

To the Members of the California State Senate:

I am returning Senate Bill 815 without my signature.

Since November 2003, California employers have added over 600,000 jobs to their payrolls. Nearly 37,000 jobs were added in August alone. California is now home to more than 15 million jobs, an all-time high. In addition to job growth, personal income has increased in each of the last two years. In short, the California economy is strong and growing.

One reason for our state's economic renaissance is the workers' compensation reform enacted in 2004. Before I took office, California's workers' comp system was in crisis. The system was overwhelmed by unnecessary litigation and return-to-work rates for injured workers were the worst in the nation. Costs had increased from \$6.8 billion in 1997 to over \$21 billion in 2003. This unprecedented increase sent jobs fleeing from our state.

The reforms we enacted in 2004 have lowered costs, improved efficiencies, and reduced litigation. Rates have dropped 50 percent and employers have saved over \$11 billion in lower premiums. Those savings have translated into more jobs and higher wages. One CEO told me his company is using their work comp savings to improve health care coverage for his employees.

When the new permanent disability schedule took effect in 2005, I committed that we would monitor the impact of the new law on injured workers for 18 months, and if we found that seriously injured workers were falling through the cracks, we would fix it. That review will be completed by the end of this year, and I am committed to making any changes necessary to ensure that injured workers unfairly impacted by workers comp reform receive appropriate medical treatment and indemnity benefits.

The changes proposed by SB 815 are not based on a comprehensive analysis, and will double the cost of permanent disability benefits. As we look to build upon the economic successes of the last three years, I simply cannot support a measure that would reverse many of the economic gains now powering California's economy.

Sincerely,

Arnold Schwarzenegger