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Legislative Report



March 3, 2010

Sacramento Heating Up

February came to an end with the anticipation of the swearing-in of recently elected Speaker of the Assembly John Perez. Demonstrating that there is never a dull moment in the Golden State's capital, the swearing-in festivities coincide with a gubernatorial campaign swinging into high gear and 1,713 new bills introduced for the Legislature's consideration in addition to an unknown number of future ballot measures on taxes, budget matters, and marijuana legalization, to list just a few.

California continues to struggle with how to balance a \$20 billion budget shortfall. It seems that for every bit of good news the state receives, two devastating blows seem to follow. For example, tax collections exceeded estimates by \$1.3 billion in January; however, a court injunction stopping budget cuts and an order to pay over \$1 billion in back pay to state employees shortly followed.

Speaker Perez was sworn in on Monday, March 1, marking the first time an openly gay individual has held the post. Although the mood in the capitol is festive and celebratory, Speaker Perez has a difficult job ahead of him. In the last



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eight months, three of the four legislative leaders have been replaced. Speaker Perez joins Republican leaders Assembly Member Martin Garrick and Senator Dennis Hollingsworth as having been elected to their new roles since May of 2009. Only Speaker Pro Tempore Darrell Steinberg has been in place in the Senate since the beginning of the two-year session.

The Legislature will now switch gears and begin focusing on policy hearings for the 1,713 new bills introduced. Bills must be heard and passed out of their assigned policy committees by April 23 if they have a fiscal impact or May 7 if they have no fiscal impact. Fiscal committees must act on bills by May 28, and the floor of each house must pass bills out of its house of origin by June 4. The Legislature will conclude its business for the year on August 31.

In addition to the slew of legislative proposals to consider, the state continues to struggle with a major budget deficit. While there is little inclination to increase taxes across the board, closing "loopholes" and passing "tax enforcement" measures will be high on the list of proposals pushed by the Democrats in control of both houses of the Legislature. One of the "loopholes" that will generate a lot of attention will be the ability to elect whether to pay corporate income taxes based on "single sales factor apportionment." There will be a strong move to eliminate the election and require single sales factor apportionment. Another major tax enforcement measure will require businesses to withhold a portion of their payment to independent contractors and send the payment to the Franchise Tax Board. If these measures do not pass, be on the lookout for a renewed consideration of sales tax on services, an adult-entertainment tax (not related to the tax on services), and a tax on yacht purchases.

With roughly three months until the June primary, the race for governor is becoming more intense. Polls indicate that in the Republican primary, Meg Whitman has opened a commanding lead over Insurance Commissioner Steve Poizner. However, Poizner has committed considerable

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personal financial resources towards running a competitive campaign. Attorney General Jerry Brown officially announced his candidacy yesterday. He is running unopposed in the Democratic primary. In November, polls show Brown and Whitman running neck and neck. Whitman has indicated she is willing to spend up to \$150 million of her own money in the election and has significantly outraised her opponents. Brown is expected to be helped by several large independent expenditure campaigns.

Finally, there are a number of ballot measures in circulation for the November ballot that could increase taxes, reduce the vote requirement for approval of the state budget and taxes, require approval to use public employee union dues for political activities, and legalize marijuana and tax it. The Secretary of State must certify which measures are on the ballot by June 24.

Between a budget battle, new legislation and an election to contend with, there is surely not to be a dull day in sight in Sacramento.

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