

Legal reform would save jobs

Assemblyman Curt Hagman

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Assemblyman Jose Solorio recently responded to Nevada's highly publicized ad campaign to lure California businesses to the Silver State and for that he should be commended. However, now is the time for Democrats in the California Legislature to focus efforts on improving California's business climate and reforming our legal system to save jobs. Many Californians have lost their jobs in the past year and many voters are making the connection that unwarranted lawsuits are costing jobs.

A recent poll by California Citizens Against Lawsuit Abuse shows that 81 percent of people believe the number of lawsuits filed against businesses in California hurts California's economy and 63 percent believe lawsuit reform will make it easier for California to keep businesses in the state.

The consequences of lawsuit abuse are widespread and serious, and negatively impact both the private and public sectors. Local governments in just five Southern California cities and counties spent more than \$276 million in settlements, verdicts and outside counsel costs over the last two years. This completely unnecessary expenditure could have been used for needed public services or infrastructure.

In health care, "defensive medicine," those unnecessary tests and procedures given just to avoid lawsuits, added \$13 billion to our state's health care costs.

California is also under attack by other states like Nevada and Texas because our policies are bad for business.

Nevada spent \$1 million on an ad campaign telling California businesses to "kiss their assets good-bye" and move to Nevada, a state with a less hostile business climate. In the ads, Nevada touts the fact that they have no corporate income tax or personal income tax, and have much lower worker's compensation costs and a reputation for a reasonable liability environment.

Doing business in the "sue you" state of California is a gamble with so many plaintiffs' lawyers playing the lawsuit lottery with small businesses. The end result - Nevada's revenue increased by nearly \$5 billion.

In Texas, they have created such a good business climate - especially through a package of legal reforms - that businesses are literally flooding to the state. In 2008, of all the jobs created in the United States, 52 percent were in Texas.

Recently, a report issued by a key Texas economist, Ray Perryman, showed that lawsuit reforms enacted in 1995 have resulted in \$112.5 billion in annual spending in Texas, nearly 500,000 new permanent jobs and a \$2.6 billion increase in state tax revenues.

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A corporate recruiting tool commissioned by the Texas Public Policy Foundation includes a 32-page report showing that California has higher overall taxes, more regulations, slower economic growth, worse government policies, and poorer prospects for the 21st century.

In order for the California economy to thrive, growth and development must be encouraged. Lawsuit abuse reform is necessary to encourage a friendly business environment. Legislators need to look at this issue closely in the upcoming session so we can make a real step in improving California.

Assemblyman Curt Hagman represents the 60th District, which includes Chino Hills, Diamond Bar, San Dimas and Walnut.

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