

# CALIFORNIA CHAMBER of COMMERCE

ALLAN ZAREMBERG  
President and Chief Executive Officer



January 15, 2010

The Honorable Nancy Pelosi  
United States Congress  
235 Cannon House Office Bldg.  
Washington, D.C. 20515

**SUBJECT: Governor Schwarzenegger's 2010-2011 Budget**

Dear Congressman Pelosi:

Governor Schwarzenegger has made "federal fairness" a priority in his 2010-2011 budget. I am writing today to encourage you to support Governor Schwarzenegger's call to action and provide the leadership California needs to help resolve our terrible budget crisis.

As you know, California is in the midst of the worst economy since the Great Depression. We have a structural budget deficit that has made headlines throughout the country. In addition, California already has one of the highest costs of doing business in the nation. Within the last two years, employers and individual taxpayers have shouldered an additional \$12 billion in tax increases. Without California securing its fair share of federal funds, there will be tremendous pressure to "correct" the state's structural deficiencies by shifting the cost to businesses and individual taxpayers through even more taxes and fees. If this occurs, the result will be something the state simply cannot afford -- continued job loss. Fewer jobs means less revenue to the state to fund critical programs, like education and health care. Without our fair share of federal funds, California's budget death spiral will continue far longer than ever anticipated.

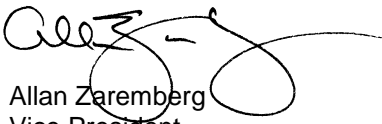
The Governor's 2010-2011 budget proposes significant structural changes that involve federal funding. I am urging you to provide leadership we need to secure these key structural changes at the federal level.

Specifically, the Governor's budget proposes changes in the state and federal relationship to address federal constraints on California's ability to manage program costs effectively within available resources and to reimburse the state for monies owed by the federal government. Critical changes needed to the State's Medicaid program include ensuring program flexibility to contain costs, correcting the formula for determining the federal funding ratio for the program to recognize the wide differences among states, remitting federal funds due to acknowledged errors in reimbursements, and correcting flawed methodologies that do not recognize true costs. Other program areas include support for funding federal prisoners, full reimbursement for mandated special education costs and an update to an outdated benchmark for federal funding of the foster care program.

In addition, as the health care reform discussion moves forward, Congress must treat all states equally. The federal matching rate for all physician services must be increased in order for the program to be successful. Finally, providing a higher federal matching rate for administrative changes demanded under federal health care reform acknowledges the additional burden states will have to assume under federal health care reform.

All Californians fear that they are targets for more taxes. Improving the tax climate in California must become a major priority for the California Congressional delegation. Our economic recovery depends on more jobs and those will only come when employers have the resources available to invest in growing their companies. Throughout this budget crisis, the California Chamber of Commerce has consistently maintained that a strong economy is the only way California will find a way out of this budget mess and be able to, once again, generate the kind of revenues needed to sustain the state's essential programs.

Sincerely,



Allan Zaremberg  
Vice President

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