

Worsening Economy Hits State Budget

In February, the Legislature and Governor approved a package of tax increases and expenditure reductions to eliminate a \$42 billion General Fund Budget deficit. Subsequent federal stimulus money and a few positive (or at least less negative) economic indicators made it appear that the worst might be over.

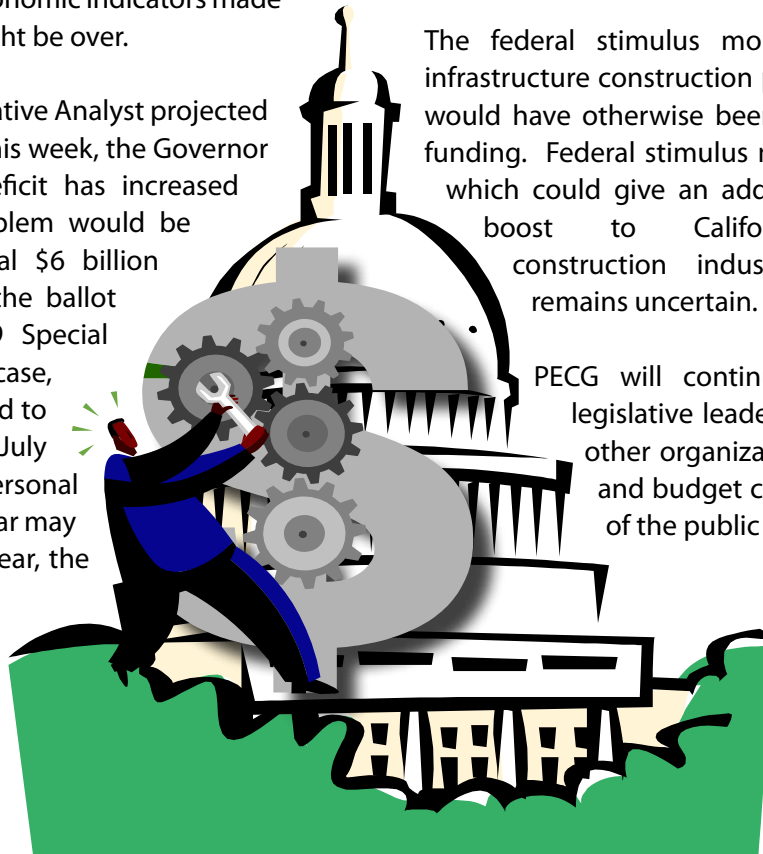
Or not. In March, the Legislative Analyst projected a new \$8 billion shortfall. This week, the Governor said the General Fund deficit has increased to \$15.4 billion. The problem would be worsened by an additional \$6 billion if voters do not approve the ballot measures on the May 19 Special Election ballot. In either case, it appears the state will need to begin borrowing money in July due to a shortfall in cash. Personal income tax revenues this year may be less than the previous year, the first time that has occurred in 70 years.

The Governor is predicting cuts to education and local agencies, releasing so-

called low level offenders from state prisons, and other measures to cut spending. He has also discussed the potential for increased furloughs and layoffs in some state agencies.

The federal stimulus money has served to keep infrastructure construction projects on schedule which would have otherwise been delayed due to a lack of funding. Federal stimulus money for High Speed Rail, which could give an additional boost to California's construction industry, remains uncertain.

PECG will continue to work closely with legislative leaders, the Administration, and other organizations during this economic and budget crisis to protect the interests of the public and the PECG membership.



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NASHTU Conference

PECG was a founding member of the National Association of State Highway and Transportation Unions (NASHTU), a coalition of 38 organizations representing state engineers from 30 states. NASHTU has focused its efforts on increased federal infrastructure funding and opposes outsourcing engineering and related services throughout the country, sponsoring two federal bills to address those issues.

NASHTU held its Tenth Annual Conference in Washington D.C. earlier this month. Conference participants included several U.S. Senators and members of Congress, new Federal Transportation Secretary Ray LaHood, a representative of the American Association of State Highway and Transportation Officials (AASHTO), and numerous other representatives of the Obama Administration and Congress.

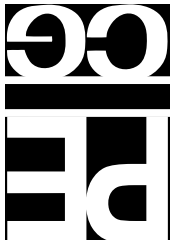
The mood in Washington D.C. has changed -- outsourcing government services will no longer be automatically approved and expanded without question or close examination. PECG will work with NASHTU and other organizations to bring sanity to federal outsourcing policies while seeking to increase federal funding for infrastructure in California.



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