

August 10, 2010

## **Pool & Spa Industry to Lead New Effort Against Underground Economy**

A bill designed to use technology rather than boots on the ground to identify and prosecute contractors who cheat will focus on the swimming pool and spa industry.

AB 2770 by Assemblymembers Monning and Berryhill is a bi-partisan bill supported by SPEC to provide additional tools for regulators to ferret out and prosecute those contractors in the cash economy. The bill would require the Labor and Workforce Development Agency, in consultation with the Franchise Tax Board and the Economic and Employment Enforcement Coalition, to develop and implement a set of standards that, if met by an employer, would trigger a recommendation for a tax audit or investigation of an employer for violating state laws regarding wages, hours, and working conditions. As originally proposed, AB 2770 would apply to all employers. However, the costs of implementing the bill, given the state's budget deficit, threatened to derail the bill despite arguments that the bill would pay for itself many times over from fines, penalties, and taxes owed by non-compliant contractors.

In an effort to salvage the bill, the measure was amended to create a pilot program to identify non-compliant contractors in the swimming pool and spa industry. "These amendments aim to reduce the cost of implementing the bill as well as focus this new program on an industry plagued by contractors in the cash economy," stated John Norwood, President of SPEC. "The problem with the current system is that the Contractors' State License Board has to catch a contractor who cheats in the act. They have to implement labor intensive sting operations or have investigators run down a contractor on a job site in order to ensure successful prosecution. With limited resources and state employee furloughs, these labor intensive activities are a challenge," continued Norwood.

Instead, AB 2770 would have state regulators seek to examine those contractors who take workers' compensation exemptions and look at items such as material to labor ratios to determine if contractors are cheating on their reported payroll, workers' compensation insurance or paying employee or contractors cash to avoid paying taxes.

AB 2770 is now pending in the Senate Appropriations Committee. It is hopeful that with the new amendments focusing on the pool and spa industry that the bill will be reported to the Senate Floor and to the Governor's desk for signature by the end of the month.

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SPEC, the California Spa & Pool Industry Education Council, serves as the statewide public policy representative for the pool, spa, and hot tub industry. We advocate on behalf of industry interests before the California Legislature and state and local regulatory agencies, and for individual members dealing with enforcement issues. Working daily on the industry's behalf, we have an unmatched track record in successfully negotiating and fighting against unreasonable and costly legislation and for enforcement of unlicensed contractor laws. SPEC promotes the highest standards of professional conduct in pool construction, service, and repair, and seeks to educate the public on the proper maintenance and safe use of swimming pools, spas, and hot tubs. For nearly 40 years, SPEC has been the only organization registered to lobby at the State Capitol on behalf of the pool, spa, and hot tub industry. SPEC is funded by membership donations. For more information on SPEC and legislation we are watching, visit [www.calspec.org](http://www.calspec.org), or call 916-447-4113.

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