

POLICY WATCH – February 2013

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Government is making an unfortunate case that it is increasingly becoming irrelevant and powerless in the 21st Century. When an institution is unable to deliver results and serve its constituents, power will shift away from that institution to those who are able to make things happen. In this issue, we deplore the failure to lead by our federal officials. We have seen this movie and it is not an Oscar winner! Perhaps leadership from the business community and others can help us tackle these economic and social challenges. It is obvious problem-solving is not Washington's strong suit. Join with NBLC to collectively be part of the solution!

Best,

A handwritten signature in cursive script that reads "Cynthia Murray".

Cynthia

CEQA Modernization Bill Submitted

As expected, Senator Steinberg introduced SB 731, which seeks to establish a broad framework for future discussions surrounding CEQA modernization legislation. Carl Guardino, Silicon Valley Leadership Group and Co-Chair, CEQA Working Group said, "Senator Steinberg is to be commended for honoring his commitment to pursue meaningful CEQA reform this legislative session. Obviously, this is just the starting point. We look forward to participating in detailed discussions and negotiations in the hopes of crafting final legislation that will preserve CEQA's original intent of environmental protection, while stamping out litigation abuses of CEQA that harm responsible economic growth and job-creation in California."

The same day the bill was introduced, Senator Michael Rubio, who has been the champion of CEQA modernization, retired effective immediately to attend to family matters. Sen. Rubio will be missed but the CEQA Working group, of which NBLC is a member, looks forward to working with Governor Jerry Brown and state Senate President Pro tem Darrell Steinberg. Sen. Steinberg is known for tackling the toughest issues facing our state and for bringing all sides to the table for successful resolutions. Our statewide coalition will continue to work with them to modernize CEQA.



Sequester: March Madness

What was proposed as a scenario that is so bad that it would force Congress to act to avoid triggering it, is now looking like an inevitability. The \$85 billion sequester will hit people hard, people already feeling the pain of the payroll tax increase, wage stagnation, and rising cost of gas. The failure to prevent this self-created disaster is cause for all Americans to question the legitimacy of Congress as their representatives. What will happen when the sequester hits? Here's how the Wall Street Journal's Damian Paletta in "How Federal Spending Would Be Cut Under the Sequester," (February 22, 2013) explains it.



"The idea was that the sequester would be so dreadful it would force the two parties to reach a deal. Democrats and Republicans agreed to essentially split the spending cuts between defense and non-defense programs over nine years, beginning in 2013, and members of both parties voted for the plan," said Paletta. He continues, "The supercommittee failed to reach a deal. Now, while members of both parties agree the sequester is a bad way to reduce spending, they still can't agree on a substitute." For perspective on the amount of cuts, Paletta says, "The government spent \$3.538 trillion in the fiscal year that ended in September 2012. So \$85 billion is 2.4% of the federal budget."

What and who is effected by the sequester? Paletta says, "Many federal agencies would begin informing roughly one million civilian employees that they could soon be forced to take unpaid leave, one day per week perhaps. These furloughs likely won't begin until around April. Federal agencies affected also would send letters to contractors and state and local officials informing them of the cuts. They could detail the size and extent of the reductions over the remaining seven months of the federal fiscal year, which ends Sept. 30. That could in turn force a state governor who receives federal aid or a contractor with government business to reevaluate their own budgets and inform employees or subcontractors of their own cuts. It could take a while for the ripple effect to spread."

In addition to personnel, the cuts will be split into three broad categories effecting 1,200 different federal programs, and then extended to tens of thousands of subprograms and projects. Paletta says they are:

- 1) Defense spending, which includes Pentagon and defense intelligence spending, accounts for half the sequester cuts. Many of these programs will be reduced by roughly 13% over seven months.
- 2) Non-defense spending. This would include housing, education, or transportation programs.
- 3) Medicare. There will be a 2% cut in the payments to Medicare providers, such as hospitals and doctors.

Because agencies will not adjust their budgets until the sequester is triggered on March 1, the impacts will kick in over the month of March and even later. And to add to the March Madness, there is another shoe scheduled to drop. Paletta says, "Another looming deadline is March 27. That's



when funding for a number of federal programs is projected to run out. If Congress doesn't reach a deal to fund the government by then, we would face a partial government shutdown. That would mean many federal workers would no longer face just a one-day-a-week furlough. Rather, they would be sent home indefinitely." Uncertainty is the enemy of economic growth – and these continual cliffs are serious roadblocks to consumer and investor confidence. We are living in dark times when our own Congress willingly sabotages our country's economic health. It brings new meaning to March Madness!

Paying More, Getting Less

Congress isn't the only governmental agency failing in its service to the people. Dan Walters in "California's high taxes bring low results," (Sacramento Bee, Feb. 22, 2013) makes the case that "while California carries one of the nation's highest state and local tax burdens – over 10% of personal income – we consistently rank very low in what those many billions of tax dollars provide." Walters cites two big areas where the return on taxpayer investment is very poor: public education and infrastructure.



For education, Walters says, "California consistently ranks in the lower quadrant of per-pupil spending and much of that money has been diverted into an almost impenetrable thicket of specialized pots. Meanwhile, the outcomes, as measured by academic tests and high school graduation rates, range from poor to mediocre." And getting our students up to average is considered a major accomplishment! Gov. Brown is seeking to change student funding to help those students who need the most help more using a weighted formula. But Walters is rightly cautious that the evidence of the benefits of that approach is "very much unknown."

As for the disconnect with public services, Walters says, "that while California ranks very high, vis-à-vis other states, in per-mile spending on state highways, it consistently ranks at or near the bottom in official measures of pavement condition, congestion and other indices. It ranks dead last in improving seven measures of highway adequacy between 1989 and 2008."

And don't get Walters started on the high spending and poor return on health care in California. But he posits that the most embarrassing failures may be in the state's continuing debacles in implementing technology projects, which is glaring when California is "the world capital of technological innovation and yet finds it so difficult to employ the devices and programs that its technical whizzes peddle to the rest of the world."

Walters closes with a paraphrase of a Winston Churchill quote: "Never has so much been spent to achieve so little." And knowing this produces another kind of madness in March.

David Crane in "California: a High Revenue, Low-Service State," (Bloomberg.com, Feb. 22, 2013) agrees with Walters and takes the argument deeper. He points out how citizens are paying more and yet tuition has doubled at the CSUs and UCs, and state park fees and court filing fees are greatly increased. Crane says that we are being forced to pay more and will be forced to pay even more, because of "health care, employee compensation, retirement benefits and debt service."

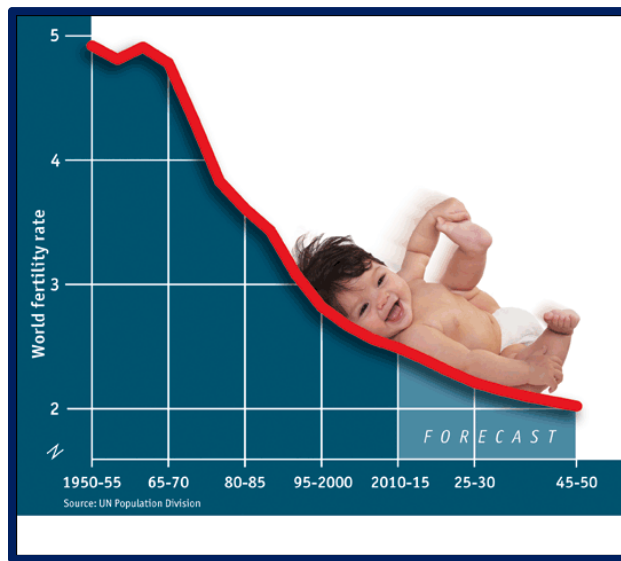
Crane says, "California proves what Volker and Ravitch concluded in



their 2012 report on the state budget crises: state revenue simply cannot keep up with the rates at which health-care and employment costs are growing. Failure to address those problems portends even more tax and fee increases and the loss of public services.”

Demographic Cliff: The Scariest Cliff

But perhaps all of these cliffs and predictions are missing the biggest issue. In “America in the midst of a baby bust,” (Impact Lab, February 13th, 2013) the authors claim, “Forget the debt ceiling. Forget the



fiscal cliff, the sequestration cliff and the entitlement cliff. Those are all just symptoms. What America really faces is a demographic cliff: The root cause of most of our problems is our declining fertility rate. Today, America’s total fertility rate is 1.93, according to the latest figures from the Centers for Disease Control and Prevention; it hasn’t been above the replacement rate in a sustained way since the early 1970s.”

“The nation’s falling fertility rate underlies many of our most difficult problems. Once a country’s fertility rate falls consistently below replacement, its age profile begins to shift. You get more old people than young people. And eventually, as the bloated cohort of old people die off, population

begins to contract. This dual problem—a population that is disproportionately old and shrinking overall—has enormous economic, political and cultural consequences.”

The authors then bust a popular myth about overpopulation. They say, “But the conventional wisdom on this issue is wrong, twice. First, global population growth is slowing to a halt and will begin to shrink within 60 years. Second, as the work of economists Esther Boserups and Julian Simon demonstrated, growing populations lead to increased innovation and conservation. Think about it: Since 1970, commodity prices have continued to fall and America’s environment has become much cleaner and more sustainable—even though our population has increased by more than 50%. Human ingenuity, it turns out, is the most precious resource.”

Members in the News

Press Democrat Honored for Pension Reports

The Press Democrat will receive the James Madison Award from the Society of Professional Journalists’ Northern California chapter for its coverage of the Sonoma County pension system.

Agilent, Pfizer to be Diagnostic Partners

Agilent Technologies Inc. said Tuesday that it will work with Pfizer Inc., the biggest drug company in the world, to develop diagnostic tests.

Comcast to Acquire Rest of NBC

Comcast said Tuesday that it’s buying the rest of NBC Universal from General Electric for \$16.7 billion, doing so several years early as the company takes advantage of low borrowing costs and what CEO Brian Roberts called a “very attractive price.”

St. Joseph Health hires new COO for Sonoma County

David Ziolkowski has been hired as chief operating officer of St. Joseph Health Sonoma County, where he will oversee Santa Rosa Memorial and Petaluma Valley hospitals.

College of Marin Accreditors Lift Warning

The accreditation agency overseeing College of Marin has lifted a warning it issued the college a year ago, citing marked accomplishment in addressing issues that could have lead to loss of accreditation.

WBE's Traffic Division Takes on Role of GC for CalTrans Smart Corridor Project

Traffic Division Manager Brian Finley and PM Rick Brumm submitted the winning bid for a \$7.82 million dollar commuter enhancement in San Mateo County.

Kaiser Permanente's Patricia Kendall Receives San Rafael 'Citizen of the Year' Award

Local hospital administrator and community volunteer Patricia Kendall has been named San Rafael's "Citizen of the Year." She accepted her award Monday at a San Rafael City Council meeting, expressing surprise and appreciation.

Midstate Construction Recently Completed Amorosa Village in Santa Rosa, Offering 150 Units of Affordable Housing

Developer Burbank Housing Development Corporation and general contractor Midstate Construction Corporation recently completed Amorosa Village Phase 1, the second phase of a new 150 unit affordable housing construction project in Santa Rosa.

Securitas Takes Training to Heart

February likely calls to mind Valentine's Day and images of heart shaped candy boxes and lace trimmed paper hearts exchanged in classrooms. But the connection between February and hearts goes even deeper.

SRJC embarks on sweeping strategic review

Santa Rosa Junior College is embarking on a multi-year strategic planning process that participants say is of unprecedented scope in the college's 95-year history, with hope that widespread community participation will strengthen a longstanding spirit of collaboration between the college, the regional business community and other stakeholders throughout the North Bay.

Sutter's Novato Community Hospital Designated Primary Stroke Center, Recognizing Superior Results

Novato Community Hospital has been designated a Primary Stroke Center, a certification that recognizes our superior medical results for stroke patients.

PG&E Encourages Businesses to make Their New Years Resolution to get a PG&E Business Energy Checkup

Owning or working in a small or medium sized business means you likely wear several hats, and don't always have the time to research opportunities to save your company money. If you're looking to save money for your business in 2013, PG&E can help you make several energy efficiency resolutions that put money back in your pocket right away.

Autodesk expands San Francisco offices (again) as 3D printing blossoms

Design and engineering software giant Autodesk will expand its San Francisco office footprint as the demand for 3D modeling and printing soars.

Read more online at www.northbayleadership.org/news



Who We Are

Over twenty years ago, business leaders founded the North Bay Leadership Council on a simple premise: We can accomplish more by working together. Today, the Council includes 44 leading employers in the North Bay. Our members represent a wide variety of businesses, non-profits and educational institutions, with a workforce in excess of 25,000. As business and civic leaders, our goal is to promote sound public policy, innovation and sustainability to make our region a better place to live and work. For more information: Call 707.283.0028 / E-mail info@northbayleadership.org

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