



# **San Mateo County Chamber of Commerce Alliance**

## **Included In This Legislative Report:**

- 1. 2008 Propositions**
- 2. Assembly Bill X1 1: The Health Care Security and Cost Reduction Act**
- 3. AB xx (Benoit): Small Business Family Scheduling Option of 2008**

## **January 2008 Legislative Report #1**

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## **1. 2008 Statewide Propositions**

**The following ballot propositions have qualified for the February 5, 2008 Primary Election:**

<b>Proposition 91 Transportation Funding</b>
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### **Summary**

- Prohibits the use of funds that are earmarked for transportation to be used for anything else other than transportation related issues after July 2008.
- Eliminates General Fund borrowing of specified transportation funds, except for cash-flow purposes (repayment required within 30 days of adoption of budget) which the current law allows borrowing for three years where Governor declares transfer would cause significant negative fiscal impact on governmental functions and Legislature enacts authorizing statute.
- Deletes the state's authority to suspend the transfer of gasoline sales tax revenue to Transportation Investment Fund (TIF) and limits the state's ability to borrow these funds as well as Article XIX revenues for non-transportation uses.
- Deletes the state's authority to suspend the transfer of gasoline sales tax revenue to TIF and limits the state's ability to borrow these funds as well as Article XIX revenues for non-transportation uses.
- The measure would make state funding from these sources for highways and streets and roads, which serve as the main uses of these monies, more stable and predictable from year to year.
- At the same time, the measure may be interpreted to allow PTA funds to be loaned to the General Fund with no express time limitation for repayment. This may make the availability of these funds for public transit less stable.
- Similarly, if the measure is interpreted to allow the loaning of LTFs to the state General Fund for short-term cash flow purposes, the availability of local transportation funding could become less stable.
- To the extent the repayment of an outstanding TIF loan is stretched out by a year, to June 30, 2017, as allowed by this measure, there could be some additional interest costs to the General Fund.

### **Background**

#### **State Transportation Funds**

- The state imposes various taxes and fees on motor vehicle fuels and the operation of motor vehicles to support transportation programs.
- In 2007 - 2008, revenues from these sources are projected to total about \$9 billion.

## Article XIX Revenues—Fuel Taxes and Motor Vehicle Fees.

- Excise tax of 18 cents per gallon on gasoline and diesel fuel used in motor vehicles that are driven on public streets and highways.
- Also truck weight fees, driver license fees, and vehicle registration fees.
- Article XIX of the State Constitution restricts the use of these revenues to specified transportation purposes—primarily highways, streets and roads, and traffic enforcement.
- The Constitution, however, allows these revenues to be loaned to the General Fund if the amount is repaid in full within the same fiscal year (essentially for short-term cash flow purposes).
- The repayment may be delayed up to 30 days after adoption of a state budget for the following fiscal year.
- Under specified conditions, these revenues may also be loaned to the General Fund for up to three fiscal years.

## Sales Tax on Gasoline and Diesel.

- The state imposes a 6.25 percent sales tax on gasoline and diesel fuel.
  - Public Transportation Account (PTA).
    - A portion of the revenue from the gasoline and diesel sales tax is deposited into the PTA for public transit and transportation planning purposes.
    - The State Constitution allows funds in the PTA to be loaned to the General Fund for short-term cash flow purposes.
    - The loan must be repaid within 30 days after a state budget is adopted for the following fiscal year.
    - Under specified conditions, PTA funds may also be loaned to the General Fund for longer periods, up to three fiscal years.
  - Transportation Investment Fund (TIF).
    - A portion of the state gasoline sales tax revenue not deposited into the PTA is transferred to TIF to be used for highways, streets and roads, and transit systems.
    - The State Constitution allows the transfer of these monies to be suspended, thus leaving the money in the General Fund, when the state faces fiscal difficulties.
    - However, only two suspensions may occur in ten consecutive years, and suspensions must be repaid in full, with interest, within three years.

- The transfer was suspended partially in 2003-2004 and fully in 2004-2005.
- The State Constitution requires that these suspended amounts be repaid by June 30, 2016, at a specified minimum rate of repayment each year.
- After a repayment is made in 2007-08, \$670 million will remain to be repaid from the General Fund.

### Local Transportation Funds

- Local governments provide substantial funding for transportation from local sales tax revenues.
- Each county has a “local transportation fund” (LTF) with revenues generated from a statewide one-quarter percent local sales tax collected in that county.
- Under the State Constitution, revenues in LTFs can be used only for specified transportation purposes—primarily public transit.
- In 2007-08, sales tax revenues to LTFs are projected to total about \$1.4 billion.
- In addition to the statewide one-quarter percent local sales tax for transportation, counties have the option of levying an additional local sales tax, upon approval by two-thirds of the voters, for county transportation uses.
- Currently, 19 counties impose a local optional sales tax for transportation.

### **Arguments in Support**

- Restricts the State from raiding state transportation funds.
- Ends the state’s authority to suspend the transfer of funds to the transportation fund.
- Allows for state funding of transportation related issues to be more predictable since funds that are earmarked for the transportation fund can no longer be easily accessible for the State to transfer.

### **Arguments Against**

- In times of budget crisis, the measure may prevent the Governor and Legislature when trying to balance the budget.

<b>Proposition 92 Community Colleges</b>
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## **Summary**

- Changes current minimum education funding requirement into two separate requirements: one for K–12 schools and one for the California Community Colleges (CCC).
- Lowers community college education fees from \$20 per unit to \$15 per unit.
- Significantly limits the state’s authority to increase fee levels in future years.
- Formally establishes the community colleges in the State Constitution.
- Increases the size of the community colleges’ state Board of Governors (BOG) and the its authority.

## **Background**

### Education Funding Level

- Current law guarantees a certain minimum amount of annual financial support for K–14 education.
- Proposition 92 replaces this single requirement with two: one for K–12 education and one for community colleges (13-14).
- These new minimum funding requirements would take effect in 2007–08 and be based on spending in 2006–07.
- The new K–12 funding formula would use the same year-to-year growth factors as under current law.
- The same would be true for the new CCC funding formula, with one important exception.
- Specifically, in place of K–12 attendance, a new growth factor based primarily on the young adult population would be used for calculating the community college minimum funding level.
- This population growth factor uses the greater of two population growth rates: (1) state residents between 17 and 21 years of age or (2) state residents between 22 and 25 years of age. The growth factor is further increased in any year that the state’s unemployment rate exceeds 5 percent. (The state unemployment rate exceeded 5 percent in 13 of the past 15 years.)
- However, the measure limits the total community college population growth factor to no more than 5 percent in any year.

## Student Fees

- Unlike the K–12 funding guarantee, the community college funding requirement, under this proposition, would not be adjusted to reflect how many students are actually served. That is, there would be no direct relationship between required CCC funding levels and actual student enrollment.
- Proposition 92 would not change the existing requirement that roughly 40 percent of General Fund revenues be spent on K–14 education.
- The new funding formulas in Proposition 92 would not apply in years when K–14's share of General Fund spending was less than this level.
- In these years, the existing single minimum funding requirement would apply and the state would continue to have discretion over how to allocate funds between K–12 schools and community colleges.
- The current CCC per-unit fee is \$20, which means that a full-time student taking 30 units per academic year pays \$600.
- About one-quarter of all CCC students do not pay any educational fees. This is because current law waives the fees for resident students who demonstrate financial need. Most of these students are low- to middle-income.
- Proposition 92 reduces student fees to \$15 per unit beginning in fall 2008.
- Proposition 92 also significantly limits the Legislature's authority to increase fees in subsequent years. Any fee increase would require a two-thirds vote of both houses.
- Proposition 92 limits annual fee increases to the lower of: 10 percent and the percentage change in per capita personal income in California (which typically averages about 4 percent). For example, at \$15 per unit, a 4 percent growth in per capita personal income (the lower of the two formulas) would allow for an increase of 60 cents. However, since the measure also requires the rounding down of any fee increase to the nearest dollar, the fee level would remain at \$15.
- Proposition 92 would require a simple majority vote in the Legislature in order to reduce fees.

## Governance

- The State Constitution currently references the community colleges in various financial contexts (such as their eligibility for Proposition 98 funds), but it does not formally establish or define the community colleges.
- This has been done instead through laws adopted by the Legislature.
- Proposition 92 amends the State Constitution to formally recognize the CCC system. For example, it specifies in the Constitution that the community college system is a part of the state's public school system, and is made up of districts that are governed by locally elected boards.

- Proposition 92 makes a number of changes affecting the CCC state wide Board of Governors.
- For example, it amends the Constitution to increase the number of members to 19 (all with voting rights). In addition, the measure amends statute to require the Governor to appoint additional BOG members from lists provided by specified community college organizations.
- Proposition 92 also gives the BOG more control over its staff and its budget. For example, it authorizes BOG (rather than the Governor) to appoint and set compensation levels for executive officers. Moreover, the measure gives BOG “full power” over how to spend funds appropriated for its administrative expenses in the annual budget.

### **Arguments in Support**

- Lowers fees to \$15 a unit.
- Limits future fee increases.
- Provides stable funding for community colleges for more classes and services.
- Guarantees that the community college system is independent from state politics.
- Does not hurt K-12 funding or raise taxes

### **Arguments Against**

- California’s budget deficit, projected to increase to over 8 billion dollars in 2008, will be aggravated by Prop 92.
- This could lead to further threaten California’s ability to address the state’s other pressing needs like funding health care, social services, public safety, and education funding.
- Proposition 92 creates an expanded state board that can set salaries and other benefits for additional board members and administrators with no oversight.

### **California Chamber Position**

- Proposition 92 would amend the California Constitution to guarantee community college funding levels without adding any accountability structure.
- The California Chamber believes the proposed proposition would inflict an enormous amount of pressure on California’s already stressed general fund and possibly require major cuts from other programs funded from the same pool of money.
- In addition, California Chamber believes that this measure would result in prioritizing one higher education system’s funding priorities over the needs of two other important systems -- the University of California and California State University System.

<b>Proposition 93</b> <b>Limits on Legislator's Terms in Office</b>
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### **Summary**

- Reduces the total amount of time a person may serve in the state legislature from 14 years to 12 years.
- Allows an individual to serve a total of 12 years either in the Assembly, the Senate, or a combination of both.
- Provides a transition period to allow current members to serve a total of 12 consecutive years in the house in which they are currently serving, regardless of any prior service in another house.

### **Background**

- Currently, of the 80 Members of the State Assembly, 34 are in the first year of their first term in office.
- One fourth to nearly one half of all legislators are brand-new on the job every two years.
- Reforming term limits will slow this rapid turnover and build expertise and leadership on California's most pressing issues.
- All Legislative candidates elected in November 2008 would serve under the new term limits requirements.
- Initiative reduces the amount of time elected officials can stay in office, but a goal of the proposition is to maintain stability and knowledge in the Legislature.

### **Arguments in Support**

- The measure is a reasonable balance between the need to elect new people with fresh ideas, and the need for experienced legislators with the knowledge and expertise to solve the complex problems facing our state.
- Only current and newly elected Members will be subject to its provisions. Former legislators that have been "termed out" of either the State Senate or State Assembly will not be allowed to run for that office again.
- The measure still places limits on legislators' terms which maintains the spirit of the original term limits law passed by voters in 1990.

### **Arguments Against**

- A self-serving measure that allows for a "transition period," which acts as a special loophole designed to give extra time to incumbent politicians beyond the general benefit of Proposition 93.

- 80% of legislators would have their time in office greatly increased and Assembly terms would be doubled from 6 years to 12 years and Senate terms increased from 8 years to 12 years.
- CalChamber opposes proposition 93 because the measure does not deal with a redistricting plan that would allow voters to have a chance to enact complete reform.

<p><b>Propositions 94, 95, 96, 97 - REFERENDUMS</b>  <b>Overturn Amendment to Indian Gaming Compact</b></p>
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*Note: A position of support means the Chamber supports the compacts becoming law.*

*Governor Schwarzenegger negotiated new Indian gaming agreements (The Compacts) with four tribes; Agua Caliente Band of Cahuilla Indians, Morongo Band of Mission Indians, Pechanga Band of Luiseno Indians, and Sycuan Band of the Kumeyaay Nation have casino facilities on remote reservation lands in Riverside and San Diego counties. The four propositions represent each of the negotiated new Indian gaming compacts.*

### **Summary**

- Seeks to overturn law passed by the legislature in 2007 that expands gaming machines at the Agua Caliente Band of Cahuilla Indians, Morongo Band of Mission Indians, Pechanga Band of Luiseno Indians, and Sycuan Band of the Kumeyaay Nation Casinos.
- Exempts certain projects from the California Environmental Quality Act
- Requires that revenue paid by tribe be deposited in the General Fund.

### **Background**

- Under the current Indian gaming compact agreement, the tribe will pay higher percentages of their net gaming revenues (up to 25%) into the state General Fund.
- The agreement will provide the state with more than \$200 million the first year (with revenues increasing significantly in future years) and an estimated \$9 billion over the next two decades
- The agreement benefits this tribe by allowing them to have additional slot machines at casinos on their existing tribal lands.
- This tribe will be allowed to coordinate with local police and fire agencies, to compensate local governments for any local services that are needed, and to resolve disputes with surrounding communities through binding arbitration.
- The agreement preserves the right of Indian casino employees to be represented by unions chosen through secret ballots.

### **Arguments in Support**

- The tribes will pay a much higher percentage of their gaming revenues to the state in return for having additional slot machines.

- Our state will get more than \$9 billion over the next two decades without raising our taxes – providing vitally needed new funding for our schools, public safety and other services.
- The agreements will also protect and create thousands of local jobs at the four tribes' casinos and provide tens of millions of dollars to help non-gaming tribes throughout California.
- Special interests oppose new gaming compacts and are being opposed by a Las Vegas casino owner and two wealthy gaming tribes that are allowed to have unlimited slot machines.

### **Arguments Against**

- Previous compacts encouraged modest casino expansions with clear guidelines to fairly share revenues with taxpayers.
- Current compacts encourage rapid casino growth and fail to include clear and fair revenue sharing formulas to benefit taxpayers.
- California becomes home to some of the largest casinos in the world, with more than twice as many slot machines as the big Vegas casinos.
- Compact authorize 17,000 new slot machines – more than the combined number of slots at 12 Vegas casinos, including the Bellagio, MGM Grand, Mirage and Mandalay Bay.
- Other tribes oppose the compacts because they give just 4 of California's 108 tribes control over one-third of the state's Indian gaming pie.
- Exemptions to environmental protection laws. The 55- day comment period for stakeholders is waved, which in turn, eliminates the opportunity for community members to voice environmental concerns about the proposed expansions.
- Labor unions are opposed because deals lack the most basic protections for workers. For instance, a study conducted by a UC Riverside Professor of Economics found that Agua Caliente's health coverage was so expensive that 56% of the dependent children of casino workers were forced onto taxpayer-funded healthcare programs.
- The compacts revenue claims are wildly exaggerated. Legislative Analyst's Office says their figures are unrealistic.
- The compacts require the four tribes to pay a percent of their "net win" gambling revenues, which the tribes themselves make that calculation.
- The compacts are opposed by the California Federation of Teachers.

## **2. Assembly Bill X1 1: The Health Care Security and Cost Reduction Act**

*As of January 3, 2008*

### **Background**

- AB 1x would create a vast and expensive new health care program funded partially by a costly payroll tax on California employers and increased tobacco taxes.
- AB 1x would also require voters to go to the polls in November to approve the funding portion of the proposed healthcare plan.
- The legislative office has not released its official estimates of the cost to implement the proposed healthcare plan.
- The Senate President, Don Perata, is waiting for these estimates before the Senate will act on AB 1x.

The current healthcare reform proposal, Assembly Bill X1 1, the Health Care Security and Cost Reduction Act:

- Requires that all Californians take responsibility for their health coverage (individual mandate).
- Guarantees that no Californian will be turned away from buying insurance based on their age or medical history
- Spreads responsibility across individuals, government, hospitals and employers (shared responsibility).
- Makes coverage more affordable for individuals and families through tax credits and subsidies.
- Helps keep hospitals and emergency rooms open by increasing Medi-Cal reimbursement rates.
- Allows individuals to choose their health coverage and keep their current insurance.

### **How California Will Pay For Health Care Reform**

- California voters will be asked to approve how the AB X1 1 is financed on the November 2008 ballot.
- Federal Funding \$4.6 billion
- Individuals\* \$2.1 billion
- 4 Percent Hospital Fee \$2.3 billion
- Employer Contribution \$2.6 billion
- Tobacco Revenues \$1.5 billion
- County And Other Funds \$1.6 billion

*\* The \$2.1 billion from individuals does not represent any new dollars from individuals paying for their insurance*

now.

## **Question and Answer Summary**

*Source: Sacramento Bee*

**Q:** Would I be required to have health insurance?

*A: Yes, with some exemptions for low-income residents.*

**Q:** Is there a penalty if I'm not covered?

*A: Lawmakers say they have yet to determine how to deal with those who don't purchase insurance but say they expect to institute some sort of tax penalty.*

**Q:** Where's the money for the plan going to come from?

*A: Federal funding, \$4.6 billion; individuals, \$2.1 billion; 4 percent hospital fee, \$2.3 billion; employer contribution, \$2.6 billion; tobacco tax, \$1.5 billion; county and other funds, \$1.6 billion.*

**Q:** How much would employers be required to pay?

*A: The minimum fee is based on a sliding scale of 1 percent to 6.5 percent, depending on the employer's annual payroll. The fee is 1 percent for a payroll up to \$250,000; 4 percent for a payroll up to \$1 million; 6 percent for a payroll to \$15 million; and 6.5 percent for a payroll of more than \$15 million.*

**Q:** How much would workers be required to contribute to the cost of their coverage?

*A: The legislation limits how much a family would have to pay to no more than 6.5 percent of income on premium and out-of-pocket costs. Low-income workers who are legal citizens would be eligible for government subsidies.*

*Employees who make below 150 percent of the federal poverty level (\$30,975 for a family of four or \$15,315 for a single person) would not have to contribute.*

*Single adults and parents up to 250 percent of the federal poverty level (\$43,000 for a family of three) would pay no more than 5 percent of their income.*

*The plan would cover all children, regardless of immigration status, up to 300 percent of the poverty level (\$51,500 for a family of three).*

*A family of four earning \$82,000 a year or more would not qualify for any subsidies.*

*The state would consider requests for an exemption to the mandate that everyone has insurance on a case-by-case basis. To be eligible, a person or family would have to prove they are experiencing financial hardship and earn up to 250 percent of the poverty level.*

*Workers whose employer does not offer coverage and earn 250 percent to 400 percent of the FPL (\$43,000-\$69,000 for a family of three) would receive a tax credit if their share of cost exceeded 5.5 percent of family income.*

Q: Do employees and employers get any other tax breaks?

A: *Yes. The legislation would require employers to let employees pay their health insurance premiums on a pre-tax basis. This would allow employees and employers to save about \$2 billion in state and federal income taxes and federal payroll taxes.*

Q: How many people would the plan cover?

A: *The proposed law would provide coverage to about 3.7 million of the 5.1 permanently uninsured people in the state. Up to 6.7 million people go without health insurance in a given year, according to the U.S. census.*

Q: Are there any important numbers the Schwarzenegger-Núñez plan does not mention?

A: *How about \$100 million? That's how much political experts say foes are capable of spending to defeat the ballot measure to finance the plan.*

## **Arguments in Opposition to AB X1 1**

### **State Budget is Already Structurally Out of Balance**

AB 1x is an adventure in “sky-is-the-limit” spending that is ill-advised at a time when the state budget continues to face a large structural deficit. This bill is likely to cost far more than anticipated, especially if it follows the path toward continued expansion that other benefits programs have followed. The language in AB1x has not been fully vetted and faces significant legal hurdles. In addition, the plan will compound the structural deficit the moment it is effective.

### **Tax Increases Hurt Economic Growth and Investment**

Significant cost shifting and hidden costs associated with the implementation of AB 1x are clearly problems for employers and taxpayers. It also is the wrong time to consider such an uncharted adventure that will exacerbate costs on California employers who already operate in an unfriendly business climate. New exactions on employers to finance this untested, experimental program will further cripple the economy. The public is also very opposed to tax hikes, according to a Public Policy Institute of California poll released December 12. Moreover, voters have rejected five of the last five tax increase proposals on the state ballot, as follows:

- Proposition 86 of November 2006, increasing tobacco taxes to fund health care,
- Proposition 87 of November 2006, taxing oil companies,
- Proposition 88 of November 2006, levying a \$50 statewide parcel tax for education programs,
- Proposition 89 of November 2006, increasing corporate taxes to fund public campaigns,
- Proposition 82 of June 2006, funding a universal preschool program.

### **Cigarette Taxes Are a Declining Revenue Source**

Use of cigarette tax revenues to fund public services goes against the will of the voters who, as indicated above, just last year turned down a cigarette tax to fund health care programs. The proposed tax hike is bad from a policy perspective, too, since cigarette sales are a declining

revenue source that would be inappropriate to use for a fast-growing, costly program such as health care.

In addition, there is a legitimate concern that a major tax hike on cigarettes will increase illegal cigarette sales by gangs and other criminals, and will have the side effect of increasing criminal activity in California. The state Board of Equalization estimates that California loses more than \$276 million a year because of cigarette and tobacco-related tax evasion schemes. In other states, smuggling has been linked with organized crime – and in some instances with Middle-East terrorist groups. Prohibition of alcoholic beverages did not work in the 1920s and was exploited by organized crime; tax-like prohibition of cigarettes is having the same result.

### **The measure is a “Midnight Special.”**

This is a term we use to describe bill maneuvers that violate the legislative process. On December 17, this 210-page bill was amended, heard and passed in the Assembly health committee, all in one day. As a result, the public did not have sufficient time to review the proposed amendments and make knowledgeable comments on the changed content. When the Legislature circumvents the policy hearing process in this manner, the public is excluded from an important part of public policy formation. This not only jeopardizes the creation of sound public policy, but it also breaches our democratic form of government. Cal-Tax opposes this procedure.

## **Arguments in Support of AB X1 1**

### **The Health Care Security and Cost Reduction Act ensures that all Californians take responsibility for their health care.**

This legislation establishes a variety of options to achieve this: It provides assistance to low- and middle-income families; creates a purchasing pool that allows individuals to benefit from affordable rates; expands eligibility for programs such as Medi-Cal and the Healthy Families Program; and increases access to community clinics and county-based health care programs; and other measures.

### **Everyone who already has insurance can keep it.**

No one will be forced to change insurance plans under the Health Care Security and Cost Reduction Act. Californians who currently have health insurance will be able to keep the insurance they have, and will have more options should they choose to change.

### **The Health Care Security and Cost Reduction Act lowers costs and expands choice.**

Like the current health care system, the Health Care Security and Cost Reduction Act is market-based and competitive. The fundamental difference is that now insured Californians will no longer be forced to cover the uninsured and all Californians will be able to buy insurance.

### **The Health Care Security and Cost Reduction Act guarantees that everyone can get insurance.**

Under this legislation, Californians who want to buy insurance can, regardless of their age or medical history.

- When fully implemented, insurers will only be able to vary rates based on age, family size and geography.
- New rating rules will be phased in over a four-year period. During this time, limited variations based on medical history will be allowed and reforms will limit how much older people are charged.
- The plan also brings greater transparency to the insurance market by requiring insurers to spend at least 85 percent of every premium dollar on patient care.

**The Health Care Security and Cost Reduction Act puts affordable coverage within everyone's reach.**

This legislation increases affordability for everyone and controls rising medical costs by expanding coverage, improving access to preventive care and reducing costly, unnecessary emergency room visits. It:

- **Provides affordable coverage.** The state will create a new purchasing pool that will provide access to subsidized, affordable coverage to individuals and families with incomes between 100-250 percent of the poverty level. As a result, low-and-middle income people will be able to buy an affordable health insurance plan. The Act limits how much Californians will contribute toward the cost of their premium based on income.

100-150 percent of poverty: No contribution

151-250 percent of poverty: Premium limited to no more than 5 percent of income

- **Protects middle-income Californians.** The Act protects working families with higher incomes as well.

*It provides a tax credit:* Those earning between 250-400 percent of poverty will receive a tax credit if the cost of buying insurance exceeds 5.5 percent of income. The Act also calls for an additional tax credit to make health care more affordable for early retirees.

*It helps people pay their premiums:* Anyone with an income above 250 percent of poverty who works for an employer who doesn't offer coverage will get a contribution toward their premium.

- **Expands Medi-Cal.** This legislation makes Medi-Cal available to childless adults with incomes up to 100 percent of the poverty level.
- **Expands the Healthy Families Program.** The legislation expands Medi-Cal and the Healthy Families Program to provide no/low-cost comprehensive health coverage to all children with family incomes below 300 percent of the federal poverty level. This means that more low-income children will be able to go to the doctor instead of going to an emergency room.

- **Provides a strong community clinic safety net.** The legislation increases funding for the Early Access to Primary Care Program to provide cost-effective clinic services to low-income Californians who aren't eligible for other state subsidized coverage.
- **Allows affordability and limited hardship exemptions.** The legislation recognizes that some lower income people who aren't eligible for state subsidized coverage (coverage through the pool, Healthy Families, Medi-Cal) may not be able to afford to buy insurance. So, to ensure that these people are getting primary care but not misusing our emergency rooms, the Act provides them with low-cost ways to get care through clinics and county-based services.

Specifically, the legislation:

Provides an exemption to people with incomes below 250 percent of poverty, whose cost for the required coverage exceeds 5 percent of their income, to opt out of the individual requirement to purchase insurance.

Allows Managed Risk Medical Insurance Board (MRMIB) to grant limited temporary or permanent exemptions to people who demonstrate that they are facing significant financial hardship or otherwise cannot afford coverage.

### **The Health Care Security and Cost Reduction Act gives working Californians and employers tax breaks.**

The legislation requires employers to let employees pay their health insurance premiums on a pre-tax basis through IRS Code Section 125 plans. This will bring significant tax savings to middle-income Californians and their employers. By paying for health care benefits on a pre-tax basis, employees and employers will save approximately \$2 billion dollars in state and federal income taxes and federal payroll taxes. The expected cost to an employer to establish a Section 125 plans is \$200 or less.

### **The Health Care Security and Cost Reduction Act protects patients, providers and the state budget.**

- Requires that insurers spend no less than 85 cents of every premium dollar on your medical care.
- Increases access and promotes affordable care by reforming regulations, expanding the use of nurse practitioners and physician assistants, enhancing retail clinics, and other measures.
- Promotes the use of health information technology and requires that all health providers have the capacity to e-prescribe by 2012.
- Promotes quality improvements and increases access to price and quality information through a significant transparency initiative and pay-for-performance efforts.
- Reduces pressure on California's General Fund by securing new federal funds that will raise Medi-Cal reimbursements to doctors and hospitals.

## **The Health Care Security and Cost Reduction Act promotes prevention, wellness and personal responsibility to keep Californians healthier and costs lower.**

- The legislation rewards healthy choices and tackles chronic conditions, like obesity and diabetes, to promote better health and contain costs. AB X1 1:
- Structures health benefits to promote prevention, wellness and healthy lifestyles.
- Requires health plans and insurers to offer benefits packages that reward individuals who meet certain health goals.
- Creates diabetes, obesity and smoking cessation initiatives to improve the lives of Californians and keep down medical costs.

### **Organizations in Support**

- California Public Interest Research Group (CalPIRG)
- American Cancer Society
- Children's Health Initiative of Greater Los Angeles
- American Federation of State, County and Municipal Employees
- Health Access
- Consumers Union
- California Medical Association
- California Hospital Association
- Congress of California Seniors
- Planned Parenthood Affiliates of California
- California Academy of Family Physicians
- Latino Issues Forum

### **Organizations in Opposition**

- California Chamber of Commerce
- California Nurses Association
- League of Women Voters
- Foundation for Taxpayer and Consumer Rights
- California School Employees Association
- Blue Cross
- Health Net
- Association of California Life and Health Insurance Companies
- California Manufacturers and Technology Association
- National Federation of Independent Businesses
- Kaiser Permanente
- California Association of Health Underwriters (CAHU)
- Pharmaceutical Research and Manufacturers of America (PhRMA)
- Conference of the NAACP
- Union of American Physicians and Dentists

### **3. AB xx (Benoit): Small Business Family Scheduling Option of 2008**

#### **Recommended Position: SUPPORT**

#### **Summary**

AB xx (Benoit) would allow small businesses to agree to provide scheduling options for an employee that requests it to help accommodate employees' diverse family obligations, personal pursuits, commuting issues and environmental concerns. This proposed new law will apply exclusively to small businesses with 25 or fewer employees by adding this option to Labor code 511.

AB xx establishes a voluntary, employee-driven process where the employee of a small business can request, and their employer may mutually agree, to a 4-day compressed workweek schedule or to work a 9/80 schedule.

#### **Background**

1. AB xx would create an option for small businesses in Labor Code 511.
2. This option, known as the Small Business Family Scheduling Option, would allow a small employer (25 or less employees) to agree to an employee's request to work four 10-hour days a week (or eight nine-hour days, and one eight-hour day in two weeks, also known as a 9/80 schedule).
3. Working a compressed four-day workweek provides for up to 50 extra days each year for the average full-time employee.
4. As the law stands today, individual employees do not have the right to seek and arrange individual flexible schedules with their employers.
5. Increasingly long commutes at peak hours diminish quality of life. California's long commutes at peak drive time hours add to the pressure of balancing work and family. Several reports, including one released in 2005 by the state Department of Health Services, show that employees in the state spend up to 100 hours per year commuting.
6. Employees working alternative schedules will travel at various times, reducing the load during peak hours, thus these employees can spend less time in their car and more time at home.
7. Fewer trips to the workplace result in lower carbon emissions. The California Air Resources Board Economic and Technology Advancement Advisory Committee (ETAAC) draft report suggests that flexible working hours would result in a 10 percent reduction in emissions with 10 percent of employees using the schedule.
8. Traffic congestion would be reduced and emissions of priority air pollutants. Allowing a compressed work week schedule would reduce traffic congestion at peak hours and reduce emissions through less idling and 20 percent less commute time per week per employee.
9. Employers who make missteps in using current process can end up in court. Current law covering alternative schedules are rigid. Under current (and very detailed) Industrial

Welfare Commission wage orders, employers may institute alternative work schedules only if a supermajority of affected employees agree to the arrangement in writing and by secret ballot, and then all employees are subject to the alternative scheduling.

10. Employers must hold discussion meetings at least fourteen days before secret ballot voting. Two thirds of the company's employees must agree to the change. Any deviation from the rigidly controlled process voids the election and subjects the employer to potential lawsuits that can seek up to three years of back overtime pay for affected workers, along with huge penalties and fines.
11. Variances in schedules or the use of more than one schedule is prohibited without repeating the voting process. This effectively eliminates most employers and employees from choosing schedule options such as flextime, part-time, job sharing, telecommuting, and compressed workweeks.
12. This prescribed process (as outlined in points 9-11) is overly complex and creates such a liability for employers that at present, only about 11,000 of California's more than 800,000 employers operate under these alternate work week schedules.
13. AB xx does not affect workers covered by collective bargaining agreements. Employees covered by collective bargaining agreements in both the private and public sector are exempt from daily overtime--these include all state, county, and city employees such as those employed by school districts, water districts and a multitude of other governmental agencies.
14. AB xx contains important employee protections. The request is made by the employee, in writing, and it must be made voluntarily. The agreement must also be executed in writing and the employer must maintain the written document as they would any personnel record.
15. Either the employee or the employer can revoke the agreement at any time, provided they give seven days written notice. Any hours worked beyond the compressed workweek hours must be paid at normal overtime rates.
16. The employer is prohibited from reducing the employee's regular rate of pay as a result of the employee adopting an alternative work week schedule.

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