



August 27, 2003

To: Governor Davis  
Members of the California Legislature  
Gubernatorial Candidates

With the recall election on October 7<sup>th</sup>, the national spotlight on California gives the business community an opportunity to highlight the great reasons why businesses have come to our state over the past decades – a skilled and diverse workforce, world class cities and universities and a great quality of life are just a few of them.

But these times also give us an opportunity to highlight the anti-business policies and job-killer laws that are driving California businesses and jobs to neighboring states.

Starting with a pledge to ‘do no more harm’ this agenda highlights the need to stop the policies being pursued by California’s legislature that are only harming our economy and our ability to generate the revenues necessary to solving our budget problems. The agenda then lays out essential steps to reinvigorating our economy and stimulating job creation in our state.

During the past 30 months, California’s economy has suffered a dramatic setback due to a rapidly deteriorating business environment. When the California Employment Development Department released its July, 2003 employment report on August 8, we learned that California lost another 21,800 jobs during the month of July, nearly half of all the 44,000 jobs lost nationally.

Among the July jobs lost were 6,500 manufacturing jobs, bringing the total manufacturing jobs lost since January 2001 to 299,500 or 16 percent of our industrial work force. Unfortunately, many of California’s job losses appear to be permanent. Far too many jobs have been moved to other states or simply eliminated because employers cannot maintain employment levels while absorbing California’s skyrocketing operating costs.

A significant portion of those higher costs can be traced to the unintended cost burden placed on employers as a result of legislative and regulatory actions in recent years. The result is a growing economic crisis that threatens more jobs, private sector investment and future tax revenues.

This trend must be stopped.

The first step is to do no more harm and stop legislation that will cost more California jobs. Efforts to stimulate our struggling economy should then be taken immediately in the form of an economic stimulus program, enacted in a special session of the legislature called immediately after the October 7 recall election.

The following actions should be taken immediately to reduce the cost of doing business in California, stimulate our lagging economy, create new jobs, and increase state and local tax revenues.

### **Stop the Job Killer Bills - Do No More Harm**

A significant boost to the jobs climate and perceptions of the ease of doing business in California would be a clear resolve by lawmakers and leaders to “do no more harm” and stop passage of more costly mandates on California businesses.

We must stop proposing ‘job killer’ bills, and instead focus upon enacting policies that will help to stimulate California’s economy and create jobs.

### **Workers’ Comp Reform**

Skyrocketing workers’ compensation premiums are needlessly draining billions of dollars from more positive pursuits, forcing employers to cut from other aspects of their business, including employee benefits, pay raises and jobs. A complete system overhaul is needed to control medical costs, fix the handling of permanent disability benefits and vocational rehabilitation, stop fraud and reduce litigation.

### **Control Unemployment Insurance Costs**

To limit the effects of a multibillion-dollar rate increase in the employer-paid unemployment insurance (UI) tax, the administration and Legislature should temporarily suspend the third and fourth year of the recently enacted benefit increase until the shaky UI Trust Fund regains solvency, as well as enact a strong anti-fraud measure and other cost saving reforms. The latest fund forecast shows the balance of the trust fund, at nearly \$6 billion in 2001, plummets to less than \$430 million in 2003, and will be more than \$1.17 billion in the red in 2004.

### **Extend Manufacturers Investment Credit**

More than 299,000 manufacturing jobs in California have disappeared just since January 2001. The manufacturers investment credit (MIC), similar to credits offered in 48 other states, is an important tool for encouraging businesses to expand or update California facilities. The Chamber’s recent Business Climate Survey revealed that a high number of California businesses have been offered various tax credits and other incentives to relocate to neighboring states. Reviving and extending the MIC will help keep California competitive and spur job creation by sending the message that the state wants businesses to locate and invest here.

### **Reform the California-Only Overtime Law**

California remains the only state in the nation with a complex deviation from the federal overtime pay rule, which allows flexibility within a 40-hour work week. Rescinding California’s eight-hour overtime rule to bring the state back in line with the rest of the nation would be the best solution. At the very least, the administration and Legislature should conform California’s definition of a management worker (exempt from overtime) to match the federal law. This will eliminate many of the class action lawsuits being brought against California employers.

### **Suspend California-Only Paid Family Medical Leave Law**

California's unique paid family leave law, set to take effect in 2004, should be suspended until an independent cost study is completed and the economic impact on employers has been evaluated.

### **Reduce Energy Costs**

Legislators should cease attempts to return the state to its pre-1996 energy regulatory structure when California paid some of the highest electricity prices in the nation. The Public Utilities Commission should adopt a rate reallocation package to lower energy rates for commercial and industrial users. Legislators should reinstate direct access for large customers and encourage customer generation.

### **Stop Extortion Lawsuits**

Frivolous lawsuits exploiting weaknesses in Section 17200 of the state's Unfair Competition Law have plagued businesses throughout the state. Small operations, such as nail salons, auto repair shops, restaurants and other minority-owned businesses, have been particularly hard hit. Proposals in this legislative session to expand the filing of these frivolous lawsuits must be stopped. Needed reforms in current law would include requirements that private actions must be supported by identified plaintiffs who have suffered actual harm, protections against repetitious lawsuits and limitations on attorneys fees.

### **Guard Against Hidden Tax Hikes**

Approval of taxes disguised as fees must stop. A constitutional amendment should be placed on the ballot to require that taxes disguised as fees be subject to a two-thirds vote requirement.

### **Recapture Transportation Dollars**

The state must act to recapture dedicated transportation funding to create construction jobs and provide congestion relief. Projects to maintain and improve the state's transportation network can provide a quick jump-start to the economy.

### **Balance Budget**

The Legislature must address the economic uncertainties facing the state's fiscal situation. By putting jobs first, lawmakers will remove much of the economic uncertainty and create an economic climate that fosters increase revenues, addresses the pending deficit in 2004-05 and puts the state on path of economic recovery. Lawmakers must make structural reforms to the budget process to remove the monumental swings in revenues and expenditures. The budget must balance without the need for draconian cuts and new taxes that have economic consequences on job creation.

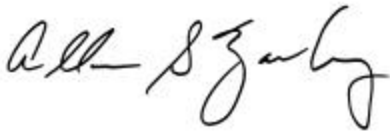
### **Place a 24 month moratorium on new or expanded regulatory fees.**

Instead of cutting programs to meet state budget reduction goals, the state is backfilling regulatory program cuts with fee increases on business. AB1 1X 10 increased fee revenue for state air quality programs by more than 300%. It also doubled fees for wastewater discharge permits for the second time in less than one year. The budget act contains another \$4.4 million increase for air programs, targeting the same handful of sources subject to 10X, and a nearly \$7 million increase in fee revenue to cover statewide water quality assessment programs.. For the vast majority of affected sources, these fees go well beyond the state's actual costs associated with regulating

their operations, and do not reflect any consideration of the need to continue supporting regulatory programs at their current levels.

We believe these reforms will significantly reduce the cost of doing business in California, revitalize California's ailing economy, create new middle class jobs and restore confidence to employers and investors throughout the state and the country.

Sincerely,



Allan Zaremberg  
California Chamber of Commerce



Jack Stewart,  
California Manufacturers &  
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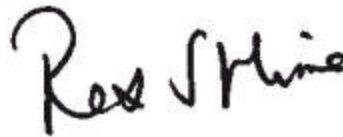
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