

# Leading the Nation Out of the Recession Agenda for Economic Recovery

## Comprehensive Economic Growth Strategy Must Be Job One for State Policymakers

California's economic trends are moving in the wrong direction. As of fall 2009, unemployment was 12.5 percent, California having lost more than 1 million jobs since the beginning of the recession. The housing market continues to founder, and storm clouds are gathering over commercial construction. Worst of all, the state continues to lose productive workers and families to other states, averaging 100,000 residents a year moving away.

While California's economic decline is mainly due to the global recession, the state's ultimate economic recovery will be hampered by the high cost of doing business here. New and increased taxes, fees and mandates proliferate without any consideration of their cumulative impact on jobs and business expansion. Other states and countries with more business-friendly environments lure some California businesses away, but increased business costs burden the economy even when businesses don't pack up and leave.

The California Chamber of Commerce in 2009 initiated a policy development and public education campaign to bring more focused attention to economic issues. These concerns are the top priority for voters, but less so to legislative leadership and some members of the administration. The goal is to send the message to the California political leadership that addressing the economy is job-one.

First, the terms of the policy debate must be changed: Californians simply cannot provide the state's citizens with progress and opportunity without a robust economy, and we certainly cannot hope to fix the state's chronic budget deficits over the long term without a markedly improved economy. Indeed, while the California economy will eventually recover along with the nation, the state must be positioned to take advantage of that recovery—California must lead the nation, not trail other states. Unfortunately, the Legislature continues to pass bills that will hamper the state's competitiveness.

For 2010, the CalChamber has identified an agenda of solutions to reverse California's hostile climate and position California to be competitive for job creation as the economy recovers:

- Develop a comprehensive economic growth strategy to create and seize economic development opportunities and re-orient state policy and agencies to toward job creation and economic development.
- Encourage business investment and job creation by reforming permitting requirements that burden investment and workplace litigation mandates that discourage employers from increasing their workforce.
- Require a transparent, impartial assessment of economic impacts of policy and regulations.

## Climate Change

### Success of Climate Change Law Depends on Cost-Effective Implementation

Much has changed since Governor Arnold Schwarzenegger signed AB 32, The Global Warming Solutions Act of 2006. Three years since its passage, the bill has spurred a regulatory program that is more far-reaching than any other and that affects all consumers and businesses in the state. California continues to be watched by other states and nations as the process for reducing the state's overall greenhouse gas emissions moves forward.

In 2008, the California Air Resources Board (ARB) adopted the "Scoping Plan" for implementing AB 32. This plan includes the overall framework for achieving the greenhouse gas (GHG) reduction goals outlined in the bill. It includes strategies and reductions that are expected from various sectors. Without question, it will affect the entire California economy in some capacity.

The amount of regulatory uncertainty due to the nature of the Scoping Plan and ARB's efforts to implement its myriad measures continues to be a major issue for businesses and industries statewide. With the state's grim economic outlook for the current fiscal year and beyond, the business community is increasingly concerned about the additional costs that are expected from implementation of this plan.

The timeline for implementation is tight, especially considering the broad scope of the plan. In 2009, ARB began work on implementing the strategies included in the Scoping Plan through regulatory proceedings. Each strategy will go through its own regulatory process with the expected workshops, stakeholder meetings and analysis. With the enforcement date for the discrete early actions starting in 2010, and AB 32's 2012 implementation date just a couple years away, however, it is clear that the regulatory process will continue to be demanding for stakeholders who continue to engage in the process.

The CalChamber will work to ensure that compliance costs are minimized by pushing for measures that effectively reduce carbon while allowing for continued economic growth. All regulations created by ARB should be implemented with stakeholder input. It is impossible to create a successful program and achieve real, quantifiable reductions without understanding the various industries targeted by the regulations. Furthermore, regulations should be developed in a way that allows for business growth in California.

The CalChamber believes that for the state to be a true leader on this issue, it needs to share its proven energy efficiency knowledge while harnessing the innovation and creativity of its citizens to pioneer new, low-carbon technologies. In fact, policy approaches that recognize and encourage California's leadership and innovation in the environmen-

tal arena can be more effective than taxes or fees. Successful technologies developed in California and implemented throughout the world could provide a win-win situation for California businesses by both helping to reduce greenhouse gas emissions here and in other nations, and providing jobs in the state.

#### **Consumer Product Ingredient Regulation Evolving ‘Green Chemistry’ Program Needs Focus; State Must Adopt Sensible, Workable Regulations**

In 2008, the California Legislature passed bipartisan measures that sought to create a new, science-based framework for regulating chemicals in consumer products. The Green Chemistry Initiative, authorized by AB 1879 (Feuer; D-Los Angeles; Chapter 559) and SB 509 (Simitian; D-Palo Alto; Chapter 560), was the product of a collaborative effort by legislators, the Schwarzenegger administration and stakeholders to give the California Department of Toxic Substances Control (DTSC) broad authority to regulate the use of potentially hazardous substances in consumer products.

The driving force behind green chemistry was a broad-based desire for state regulators and scientists, rather than politicians, to exercise their expert scientific and engineering judgment and experience when evaluating potential threats to human health or the environment and to determine appropriate regulatory actions. The politicized piecemeal approach to chemical regulation often attempted by the Legislature was to be replaced by a centralized regulatory structure that was removed from political influences and based on sound science.

The task of chemicals management is a long-term endeavor driven by ever-changing developments in science. Regardless of the resources directed toward developing data, there will always be more questions to ask and more data to gather—it is after all the nature of the scientific process. The issue is not whether there is a data gap; but rather, how the state can manage its finite resources to best identify and prioritize the uses of the chemicals of greatest concern in consumer products. In the current and foreseeable economic climate, California must adopt regulations that focus on exposures to substances in consumer products sold or used in the state.

The CalChamber believes that the green chemistry program should be implemented according to the following principles:

- Promote safe and sustainable products through the application of sound scientific methods of review.
- Avoid duplicative and conflicting regulatory and reporting requirements.
- Ensure protection of confidential business information.
- Use a systematic approach in which chemicals, their users and potential alternatives are first prioritized based on hazard and exposure.
- Ensure balanced consideration of the unique applications, intended function, performance and useful life of the product in question, as well as other lifecycle factors required by statute.
- Impose only cost-effective, sustainable, technologically and commercially feasible requirements.
- Minimize compliance costs and administrative burdens and protect California jobs and consumers.

- Support a transparent process in accordance with the California Administrative Procedures Act.

#### **Disability Access Law Reform Lawsuit Reform in Progress: Top 10 Things About SB 1608 That Help Business Owners**

For a number of years, the business community has been victim to a small but widely destructive, atypical group of plaintiffs and lawyers using the disability laws and court system to seek monetary profits rather than access. The result has been unnecessary, costly litigation for significant numbers of California businesses across the state, and many of them closing their doors for good.

In answer to this problem, during the 2007-08 legislative session, the California Chamber of Commerce and other business groups worked closely with legislators and their staff, disability rights groups and the consumer attorneys to achieve historic reform to California’s disability access laws. The resulting reform legislation, SB 1608 (Corbett; D-San Leandro, Chapter 549, Statutes of 2008), was signed into law on September 28, 2008.

Very soon after passage of SB 1608, there were marked positive changes in the form of fewer abusive lawsuit practices and tactics. On the other hand, some questionable lawsuit practices also continued to take place during 2009. This resulted in many businesses asking how SB 1608 helps address such practices.

Like any major reform, SB 1608 will take time to work. The legislation itself took two years to develop, and before that, there were several years of failed reform efforts. In addition, many of the SB 1608 provisions took effect only in October 2009, and other provisions will not take effect until future years.

Businesses must do their part in order to maximize the reforms made available to them under SB 1608.

#### **Top 10 Things About SB 1608 That Help Business Owners**

1. Businesses should hire a certified access specialist (CASP).
2. Businesses should request and post a CASP window sign.
3. Attorneys who issue demands for money must also provide the business owner with an advisory statement.
4. Multiple damages may not be recovered at a single facility.
5. Plaintiff must show harm or injury.
6. Businesses may request a 90-day stay of the lawsuit and early evaluation conference.
7. Parties are encouraged to consider reasonable settlement offers.
8. New state disability access commission part of the solution.
9. Improved expertise in new construction and building inspections.
10. Deadline for state to address inconsistencies between state and federal regulations is December 31, 2010.

#### **Education Quality Education Producing Highly Skilled Workers Critical to California Jobs, Economy, Future**

Over the last several years, the importance of well-qualified high school graduates to California business executives and to the California economy has been reiterated by two studies from the California Foundation for Commerce and Education (CFCE). An opinion survey of California business leaders found that the quality of public schools was among the top

issues of concern, primarily because one of the top challenges to doing business in California was attracting and maintaining a qualified work force.

A second study by the CFCE found that student academic achievement is the single best public policy predictor of a successful state economy, based on trend data from all 50 states. Even more important than tax rates, infrastructure investment or job quality, the performance of students will predict whether a state will have high income, high employment, and low poverty—or not.

If California wants any chance to maintain a world-class economy with well-paid jobs and opportunities for its children, then it must accelerate its production of graduates from four-year institutions.

If current trends persist, California will be short 1 million college graduates by 2025. By then, the state's economy will demand 41 percent of workers have a college degree, but only 35 percent of adults will be on track to have that degree.

With the exception of the Race to the Top debate, any concentrated effort to improve public policy was mostly stymied by the pervasive state budget crisis in 2009. In this fiscal environment, further progress on education reforms is unlikely, since the policy debate will be dominated by maintaining financing and using the tight budgets as an excuse to reject further accountability or responsibility.

Nonetheless, the California Chamber of Commerce will continue to articulate a set of education reform principles and promote those principles with education leaders, elected officials and opinion leaders in the state. For California business, education reform is an urgent priority that should be undertaken no matter the state's fiscal situation.

- Defend the current accountability system.
- Extend current accountability measures.
- Improve assessment systems.
- Align workforce and college readiness.
- Define “teacher quality” as the ability to improve and maintain student academic achievement.
- Improve fiscal transparency and effectiveness.
- Ensure career technical education is high quality and aligned with academic standards.
- Maintain a long-term financial and policy commitment to higher education.
- Promote state and private investment in science, technology, engineering and mathematics (STEM) education.

### Energy

#### Finding Common Ground on Expanding Energy Infrastructure Will Shape Future

The production, transmission and cost of energy continue to be a central issue to California residents, the business community and the state's economy. The success of California's economy, and by extension the nation's, relies on the ability of local, state and federal leaders to find common ground and determine the most efficient and equitable means of upgrading and expanding energy infrastructure.

Since the energy crisis of 2000-01, California has maintained a delicate balance between supply and demand, largely by relying on imported electricity from the North and Southwest and older, less efficient in-state power plants. With the demand in the North and Southwest growing, future imports are becoming more expensive and less available.

Moreover, due to landmark legislation to cut the state's greenhouse gas emissions (AB 32 and SB 1368), California is limited to what types of power plants may be used to serve the current and increases in load. Although conservation, energy efficiency standards and increased energy sources have helped keep supply greater than demand, continued population and economic growth edges the state closer to an imbalance of supply and demand.

It is critical that California's electricity generation keeps pace with its growing population and increasing demand. The state should focus its attention on the construction of new transmission lines to sustain future economic growth and to ensure renewables are able to come on line in time to keep up with the various programs being implemented across agencies.

With the various new programs undergoing implementation in the next couple of years, California will be expected to have a far more diversified portfolio of energy sources. The state is not on track to meet these standards, however, because of the difficulty in getting projects approved for construction.

The construction of the state's energy infrastructure is vital to the economic growth of California. To ensure this demand is met, the state needs to generate more discussion regarding the construction of LNG regasification plants. Moreover, investments must be made in natural gas pipelines to more efficiently move the gas to where it is needed.

Finally, research and development in fuel technology is necessary for understanding the role of alternative fuels in enhancing the state's energy mix and reaching California's environmental goals. If the state delays growth of this much-needed infrastructure and development, California will fail to meet the demand for tomorrow.

### Health Care Reform

#### Federal Health Care Mandates Boost Costs, Limit Choice, May Spawn More Litigation

The uninsured in California comprise a mix of the employed who are not offered or who decline employer-sponsored coverage, some dependents of covered individuals, undocumented/illegal immigrants, self-employed or unemployed who choose not to purchase individual or family coverage, and those eligible for public assistance programs but not enrolled. Some may be uninsured intermittently because they are between jobs. About 16 percent of California's uninsured are children, down from 20 percent last year. Almost 80 percent of Californians are covered by health insurance or public assistance health programs.

As the cost of health care rises, employer-sponsored health insurance declines and so does the number of insured Californians. California's uninsured population rose by more than 100,000 to 6.7 million in 2008, approximately 20 percent of the population. According to the 2009 *California Health Care Almanac*, most Californians still receive health insurance through employers, although coverage from that source has declined about 9 percentage points over the last 20 years.

It is the policy of the California Chamber of Commerce to:

- Support and promote efforts to contain costs and improve access to health care by supporting a health care system that is affordable and improves the overall health of California citizens.
- Support efforts to inform and educate policy makers,

the public and the media on the role private employers play in voluntarily providing and financing health care coverage for their employees.

- Work to contain costs and avoid unnecessary and expensive regulatory controls, including mandates, and continue to support a climate where market forces play the predominant role.

A review of critical components of the bills passed in the U.S. House of Representatives and U.S. Senate as they relate to current CalChamber policy finds that: The House bill is not consistent with CalChamber policy on the public option. Neither federal bill is consistent with CalChamber policy regarding employer mandates. While CalChamber supports the transparency that both bills promote, both are inconsistent with CalChamber policy in that they will limit choice and affordability. Both bills create an unfunded mandate on states. The proposals are inconsistent with CalChamber policy on rescission. Neither bill is consistent with CalChamber's tax policy. Neither bill will conform federal Health Savings Account (HSA) tax treatment for California. The House bill is inconsistent with CalChamber policy on Employee Retirement Income Security Act (ERISA) and includes a provision that will push states like California to repeal malpractice damage caps.

### *Managing Employees* **Workplace Rules Need Simplification to Strengthen Economy**

California employers comply with the most stringent and complex labor laws in the nation and face the threat of the highest fines and penalties—which hampers competitiveness and is slowing the state's economic recovery. A priority to addressing the economy must be job creation and to reverse California's barriers to recovery. The current economic situation and reduced competitiveness heightens the need for simplification of workplace rules for employers.

Today, employer responsibilities are more challenging than ever due to diminishing corporate resources along with vague or ambiguous language in rules and regulations, sometimes intertwined with conflicting workplace laws and constantly changing government regulations. Both employers and employees would benefit from easy-to-follow, common-sense workplace rules that also provide opportunities to address work/life balance issues. In order to re-invigorate and encourage business investment and job creation, California must address the issues that discourage employers from increasing their workforce.

California can provide relief to employers from burdensome rules and unfair class action lawsuits by clarifying and simplifying workplace rules. For example, the state's meal period rules are unclear and its alternative workweek scheduling rules strongly discourage the adoption of flexible work schedules, even if they provide better lifestyle choices for employees and help reduce congestion and environmental impacts.

The California Chamber of Commerce supports sensible changes in state labor laws and regulations aimed at making the workplace easier to administer. It makes sense to find ways to make compliance with state labor laws and regulations simple and straightforward so employers and employees can understand and follow the law. The CalChamber plans to continue to push for clarification and simplification

of workplace rules, for flexible workplace schedules and to actively work to resolve conflicts in meal and rest break rules and regulations.

### *Taxation: E-Commerce*

#### **Taxing E-Commerce Will Blunt State's High-Tech Edge**

As online shopping becomes more popular and digital delivery of entertainment and software continues to expand, so too does concern by some lawmakers that the current tax system does not sufficiently capture tax revenues from e-commerce transactions. A growing number of efforts to increase taxation of e-commerce have taken shape in two primary forms:

- proposals to tax sales of intangible or digital products; and
- proposals to require out of state retailers to collect California sales taxes on online purchases.

One of the common justifications for these proposals is the tax structure needs to be updated to more accurately reflect today's economy. The reasoning is that when the sales tax was established in the 1930s, intangible goods and the Internet did not exist.

Although e-commerce is growing, it is still a fledgling industry. E-commerce currently represents just less than 4 percent of total U.S. commerce, and has grown only 3 percent in the last decade, according to the U.S. Census Bureau. There is ample room for growth in the e-commerce arena, and California policymakers should not distinguish California as a state with the most barriers to e-commerce enterprise.

On the contrary, California should take aggressive measures to incubate and foster e-commerce jobs and enterprise in California. E-commerce companies contribute millions toward California tax revenues in the form of income taxes. In its search for more sales tax revenues, California must take care not to undermine its opportunity to be the leader in e-commerce job creation and investments.

The California Chamber of Commerce is generally opposed to taxation policies that could stifle California's national and global competitiveness and leadership role in e-commerce.

### *Taxation*

#### **California Budget Crisis Continuing: What Should Employers Expect on the Tax Front?**

Not only is California facing a \$20.7 billion gap for the upcoming 2010-11 budget, but the Legislative Analyst's Office predicts that California will have a "lingering budget problem" of around \$20 billion for "years to come."

While few are surprised that California's budget problems are not over, many are wondering where lawmakers will turn for additional revenues needed to close the ongoing budget gap. Over the last three budgets, Californians have seen both tax increases and spending cuts of historic proportions. California employers alone have sustained more than \$10 billion in tax increases and accelerations from the most recent three budgets.

Unfortunately, California businesses in the coming year and beyond can expect to see many more tax increase efforts, including attempts to repeal or restrict the recently adopted tax improvements. The major types of tax proposals pending or likely to be introduced as legislation, as part of the budget, or as ballot measures in 2010 include:

- Taxes targeting a specific industry;
- Taxation of high incomes;
- Taxation of services;
- Taxation of e-commerce;
- Split roll taxation;
- Repeal or reduction of investment incentives;
- Independent contractor withholding.

The CalChamber supports sound tax policies that foster investment and respect the proper balance between the need to sustain necessary government programs and the need to maintain and grow a strong economy.

Whether tax increases are warranted at times of fiscal crisis is a case-by-case determination. Generally, if tax increases are warranted, the least harmful to the economy are those that are temporary, have low rates and are broad-based.

The CalChamber opposes the tax proposals listed above.

Industry-specific taxes kill good jobs, harm industries in California and place on a narrow class of taxpayers the burden of funding programs with a general benefit.

Taxes that target high tax brackets are unstable and have a disproportionate, negative impact on small businesses.

A sales tax on services would impede economic recovery, punish California companies and discriminate against small businesses.

Taxation of e-commerce could stifle California's national and global competitiveness and leadership role.

Eroding Proposition 13 protections with a split roll tax would result in higher consumer prices and higher rents – both of which slow the economy.

Repealing or reducing recently adopted investment tax incentives will have an adverse impact on valuable investment decisions and runs counter to actions by the federal government, which recently has enacted improvements to the net operating loss deduction and the research and development tax credit.

Imposing independent contractor withholding mandates will burden companies with implementation costs that exceed revenue gains to the state and inappropriately shifts tax enforcement responsibility away from the government tax collection agency and onto the private sector.

#### *Unemployment Insurance*

#### **Projected \$27.3 Billion UI Fund Deficit by 2012 Could Lead to Higher Taxes on Employers**

California's unemployment insurance (UI) program is a federal-state program, completely funded by taxes on employers, that was created as part of the Social Security Act in 1935. The state of California administers a separate UI program within the guidelines established under federal law. The program provides weekly UI payments for workers who lose their jobs through no fault of their own and meet other eligibility requirements imposed by the state of California. UI benefits act as a stabilizer during economic downturns by being the primary source of temporary, partial wage replacement for workers who have been laid off and are seeking re-entry into the workforce.

California's unemployment rate has increased steadily over the last several years, with a significant increase in the ranks of the unemployed since 2008. California, like 25 other states and territories, is struggling with a UI Trust Fund insolvency resulting from sudden and severe increases in

unemployment associated with the worldwide recession.

California's current UI fund insolvency is not caused only by immense unemployment, but also can be traced back to the UI benefit increases imposed in 2001. The California Chamber of Commerce opposed this increase in benefits because it was not coupled with cost-saving reforms and therefore was likely to lead to UI fund insolvency. As anticipated by CalChamber in 2001, benefit increases along with high unemployment have led to insolvency for the UI fund. Further exacerbating the situation, as unemployment and duration of benefits increase, the state is collecting fewer tax revenues and paying more benefits to unemployed Californians.

The CalChamber believes that the best way for California to combat rising unemployment, and therefore improve the stability of the UI Trust Fund, is to improve the business climate in California. California ranked as the sixth worst business climate in the United States in the Milken Institute's *2007 Cost-of-Doing-Business Index*. According to that analysis, California has a cost of doing business that is 22.9 percent higher than the average state.

The California Legislature has made a series of public policy choices that has led to California having a high cost of wages, a high tax burden, excessive power costs and expensive commercial property. Any "fix" for the UI fund has to include a series of policy changes that will improve California's business climate and spur investment and job creation.

#### *Water*

#### **Adoption of Comprehensive Policy Marks First Step; Bond Funding Must Pass to Secure State's Water Future**

The year of water is how 2009 will be remembered. It is the year the Legislature passed and the Governor signed comprehensive water policy legislation that will change how water is managed in the state. The water package represents a year's worth of intense meetings, first by the stakeholders working with legislative staff, and then by the legislators in working groups to develop language.

Unable to come to closure on the package in the regular session, the Governor convened the Seventh Extraordinary Session to deal with water on October 14, 2009. The deal came together and was voted out of the Legislature at 6 a.m. on November 4, 2009. The policy bills take effect February 4, 2010—91 days after the special session adjourned—except the water bond, which took effect immediately because it contained an urgency clause in order for it to be placed on the November 2010 ballot for voter approval.

The package consists of five bills whose content reflects the inextricable linkages between the health of the Delta and California's statewide water supply management practices and policies. The bills originate from the goals set out in the blue-ribbon Delta Vision Strategic Plan. The final plan released early in 2009 contained findings and recommendations for managing the Delta as a crucial component of California's water supply system.

The package includes new policies such as mandatory groundwater monitoring, enhanced reporting and enforcement of water diversions, a 20 percent per capita reduction in water usage, a new governance structure for the Delta, new requirements for agricultural water uses, and a new conservation— all of which reflect a major change in water politics.

Passage of the water bond is integral to the success of

the overall water package. It not only provides funds for increased storage, it also provides funds for projects that lead to more reliable sources of water.

The California Chamber of Commerce supports a comprehensive solution to California's chronic water shortage. It is vitally important that all Californians have an adequate and reliable source of water while safeguarding the environment. Developing additional water supplies and conveyance facilities can no longer be postponed without subjecting the state to long-term economic damage. One serious earthquake or a series of Delta levee failures could leave millions of people and businesses without a water supply for the foreseeable future.

#### *Workers' Compensation* **Increased Premiums for the Foreseeable Future Appeals Board Decisions and Medical Costs Push Up Costs**

California's workers' compensation system has undergone major transformation in the last seven years. Reforms passed in 2003 and 2004 have succeeded in bringing balance and fairness to what was a subjective and adversarial system. The Workers' Compensation Insurance Rating Bureau (WCIRB) estimates that, since the California Chamber of Commerce-supported reforms were passed, insurance premiums have dropped by more than 60 percent.

In terms of what an average policyholder pays, workers' compensation rates per \$100 of payroll have decreased from the height in 2003 of \$6.45 to an average of \$2.36 in 2008. Due to these enormous strides, California dropped from the second most expensive state in the nation in 2006 to the 13th most expensive in 2008, according to the Oregon *Workers' Compensation Premium Rate Ranking Summary*.

The reasons for the significant cost decreases are multifaceted, but the vast majority of the decrease has resulted from removing subjectivity from the system and introducing various tools to objectively steer claims along to a reasonable conclusion. Recent reforms altered the way that medical care is authorized in the workers' compensation system. Before the reforms, an injured worker's treating physician could request, and get authorized, virtually any type of treatment.

The introduction of medical treatment guidelines, and implementation of those guidelines through utilization review, has helped bring the cost of medical care back into alignment. Permanent disability (PD) benefits also have benefited from objectivity in that SB 899 completely reformed how PD ratings are established. The American Medical Association (AMA) guides were instituted as a way of objectively measuring impairment following a workplace injury, and that impairment is then translated into a PD rating. Objectivity in the system has resulted in less friction while providing better care and a fair method of determining impairment, all at a reduced cost.

Recent decisions of the Workers' Compensation Appeals Board undermine the savings from the reforms.

In August 2009, the WCIRB requested an average 22.8 percent increase in the pure premium (advisory) rates from the commissioner effective January 1, 2010. The commissioner rejected the filing.

According to the WCIRB, the 2008 calendar year com-

bined loss and expense ratio is 101 percent, 16 percentage points higher than 2007. A combined ratio in excess of 100 percent means that the company is not generating an underwriting profit from its insurance operations.

Workers' compensation costs must continue to decrease to ensure that California remains economically competitive. CalChamber-supported reforms that had delivered significant cost savings must be protected. With recent activity that is expected to increase costs, employers should work to offset these increases with additional changes to the system. The ultimate goal is preserving a balanced system that provides fair benefits to injured workers at a low cost to employers, while minimizing friction in the system.

#### **Federal Issues**

##### *International Trade* **Strong Trade Opportunities Essential for State International Competitiveness**

California is one of the 10 largest economies in the world, with a gross state product of more than \$1.8 trillion. International-related commerce accounts for approximately one-quarter of the state's economy. Although trade is a nationally determined policy issue, its impact on California is immense. California exports to more than 225 foreign markets.

Trade offers the opportunity to expand the role of California's exports. In its broadest terms, trade can literally feed the world and raise the living standards of those around us.

##### *CalChamber Positions*

The California Chamber of Commerce, in keeping with long-standing policy, enthusiastically supports free trade worldwide, expansion of international trade and investment, fair and equitable market access for California products abroad and elimination of disincentives that impede the international competitiveness of California business.

Recognizing the current state and federal trade deficits, the CalChamber supports: reducing the federal budget deficit by controlling federal spending; efforts to achieve and maintain a stable and competitive relationship between the U.S. dollar and the currencies of major trading partners; actions designed to eliminate barriers that impede U.S. and California commerce domestically and abroad by aggressively negotiating fair and equitable market access for California agriculture, manufactured products and services by aggressively negotiating to reduce trade barriers; and promotes educating California's citizens, legislators and businesses about the benefit of trade to the state economy.

The CalChamber has supported a number of state and federal programs, but it should be noted that the CalChamber also dissuades the introduction of legislation that is unnecessary, unconstitutional or violates existing trade agreements. The CalChamber: opposes protectionist-oriented legislation that leads to higher prices and limited choices for consumers; opposes state and local legislation that imposes sanctions on businesses engaged in international trade and/or conflict with federal international policies; and supports legislation that allows California companies to compete more effectively in foreign markets, as well as to attract foreign business to California.