

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: April 23, 2007
POSITION: Oppose

BILL NUMBER: SB 18
AUTHOR: D. Perata

BILL SUMMARY: Public Works: Labor Compliance Programs

This bill would require an entity receiving funds from the Kindergarten-University Public Education Facilities Bond Act of 2006 (Bond Act of 2006) for a public works project to initiate and enforce, or contract with a third party to initiate and enforce, a labor compliance program (LCP).

FISCAL SUMMARY

This bill would require an increase in grants for public school construction projects funded under the Bond Act of 2006 to accommodate increased project costs associated with implementation of LCPs. Also, similar pressure would be imposed on the portion of the bond available for higher education projects of the community colleges (CCC), California State University (CSU) and the University of California (UC). These costs could reach \$52 million or higher, thus reducing the amounts available for actual project construction by a like amount. This estimate assumes that the costs associated with providing an increase in the grant amounts are approximately 0.5 percent of the \$10.4 billion General Obligation bond package in the Bond Act of 2006.

Any workload or costs to the Office of Public School Construction to implement the provisions of this bill should be minor and absorbable. The Department of Industrial Relations (DIR) indicates that this bill would result in additional workload in the amount of \$211,000 annually. According to the DIR, they are unable to absorb the additional workload that this bill would require.

Any additional requests for expenditure authority would be subject to review and approval through the annual budget process.

COMMENTS

Finance opposes this bill for the following reasons:

- Current law already requires public works projects above \$1,000 to pay prevailing wages to all employed workers on the project.
By requiring an increase to grant amounts for new construction and modernization projects for a LCP with funds provided from the Bond Act of 2006 and imposing similar pressures on higher education capital outlay appropriations, this bill would result in General Obligation bond costs of \$52 million or higher. This would reduce the total number of projects possible under the Bond Act of 2006, since it would uniformly increase LCP costs associated with school construction projects throughout the state.
This bill would continue Proposition 47 and Proposition 55 required administrative functions for school districts and higher education segments to initiate and enforce labor compliance programs. Consequently, this bill continues another level of oversight and a less streamlined construction process for schools and colleges, contributing to delays in project completion.

Analyst/Principal Date Program Budget Manager Date
(0341) T. Todd Jeannie Oropeza

Department Deputy Director Date

Governor's Office: By: Date: Position Approved
Position Disapproved

BILL ANALYSIS Form DF-43 (Rev 03/95 Buff)

D. Perata

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SB 18

Existing law requires that any public works project that utilizes Kindergarten-University Public Education Facilities Bond Act funds of 2002 and 2004 must initiate and enforce, or contract with a third party to initiate or enforce, a labor compliance program. The labor compliance program ensures that the project adheres to prevailing wage standards, participation in pre-construction conferences, and certified payroll records.

This bill would add the Kindergarten-University Public Education Facilities Bond Act of 2006 to Section 1771.7 of the Labor Code in conformance with the Kindergarten-University Public Education Facilities Bond Acts of 2002 and 2004, as specified.

Code/Department Agency or Revenue Type	SO LA CO RV	PROP 98	FC	(Fiscal Impact by Fiscal Year)						Fund Code
				(Dollars in Thousands)						
				2006-2007	FC	2007-2008	FC	2008-2009		
7350/DIR	SO	No		--	C	\$211	C	\$211	0001	
6350/Facil Aid	LA	No		----- See Fiscal Summary -----						6057
1760/Dept Gen Svc	SO	No		----- See Fiscal Summary -----						6057
<u>Fund Code</u>	<u>Title</u>									
0001	General Fund									
6057	School Facilities Fund, 2006 State									