

ALERT

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 **CalChamber**[™]
CALIFORNIA CHAMBER OF COMMERCE

Democratic Health Care Proposal Allows Government Agency to Raise Payroll Taxes



All employers need to be very concerned about the financing scheme in the latest joint health care proposal by the Democratic leadership in both the Senate and Assembly.

Basically, the proposal — **strongly opposed** by the California Chamber of Commerce — sets up a government-run health care system for employees who don't receive health care from their employers, financed almost exclusively by a payroll tax on all employers who don't spend a certain level of

funding on employee health care. The tax increase could exceed \$6.5 billion.

"All employers — including those currently providing health care to their employees — should be very concerned about the Democratic leadership's revised health care reform bill, AB 8," said CalChamber President Allan Zarembeg. "While it imposes a new payroll tax of 7.5 percent on employers who don't currently spend that much on health care, early calculations indicate that tax will raise substantially less than the revenues required to provide the benefit package indicated in the bill.

"Since AB 8 gives an unelected

volunteer board of bureaucrats the new right to increase the health care payroll tax as needed for costs, it seems virtually certain the payroll tax will have to be increased substantially, well beyond what most employers pay in health care costs today. This increase in what all employers will have to 'pay or play' is even more likely when you consider that health care costs have risen at twice the rate of low-wage payroll growth in recent years, worsening the future gap between revenues and expenses in this new government program."

Underfunded Mandate

A look at the makeup of the uninsured in California quickly demonstrates why it is likely that the benefit package in the new government health care program would require revenues from a much higher tax rate than the 7.5 percent of Social Security wages initially placed in the proposal.

Other than people with a pre-existing condition, the vast majority of Californians without health insurance are individuals employed in lower-wage jobs. Neither they nor their employers can afford to buy health care coverage.

Nearly two-thirds of uninsured Californians live in households with income less than 200 percent of the federal

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CalChamber Hosts European Union Ambassador



California Chamber of Commerce President Allan Zarembeg and European Union Ambassador John Bruton open the question-and-answer session following the ambassador's address to more than 80 guests at the CalChamber's June 26 international dinner forum. See story on Page 7.

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European Union Ambassador Discusses Market, Growth at CalChamber Dinner

The California Chamber of Commerce this week hosted His Excellency John Bruton, European Union Ambassador and Head of Delegation of the European Commission to the United States, at an international dinner forum and discussed ways to improve trade and business relations between Europe, the United States and California.

The more than 80 guests who greeted Ambassador Bruton on June 26 included California government officials and business people from California and the European Union, including representatives of agriculture, transportation, manufacturing and technology.

‘Room to Improve’

Bruton told the attendees that both the United States and European countries should be free to express their concerns about potential trade barriers and work toward resolving any discrepancies.

He said that there is room to improve on potential barriers that affect business, specifically redundant inspections and duplicative paperwork.

“We want to create a single, barrier-free, transatlantic market by ensuring that we have similar regulations,” Bruton said. “Not the same regulations, but similar. For example, if there are forms that need to be filled out for a new product, the forms are in the same format on each side of the Atlantic so that a company doesn’t have to duplicate their efforts. The decisions may be different; the U.S. may decide to authorize a product, while the EU may choose not to. But at least there is a similar system.”

He also addressed barriers at the border that prevent goods from moving to market. “We need to create a similar standard so that both the U.S. and EU recognize everyone’s test. There is a whole lot that can be done to make business easier across the Atlantic, which has nothing to do with trade or tariffs, but has to do with barriers behind the border rather than barriers at the border, and that’s an area well worth looking into,” Bruton said.

Growth of European Union

The goal of the European Union is



European Union Ambassador John Bruton

to ensure that the common market that has been created can move goods with the least resistance possible to other EU countries. But Bruton explained that it could be difficult to conduct business as the European Union grows.

“Our constitution requires every state in the European Union to agree to add a new member,” Bruton said. “The EU has gone from six, then to 15, now it’s up to 27 members, and at every stage each and every existing member has to agree to bring in the new members. We have been able to expand from 150 million people to 500 million people, from six countries to 27, unanimously.”

Ambassador Bruton explained what the European Union is, how it works and how it affects commerce and trade. “The European Union does three things for the 27 countries that are members. First, it creates internal market; secondly, it tries to adopt common foreign policy; and thirdly, it tries to create a common area of law and order in the 27 member states,” Bruton explained.

Foreign Policy

The United States is able to make foreign policy decisions much faster than the European Union, he said.

“Fundamentally in the U.S., one person decides foreign policy, and that is the elected president of the people,” Bruton said. “In the EU every important foreign policy initiative has to be agreed upon by 27 countries, and unless ALL of them agree fundamentally, we can’t make

foreign policy. One or two countries could hold it up.”

California-Europe Link

The scope of the transatlantic relationship between the European Union and the United States has grown tremendously in recent years. The European Union and the United States account for the largest bilateral trade relationship in the world. Transatlantic flows of trade and investment amount to around \$1 billion a day, and, jointly — almost 40 percent of world trade.

In 2006, California alone exported nearly \$25 billion in goods to the 27 EU countries — 20 percent of the state’s total exports. The European Union and the United States are long-standing, close allies on numerous issues, and the close friendship strengthens the pursuit of common goals and interests worldwide.

‘Biggest Investor’

Last year California sales to Europe grew by more than \$1.2 billion, Bruton said. “We are by far the biggest investor in the United States and the biggest investor in California. If you take just four of the 27 EU countries — United Kingdom, Germany, Netherlands and France — the countries are investing more each year in California than the entire Asia-Pacific region is investing in California,” he said.

California has a lot to gain with its investments in Europe, Bruton said. “There are huge beneficiaries of your investment, your technology and your ideas. Essentially, California owns a good chunk of Europe and we Europeans own a good chunk of California and the United States. So anything that hurts you hurts us, and anything that hurts us, hurts you. So it’s very important that we recognize that we need and depend upon one another.”

Bruton said that his overall goal is to “build a structure of understanding and cooperation between California and the European Union to ensure that our investment here is safe and our investment there is safe and that we both continue to prosper together.”

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