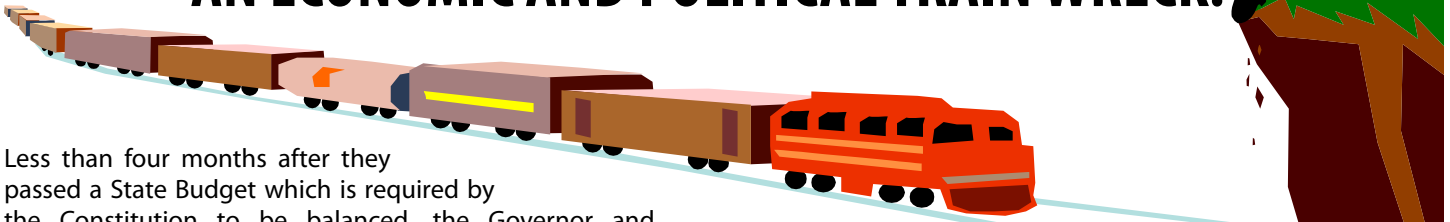


INFORMER

#1, January 2009

Professional Engineers in California Government

AN ECONOMIC AND POLITICAL TRAIN WRECK!



Less than four months after they passed a State Budget which is required by the Constitution to be balanced, the Governor and Legislature are facing a **\$42 billion deficit** in the General Fund. This amounts to more than 40% of the annual revenue under the current tax structure. What have they done about it? Thus far, nothing.

To be fair, legislative Democrats tried to address and resolve the problem. Frustrated by continuing unified refusal by Republican legislators to even discuss ways to increase revenues because of their blanket "no tax increase" position, the Democrats found a creative way to get around the requirement for two-thirds approval in each house of the Legislature for any budget bill. (While the Democrats hold a majority, they don't have two-thirds in either house).

The Democrats put together an \$18 billion package of tax cuts, tax increases, and program cuts to help address the \$42 billion shortfall. They passed it by majority vote, which may or may not stand up to court challenges. However, after passing the bills on December 18, they decided not to send the bills to the Governor because he said he would veto them. In the meantime, the Governor increased his demands for other legislation unrelated to the Budget. When the package was finally sent to him on January 7, **the Governor vetoed the whole set of bills**, still leaving a \$42 billion problem which wasn't being addressed at all.

Treasurer Bill Lockyer said the state would have to stop paying contractors because of his inability to sell the bonds required for some of the projects. State Controller John Chiang predicted the state would run out of money in late February.

Legislative Republicans said they would file suit, along with the Howard Jarvis Taxpayers Association, if anything was done to raise taxes.

The Budget is like a project, and passing the Budget is project delivery. If engineers failed to deliver a project on time and within budget, month after month after month, they would be reassigned, demoted, or fired.

On December 19, the Governor issued an Executive Order mandating **furloughs** for two days of unpaid leave each month for all state employees. It didn't matter to him if the employees are paid out of Special Funds, like most engineers, so sending them home and cutting their pay wouldn't save the General Fund a wooden nickel. It didn't matter if they serve the people by providing needed services. He then compounded his mistake by saying he was **closing all state offices** (except prisons and hospitals) two days per month to ensure that the public he was elected to serve will receive maximum inconvenience.

State employees are not the Governor's personal staff. They are employed by, paid by, and work for the people of California. **PECC challenged the Executive Order by filing a lawsuit the next day** in Sacramento Superior Court, on the basis that the Legislature can order furloughs, but the Governor has no such authority. Indeed, he acknowledged this in November with a

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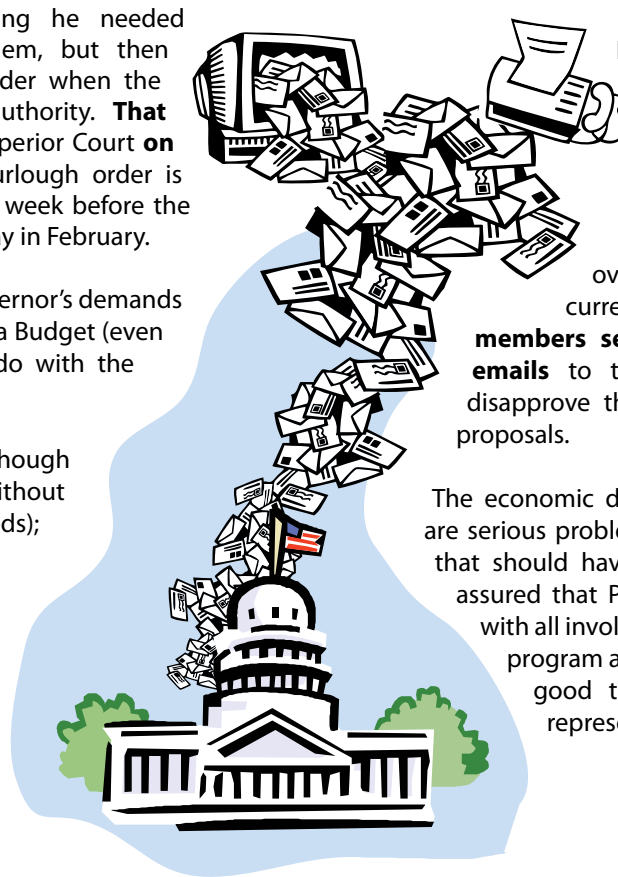
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letter to all state employees saying he needed legislation in order to furlough them, but then proceeded to issue his Executive Order when the Legislature refused to give him that authority. **That case will be heard** in Sacramento Superior Court on **January 29**, two days before the furlough order is scheduled to take effect and about a week before the first "don't bring yourself to work" Friday in February.

To further complicate matters, the Governor's demands to the Legislature in order to approve a Budget (even though the items have nothing to do with the Budget) are four items:

1. State employee furloughs (even though he proceeded to order them without the statutory authorization he needs);
2. Unlimited authority for design/build, which is twice as expensive as using state employees and awards contracts without competitive bidding;
3. Expanded authorization for public-private partnerships, also twice as costly; and



4. Relaxation of California Environmental Quality Act requirements, an ironic demand from a "green" Governor.

The Governor also wants to eliminate two state holidays, revise overtime rules, and have DPA take over the control of the health plans currently administered by PERS. **PECG members sent more than 3,000 faxes and emails** to their legislators, urging them to disapprove the Governor's furlough and other proposals.

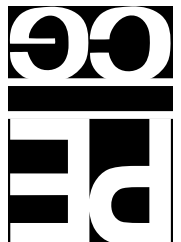
The economic downturn and huge Budget deficit are serious problems, but they can be resolved and that should have occurred long before now. Be assured that PECG will continue to work closely with all involved parties to develop an economic program and budget package that does more good than harm to the employees we represent and the public we serve.

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