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## **SPEC Supports Bill to Combat the Underground Economy**

**Sacramento, Calif. /May 3, 2010 –**

Last week, SPEC testified before the Assembly Committee on Labor & Employment in support of AB 2770, a bill authored by Assemblymen Bill Monning (D–Santa Cruz) and Bill Berryhill (R–Stockton) to combat California’s underground economy. SPEC was joined in its support by the National Federation of Independent Businesses, California Labor Federation, AFL–CIO and California Rural Legal Assistance Foundation.

[AB 2770](#) is aimed at developing a coordinated approach to enforcement of labor and tax laws. According to the Employment Development Department's analysis of findings of the Internal Revenue Service, the underground economy in California is flourishing and is estimated to be between \$60 billion and \$140 billion each year. The Franchise Tax Board and Board of Equalization estimate an average of \$8.5 billion in owed taxes go uncollected in California each year.

Specifically, AB 2770 would require the Labor and Workforce Development Agency labor commissioner, or his or her designee, in consultation with the Franchise Tax Board and the Economic and Employment Enforcement Coalition (EEEC), to develop and implement a set of standards. The standards, if met by an employer, would trigger a recommendation to the appropriate state agency for a tax audit or investigation of employers violating state laws relating to employee wages, hours, and working conditions. Further, this bill would require that after July 1, 2011, the labor commissioner or the EEEC take specified actions to facilitate audits and investigations of employers who meet the standards required by this bill.

Additionally, the bill would provide the Joint Enforcement Strike Force on the Underground Economy (a partnership involving the Employment Development Department, Division of Labor Standards Enforcement, Department of Consumer Affairs, Contractors State License Board, Franchise Tax Board, the Board of Equalization, and the Department of Justice) with additional tools by which to identify and coordinate those businesses that are violating state tax, license and employment laws.

“Employers operating in the underground economy hurt everyone,” explained John Norwood, President of SPEC. “The state loses billions of dollars each year in tax revenues, workers are forced to go without basic employment protections, and law-abiding businesses are confronted with unfair competition from scofflaw competitors.”

As a legitimate employer working in the pool and spa industry in California, SPEC supports the efforts of the authors of AB 2770 to target those employers that operate in the underground economy in flagrant violation of law, and not employers that commit minor or inadvertent violations of existing law.

AB 2770 passed out of the Assembly Labor & Employment Committee with a vote of 6-0. It will now head to the Assembly Appropriations Committee for hearing.

To view the entire text of the measure, please visit: [http://www.leginfo.ca.gov/pub/09-10/bill/asm/ab\\_2751-2800/ab\\_2770\\_bill\\_20100413\\_amended\\_asm\\_v98.html](http://www.leginfo.ca.gov/pub/09-10/bill/asm/ab_2751-2800/ab_2770_bill_20100413_amended_asm_v98.html)

### **About SPEC**

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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