



****Updated May 16, 2014****

TO: Members, Assembly Appropriations Committee

SUBJECT: AB 1792 (GOMEZ) PUBLIC BENEFITS: REPORT ON EMPLOYERS OPPOSE

The below-listed organizations **OPPOSE AB 1792 (Gomez)**, amended on April 1, 2014, which asks the Department of Finance, in consultation with other state departments, to develop and publish a list of California’s private employers and the amount the state pays when their employees utilize Medi-Cal, CalFresh, CalWORKS, and WIC benefits. **AB 1792** is not a true transparency measure, and it will not lead to a meaningful discussion about new policies that would help California’s working poor – instead, it looks at a single data point selected by its sponsors to tell the story they want to tell about certain California employers. **AB 1792** will expose California employers to liability, targeted media attacks, and protests without doing anything to help resolve the real challenges faced by many working Californians.

Cost Concerns

In 2006, AB 1840 (Horton) similarly sought to require the Department of Health Services (DHS) and the Managed Risk Medical Insurance Board (MRMIB) to collaborate and prepare a report identifying employers with employees who were beneficiaries of, or who supported beneficiaries of, the Medi-Cal Program, the Healthy Families Program (HFP) and the Access for Infants and Mothers Program (AIM). Unlike **AB 1792**, AB 1840 only proposed a one-time report, and only looked at employers with 25 or more employees actually receiving benefits or supporting beneficiaries receiving benefits. In its fiscal analysis of that arguably narrower bill, this committee estimated that preparation of the report would cost \$300,000, assuming that privacy laws did not actually require the responsible agencies to revise their program applications or contact individual beneficiaries directly, which could have driven the General Fund costs as high as \$1.7 million. Since **AB 1792** asks for information covering more employers, on an annual basis, and poses the same potential privacy concerns, we would expect the costs to be even higher than those predicted for AB 1840.

Policy Concerns

Because of its narrow focus, the only thing **AB 1792** allows policymakers to do is draw vague inferences about how the wages and benefits an employer provides might be related to the number of its workers who utilize public assistance. The measure looks solely at who employs the working poor and suggests meaningful reform can come out of this fact by itself, but the factors that contribute to this societal problem are much more complicated, and meaningful solutions must be too. Without an understanding of the complex range of circumstances facing workers who claim public assistance benefits, there cannot be a meaningful discussion about what policies would best serve to reduce their dependence on the government. Similarly, if one ignores market forces that affect wages and benefits in different regions and industry sectors when crafting potential solutions, the policies that result are bound to fall short and could even harm the very workers they seek to help.

Furthermore, the findings and intent language in **AB 1792** suggest that the measure was crafted narrowly on purpose. The language in Section 1 reveals that the measure is based on the faulty premise that all employers with workers who need public assistance purposefully shift the cost of doing business onto state and local governments, and that those workers would not need public assistance if their employers simply shouldered more responsibility. The measure’s bias is

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further revealed by the fact that it completely ignores the public sector even though many state and local government entities are similarly affected by market pressures and the rising cost of health care.

Factors that Affect Worker Utilization of Public Assistance

The report **AB 1792** seeks to create would paint a very misleading picture about worker utilization of benefits. For example, eligibility and the amount of benefits received by an individual are typically determined based on household income, and sometimes are determined based on age or other status regardless of income, meaning an employee making over \$20 an hour could qualify for Medi-Cal and other benefits if they are under 21 years-old or have a larger family with only one working adult. **AB 1792** allows the entire value of the benefits received by an individual to be attributed to that individual's employer when the amount actually reflects a wide range of factors that are completely out of the employer's control. Unless those factors are parsed out in the report, it would be impossible to determine when and to what extent trying changing employer behavior would be a useful approach.

Factors that Affect Wages and Benefit Offerings

AB 1792 similarly ignores information about why employers in certain industries pay lower wages or provide fewer benefits than others, or at how rising health care costs impact employers' competitiveness. The bill does not look at other costs that have risen for employers over the decades, limiting what they can offer in wages and other benefits over time. **AB 1792** does not consider the impact that higher priced goods and services, which would be necessary to support higher wages and health care benefits, could have on the very Californians it is seeking to help.

Nor does this measure look at the value of having a diverse job market with job-offerings that meet the needs of individuals of different ages, or who are trying to re-enter the workforce after recovering from an addiction, getting out of prison, or overcoming homelessness. Instead, **AB 1792** seems to be seeking to turn all California jobs into middle-wage jobs to make up for the fact that middle-wage jobs have been disappearing from California's and the Nation's economy. The sponsors' fact sheet actually references the failure of middle-wage jobs to return after the recent recession as a justification for this measure, but there have always been lower-wage jobs in the economy and these jobs serve a valuable role for young workers and for individuals seeking to re-enter the workforce and amass a positive work-record to help them move up. It is a real concern that more and more families have come to rely on these jobs for their entire income, but the solution is to identify ways to create new middle-wage jobs, not to eliminate entry-level jobs.

New Litigation Risks for Employers

Finally, **AB 1792** creates new grounds for litigation by prohibiting retaliation or discrimination against an individuals enrolled in public assistance programs. Specifically, the measure exposes an employer to costly litigation for alleged discrimination or retaliation each time it makes an adverse employment decision that impacts an employee who has enrolled in one of the four referenced public assistance programs. The measure also exposes employers to liability under Business and Professions Code Section 17200 for unfair competition claims. In this way, **AB 1792** will unnecessarily add to the litigation burden California employers already face.

While we understand the concern that there may be some employers who reduce their workers' hours to avoid providing benefits, or who have found ways to get the government to help subsidize their workforce, the vast majority do not. Even if that were not the case, though, **AB 1792** does not provide any information about the percentage of the an employer's workforce that works part-time, and it would drive invalid assumptions about the motives and behavior of employers by blaming them for government costs that reflect many factors those employers cannot control like employee age and household size.

In short, **AB 1792** will do nothing to drive up wages, make health care more affordable, or otherwise improve the lives of workers, and it could actually lead to misinformed policies that would hurt those very individuals it seeks to help. For these reasons and more, we must **OPPOSE AB 1792 (Gomez)** and urge your **"No"** vote.

Sincerely,

California Chamber of Commerce
Agricultural Council of California
California Asian Pacific Chamber of Commerce
California Association for Health Services at Home
California Association of Health Underwriters
California Business Properties Association
California Farm Bureau Federation
California Hotel and Lodging Association
California Manufacturers and Technology Association

California Professional Association of Specialty
Contractor
California Restaurant Association
California Retailers Association
International Franchise Association
National Federation of Independent Business
San Jose Silicon Valley Chamber of Commerce
Simi Valley Chamber of Commerce
UnitedAG
Western Growers Association

cc: The Honorable Jimmy Gomez
Camille Wagner, Office of the Governor
Misty Feusahrens, Assembly Appropriations Committee
Terry Mast, Assembly Republican Caucus
Kelly Green, Department of Health Care Services
District Offices, Assembly Appropriations Committee