulations that protect an employee's right to adequate meal and rest periods, including a recently added statutory penalty against any employer who violates meal and rest period requirements. Yet, despite the strong foundation of California labor law and the numerous new laws added in recent years, the proponents of AB 606 believe that even more changes are needed. AB 606 singles out one industry and places additional requirements on employers in that industry. Specifically, this bill would require longer rest periods and other accommodations for employees classified as hotel room attendants and would establish new reporting requirements and penalties for employers who fail to comply with these requirements. These additional penalties and recordkeeping requirements will prove a disincentive to job creation and economic development, things California needs. I believe the foundation of California labor law is strong. California does not need more labor laws, just tougher enforcement of its existing laws, especially in industries with high numbers of vulnerable workers and a history of labor law violations. The Labor and Workforce Development Agency is focusing its enforcement activities on these very workers and industries, and I would encourage the proponents of AB 606 to work with the Agency as it pursues the common goal of protecting California workers.

Sincerely,
Arnold Schwarzenegger

LEGISLATIVE UPDATE: Week of August 30, 2004

END OF SESSION UPDATE

The 2003-04 Legislative Session came to a close with a whimper, rather than a bang, early on Saturday morning of August 28th. This was a first in end of session adjournments because the scheduled date to end was Tuesday, August 31st. The final day of the session was scheduled for August 31st but with the Republican Convention due to begin on August 30th in New York, the Democratic leadership didn't play any last minute games to stall the end of session and keep the Republicans in town until the 31st so they would miss half of their convention. You may recall the Democratic legislators were called back from the Dem Convention because the budget was stalled (in part by the Republicans) and finally got resolved in the middle of their convention. So congeniality prevailed in the final days to a certain extent. However, Senator Burton, surprised his colleagues and lobbyists when he abruptly shut down the Senate around 2:30 a.m. early Saturday morning, officially ending the session, after he got upset over a hastily called committee hearing held off the floor that took too long. This was actually vintage Burton. The 2003-04 session was over and the Senate collectively lost over 150 years of experience with the retirement of eight veteran Senators. The Governor has until September 30th to sign or veto bills from the current session. The 2004-05 Legislature convenes on December 6, 2004.

2003-04 Legislation

AB 557 (Lowenthal-D and Laird-D) Vehicles: right-of-way: transit buses. (Last amended 6-2-03)

Summary: This bill would authorize any transit operator to adopt provisions of a pilot project, scheduled to terminate on January 1, 2004, that requires a motorist to yield the right-of-way to a transit bus when merging with traffic after making a stop for passengers.

CBA POSITION: Support (Letter sent)

Status: Held in Senate Transportation; dead.

AB 606 (Nunez-D) Employment conditions: hotel room attendants. (Last amended 5-17-04)

Summary: This bill establishes the Humane Treatment of Hotel Room Attendants Act, requiring specified rest periods, and other conditions, and penalties for lack of compliance. (Rick Lawrence, Chair of Governmental Affairs Committee is asking for an OPPOSE position on this bill. It has already passed the Senate Labor Committee, without further amendments, and is pending in Senate Appropriations where policy testimony isn't usually taken)

CBA POSITION: Oppose.

Status: Enrolled and to the Governor. (CBA will send an oppose letter and will send a suggested draft to you to send an individual letter to the Governor as well)

AB 694 (Levine and Chavez-D) Use tax; vehicles, vessels and aircraft. (Last amended 9-8-03)

Summary: This bill would expand the existing presumption that a vehicle, vessel, or aircraft purchased outside of the state is subject to use tax to apply if that vehicle, vessel, or aircraft 1) is purchased by a California resident; 2) was subject to California's registration or property tax laws during the first 12 months of ownership; or 3) was used or stored in this state more than 1/2 of the time during the first 12 months of ownership.

CBA POSITION: Directed us to ask for amendment clarifying that it exempts IRP vehicles. Called author's office with CBA's concerns and those amendments were taken.

Status: Held on Senate Floor Inactive File.

AB 2503 (Liu-D) Rental vehicles: passenger vans. (Last amended 6-29-04)

Summary: As introduced, this bill would have required a rental company to limit the rental and operation of a 15-passenger van, as defined, to a person issued an endorsement for the operation of that vehicle and who holds a class B driver's license. However, the author took amendments in the Assembly Transportation Committee that essentially gutted the bill and the bill now only requires Requires a rental car company to provide a renter of a 15-passenger van with a copy of the United States Department of Transportation, National Highway Traffic Safety Administration's (NHTSA) consumer advisory for 15-passenger. Support position was withdrawn.

CBA Position: SUPPORT taken at March Board meeting but letter sent to author removing support and now Neutral.

Status: Enrolled and to the Governor.

AB 2591 (Leno-D) Charter-party carriers: limousines

(Last amended 7-17-04)

Summary: As amended recently, the bill now is clear that its main provisions apply to charter party carriers acting as taxicabs. We worked with the author's office and the proponents to clarify that this bill would only apply to charter party carriers acting as taxicabs. The intent is to go after bandit limousines operating as taxicabs. It also authorizes a local jurisdiction to impose reasonable rules for the inspection of waybills for the purposes of verifying valid pre-arranged travel.

CBA Position: We requested amendments (adopted): Neutral

Status: Enrolled and to the Governor.

AB 2644 (Oropeza-D) Air pollution: school bus idling and idling at schools.

(Last amended 6-29-04)

Summary: This bill codifies in statute the regulations adopted last year regarding school bus idling and provides that the first offense is just an infraction.

CBA Position: Watch

Status: Enrolled and to the Governor.

AB 2785 (Nakano-D) Vehicles: wireless telephones. (Last amended 4-15-04)

Summary: This bill will make it an infraction to operate a school bus or a transit vehicle while using a wireless phone. However, as amended it allows the driver to use the cell phone for work-related purposes, or for emergencies.

CBA Position: WATCH

Status: Enrolled and to the Governor.

AB 2847 (Oropeza-D) Gasoline and motor vehicle diesel fuel fee (Last amended 4-27-04)

Summary: This bill would impose an unspecified fee on each gallon of gasoline subject to the Motor Vehicle Fuel License Tax Law and each gallon of motor vehicle diesel fuel subject to the Diesel Fuel Tax Law.

CBA Position: OPPOSE taken at March Board meeting

Status: Assembly Appropriations. Held under submission. DEADER than a doornail.

AB 2858 (Ridley-Thomas-D) Charter party carriers of passengers: drivers and key employees: background checks

(Last amended 6-15-04)

Summary: This is another bill that the author gutted after policy committee to deal with the above issue. As amended, the intent is to establish a comprehensive process for the screening and identification of a specific class of workers who provide services to airport patrons at the exterior of the airport in response to 9/11. We worked with Mike Waters and the author's office to get an amendment to allow our SPAB certificated drivers to have been deemed already screened and identified for airport entry. Our suggested amendments were placed into the bill on June 15th.

CBA Position: SUPPORT once CBA amendments were adopted.

Status: Failed passage in Senate Public Safety

SB 1390 (Speier-D) Tourism. (Last amended 5-24-04)

Summary: This bill would appropriate \$1,000,000 from the General Fund to the California Travel and Tourism Commission for the purposes of the act.

CBA Position: SUPPORT taken at March Board meeting.

Status: Held in Assembly Appropriations under submission.

SB 1614 (Torlakson-D) Gasoline and motor vehicle diesel fuel. (Last amended 4-29-04)

Summary: Similar to AB 2847, this bill would impose a storage tax on each gallon of gasoline equal to the increase in tax on each gallon of tax paid on motor vehicle and diesel fuel, in storage, as provided.

CBA Position: OPPOSE taken at March Board meeting.

Status: Held in Senate Transportation. DEAD, dead dead.

SB 1828 (Alarcon-D) Socially responsible business.

(Amended 4-16-04)

Summary: Existing law establishes various regulations applicable to business entities, including, among others, corporations and partnerships.

This bill would declare the intent of the Legislature to create *two categories* of business, which would be known as the “*California transparent enterprise*” and the “*California responsible business*,” and to encourage businesses to become socially responsible. (Don’t you just love it!)

CBA Position: OPPOSE taken at March Board meeting

Status: Senate Rules for assignment (this bill was never assigned a date or committee, so dead for this session.

However, never one to give up, Senator Alarcon amended (gutted) another of his bills on June 10th, SB 996, to declare the intent of the Legislature to do something similar to the above bill SB 1828.

Status: Assembly Banking and Finance on June 21st WHERE IT FAILED PASSAGE! This is the end of this for this year anyway.

LEGISLATIVE UPDATE: Week of April 19, 2004

WORKERS’COMP REFORM – MISSION ACCOMPLISHED!

After five months of posturing, threatening a ballot initiative and much political drama, the Legislature and Governor produced a “landmark” bill to overhaul the workers’ compensation system in California by dramatically reshaping how medical treatment and disability benefits are determined for injured workers. Experts estimate the savings could range from \$4 to \$6 billion and will eventually give much needed financial relief to businesses of all sizes. The Governor signed the workers’ comp bill, SB 899 by Senator Poochigian, on Monday, April 19th in a Hollywood style ceremony at a Boeing plant in Long Beach. It is interesting to note that the Democratic controlled Legislature allowed the bill to be authored by a Republican showing that maybe this truly was a bi-partisan effort. However, while the business community and the insurance industry were very happy with the outcome, trial lawyers and labor were not so happy.

The contents of the lengthy bill that started at over 200 pages, then went to about 150 and eventually ended up in the two digits are complex but some key elements of this new plan include the following:

- Uniform medical standards used to determine treatment and disability benefits.
- Independent medical reviews to resolve health care disputes.
- Permanent disability decision must be based on the percentage of the injury due to the job.
- Employers pay only the portion of a disability caused by the injury.

- A pilot program allows some employers to purchase health and workers' compensation insurance from a single carrier.
- Employers and insurers establish a network of medical providers to treat injured workers.
- Temporary disability benefit payments are limited to two years.

The bill will take effect immediately. If you have any questions or need additional information on this issue, please don't hesitate to let us know.

Below is the list of bills identified to date to be of interest to CBA members. We welcome additions to this list and are seeking positions from the CBA Board on those new bills below introduced in 2004.

2003-04 Legislation

AB 557 (Lowenthal-D and Laird-D) Vehicles: right-of-way: transit buses. (Last amended 6-2-03)

Summary: This bill would authorize any transit operator to adopt provisions of a pilot project, scheduled to terminate on January 1, 2004, that requires a motorist to yield the right-of-way to a transit bus when merging with traffic after making a stop for passengers.

CBA POSITION: Support (Letter sent)

Status: Senate Transportation

AB 694 (Levine and Chavez-D) Use tax; vehicles, vessels and aircraft. (Last amended 9-8-03)

Summary: This bill would expand the existing presumption that a vehicle, vessel, or aircraft purchased outside of the state is subject to use tax to apply if that vehicle, vessel, or aircraft 1) is purchased by a California resident; 2) was subject to California's registration or property tax laws during the first 12 months of ownership; or 3) was used or stored in this state more than 1/2 of the time during the first 12 months of ownership.

CBA POSITION: Directed us to ask for amendment clarifying that it exempts IRP vehicles. Called author's office with CBA's concerns and those amendments were taken.

Status: Held on Senate Floor Inactive File

NEW BILLS FOR 2004

AB 2503 (Liu-D) Rental vehicles: passenger vans. (Introduced 02-19-04)

Summary: Existing law generally regulates the business of renting passenger vehicles to the public.

This bill would require a rental company to limit the rental and operation of a 15-

passenger van, as defined, to a person issued an endorsement for the operation of that vehicle and who holds a class B driver's license.

CBA Position: SUPPORT taken at March Board meeting

Status: Assembly Transportation on April 26th.

AB 2847 (Oropeza-D) Gasoline and motor vehicle diesel fuel fee (Introduced 02-20-04)

Summary: The Motor Vehicle Fuel License Tax Law imposes a tax of 18 cents per gallon of fuel, and requires, if the federal fuel tax is reduced below the rate of 9 cents per gallon and federal financial allocations to this state are reduced or eliminated, that the tax rate be increased so that the combined state and federal tax rate per gallon equals 27 cents.

This bill would also, until January 1, 2008, impose a 5-cent fee on each gallon of gasoline subject to the Motor Vehicle Fuel License Tax Law and each gallon of motor vehicle diesel fuel subject to the Diesel Fuel Tax Law.

CBA Position: OPPOSE taken at March Board meeting

Status: Assembly Transportation; no date yet.

AB 2983 (McCarthy-R) Air pollution: Clean School buses, Healthy Kids Program. (Introduced 02-20-04)

Summary: Existing law designates the State Air Resources Board as the state agency charged with coordinating efforts to attain and maintain ambient air quality standards.

This bill would declare the intent of the Legislature to establish the Clean School busses, Healthy Kids Program, to be administered by the state board in conjunction with the existing Lower-Emission School Bus Program. This is a spot bill that was requested by the Governor's Office.

CBA Position: WATCH

Status: Assembly Rules for committee assignment.

SB 1390 (Speier-D) Tourism. (Introduced 02-18-4)

Summary: The California Tourism Marketing Act requires, upon the approval of a referendum, the establishment of the California Travel and Tourism Commission for the purpose of increasing the number of persons traveling to and within the state.

This bill would appropriate \$7,300,000 from the General Fund to the California Travel and Tourism Commission for the purposes of the act.

CBA Position: SUPPORT taken at March Board meeting.

Status: Senate Appropriations; no date.

SB 1614 (Torlakson-D) Gasoline and motor vehicle diesel fuel. (Introduced 02-20-04) **Summary:** The Motor Vehicle Fuel License Tax Law imposes a tax of 18 cents per gallon of fuel, and requires, if the federal fuel tax is reduced below the

rate of 9 cents per gallon and federal financial allocations to this state are reduced or eliminated, that the tax rate be increased so that the combined state and federal tax rate per gallon equals 27 cents.

This bill would also impose a 10-cent fee on each gallon of gasoline subject to the Motor Vehicle Fuel License Tax Law and each gallon of motor vehicle diesel fuel subject to the Diesel Fuel Tax Law and would require revenues from the fee to be deposited in the Highway Fee Fund created by the bill.

CBA Position: OPPOSE taken at March Board meeting.

Status: Senate Transportation on April 20th.

SB 1828 (Alarcon-D) Socially responsible business. (Amended 4-16-04)

Summary: Existing law establishes various regulations applicable to business entities, including, among others, corporations and partnerships.

This bill would declare the intent of the Legislature to create *two categories* of business, which would be known as the "*California transparent enterprise*" and the "*California responsible business*," and to encourage businesses to become socially responsible. (Don't you just love it!)

CBA Position: OPPOSE taken at March Board meeting

Status: Senate Rules for assignment.

NOTE: All new bills are sponsored by individual author.

LEGISLATIVE UPDATE: Week of March 15, 2004

As you know, both of the Governor's proposals, Propositions 57 and 58 on the March 2nd ballot passed, while the union backed proposal to lower the vote threshold to 55% for passage of the state budget and to raise taxes failed. The successful passage of the Governor's proposals and the failure of Proposition 56 have given the Governor even more clout with the California Legislature. With the Governor's threatened support for the workers' comp initiative that has begun circulation, it now appears that there *MAY* be some solution to the workers' comp situation coming out of the Legislature. The Governor said recently that new insurance industry figures showing the cost to pay benefits and treat injured workers in 2004 will be lower than had been projected leaves more room to negotiate. He said he would "sit down and make a deal" if lawmakers agree to a reform package that will produce a 25 to 30 percent cut in costs, instead of the roughly 50 percent cuts in his own reform proposal. There are well over 100 bills that have been introduced on this issue and the main issues seem to be the following:

Treatment Protocols

Objective Medical Findings

Doctor Choice

Incentives to Return to Work

Apportionment

Passing on the Savings

(Attached is more detail on the above issues as summarized in Political Pulse on March 12th)

Below is the list of bills identified to date to be of interest to CBA members. We welcome additions to this list and are seeking positions from the CBA Board on those new bills below introduced in 2004.

2003-04 Legislation

AB 557 (Lowenthal-D and Laird-D) Vehicles: right-of-way: transit buses. (Last amended 6-2-03)

Summary: This bill would authorize any transit operator to adopt provisions of a pilot project, scheduled to terminate on January 1, 2004, that requires a motorist to yield the right-of-way to a transit bus when merging with traffic after making a stop for passengers.

CBA POSITION: Support (Letter sent)

Status: Senate Transportation

AB 694 (Levine and Chavez-D) Use tax; vehicles, vessels and aircraft. (Last amended 9-8-03)

Summary: This bill would expand the existing presumption that a vehicle, vessel, or aircraft purchased outside of the state is subject to use tax to apply if that vehicle, vessel, or aircraft 1) is purchased by a California resident; 2) was subject to California's registration or property tax laws during the first 12 months of ownership; or 3) was used or stored in this state more than 1/2 of the time during the first 12 months of ownership.

CBA POSITION: Directed us to ask for amendment clarifying that it exempts IRP vehicles. Called author's office with CBA's concerns and those amendments were taken.

Status: Held on Senate Floor Inactive File

NEW BILLS FOR 2004

AB 2503 (Liu-D) Rental vehicles: passenger vans. (Introduced 02-19-04)

Summary: Existing law generally regulates the business of renting passenger vehicles to the public.

This bill would require a rental company to limit the rental and operation of a 15-passenger van, as defined, to a person issued an endorsement for the operation of that vehicle and who holds a class B driver's license.

CBA Position:

Status: Assembly Transportation; no date.

AB 2847 (Oropeza-D) Gasoline and motor vehicle diesel fuel fee (Introduced 02-20-04)

Summary: The Motor Vehicle Fuel License Tax Law imposes a tax of 18 cents per gallon of fuel, and requires, if the federal fuel tax is reduced below the rate of 9 cents per gallon and federal financial allocations to this state are reduced or eliminated, that the tax rate be increased so that the combined state and federal tax rate per gallon equals 27 cents.

This bill would also, until January 1, 2008, impose a 5 cent fee on each gallon of gasoline subject to the Motor Vehicle Fuel License Tax Law and each gallon of motor vehicle diesel fuel subject to the Diesel Fuel Tax Law.

CBA Position:

Status: Assembly Rules for assignment.

AB 2983 (McCarthy-R) Air pollution: Clean School busses, Healthy Kids Program. (Introduced 02-20-04)

Summary: Existing law designates the State Air Resources Board as the state agency charged with coordinating efforts to attain and maintain ambient air quality standards.

This bill would declare the intent of the Legislature to establish the Clean School busses, Healthy Kids Program, to be administered by the state board in conjunction with the existing Lower-Emission School Bus Program.

CBA Position:

Status: Assembly Rules for assignment.

SB 1390 (Speier-D) Tourism. (Introduced 02-18-4)

Summary: The California Tourism Marketing Act requires, upon the approval of a referendum, the establishment of the California Travel and Tourism Commission for the purpose of increasing the number of persons traveling to and within the state.

This bill would appropriate \$7,300,000 from the General Fund to the California Travel and Tourism Commission for the purposes of the act.

CBA Position:

Status: Senate Appropriations; no date.

SB 1614 (Torlakson-D) Gasoline and motor vehicle diesel fuel. (Introduced 02-20-04)

Summary: The Motor Vehicle Fuel License Tax Law imposes a tax of 18 cents per gallon of fuel, and requires, if the federal fuel tax is reduced below the rate of 9 cents per gallon and federal financial allocations to this state are reduced or eliminated, that the tax rate be increased so that the combined state and federal tax rate per gallon equals 27 cents.

This bill would also impose a 10 cent fee on each gallon of gasoline subject to the Motor Vehicle Fuel License Tax Law and each gallon of motor vehicle diesel fuel subject to the Diesel Fuel Tax Law and would require revenues from the fee to be deposited in the Highway Fee Fund created by the bill.

CBA Position:

Status: Senate Transportation; no date.

SB 1828 (Alarcon-D) Socially responsible business.

(Introduced 02-20-04)

Summary: Existing law establishes various regulations applicable to business entities, including, among others, corporations and partnerships.

This bill would declare the intent of the Legislature to create a category of business, which would be known as the "socially responsible business," and to encourage businesses to become socially responsible. (Don't you just love it!)

CBA Position:

Status: Senate Rules for assignment.

NOTE: All new bills are sponsored by individual author.

LEGISLATIVE UPDATE: Week of February 23, 2004

February 20th was the deadline for bill introductions in the 2004 session. Below is an initial list of new bills, as well as those carried over from 2003 that are still active. (Most of the 2003 bills that were carried over were dropped by their authors and have been removed from our list).

As time goes on there will be additional bills identified as some of the "spot bills" are amended. Also, there are an additional 100 plus bills that have been introduced in both the regular and special session on workers' comp that are too numerous to list here. However, if anyone would like a list of those bills, we will be happy to send it to you and any other information you need.

2003-04 Legislation

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Summary: This bill would authorize any transit operator to adopt provisions of a pilot project, scheduled to terminate on January 1, 2004, that requires a motorist to yield the right-of-way to a transit bus when merging with traffic after making a stop for passengers. **CBA POSITION:** Support (Letter sent)

Status: Senate Transportation

AB 694 (Levine and Chavez-D) Use tax; vehicles, vessels and aircraft. (Last amended 9-8-03)

Summary: This bill would expand the existing presumption that a vehicle, vessel, or aircraft purchased outside of the state is subject to use tax to apply if that vehicle, vessel, or aircraft 1) is purchased by a California resident; 2) was subject to California's registration or property tax laws during the first 12 months of ownership; or 3) was used or stored in this state more than 1/2 of the time during the first 12 months of ownership.

CBA POSITION: Directed us to ask for amendment clarifying that it exempts IRP vehicles. Called author's office with CBA's concerns and those amendments were taken.

Status: Held on Senate Floor Inactive File

NEW BILLS

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AB 2847 (Oropeza-D) Gasoline and motor vehicle diesel fuel fee (Introduced 02-20-04)

Summary: The Motor Vehicle Fuel License Tax Law imposes a tax of 18 per gallon of fuel, and requires, if the federal fuel tax is reduced below the rate of 9 per gallon and federal financial allocations to this state are reduced or eliminated, that the tax rate be increased so that the combined state and federal tax rate per gallon equals 27 .

This bill would also, until January 1, 2008, impose a 5 fee on each gallon of gasoline subject to the Motor Vehicle Fuel License Tax Law and each gallon of motor vehicle diesel fuel subject to the Diesel Fuel Tax Law.

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LEGISLATIVE UPDATE: Week of January 8, 2004

Re: Governor's State of the State Speech:
Calls for Repeal of SB 1419 (Alarcon) limiting schools' ability to contract out for certain services

POINTS FOR CBA

In the Governor's first State of the State speech this evening, the 6th of January, Arnold specifically proposed to repeal SB 1419 (Alarcon) which we, the CBA, fought against in 2002.

It looks like we have a chance at repeal this year and the Governor will be proposing it. We'll ask that the State Chamber put this on their list of repeal and reform legislation.

He additionally talked about the need to streamline state government duplication; perhaps this could lead to the repeal of the General Services' move to spend more money (over \$800,000 a year) to provide a State Shuttle service.

POINTS FOR BUSINESS IN GENERAL – THE MAJOR ISSUES

You'll see the other major business items in the press:

if the Legislature doesn't pass a serious reform by March 1st, he'll put his Workers Comp reform package to the Nov. ballot

generation of "...jobs, jobs, jobs, the more jobs the better... I will become the Jobs Czar and travel the world."

the environment will also be protected (a hydrogen highway) "We can have jobs with great environment. We can show the world how its done."

taxes: "there is no tax crisis; there is a spending crisis".

It will be an interesting ride. Things are looking up.

Text of Gov. Arnold Schwarzenegger's Speech - From Associated Press

January 6, 2004

Lt. Gov. Bustamante, Speaker Herb Wesson, President Pro Tem John Burton, Senate Republican Leader Jim Brulte, Assembly Republican Leader Kevin McCarthy, Speaker Designate Fabian Nunez, distinguished members of the Legislature, Chief Justice of California Ron George and associate justices, members of the Board of Equalization, my fellow constitutional officers, esteemed Cabinet secretaries, friends, my fellow Californians, and last but not the least, the first lady, the No. 1 partner, and the love of my life, Maria Shriver.

I changed my mind. I want to go back to acting. Ladies and gentlemen, that is not the truth at all.

People have said to me, "Arnold, isn't it a terrible burden being governor at a time of such crisis?"

I tell them, no, not at all. I love working for the people of California. It is better than being a movie star. It gives me great joy and satisfaction. I am honored to do this work for the people.

I am optimistic about our state.

The state of our state will soon be strong, because our people and our purpose are strong.

We have a new spirit, a new confidence. We have a new common cause in restoring California to greatness.

I saw greatness achieved only three days ago, when the rover "Spirit" landed on Mars. I want to congratulate the many talented scientists at NASA's Jet Propulsion Laboratory in Pasadena, Calif., who have demonstrated once again that we here in California are the launching pad for the extraordinary.

Now let us do the extraordinary. Tonight I will talk about the progress that we have made, the problems we have yet to overcome, and the path we will follow to overcome them.

I have no doubt that, together, Californians are more than a match for the challenges that we face.

I feel good because I believe we have made progress in rebuilding the people's trust in their government.

The first thing I did as governor was to repeal the tripling of the car tax.

This massive tax increase was a desperate act of a government out of control.

That could not be allowed to stand.

Repealing that illegal tax increase was the right thing to do.

During the campaign I promised that cities and counties would not bear the cost of the repeal.

It would be irresponsible for the state to take that money away from counties and cities.

That is why I acted to keep the money flowing for firefighters and police.

They did not raise the car tax, and they should not bear the burden of its rollback.

Together, we in this chamber repealed SB 60, which endangered the very integrity of the California driver's license.

Rescinding that law was the right thing to do. And I thank you for your bipartisan support.

Together, we put measures on the March ballot that, if passed by the people, will save our state from a June bankruptcy.

June is the month when billions of dollars in past loans come due and the financial house of cards built over the last half decade is set to collapse.

When individuals overspend themselves into trouble, financial counselors often tell them to consolidate their credit card balances so they can work their way out of trouble -- and also tear up their credit cards.

That is what our California Recovery Plan is all about.

We took the debt we inherited from the previous administration, the debt that threatens us with bankruptcy, and we rolled it into a \$15 billion recovery bond.

Then we tore up the credit card.

We passed a balanced budget amendment.

And we created a rainy day fund for future hard times and emergencies.

Never again will government be allowed to spend money it doesn't have.

Never again will the state be allowed to borrow money to pay for its operating expenses.

And you in this room have done that for the people of California.

No one here got everything he or she wanted. Because we compromised. This, too, was the right thing to do. And I thank you and I congratulate you.

Now I ask you to join me in getting out the message that a "yes" vote on these measures on the March ballot is absolutely critical to our financial future.

The alternative is economic chaos.

In a bipartisan effort to help our citizens understand how important this bond is to California, I am proud to say that our state Controller, Steve Westly, a businessman and a financial leader, will be co-chairing with me the California Recovery Bond Committee. Thank you very much. Thank you.

With passage of these measures, we will have dodged the first bullet, the 2003-2004 budget deficit.

But the second bullet -- the second financial crisis -- has already left the barrel and is headed right at us.

I am talking about the 2004-2005 budget deficit - which is another staggering \$15 billion.

The 2004-2005 budget, which begins July 1, is the one that we must now negotiate.

These huge budget deficits are aftershocks of past financial recklessness.

What happened is this.

Over the last five years, the state's income has increased 25 percent, but spending increased by 43 percent. This was irresponsible.

The fact of the matter is that we do not have a tax crisis; we do not have a budget crisis; we have a spending crisis.

We cannot tax our way out of this problem. More taxes will destroy what we are trying to save which is jobs and revenue.

Jobs bring revenue to the state, and revenue allows us to do the right things for education, for the environment, for the disabled, for the elderly and those in need.

A tax increase would be the final nail in California's financial coffin.

The people of California did not elect me to destroy jobs and businesses by raising taxes.

I will not make matters worse.

We have no choice but to cut spending, which is what caused this crisis in the first place.

These are cuts that will challenge us all.

But we cannot give what we do not have.

If we continue spending and don't make cuts, California will be bankrupt.

And a bankrupt California cannot provide services to anyone.

Members of the Legislature, you will receive my proposals in the days ahead.

These are proposals that leadership requires, economics demands and the public expects.

These cuts will not be easy but they will not be forever.

Let us move quickly to put the excesses of the past behind us and get on with the promise that beckons before us.

I would like to thank all those in the labor community who are working with us to do just that.

I would like to thank all of those in the education community who are working with us to allow the state to save money while still increasing per-pupil funding.

Everyone must play a part in this.

I respect the sovereignty of our Native American tribes, and I believe they also respect the economic situation that California faces. In the next couple of days, I will announce our negotiator who will work with the gaming tribes, so that California receives its fair share of gaming revenues.

Every cloud has a silver lining. The good news is that the spending crisis forces us to bring badly needed reform to government.

Although the transition will be difficult, in the end we will have a leaner, more efficient and more responsive state government.

A necessary place to start is education.

We must make better use of the money that we spend on our schools.

My proposal gets more money into the classroom and thus increases per-pupil funding.

First, we must give local schools the power to meet the specific needs of their own communities.

We can do this by consolidating \$2 billion of categorical programs and cutting the strings to Sacramento.

This will give schools the freedom to spend the money as they -- not Sacramento -- best see fit to serve the children.

Second, school districts are forced to spend an average of 10 to 40 percent more than necessary on non-classroom services.

We must give local schools the freedom to be more cost efficient.

One way to do this is to repeal SB 1419, the law that prevents schools from contracting out services such as busing and maintenance.

This will free up more money for textbooks and other vital classroom needs.

In the past two years, college fees have increased over 40 percent.

We must end this boom-and-bust cycle of widely fluctuating fees with a predictable, capped fee policy for college students and their parents.

And we must limit the fee increases to no more than ten percent a year.

Like our kindergarten through grade 12 schools, our colleges and

universities must also share the burden of the fiscal crisis, but we must work to expand the dream of college.

And we must not let the dream bypass our Central Valley.

That is why my budget is funding UC's tenth campus -- UC Merced.

We cannot afford waste and fraud in any department or agency.

Every governor proposes moving boxes around to reorganize government.

I don't want to move the boxes around; I want to blow them up.

The executive branch of this government is a mastodon frozen in time and about as responsive.

This is not the fault of our public servants but of the system.

We have multiple departments with overlapping responsibilities. I say consolidate them.

We have boards and commissions that serve no pressing public need. I say abolish them.

We have a state purchasing program that is archaic and expensive. I say modernize it.

I plan a total review of government -- its performance, its practices, its cost.

Some of the recommended actions, I will make by executive order. Some will require legislation. And some will need constitutional change.

I want your ideas and the more radical the better.

And to California's state employees, I want to thank you for your hard work under trying circumstances.

I also want your ideas, because I want to give you freedom to do your jobs in creative ways.

Now, in addition to restoring our state's finances and responsiveness, we must restore the state's business climate.

Creating and retaining jobs -- and the businesses that provide them -- must be a priority of this Legislature.

Jobs provide a solid foundation for families.

Jobs add revenues to the state budget.

Jobs give stability to our society.

Jobs. Jobs. Jobs. The more jobs the better.

I am going to become California's job czar. I'm going to travel the nation and the world to find those jobs.

I'm going to say, "Come to California. Come and do business here. Buy our fantastic products. Visit our special attractions. And hire our workers, who are the most productive in the world."

I am a salesman by nature. And now most of my energies will go into selling California. If you can sell, if I can sell tickets to my movies like "Red Sonja" or "Last Action Hero," you know I can sell just about anything. California is the easiest sell I've ever had.

But we must fix the state's business climate. And we must start with workers' compensation reform.

Our workers' comp costs are the highest in the nation -- nearly twice the national average.

California employers are bleeding red ink from the workers' comp system.

Our high costs are driving away jobs and businesses.

My proposal brings California's workers' comp standards and costs in line with the rest of the country.

To heal injured workers, it emphasizes the importance of health care and doctors rather than lawyers and judges.

It requires nationally recognized guidelines for permanent disability.

And it provides for innovative approaches.

I call on the Legislature to deliver real workers' comp reform to my desk by March 1. Modest reform is not enough.

If modest reform is all that lands on my desk, I am prepared to take my workers' comp solution directly to the people and I will put it on the ballot in November.

This year we also have the highest unemployment insurance costs in the nation. Our system is flat broke.

So that people could get their checks, last month I had to ask Washington for a billion dollar loan to bail us out.

Unemployment checks are an important part, an important safety net.

We must fix the system, and I need your help.

California's approach to energy is another barrier to jobs and economic growth.

We have a flawed regulatory structure.

Our businesses pay energy rates nearly twice as high as those in other western states.

In California, we have 13 different state energy agencies.

Something is wrong when it's easier to create energy agencies than power plants.

California's energy crisis is not over.

If we do not act now, California will face energy shortages as early as 2006.

To prevent this, we must reform the wholesale power market to attract new energy investment.

We must reform the retail market so that large customers can get competitive prices.

And we must renegotiate those high-priced electricity contracts that locked us into energy prices at the market's peak.

Closely connected to energy is the environment.

And while we are promoting jobs and promoting California, I'm also going to promote our commitment to the environment.

I'm going to encourage the building of a hydrogen highway to take us to the environmental future.

I'm going to encourage builders to build homes using partial solar power.

I'm going to create a Green Bank to make loans to retrofit old, energy-inefficient buildings.

I intend to show the world that economic growth and the environment can coexist.

And if you want to see it, then come to California.

During the campaign, I said that I would make sure that California got its fair share of federal tax dollars.

The congressional delegations of other states work together to bring home federal dollars, but the divisions in California have been too deep to do that effectively.

In December, however, we held a historic meeting in Palm Springs.

At a bipartisan retreat, the California congressional delegation and I agreed to put party and district boundaries aside and to speak with one united voice in Washington.

We agreed to fight side-by-side to get more federal tax money for homeland security, for criminal aliens, water resources, highways, and other needs.

Let me tell you another area where we must cooperate.

California's naval facilities, our air bases, our supply centers, our training commands have helped our nation produce the best trained and equipped military in the world.

I was in Baghdad last year. I met soldiers who call California home. I met soldiers who trained here and who served here.

California has a proud history of military support.

The Pentagon will make the next round of base closures in 2005. This could mean thousands of lost jobs to California.

These bases are important to national defense, and they are important to our steady economic recovery.

As a state, we will fight to keep our bases open.

We Californians need to work together at all levels of government. In the days and weeks ahead we have decisions coming at us that are the most

difficult any legislator or governor faced in the history of our state.

We have decisions approaching that will inflame passions and potentially create division.

I want to tell you a story that relates to this.

During the terrible fires that burned California, I went to the funeral of Steven Rucker, the firefighter who died in the service of his fellow citizens.

He left behind a wonderful wife, two children and heartbroken parents.

After the service, I said to Steven's mother and father, "If there is anything I can do for you, please let me know."

His father looked at me for a few seconds, and grief in his eyes and tears coming down, he said, "Arnold, if you really want to do something in honor of my son, go to Sacramento and stop the politicians from fighting. Stop them from fighting. They're hurting the people and destroying our state."

Ladies and gentlemen, let us remember those words in the days and weeks ahead.

Let us remember the greater good of California.

I remain a great believer in the future of this state.

I did not seek this job to cut ... but to build.

I did not seek this job to preside over the decline of a dream but to renew it.

President Reagan said that empires were once defined by land mass and subjugated people, and military might.

But America, he said, is "an empire of ideals."

California, I believe, is an empire of hope and aspiration.

Never in the history have such big dreams come together in one place.

Never in the history has such an array of talent and technology converged at one time.

Never in the history has such a free and diverse community of people lived and worked under one political system.

This is a wonderful place -- California -- this empire of aspirations.

Great things can be done in California.

Ladies and gentlemen, let us help Californians do great things.

Thank you very much.