

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: April 21, 2009
POSITION: Oppose

BILL NUMBER: SB 258
AUTHOR: J. Oropeza

BILL SUMMARY: Contractors: Public Works

This bill would prohibit a contractor from working on a public work contracted for by the State or a state agency, unless he or she has been issued a public works certification from a state certifying agency to be determined by the Legislature. It would also specify the circumstances under which the certifying agency would be authorized to deny or revoke a certification. In addition, the bill would require the certifying agency to charge a one-time certification fee to pay the administrative costs of the program. The fees would be deposited and drawn from the continuously appropriated Public Works Certification Fund, created by this bill. A prequalification certification system would be required to be in place by January 1, 2011, and the prohibition against a non-certified contractor working on public works projects would be effective January 1, 2012.

FISCAL SUMMARY

The Department of Consumer Affairs (DCA) indicates that this bill would result in increased costs of \$449,000 in 2010-11, \$849,000 in 2011-12, \$698,000 in 2012-13, and \$436,000 ongoing. The primary costs at first would be ten limited-term positions to process the initial certifications within two years and make one-time information system changes. The ongoing costs consist of \$115,000 for two positions to process renewals and new first-time certifications, as well as \$321,000 to investigate violations and handle appeals arising from those investigations.

DCA estimates that there would be an initial certificate population of 33,000, of which half would become certified in 2010-11 and half in 2011-12. Thereafter, there would be about 2,600 new certification applicants annually. At the maximum fee levels of \$65 until December 31, 2014 and \$125 after January 1, 2015, the fee revenue would be \$1,072,000 in 2010-11 and 2011-12, but only \$325,000 ongoing, even after the fee increase to \$125. It appears, from DCA's estimates, that the program would not bring in enough revenue on an ongoing basis to sustain program expenditures.

COMMENTS

The Department of Finance is opposed to this bill because the program it would create would not be fully supported by fee revenue. This would lead to a pressure to provide General Fund to make up the difference. In addition, we are generally not supportive of the establishment of continuously-appropriated funds because they remove the oversight provided during the annual budget appropriation process.

Analyst/Principal (0230) K. Shelton Date Program Budget Manager Todd Jerue Date

Department Deputy Director Date

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

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

**BILL ANALYSIS/ENROLLED BILL REPORT--(CONTINUED)**

**AUTHOR**

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Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)							Fund Code
	LA	(Dollars in Thousands)							
	CO	PROP							
	RV	98	FC	2008-2009	FC	2009-2010	FC	2010-2011	
1110/ConAfr-ReqBd	SO	No		--		--	C	\$449	0499
1999/Pend New Rev	RV	No		--		--	U	\$1,072	0499

<u>Fund Code</u>	<u>Title</u>
0499	Pending New Special Funds