

2011 STATE POLICY PRIORITIES

State Budget and Tax Issues

California's fiscal crisis will again dominate the 2011 agenda in Sacramento. The state faces an immediate \$6 billion deficit in the current fiscal year and an estimated \$22 billion deficit for the fiscal year beginning July 1, 2011. In addition, the structural deficit is projected to be roughly \$20 billion through at least 2017. Against that backdrop, voters exhibited a strong anti-tax sentiment in the November 2010 election, rejecting all revenue raising initiatives on the ballot, while passing a measure making it significantly more difficult to raise taxes and fees. Significantly, the industry helped beat back Proposition 24, which would have repealed recently enacted tax reforms (including the single-sales factor, net-operating loss carry-back provisions, and tax credit sharing among affiliated companies) designed to encourage job creation and retention in California.

Governor Brown has promised not to raise taxes without a vote of the people. He has begun a public education campaign to educate voters on the extent of the budget problem, which may culminate in a May 2011 ballot initiative seeking voter approval to extend or raise certain taxes.

In light of this challenging political dynamic, CHI must remain focused on protecting provisions in current law that encourage biomedical research and innovation in the state. We anticipate that there will be unprecedented pressure on the state's business community to accept increased taxes and fees and give up tax incentives to help the state balance its budget. Indeed, the tax reforms preserved by the defeat of Prop. 24 could even come under attack.

In 2011, CHI will:

- Advocate for protecting patient access to biomedical therapies in the state budget, while working to foster a tax environment that promotes biomedical research and innovation (including protecting the state's research and development tax credit, and opposing increased taxation and fees on the California biomedical industry).
- Advocate for job creating corporate fiscal policies that promote the expansion of the biomedical industry in California, and for the protection of the single-sales factor apportionment, net-operating loss carryback, and transferability of tax credits among affiliated companies.
- Expand and increase the work of CHI's Tax Working Group to evaluate tax legislation and provide feedback to the Legislature and state agencies on how proposed policies will impact the biomedical research community.
- Advocate for protecting higher education funding so those institutions can continue to effectively educate our workforce and partner with the industry on research.

Environmental and Business Regulation

The California Legislature continues to propose and enact some of the most restrictive environmental regulations in the United States. These regulations, however well intentioned, seriously dampen the state's ability to attract and retain firms engaged in biomedical research and innovation. CHI has developed a strong reputation for environmental stewardship and credibility rooted in evidence-based positions that rest on solid scientific research. We can expect legislative activity—at the state and local levels—on a host of issues, including extended-producer responsibility, medical sharps waste, pharmaceuticals in the environment, green chemistry, individual chemical bans, and perhaps the emergent field of nanotechnology. In addition, implementation of the state's Green Chemistry Initiative will be important to our members.

Some legislators, hoping to take advantage of the new political environment, have expressed their intent to revisit previously vetoed legislation, some of which would impede the work of our members. These could include liability issues such as repeal of the learned intermediary doctrine, and issues that compromise patient health and interfere with the delivery of medical care, such as prescriber data bans or other restrictions on the free flow of patient care information.

In 2011, CHI will:

- Mobilize the CHI Environmental Working Group to provide reliable expertise on scientific issues and to credibly educate policymakers on the practical implications of overreaching environmental requirements.
- Provide legislators with a clearer understanding of our highly regulated industry's commitment to environmentally sound practices.
- Continue to be the dominant voice on environmental issues for the life sciences community with the administration, regulatory agencies, and the legislature.

Healthcare Reform Implementation

With the passage of the federal Affordable Care Act, much of the focus on healthcare reform has shifted to the states. Its implementation, along with continued severe budget pressure on healthcare programs in California, will result in a very active year focused on healthcare reform implementation issues. In addition, the shifting of 380,000 Medi-Cal patients from a fee-for-service model of care to a managed-care system will present new concerns to our industry.

In 2011, CHI will:

- Advocate for healthcare reform implementation that does not compromise patients' access to proper testing, therapies and treatments. CHI will support proposals that improve patient access to care. CHI will oppose efforts to impose excessive co-pays, restrict continuity of care, improperly allow for therapeutic substitution, require excessive prior authorizations, deny treatment using step therapies, redefine essential benefits, or otherwise restrict access to appropriate patient care.

- Conduct a briefing for all interested legislators on healthcare reform and its implications for California patients.
- Partner with patients' rights groups on issues in which we have common interests.
- Work with California's Department of Health Care Services as Medi-Cal patients are transitioned into a managed care system to ensure continued access to appropriate treatments.

Education and Workforce Development

California's educational system must be protected. Our university system, a research and jobs engine for the state's economy, has weathered significant budget cuts, resulting in staggering tuition increases, program cuts, and enrollment caps. California's K-14 educational system, which includes the state's community college system, has also suffered budget cuts. Although the UC and CSU systems escaped significant budget cuts in the 2010-11 state budget, they are at risk for future cuts as the state struggles to find budget savings.

Decreased funding continues to threaten the ability of California's educational system to focus on science, technology, engineering, and math (STEM) education that will produce an educated, job- and lab-ready workforce which our industry relies on to discover the next generation of therapies.

In 2011, CHI will:

- Advocate strongly against further budget cuts to UC, CSU, and California community colleges and work to promote restoring funding to higher education.
- Educate policymakers on the implications of the budget cuts to UC, CSU, California community colleges, and others who help train a future workforce for the life sciences community that reflects the rich diversity of California.
- Effectively communicate the role that the industry plays in providing well paying jobs to students with math and science degrees.