

**Franchise Tax Board**

**ANALYSIS OF ORIGINAL BILL**

Author: Leno Analyst: Deborah Barrett Bill Number: SB 810  
 Related Bills: See Legislative History Telephone: 845-4301 Introduced Date: February 27, 2009  
 Attorney: Patrick Kusiak Sponsor: \_\_\_\_\_

**SUBJECT:** California Universal Healthcare Act/Insurance Premium Commission/Members Include FTB Executive Officer

**SUMMARY**

This bill would establish the California Healthcare System and California Healthcare Premium Commission (Premium Commission). This analysis will only address the provisions relating to the Franchise Tax Board (FTB).

**PURPOSE OF THE BILL**

According to the author's staff, the purpose of this bill is to provide affordable and comprehensive health coverage with a single standard of care for all California residents.

**EFFECTIVE/OPERATIVE DATE**

The provisions of this bill would become effective on January 1, 2010. Provisions relating to the Premium Commission would become operative on January 1, 2010. Remaining provisions would become operative on the date the Secretary of California Health and Human Services notifies the Legislature that sufficient funding exists to implement the California Healthcare System. The bill requires that the system be implemented within two years of that date.

**POSITION**

Pending.

**ANALYSIS**

THIS BILL

This bill would establish the California Healthcare System, which would be administered by the California Healthcare Agency. This bill would require the Governor to appoint a commissioner to head this agency by March 1, 2010.

Board Position:	Department Director	Date
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This bill would allow for the creation of the Premium Commission. The commission would be comprised of ten non-government members (representing academia, private sector, and public interest groups) and 11 ex officios of various state and legislative entities. The Executive Officer of the FTB would be required to be a member of the Premium Commission along with the Chair of the State Board of Equalization, Director of the Employment Development Department, Legislative Analyst, Secretary of California Health and Human Services, Director of Finance, State Controller, State Treasurer, Lieutenant Governor, and two members of the Legislature who are members of health care related policy committees.

This bill would require the Premium Commission to meet at least once a month, make certain determinations, and submit a detailed recommendation for a premium structure to the Governor and the Legislature on or before January 1, 2011. A draft recommendation must be submitted to the Governor, Legislature, and the public at least 90 days prior to the January 1, 2011, deadline. The meetings of the Premium Commission would be conducted pursuant to the Bagley-Keene Open Meeting Act.

This bill would also require the Premium Commission to be supported by a reasonable amount of staff time provided by the state agencies with membership on the Premium Commission. State agencies would also be expected to provide data and technical expertise upon request of the Premium Commission.

## **LEGISLATIVE HISTORY**

SB 840 (Kuehl, et al.; 2007/2008) similar to SB 810, would have established the California Healthcare System and California Healthcare Premium Commission (Premium Commission). This bill was vetoed by Governor Schwarzenegger. The full veto message can be found in Appendix A of this analysis.

AB 8 (Nunez, et al.; 2007/2008) would have required employers to make health care expenditures or elect to pay an in-lieu fee to fund a health care purchasing pool for employees of electing employers. The bill would have also required employers to set up a cafeteria plan under Internal Revenue Code (IRC) section 125. This bill was vetoed by Governor Schwarzenegger on October 12, 2008.

SB 48 (Perata/Kuehl, 2007/2008), prior to the June 25, 2007, amendments, would have established the California Health Care Coverage and Cost Control Act, which would have required every individual with income subject to personal income tax to maintain a minimum policy of health care. This bill was held in the Assembly Appropriations Committee.

SB 1014 (Kuehl, 2007/2008) would have imposed additional taxes on taxpayers with certain wage and nonwage income and on employers based on wages paid to fund the universal health care plan proposed in SB 840. This bill was held in the Senate Revenue and Taxation Committee.

SB 840 (Kuehl, et al.; 2005/2006) would have established the California Health Insurance System that would provide health care benefits to all individuals in the state. It would have also created the California Health Insurance Premium Commission. FTB's Executive Officer would have been required to be a member of the commission. The bill was vetoed by Governor Schwarzenegger. The full veto message can be found in Appendix A of this analysis.

SB 1784 (Kuehl, 2005/2006) would have imposed on individuals an additional tax on taxable income, self-employment income, and nonwage income to fund the universal health care plan proposed in SB 840. This bill was held in Senate policy committees.

SB 921 (Kuehl, 2003/2004) would have provided California residents with health care coverage through a single-payer health system. SB 921 was held in the Assembly Appropriations Committee.

## **FISCAL IMPACT**

It is anticipated that this bill would have an impact on the department. Costs would depend on the amount of time FTB's Executive Officer is required to participate on the Premium Commission and the amount of staff time required to be provided.

## **ECONOMIC IMPACT**

This bill would not directly impact the state's income tax revenue; however, it would make significant changes to the health care system. Such changes could alter health care spending decisions by individual taxpayers, which may indirectly impact income tax revenues. The potential impact, if any, is unknown and unlikely to begin before fiscal year 2011/2012.

This analysis does not consider the possible changes in employment, personal income, or gross state product that could result from this bill.

## **LEGISLATIVE STAFF CONTACT**

Legislative Analyst  
Deborah Barrett  
(916) 845-4301  
[deborah.barrett@ftb.ca.gov](mailto:deborah.barrett@ftb.ca.gov)

Revenue Director  
Jay Chamberlain  
(916) 845-3375  
[jay.chamberlain@ftb.ca.gov](mailto:jay.chamberlain@ftb.ca.gov)

Asst. Legislative Director  
Patrice Gau-Johnson  
(916) 845-5521  
[patrice.gau-johnson@ftb.ca.gov](mailto:patrice.gau-johnson@ftb.ca.gov)

Appendix A

BILL NUMBER: SB 840  
VETOED DATE: 09/30/2008

To the Members of the California State Senate:

I am returning Senate Bill 840 without my signature.

According to the Legislative Analyst's Office, the bill is estimated to cost \$210 billion in its first full year of implementation and cause annual shortfalls of \$42 billion. To place this in proper perspective - our state budget deficit this year started at \$24.3 billion.

I cannot support a bill that places an annual shortfall of over \$40 billion to our state's economy.

Sincerely,

Arnold Schwarzenegger

BILL NUMBER: SB 840  
VETOED DATE: 09/22/2006

To the Members of the California State Senate:

While I commend Sen. Sheila Kuehl's commitment and dedication to providing health care coverage for all Californians, I must return SB 840 without my signature because I cannot support a government-run health care system. Socialized medicine is not the solution to our state's health care problems. This bill would require an extraordinary redirection of public and private funding by creating a vast new bureaucracy to take over health insurance and medical care for Californians - a serious and expensive mistake. Such a program would cost the state billions and lead to significant new taxes on individuals and businesses, without solving the critical issue of affordability. I won't jeopardize the economy of our state for such a purpose. SB 840 relies on the failed old paradigm of using one source - this time the government - to solve the complex problem of providing medical care for our people. It uses the same one-sided approach tried in SB 2, the employer-mandated coverage measure signed into law before I became governor. I opposed SB 2 because it placed nearly the entire burden on employers, and voters repealed it in 2004. I want to see a new paradigm that addresses affordability, shared responsibility and the promotion of healthy living. Single payer, government-run health care does none of this. Yet it would reduce a person's ability to choose his or her own physician, make people wait longer for treatment and raise the cost of that treatment. With my partners in the Legislature, I look forward in 2007 to working to develop a comprehensive and systemic approach to health care that not only provides affordable medical treatment to people when they are ill, but that strives to make sure people don't get sick in the first place. An approach that supports cost containment and recognizes the shared responsibility of individuals, employers and government. That promotes personal responsibility and builds on existing private and public systems. As part of this comprehensive approach, my administration already has worked hard on the fight against obesity, a leading cause of disease in this country. I signed the landmark Healthy Schools Now Act, which bans junk food and sugar-laden drinks in public schools. Our budget included \$18 million to replace that junk food with fresh fruits and vegetables so we can start promoting healthy living choices for our youngsters. Recently I signed AB 2384 (Leno) to make fruits and vegetables more affordable and accessible in low-income communities and AB 2226 (Garcia) to help inform 7th grade students and their parents or guardian(s) of the risk of Type 2 Diabetes. Our efforts to effectively prevent and detect diseases extend far beyond obesity prevention. I recently signed legislation to ensure early detection of hearing loss through newborn hearing screenings (AB 2651- Jones). Since I have taken office we have expanded newborn health screenings from 33 to 85, dramatically increasing the ability to prevent or detect disease early to keep our children as healthy as possible from the beginning. On the question of access, I've made children's coverage a priority, resulting in nearly a quarter million additional children covered by our Medi-Cal and Healthy Families programs. Building on an \$80 million budget investment to

target uninsured children who are eligible, but not enrolled in state health care programs, I signed legislation to eliminate roadblocks to coverage, streamline enrollment for Medi-Cal and Healthy Families and reduce the number of kids that lose coverage due to administrative barriers. (SB 437 Escutia, AB 1948 Montanez, and AB 1851 Coto) And on the question of affordability, I reached agreement with the Legislature to provide discounts on prescription drugs of up to 40 - 60 percent off brand name and generic drugs for our neediest citizens.

But we're not stopping there. I convened a California Health Care Summit in July that for the first time brought together experts on all sides of this issue. At the table with us were representatives from academia, government, business, health care and labor. From that summit and follow-up meetings, there emerged a strong sense of how to proceed on health care reform. Affordability is the key to making our system work for everyone, and affordability is exactly what we are dedicating ourselves to. By implementing a statewide plan advancing health information technology that I called for in a recent executive order, we can shave billions of dollars off healthcare costs in California. By creating the 500 elementary school-based health centers I called for in our Health Summit, medical treatment will be more accessible to our children who need it most and they can avoid costly emergency care. We have made progress toward this goal by enacting legislation (AB 2561 Ridley-Thomas) to support Californias school health centers by increasing cross-agency collaboration, gathering data about services delivered in school health centers throughout the state and providing technical assistance to aid in the development of new and existing school health centers. With the same willingness to compromise that we showed this past legislative session on issues like global warming, I know we can reach our goals. I look forward to working with Sen. Kuehl and other members of the Legislature, as well as the experts who participated in our summit and other stakeholders, to create a healthier California. For these reasons, I am returning SB 840 without my signature.

Sincerely,

Arnold Schwarzenegger