


California Labor Federation
AFL-CIO
www.workingcalifornia.org

Headquarters: 600 Grand Ave
Suite 410
Oakland, CA 94610-3561

510.863.4000 tel
510.863.4099 fax

1127 11th Street
Suite 425
Sacramento, CA 95814-3809

916.444.3676 tel
916.444.7693 fax

3303 Wilshire Boulevard
Suite 415
Los Angeles, CA 90010-1798

213.736.1770 tel
213.736.1777 fax

February 1, 2010

California State Legislature
State Capitol
Sacramento, CA 95814

RE: Governor's Job Creation Initiative

Dear Legislators:

The California Labor Federation opposes the Governor's job creation proposal. The plan would rip off \$500 million from the 100% worker financed State Disability Insurance program to fund employer grants for job training.

The financing of this jobs program must be questioned. The State Disability Insurance program is 100% financed by a tax on workers. The tax is assessed on the social security wage base, currently over \$93,000 and indexed every year. The tax rate is adjusted annually, based on the fund forecast. This tax structure is progressive and responsive and is the reason why our SDI fund is currently at \$1.3 billion.

In contrast, the employer financed Unemployment Insurance program is paid on a tax base of \$7,000 in wages and a stagnant tax rate set at the federal minimum. This locked in tax rate, unchanged for nearly 30 years, is the reason why California's UI trust fund has borrowed over \$6 billion in federal funds to pay benefits.

The Governor's \$500 million jobs proposal would "borrow" \$500 million from the SDI fund. It would be repaid through an assessment on employer UI taxes, raising only \$53 million. This proposal would:

1. Trigger a tax increase on workers to replenish the SDI fund.
2. Divert needed employer funds away from the UI fund. California must repay the \$6 billion and growing loan to the federal government or face significant interest payments. UI taxes should go to fund the UI program.

Past evidence proves that these types of "borrowing" schemes leave the borrowed unpaid. Highway construction, transit, local government programs all offer recent examples of Peter still broke and unpaid after Paul took all the money.

Finally, creating new economic incentives for employers first requires a reexamination of existing employer incentive programs, such as Enterprise Zone tax credits. The Legislature enacted such subsidies to create jobs in California. Evidence continues to pile up that Enterprise Zones create no economic benefit for the state. A June 2009 Public Policy Institute of California study ("~~Do California's Enterprise Zones Create Jobs?~~") concludes, "This report finds that enterprise zones have no overall effect on job growth."

We ask for you to vote "NO" on any legislation that enacts the Governor's Job Creation Initiative.

Sincerely,

Angie Wei
Legislative Director
AW: sm
OPEIU 3 AFL CIO (31)