

ALERT

CALIFORNIA CHAMBER OF COMMERCE

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First Anniversary of Bill Signing

Workers' Comp Reforms Starting to Improve System

One year after Governor Arnold Schwarzenegger signed the California Chamber-supported workers' compensation reform package, the system is showing signs of improvement.

"Insured employers are beginning to realize declines in insurance premium rates," said Chamber President Allan Zarembeg. "We are further encouraged by signs that insurance premiums will continue to drop. Moreover, competition in the insurance marketplace has been reinvigorated, giving employers more options for coverage."

The reform package, SB 899 (Poochi-

gian; R-Fresno), fundamentally changed the workers' compensation system in California. The Governor signed the bill on April 19, 2004.

Rate Reductions

Since enactment of SB 899, the reforms have caused a steady decrease in workers' compensation premiums for employers, as well as an increase in insurer options being offered to employers.

The Division of Workers' Compensation reports that average workers' compensation rates dropped 16 percent

See Workers': Page 4

Assembly Insurance Committee Rejects UI Tax Amnesty



John J. Benoit

Legislation sponsored by the California Chamber of Commerce to create a one-time unemployment insurance (UI) tax amnesty program and increase the revenue level of the nearly insolvent UI Trust Fund

failed to pass an Assembly committee this week.

AB 793 (Benoit; R-Riverside) was modeled on a UI tax amnesty program implemented in 1995 that brought more than \$37 million in new revenues to the UI Trust Fund.

Rwanda President Speaks at Chamber Luncheon



California Chamber President Allan Zarembeg, His Excellency Paul Kagame and first lady of the Republic of Rwanda Madame Jeanette Kagame take questions from guests at the Chamber's International Luncheon Forum on April 14. See story on Page 5.

Insolvency Concerns

In 2004, the UI Trust Fund skirted insolvency by borrowing money from the U.S. Department of Labor. It was the first time the state had ever sought emergency bailout funds from the federal agency.

The fund's solvency woes are not over, however. The newest fund forecast from the state Employment Development Department (EDD) projects that the fund balance will drop to only \$300 million by the end of this year, with the fund becoming insolvent next year — approximately

See Assembly: Page 5

Inside

Chamber Pushes to Confirm Workers' Comp Director: Page 3

Rwanda President Spotlights Opportunities for Business in Talk at Chamber Luncheon

The President of Rwanda, His Excellency Paul Kagame, highlighted economic opportunities and development in his country in remarks at the California Chamber of Commerce International Luncheon Forum on April 14.

President Kagame won a landslide victory in the first-ever democratic, multi-party elections in the Republic of Rwanda, becoming the nation's fourth President in 2003.

Under his leadership, Rwanda has written a constitution, established free universal education, created a system to bring to justice those responsible for the genocide, and has elected a Parliament where close to half of the members are women.

Focus on Stability, Growth

After years of civil war, the newly elected government of Rwanda is committed to encouraging stability and economic growth. The government is focused on poverty reduction, infrastructure development, privatization of government-owned assets, expansion of the export base, and liberalization of trade.

"You may be asking yourselves, 'Why



His Excellency Paul Kagame, President of Rwanda

Rwanda?" said Kagame to the more than 150 guests in attendance. "We are creating an attractive place for business."

The Africa Growth and Opportunity Act, which eliminates tariffs on Rwandan exports to the United States, is expected to significantly increase Rwandan trade, investment and development. The Chamber supported the act, which was signed on May 19, 2000. The act of 2000 grants more than 70 African and Caribbean countries broad new trading privileges by expanding their duty-free access.

President Kagame focused on the current growth in agricultural exports, which is driving future growth in other export areas, including mineral and horticulture. For the future, Rwanda is concentrating on investment in the area of hotels and lodging, transportation, printing and the agriculture of tropical fruit and vegetables.

Chamber Policy

The Chamber, 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. New multilateral, sectoral and regional trade agreements ensure that the United States may continue to gain access to world markets, resulting in an improved economy and additional employment of Americans.

For more information on the Chamber's international trade activities, visit www.calchamber.com/international.
Staff Contact: Susanne Stirling

Assembly Committee Rejects Chamber-Backed UI Tax Amnesty



From Page 1
\$100 million in the red by the end of 2006.

Even with California employers paying taxes at the highest UI tax level — the F tax schedule — plus the 15 percent emergency solvency surcharge, the trust fund still won't be able to avoid continuing solvency problems due to the steep increases in benefit levels.

In 2004, California employers paid \$4.6 billion in UI taxes into the trust fund. That amount will increase by \$400 million in 2005 to \$5 billion and then to \$5.2 billion in 2006.

These amounts include the emergency solvency surcharge, which EDD projects

will be levied for the foreseeable future.

Amnesty Proposal

AB 793 would have required EDD to develop and administer a three-month amnesty program, enabling eligible employers to apply for the waiver of either:

- unpaid penalties and interest owed on those penalties due to the non-payment or underpayment of tax liabilities or failure to file reports; or
- penalties that are imposed or may be imposed and taxes that must be withheld that are owed due to non-reporting or underreporting of tax liabilities or failure to file reports for periods ending on or before December 31, 2004.

Chamber Position

The Chamber believes that the revenue

collected from a new UI tax amnesty program, as proposed by AB 793, would alleviate some of the pressure for further tax hikes on employers and help restore the financial solvency of California's UI fund.

Key Vote

The Assembly Insurance Committee vote on AB 793 was 4-6.

Ayes: Benoit (R-Riverside), Bogh (R-Beaumont), Mountjoy (R-Monrovia), Umberg (D-Santa Ana).

Noes: Vargas (D-San Diego), Calderon (D-Montebello), Frommer (D-Glendale), Karnette (D-Long Beach), Lieber (D-Mountain View), Nava (D-Santa Barbara).

The bill was granted reconsideration.
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