

January 19, 2022

TO: Members, Assembly Appropriations Committee

SUBJECT: JOINT OPPOSITION TO AB 1400 (KALRA, LEE AND SANTIAGO) GUARANTEED HEALTH CARE FOR ALL – AS INTRODUCED FEBRUARY 19, 2021 – SCHEDULED FOR HEARING – JANUARY 20, 2022 AND ACA 11 (KALRA AND LEE) TAXES TO FUND HEALTH CARE COVERAGE AND COST CONTROL – AS INTRODUCED JANUARY 5, 2022 OPPOSE/JOB KILLERS

The California Chamber of Commerce and the below listed organizations are OPPOSED to AB 1400 (Kalra, Lee, and Santiago) as introduced on February 19, 2021, and ACA 11 (Kalra and Lee) as introduced on January 5, 2022, as JOB KILLERS, as the bills would create a new and exorbitantly expensive government bureaucracy, which would control and finance a state-run health care system (CalCare), ultimately resulting in significant job loss to California. Similar proposals in the past have been estimated to annually cost more than \$400 billion (see SB 562 (Lara), 2017 Senate Floor analysis), which is a financial commitment four times that of Medi-Cal. Successfully standing up a new function that would be twice the size of the existing state budget is highly doubtful, given the state's recent experience with

benefit delays and massive fraud in the unemployment system. The crippling tax increases required to pay for this massive new bureaucracy could be as much as \$200 billion annually and would be increased in the future by a simple majority of the Legislature.

### **Single-Payer Health Care is Not Free Health Care - Employers Cannot Sustain an Added Tax Burden**

Single-payer health care must not be confused with free health care – there's nothing free about a government run health plan. **AB 1400**'s new companion bill, **ACA 11**, proposes increasing Californians' taxes hundreds of billions of dollars to fund the government run health care system. Proponents have indicated the taxes will generate \$160 to \$170 billion annually. This proposal would be the biggest tax increase in state history and punish Californians by increasing personal income taxes, payroll taxes, and gross receipts taxes. This enormous tax increase would occur at a time when California is experiencing a \$31 billion surplus – a surplus that pales in comparison to the annual expenditures a government run health system would demand.

According to SB 562's analysis (*Id.*), a single-payer proposal in California was estimated to cost more than \$400 billion. In 2008, the LAO analyzed the cost of a single-payer system in California and concluded that over \$210 billion would be needed in the first year to sustain such a system and would increase up to \$250 billion in subsequent years. Even with a 12% payroll tax paid both by employers and employees under that measure, the report predicted a net shortfall of \$42 billion in its first full year of implementation and even higher thereafter. Just to cover the shortfall, a 16% tax on employers and employees was estimated by the LAO, resulting in a multi-billion-dollar-tax increase on Californians. No doubt, the \$160-\$170 billion tax baseline contained within **ACA 11** will be increased annually along with annual health expenditure increases.

Vermont attempted to enact a single payer system in 2011 but the efforts were derailed in 2014 when the Legislature failed to approve an accompanying 11.5% payroll tax on all employers and an individual income tax increase of up to 9.5%. Vermont's plan would have doubled the state budget and Governor Shumlin said the burden would have posed "a risk of economic shock." When asked about the failed single-payer effort, Governor Shumlin said, "What I learned the hard way, is it isn't just about reforming the broken payment system. Public financing will not work until you get costs under control."

The kinds of tax increases needed to finance **AB 1400** would detrimentally impact California businesses and certainly discourage companies from growing or relocating here. It would likely lead to significant layoffs or relocations as existing business and employers would be forced to cut costs to sustain the added new tax burden.

### **ACA 11 Will Harm Struggling Small Businesses and the Self Employed**

If **ACA 11** were enacted California's top personal income tax rate for individuals and sole proprietors – already the highest in the country - would increase by 2.5%. Additionally, **ACA 11** would implement a payroll tax of 1% of the aggregate amount of wages or other compensation paid by the employer to resident employees in excess of \$49,900. It would also implement a 1.25% payroll tax on the aggregate amount of wages or other compensation paid by an employer to resident employees for employers with 50 or more employees.

California ranks 49th on the Tax Foundation's 2021 State Business Tax Climate Index. California already has the highest income tax rate in the country while Alaska, Florida, Nevada, South Dakota, Texas, Washington, and Wyoming do not impose any income tax. In 2018, the top 5% of earners paid 67.2% of the state's personal income taxes. The taxpayers who makeup this bracket will likely have a long, thoughtful pause as to where they intend to reside and conduct business should **ACA 11** become the law. Losing any of these taxpayers and the revenue they contribute to the state could harm California's General Fund and force **ACA 11**'s tax rates to increase to offset the loss.

In addition to having the country's highest personal income tax rate, California also has the highest sales tax rate and gas tax rate in the United States. Our corporate tax rate of 8.84% is the highest in the Western United States. California's business and resident exodus is real, and the mere introduction of this bill will

likely drive away those who contribute the largest amounts to our state's General Fund. Thus, **ACA 11** will plausibly achieve the exact opposite of its stated intention and drive the state's money away rather than funding a government run health care system.

### **A Gross Receipts Tax Will Cripple Certain Employers**

**ACA 11's** gross receipts tax will be extremely harmful to small employers, especially startups and those attempting to recover from the pandemic. The 2.3% tax on gross receipts over \$2 million proposed in **ACA 11** could potentially exceed profits for certain low margin sectors. Additionally, new and emerging employers may experience a situation where their expenses exceed revenue, but they would still be subject to the gross receipts tax.

### **ACA 11 is an Attack on Low and Middle-Income Californians**

While the payroll taxes in **ACA 11** are aimed at employers, this sort of tax is shouldered by all taxpayers. Californians earning \$49,900 or more would experience double-digit marginal tax rates under **ACA 11**. This is unconscionable at any time, but especially now when Californians are trying to survive a pandemic and deal with astronomical inflation, housing unaffordability, and outrageous gas prices.

### **The Tax Increases Will Likely Exceed Current Health Care Spending**

It is indisputable the potential tax revenue **ACA 11** will produce will be in the hundreds of billions of dollars. SB 562's prior analysis anticipated \$200 billion could be available through federal, state, and local funding and the state would need at least an additional \$200 billion annually from taxpayers to fund a single payer system.

California employers and employees spent \$144 billion on health care in 2019. \$27 billion was spent by employees on premiums while \$100 billion was spent by employers on premiums. The 2020 Kaiser Family Foundation Employer Health Benefits Survey indicated that, for job-based coverage, the average annual premium for single coverage rose 4%, to \$7,470. The average annual premium for family coverage also rose 4%, to \$21,342, which is nearly one-third of the state's median family income. While these facts and figures are concerning, **ACA 11's** tax revenue will likely eclipse these expenses year after year for the sake of creating affordable health care. In other words, the health care affordability problem will simply morph into a tax affordability problem.

### **ACA 11 Seeks to Lower the Legislative Tax Increase Vote Threshold to a Simple Majority**

**ACA 11** would authorize the Legislature to increase the bill's tax rates by a simple majority vote if an economic analysis determined the CalCare fund had insufficient amounts.

As stated above, Vermont discovered public financing would not work until health care costs were under control. California's employers experience increased premiums year after year because of increasing health care costs. When analyzing **ACA 11** it becomes abundantly clear that the proposed tax rates will annually increase to keep up with health care cost demands. Obligating taxpayers to pay higher taxes is a tremendous responsibility and one that will lose its safeguard if the 2/3 voting threshold is disregarded.

### **Government Run Health Care is Less Efficient and Less Effective**

The goal to provide health coverage for all Californians is laudable but establishing a state health care bureaucracy is the wrong approach. We fundamentally disagree that government systems are more efficient than private businesses and that a single-payer system would be less costly than the current private system.

**AB 1400** will reduce the level and quality of health care and benefits currently enjoyed by millions of Californians. It will lead to increasingly long wait times to see a physician and will take away choice. Not just choice in physicians but choice in coverage. Under current law, those who wish to buy more, less or different coverage than others can often make those choices, just as those who have other priorities can

exercise them in the market. Under **AB 1400** one size fits all, no matter what an individual's preference might be.

### **Californians Have Rejected Government Run Health Care**

California voters have twice rejected a government-run health care system at the ballot box – in 1994 and 2004. Additionally, CalChamber conducted a poll in 2018 which found that voters overwhelmingly preferred to keep their current health insurance (78%) over switching to a single-payer approach (22%). Voters strongly support subsidies for people who cannot afford their own health care (75%) and for those who have pre-existing health conditions (81%) but were not ready to embrace government-run health care.

### **Universal Health Care Coverage is Nearly a Reality in California**

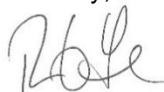
Approximately 94% of Californians have health care coverage in some fashion. A majority of the uninsured population is comprised of undocumented individuals. Governor Newsom's 2022-2023 Budget addresses this very issue and would make California the first state to offer health care coverage for all income-eligible residents regardless of immigration status.

### **Conclusion**

California has made significant progress in providing health care coverage to its residents and while CalChamber shares your concerns in further increasing access to, and affordability of, healthcare, we do not believe that a government run single-payer health care system will achieve these goals.

For these and other reasons, we **OPPOSE AB 1400 (Kalra, Lee, and Santiago)** and **ACA 11 (Kalra and Lee)** as **JOB KILLERS**.

Sincerely,



Preston Young  
Policy Advocate  
on behalf of

Acclamation Insurance Management Services  
African American Farmers of California  
Agricultural Council of California  
Alameda Chamber of Commerce  
Allied Managed Care  
American Composites Manufacturers  
Association  
American Pistachio Growers  
American Property Casualty Insurance  
Association  
Antelope Valley Chamber of Commerce  
Anthem, Inc.  
Associated General Contractors  
Bay Area Council  
Blue Shield of California  
Brea Chamber of Commerce  
Building Owners and Managers Association  
California Agricultural Aircraft Association  
California Apple Commission  
California Association of Winegrape Growers  
California Attractions and Parks Association  
California Beer and Beverage Distributors

California Blueberry Association  
California Blueberry Commission  
California Builders Alliance  
California Building Industry Association  
California Business Properties Association  
California Business Roundtable  
California Cable & Telecommunications  
Association  
California Cattlemen's Association  
California Chamber of Commerce  
California Children's Hospital Association  
California Cotton Ginners and Growers  
Association  
California Financial Services Association  
California Fresh Fruit Association  
California Fuels and Convenience Alliance  
California Independent Petroleum Association  
California League of Food Producers  
California Lodging Industry Association  
California Manufacturers & Technology  
Association  
California New Car Dealers Association

California Pool and Spa Association  
California Retailers Association  
California Strawberry Commission  
California Rice Commission  
California Taxpayers Association  
California Walnut Commission  
California Women for Agriculture  
Can Manufacturers Institute  
Carlsbad Chamber of Commerce  
Cemetery and Mortuary Association of California  
Chino Valley Chamber of Commerce  
Coalition of Small and Disabled Veteran  
Businesses  
Construction Employers' Association  
Corona Chamber of Commerce  
El Dorado County Chamber of Commerce  
El Dorado Hills Chamber of Commerce  
Elk Grove Chamber of Commerce  
Family Business Association of California  
Flasher Barricade Association  
Folsom Chamber of Commerce  
Fountain Valley Chamber of Commerce  
Fresno Chamber of Commerce  
Gateway Chambers Alliance  
Gilroy Chamber of Commerce  
Greater Coachella Valley Chamber of  
Commerce  
Greater Conejo Valley Chamber of Commerce  
Greater Grass Valley Chamber of Commerce  
Greater High Desert Chamber of Commerce  
Greater Riverside Chambers of Commerce  
Greater Stockton Chamber of Commerce  
Health Net  
Hollywood Chamber of Commerce  
Housing Contractors of California  
Independent Lodging Industry Association  
Innovating Commerce Serving Communities  
La Cañada Flintridge Chamber of Commerce  
and Community Association  
Laguna Niguel Chamber of Commerce  
Long Beach Area Chamber of Commerce  
Los Angeles Area Chamber of Commerce  
Mammoth Lakes Chamber of Commerce  
Manteca Chamber of Commerce  
Mission Viejo Chamber of Commerce  
Metal Finishing Association of Northern  
California

Metal Finishing Association of Southern  
California  
Murrieta/Wildomar Chamber of Commerce  
NAIOP California  
National Electrical Contractors  
National Federation of Independent Business  
Nisei Farmers League  
North San Diego Business Chamber  
Norwalk Chamber of Commerce  
Oceanside Chamber of Commerce  
Olive Growers Council of California  
Orange County Business Council  
Pleasanton Chamber of Commerce  
Rancho Cordova Area Chamber of Commerce  
Roseville Area Chamber of Commerce  
Sacramento Regional Builders Exchange  
San Diego Regional Chamber of Commerce  
San Mateo Area Chamber of Commerce  
San Ramon Chamber of Commerce  
Santa Ana Chamber of Commerce  
Santa Maria Valley Chamber of Commerce  
Sharp Healthcare  
Silicon Valley Leadership Group  
Simi Valley Chamber of Commerce  
South Bay Association of Chambers of  
Commerce  
Southwest California Legislative Council  
Torrance Area Chamber of Commerce  
Tulare Chamber of Commerce  
Tulare Lake Basin Water Storage District  
United Chamber Advocacy Network  
United Contractors  
Vacaville Chamber of Commerce  
Walnut Creek Chamber of Commerce & Visitors  
Bureau  
West Coast Lumber & Building Material  
Association  
West Hollywood Chamber of Commerce  
Western Agricultural Processors Association  
Western Growers Association  
Western Manufactured Housing Communities  
Association  
Western Plant Health Association  
Whittier Chamber of Commerce  
Word & Brown  
Yuba Sutter Chamber of Commerce

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