



# SACRAMENTO UPDATE

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◆ A Monthly Publication for California's Metalworking Industry—since 1976 ◆

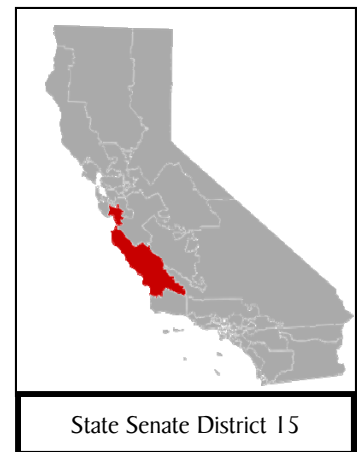
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## Leadership Aims at Tax Increases Without Chance for Opposition

*"As long as we have a two-thirds requirement (to raise taxes) and a handful of members blocking us from putting together a budget that meets the values of a majority of people in the state of California, I've got to do everything I can to create the political circumstances for me to have two-thirds Democratic control,"* said **Assembly Speaker John Perez (D-Los Angeles)** on May 20.

Democrat leadership in the Legislature—which includes Assembly Speaker John Perez (D-Los Angeles) and Senate President Darrell Steinberg (D-Sacramento)—are publicly targeting the November 2nd election as a way to overcome the 2/3 vote requirement that protects metalworking businesses from unsustainable tax hikes.

**Currently, it takes a 2/3 vote in the Legislature to raise taxes and pass a state budget.** In the state Senate, Democrats are only *2 seats away* from this 2/3 supermajority. As a result, significant time and money are being spent targeting state Senate seats in 2010.



On **June 22**, a special primary election was held to fill Abel Maldonado's 15th District senate seat. Maldonado vacated the seat in April to serve as Lieutenant Governor. With the balance of the Senate up for grabs, millions of dollars were spent courting 140,000 voters. **CMC participated in fundraising and campaigning for Republican candidate Sam Blakeslee.** His Democrat opponent is John Laird. While Blakeslee had the most votes in the primary (49.5%), he did not get 50% of the vote to avoid a runoff with Laird on August 17.



As the economy slowly recovers, metalworking businesses must look for all ways to contain costs. Your support of CMC is an effective way to **have a direct impact on the billions of dollars at stake in state elections**—and subsequent policymaking.

# Revenues at the Core of November Ballot Initiatives

It should surprise few that in today's economy, most initiatives qualifying for the November 2010 are coming back to one issue: *revenues for the state*. Ten initiatives have qualified thus far for the next election. Here is an overview:

1. **Proposition 19—Marijuana Tax**: Legalize and tax marijuana.
2. **Proposition 20—Extending Proposition 11 to Congress**: Currently, only legislative seats are redrawn by an independent panel. Initiative would expand to include congressional seats in redistricting reform.
3. **Proposition 21—Increase Vehicle License Fee**: Initiative would increase vehicle license fee by \$18/year to fund state parks.
4. **Proposition 22—Prohibits State Use of Local Funds**: Prohibits the State from borrowing, taking, shifting or restricting the use of local (city) tax funds.
5. **Proposition 23—Delay AB 32 (Global Warming Act)**: Initiative would suspend AB 32 until California's unemployment drops below 5.5% for four consecutive quarters. The last time this happened was October 2005-June 2007.
6. **Proposition 24—Eliminating Three Business Tax Breaks**: Initiative would eliminate \$2.5 billion/year in tax breaks to corporations. The tax breaks were negotiated during the budget process of 2008. Tax breaks include: a) Allows companies with more tax credits than they can use to distribute excess to affiliates; b) Allows corporations experiencing losses to get refunds for taxes paid up to 2 years previously; c) Allows multi-state corporations to choose whether they will be taxed on property, payroll, or sales.
7. **Proposition 25—Eliminate 2/3 Vote for Passing State Budget**: Initiative would lower the threshold to pass a state budget from two-thirds to a simple majority. Leaders in the state Legislature want to eliminate the minority party from the budget process. With the financial backing of public unions, this initiative would lead to tax increases for all businesses.
8. **Proposition 26—Treating Fees the Same as Taxes**: State law requires a 2/3 vote for new taxes, but not for new fees. This initiative would include fees in the 2/3 threshold.
9. **Proposition 27—Eliminating Proposition 11—Redistricting**: Funded by Democrat leaders in the Legislature, this initiative would repeal the 2008 proposition that took redistricting away from elected officials. If passed, state legislators would once again redraw and gerrymander district lines.
10. **SBx7—Water Bonds**: Authorize \$11 billion in bonds to upgrade the state's water system.



CMC's Board of Directors will be taking into consideration the November 2010 ballot items over the next couple months. In the meantime, CMC has been meeting with various organizations and PR firms to better understand the strategy behind each initiative, as well as **what it will cost financially to pass or defeat a given measure**. Your support of CMC—and especially CMC's Political Action Committee (PAC)—positions the metalworking industry to have a direct impact on these costly statewide measures.

# CMC ADVANCES ITS BILL THROUGH THE ASSEMBLY

Prior to 2007, a metalworking facility in Northern California had little trouble with its neighbors. The company produced quality metal products and generated jobs for the local community.

Then a new neighbor purchased a home near the facility, and the complaints began to fly. Odor complaints were claimed during the day, as well as night. Complaints were filed even when the facility had been shut for several days. Odor complaints are a common choice of disgruntled individuals because **odor is based on the sensitivity of the complainant, not whether the odor is harmful**. It must simply be an “annoyance” to be considered an air contaminant by the local air district.

The Northern California facility has received **over 80 visits** from the Bay Area Air Quality Management District on odor claims, but received zero citations.

Yet under current law, citizens and citizen groups can continue to **file endless odor complaints against any facility they choose**—which ties up both company time and government time with unsubstantiated odor claims.

In February 2010, CMC introduced **SB 1224**, which is being carried by Senator Rod Wright (D-Compton).

The legislation demands that all air districts in the state adopt a rule or regulation that ensures district staff and resources are not used to investigate complaints alleging a nuisance odor violation that are determined to be repeated and unsubstantiated. This new rule must be completed within 3 years.



CMC President Jeff Mock of Thorock Metals (left) with CMC lobbyist James Simonelli at the state Capitol.

**For those who might think SB 1224 would have an easy time in Sacramento, CMC invites you to visit the state Capitol in the near future.** SB 1224 received, but survived, a nearly 2-hour grilling in the Senate Environmental Quality Committee, only to be scrutinized on the Senate floor. The bill passed the full Senate in May, and was sent to the Assembly in June.



Senator Rod Wright at the CMC Annual Meeting in May 2010.

On **June 21**, SB 1224 was heard in front of the Assembly Natural Resources committee. CMC President Jeff Mock of Thorock Metals gave testimony alongside lobbyist James Simonelli and Senator Rod Wright. **Video of the Assembly hearing** can be seen at the CMC web site: [www.metalscoalition.com/media.html](http://www.metalscoalition.com/media.html). SB 1224 passed committee on June 21, and now faces the full Assembly.

State laws that unnecessarily handcuff California manufacturers must be changed if we want a better future. At the same time, **changes in state law are not given away, but rather, they are fought for one by one**. CMC looks forward to the next debate on SB 1224 in the full Assembly.

# State Commission Cancels Plastic Pipe Approval

California's decades-old political war over whether plastic plumbing pipe should be allowed in residential construction took another turn in mid-June when the state **Building Standards Commission cancelled its approval** after losing a court battle.

Makers of plastic pipe have tried for years to win official approval, most recently for "cross-linked polyethylene" (PEX). Some builders say PEX is faster and easier to install—and thus less expensive than metal piping—but chemicals used in its manufacture pose a health hazard.

In addition, plastic pipe can be easily destroyed in a fire. For multi-story buildings, safety risks only increase in fires. Waste (especially in hospitals and correctional facilities) from these pipes is exposed to the public when the pipe is destroyed. **Metal, such as cast iron, is not compromised in fires.**



Plastic pipes produce toxic fumes when burned. Firefighters and safety officials attempting to save people can easily be harmed by dioxins. Burning PVC alone produces at least 75 byproducts of combustion, including carcinogens such as vinyl chloride, PCBs, chlorobenzene and other aromatic hydrocarbons such as benzene, toluene, xylene, and naphthalene.

Plastic pipe is often buried in landfills. According to Earth911.com, more than seven billion pounds of PVC has been thrown away in the U.S., and only 18 million pounds —**barely one quarter of 1 percent**— is recycled.

CMC has been lobbying the Building Standards Commission with allies such as the Cast Iron Soil Pipe Institute. CMC will continue to push for the use of reliable, efficient, and cost-effective metal pipe in California's buildings.

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## Legislature Pursues Elimination of Enterprise Zones



California's **Enterprise Zone (EZ)** program was established in 1984 to stimulate business investment in depressed areas of the State and create job opportunities for Californians. While California's 42 zones have similar goals for improving the economic vitality of their communities, each is unique in the local incentives and special assistance they provide to businesses.

**CMC is strongly opposing a new bill that eliminates existing EZ hiring tax credits** and establishes a new *Career Pathways Investment Credit* administered by the California Department of Education to business entities that partner with local education agency programs to develop and support career pathways.

Proponents of **SB 974** (Steinberg-D) believe EZ credits are a waste of government spending, and no

# Emissions From Neighboring Power Plants Targeted

The California Assembly has advanced a bill that would prohibit public utilities from contracting with power plants that do not meet California's air pollution standards. **AB 2037** was introduced by Assemblymember Manuel Perez (D-Indio) and intends to **deter the construction of power plants that could pollute the air in California**. The bill would prevent contracts with new power plants, not existing ones. **"Shared Polluted Area"** is the verbiage used in AB 2037 to describe this model.

Perez says some **power plants located in Mexico** are in the same air basin as California. Pollution from these Mexican power plants can be traced in California's air.

The bill passed the full Assembly along party lines, and is now in the Senate. Republicans oppose the plan, saying it would cause energy prices to skyrocket and some companies to leave the state.



If AB 2037 does become law, **other stationary sources** could be examined as well. It is also conceivable that **sources as far away as China** could be scrutinized. Several universities in California have already conducted studies confirming that particulates from China's coal-fired plants pollute California.

AB 2037 has a chance of passing the Democrat-controlled legislature in 2010. Even if Governor Schwarzenegger vetoes the bill, we may see it again when California elects a new governor.

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## Tesla Chooses Northern California And Then Goes Public

**Toyota** will buy \$50 million worth of stock in **Tesla Motor Inc.** when the company goes public on June 29. Tesla becomes the first U.S. car company to go public since **Ford Motor Company** had its initial public offering (IPO) in 1956.

Tesla CEO Elon Musk said his company will also **purchase the NUMMI plant in Fremont** where the Model-S electric sedan will be built. NUMMI closed in April 2010, shedding 4,700 jobs and ending a 25-year joint venture between Toyota and GM.

Musk says there is a lot of potential for long-term growth and that he sees the partnership eventually generating about **10,000 jobs** between suppliers and factory workers. He said Tesla already has started hiring former NUMMI employees and plans to add workers at a rate of about **50 a month**. NUMMI was a union shop, and Musk said Tesla would neither encourage or fight such an



# 2010 CMC FACT SHEET

## Sampling of Bills Currently Impacting California's Metalworking Businesses

| Bill Number,<br>Bill Author,<br>(Party-District) | SYNOPSIS  | IMPACT  |
|--|---|---|
| AB 2340<br>Monning (D-27)                        | Mandates every employer grant every employee up to 3 days of unpaid bereavement leave per year.   | Average <b>\$2,000-\$4,000</b> annual cost increase.                    |
| AB 1000<br>Ma (D-12)                             | Mandate sick leave pay at 1 hour for every 30 hours worked for employees that work more than 7 days in a calendar year.   | Average <b>\$3,000-\$5,000</b> annual cost increase.                    |
| SB 928<br>Simitian (D-11)                        | Prohibits the manufacture, sale or distribution of products unless the manufacturer discloses each ingredient contained in the product on the Internet. Trade secrets and reverse       | Estimated <b>\$12,000-\$14,000</b> annual cost increase.                |
| SB 1433<br>Leno (D-3)                            | Increases air pollution penalties by automatically adjusting them for inflation.  | Estimated <b>\$2,000-\$4,000</b> annual cost increase.                  |
| SB 967<br>Correa (D-34)                          | Provides 5% bidding preference on state contracts and Recovery Act (ARRA) contracts if product is manufactured by California workers in California.                                     | Bid preference for <b>California companies.</b>                         |
| SB 1033<br>Wright (D-25)                         | Would prevent entities not effected by a cap and trade program to buy or sell credits needed by California companies.   | Impact <b>cost of credits</b> in potential cap-and-trade program.       |
| AB 810<br>Caballero (D-28)                       | Establish sales and use tax exemption for manufacturing, or R&D equipment.  | <b>Reduces overall equipment cost.</b>                                  |
| AB 737<br>Chesbro (D-1)                          | Gives CalRecycle the authority to mandate commercial recycling by businesses generating more than 4 cubic yards of solid waste and recyclables per week.                                | <b>Potential increase</b> to businesses, depending on waste generated.. |
| SB 1284<br>Ducheny (D-40)                        | Provides that certain violations involving the failure to file a stormwater discharge monitoring report are not subject to mandatory minimum penalties if certain requirements are met. | <b>Reduce potential</b> cost to businesses.                             |
| AB 2437<br>V. Perez (D-80)                       | Establishes the California Manufacturing Competitiveness Loan and Loan Guarantee Program for the purpose of attracting, retaining, and expanding large manufacturing facilities .       | Attempts to <b>attract and retain manufacturers.</b>                    |
| SB 356<br>Wright (D-25)                          | Requires review of cost impact on business prior to implementing new regulations.   | Necessary legislation for assessing costs on business.                  |



# Northern California Quarterly Roundtable

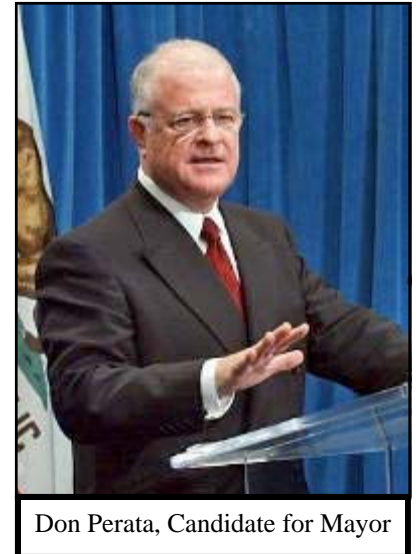
**Thursday, July 29, 2010**  
**Oakland, CA ~ 10:00am - 1:00pm**

The **2010 CMC Quarterly Regional Roundtables** are up-to-date legislative and regulatory briefings for your metalworking company.

CMC's lobbyists and industry colleagues are gathering on **Thursday, July 29**, to strategize and discuss the current state and local regulatory issues impacting your metalworking company. Results from the **June 8 primary election**, and upcoming November races attracting big interest will also be discussed.

The CMC roundtables bring California's top decision makers to you. Attendees will meet with **Don Perata, Candidate for Mayor of Oakland** on July 29.

Perata is an East Bay native and resident. He has served on the Alameda County Board of Supervisors and as a state Assemblyman. In 1998 he was elected to the California state Senate, representing the 9th District—which encompasses Alameda, Berkeley, Oakland, Piedmont and Richmond. In the Senate, he was selected to the top post, **President Pro Tem**, a position he held from 2004-2008.



Don Perata, Candidate for Mayor

**July is a very busy month in politics.** The state will be in the middle of budget debates. We're near the end of the 2010 legislative session. And campaigns for November will be heating up. *We'll see you on July 29!*

## CMC QUARTERLY MEETING—REGISTRATION FORM

NAME(s): \_\_\_\_\_

COMPANY: \_\_\_\_\_

Phone Number: \_\_\_\_\_ Email: \_\_\_\_\_

**New! Register and Pay On-Line at [www.metalscoalition.org](http://www.metalscoalition.org)**

**Cost:** \$25/person, lunch served; **Location:** AB&I Foundry, 7825 San Leandro St. Oakland, CA 94621

**Time:** 10:00am-1:00pm **Form & Payment to:** California Metals Coalition, 2971 Warren Lane, El Dorado Hills, CA 95762

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# Southern California Quarterly Roundtable

**Thursday, July 22, 2010**  
**Ontario, CA ~ 9:00am-12:00pm**

The **2010 CMC Quarterly Regional Roundtables** are up-to-date legislative and regulatory briefings for your metalworking company.

CMC's lobbyists and industry colleagues are gathering **Thursday, July 22**, to strategize and discuss the current state and local regulatory issues impacting your metalworking company. Results from the **June 8 primary election** and upcoming November races attracting big interest will also be discussed.

The CMC roundtables bring California's top decision makers to you. Attendees will meet **Assemblymember Curt Hagman (R-Chino Hills)**. Hagman was elected to the state Assembly in 2008 to represent the 60th district, which includes Anaheim, Chino Hills, Diamond Bar, Industry, La Habra, La Mirada, Orange, Whittier, and Yorba Linda. By mid-July, the state will be in the **middle of heated budget and legislative discussions**. Get your information from a real political insider and **have your voice heard in Sacramento**.



California State Assemblymember  
Curt Hagman (R-Chino Hills)

The July 22 roundtable will be hosted by CMC member **Walker Corporation of Ontario**. Attendees are invited to **tour this modern metalworking facility** after the roundtable. See more about Walker at [www.walkercorp.com](http://www.walkercorp.com). *We'll see you on July 22!*

## CMC QUARTERLY MEETING—REGISTRATION FORM

NAME(s): \_\_\_\_\_

COMPANY: \_\_\_\_\_

Phone Number: \_\_\_\_\_ Email: \_\_\_\_\_

**Register and Pay On-Line at [www.metalscoalition.org](http://www.metalscoalition.org)**

Do you plan on taking the tour of Walker Corp?: YES: \_\_\_\_\_ NO: \_\_\_\_\_

Cost: \$25/person, lunch served; Location: Walker Corp. 1555 Vintage Avenue, Ontario, CA 91761  
Time: 9am-12:00pm Form/Payment to: California Metals Coalition, 2971 Warren Lane, El Dorado Hills, CA 95762 | 916-933-3075

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