

## Make State the Best

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Despite very encouraging short-term progress by the governor and the Legislature to put the state's fiscal house in order, I believe there is only one way, long-term, that the state can solve its budget problems and still invest in education, infrastructure and social services. That way is to create a vibrant, growing California economy. That means we must create more private-sector jobs that will increase revenue and tax receipts and produce rapid economic growth. How do we do that? Here's what I believe California still needs to fix if we want to be seen as the best place in America to do business.

First, California must fix the state's workers' compensation system. We have the highest rates in the nation by a factor of five. In just the past two years, workers' comp costs have gone from \$9 billion to \$25 billion. These increases are a direct expense to employers. In some industries, workers' comp costs are almost 100 percent of wages. Wells Fargo's cost for workers' comp in California is five times what it is in our other states. Under the governor's leadership, the Legislature recently passed a bill to reduce workers' comp costs by 25 percent. That's a good start, but we need at least another 25 percent reduction.

Second, California must reform its litigation process. Irresponsible lawsuits are costing our state's businesses tens of millions of dollars a year. Private attorneys should not be allowed to sue unless there is an identified client, unless actual economic loss can be shown and unless the certification requirements for a class action can be met. Isn't that just common sense?

Third, any California bill that is a job killer must be defeated or changed. The new so-called "family leave benefit" law is a good example. It has no way to prevent fraud and abuse by a small number of employees -- fraud that will drive up costs and reduce productivity.

Fourth, significant new taxes are not the answer. California's personal income-tax rates are the highest in the nation for people earning \$40,000. The state's unemployment insurance fund -- funded almost totally by employer contributions -- is essentially bankrupt.

Fifth, the perception of California as an anti-business state must change. A study by the Coalition for California Jobs compared California to 15 other states that compete with us for businesses and jobs. It used criteria such as demographics, workforce characteristics, business costs and personal quality of life. Colorado and Utah tied for first. California and New York ranked last -- with California getting an "F" for workers' comp and wages and a "D" for educational attainment, construction employment, financial activities employment, state and local taxes, natural gas costs, electricity costs, home building, home ownership and housing affordability.

With respect to housing affordability, the state's secretary of business, transportation and housing, Sunne McPeak, has brought together developers, lenders, builders and community groups to explore ways to create a more rational, but still environmentally sensitive, state housing policy.

Despite all these challenges, California can still attract human, financial and social capital -- the best and brightest. There are good reasons why 35 million people live here. If California really wanted to, it could be the most attractive place to do business. We need to make changes and make them now. Our vision for California should be clear and concise -- "California: the best place in America to do business."

*Dick Kovacevich is chairman and CEO of Wells Fargo & Company, headquartered in San Francisco, and head of the California Business Roundtable.*