

February 2005

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## Tennessee Business and Government...In Tune

The Tennessee Chamber of Commerce & Industry will host its 93rd Annual Meeting and Legislative Reception March 16, 2005, at the Downtown Sheraton Hotel in Nashville. This meeting is your annual opportunity to talk one-on-one with Tennessee's top policy and lawmakers and to help business and government stay "In Tune" in Tennessee. As in past years, we have invited Governor Phil Bredesen to speak to us about his agenda for this year and to answer your questions. He certainly has an aggressive plan including TennCare reform, plans for education and a recently announced \$20 million workforce training and technology investment package. You can not afford to miss his presentation.

After the Governor's keynote luncheon address, we will conduct panels on TennCare reform, workforce preparation issues and the outlook for the 104th General Assembly. On the TennCare panel, representatives from the Tennessee Medical Association, Blue Cross Blue Shield of Tennessee and the Hospital Association will join Finance

and Administration Commissioner Dave Goetz to share their perspectives about what the new reform plan means for



**Governor Phil Bredesen**

business. The workforce preparation panel will include Economic and Community Development Commissioner Matt Kisber and Education Commissioner Lana Seivers (invited), as well as representatives from higher education.

The final panel is of leaders of both the state Senate and House of Representatives who will talk about the opportunities and challenges for business in the 2005 legislative session.

At the close of the meeting we will adjourn for a reception in honor of the members of the state legislature. It is important that you take advantage of this time to speak to your legislators about the issues affecting you and your business. Sharing your concerns one-on-one with your legislative delegation in Nashville and describing the impact of your business on their district is the most effective proactive political action step you can take.

We appreciate those member companies that have agreed to be sponsors. If your organization would like to be a meeting sponsor and receive recognition, please contact us. Your attendance and support for this important event demonstrates to our government leaders and decision makers the strength of the business community.

### **Legislative Leaders and Cabinet Officials at Feb. 7 Event**

Join us in Nashville February 7 and get up-to-date on the latest legislative, political and regulatory developments, including the Governor's 2005 agenda, the political landscape for the 104th General Assembly, the Tennessee Chamber's *Business Agenda*, TennCare developments and new economic incentives. Speakers at the Chamber's Public Affairs Conference include Deputy to the Governor and Chief of Staff Dave Cooley, Commissioners Paula Flowers (Commerce and Insurance), Dave Goetz (Finance and Administration), Lana Seivers (Education) and top Senate and House leaders...guaranteeing you an inside track on Tennessee's most important issues. *Please contact the Chamber at 615-256-5141 to register.*

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We asked, you spoke. The 2005 *Business Agenda* is the result. Business and industry leaders across the state spoke—through grass-roots meetings, input sessions, local chambers, surveys and committee involvement. The business community did what it does best—identify challenges and formulate solutions. It is how we survive and grow.

For many business leaders, involvement in government policy is not an arena where they want to play. It is not always our choice. We need to be fully aware that we—as employers, as creators of wealth—are impacted every day, every hour, by government policy. It is hard to think of a product decision, staffing decision, production decision or investment decision that is made without considering how it will be impacted by government regulation and law. As a result, one of the best investments we can make in the profitability and growth of our companies is to be involved in the creation of public policy.

That is what the *Business Agenda* is all about. The issues outlined in the 2005 *Business Agenda* (see page 3) represent the policy areas that impact the ability of our companies to be competitive and create jobs. The *Agenda* is our effort to create a business climate that enables our economy to grow and our citizens to prosper. In many cases, the issues are classic.

Our business community put health care, workers' compensation, education and legal reform at the top of its list. Not only did they see the issues as being important to address, they saw the issues as bringing value to their company. In an almost statistical dead heat were environmental and tax issues, equally important in providing value. Good governmental policy and a good business climate are certainly about more than how they impact business. They are also about economic growth, creation of wealth and a good quality of life. They are about a clean environment, services for citizens in need and the amenities that make Tennessee a place of choice to live and raise a family.

Each position paper makes me proud of our business community—of its grasp of the challenges affecting the state's future, of its balanced and clear solutions and of its realization that they have a responsibility to their shareholders, to their employees and to the state as a whole.

Take, for example, the position paper on "Preparing Tomorrow's Workforce." It addresses education as a life-long event, pre-K to continuing training and education for adults. It supports enhancements to pre-K through 12th grade as an investment in tomorrow's adults. It recognizes the leadership role of higher education in a vibrant, growing economy by supporting its role and recognizing the needs of modern-day work places by seeking new sources of training for the present-day workforce.

The "Providing Affordable Health Care Coverage" position paper addresses health care challenges in a similar way. It recognizes, first and foremost, that a majority of Tennesseans have health care insurance through their workplaces, and it recognizes that employers, who continue to endeavor against escalating costs of this benefit, offer it voluntarily. Each of the other position papers takes the same responsible, long-term, short-term view of the situation and proposed solutions. Each decision we make today has an immediate impact and a long-term impact. We know that the profit and growth we experience in the future is determined by the decisions and actions taken today.

The Tennessee Chamber is proud of the *Business Agenda* that you, our members, have produced. We will share it with our membership base and potential members, elected officials, the administration, local chambers and the public. We will work, with your support and involvement, for success in the General Assembly, and we will continue our commitment that "Your business is our business on Capitol Hill."



# BUSINESS AGENDA

The 2005 *Business Agenda* represents the best that our state's business and industry community have to offer in the way of focus points for this year. A collective effort by business leaders across the state—through grass-roots meeting, local chambers, surveys and committee involvement—the *Agenda* identifies those policy issues which are important to our state's business climate.

The *Business Agenda* is an effort by our state's business leaders to help craft public policy by doing what they do best: identify challenges and propose solutions. The issues outlined in the *Agenda* represent the policy areas that can impact the ability of our companies to be competitive and create jobs. The *Agenda* is our effort to create a business climate that enables our state's economy to grow and our citizens to prosper.

We ask for your support. You may reach us at 615-256-5141 or at [www.tnchamber.org](http://www.tnchamber.org).

*Christine Karbowskiak, Chair, Board of Directors*

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## Providing Affordable Health Care Coverage *A Statement of Support*

### OBJECTIVE

To preserve and enhance for Tennessee employers and their employees a health care insurance climate in which health care insurance options are available. In addition, to ensure that all proposed health care mandates are fairly evaluated using the Chamber-supported law enacted in 2004 intended to ensure that mandate decisions are based on sound statistical evidence. The Chamber will monitor all developments in the TennCare reform process, as the Governor's proposed reductions in benefits and the numbers of beneficiaries are considered by the General Assembly and federal government.

In its 2005 Issues Survey, Chamber members ranked the need to address health care issues, such as increasing costs, TennCare reform and reducing new mandates, as the Chamber's top priority for 2005.

### BACKGROUND

Health care cost containment is an issue with significant competitive implications for Tennessee businesses and industries. The cost of health insurance is continuing to rise, according to the National Coalition on Health Care. Consider these projections:

- By 2006, health insurance premiums will rise to an average of more than \$14,500 for family coverage.
- The average monthly contribution by a worker to premiums for family coverage alone more than quadrupled to \$222 from \$52 between 1988 and 2004.
- The premiums charged for job-based health insurance are expected to rise to more than 13 percent in 2005.
- Nearly 80 percent of companies with 200 or more workers are likely to increase the amount paid directly by their employees for health care.
- Since 1997, health-benefit costs per employee have risen 57 percent.

The problem is particularly acute for small business. Due to rising premiums, many small employers cannot afford to offer health insurance. The percent of workers covered by employer sponsored plans has dropped significantly from 65 percent in 2001 to 61 percent in 2004. Companies that do offer health insurance are requiring employees to contribute a larger share toward their coverage. As a result, an increasing number of Americans have opted not to take advantage of job-based health insurance because they cannot afford it. The situation is further compounded in Tennessee where more than 30 health care mandates have already been enacted into law.

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## SITUATION

During the past several years, a great deal of policy attention has been focused on increasing the quality of health and on the increase in the uninsured population. A number of incremental steps have been advanced or adopted in an attempt to deal with these issues. At the same time, cost has received less attention because it was assumed by many that managed care plans had successfully addressed that issue. Recent trends in health insurance premiums and health care costs overall, however, demonstrate that managed care's ability alone to force cost savings has been maximized and that now policy issues must be examined for their impact on rising costs.

Normal reactions—by large and small businesses—to rising costs have included raising prices, cutting or eliminating health benefits or shifting costs from employers to employees. Even efforts where businesses have banded together to purchase health care insurance more effectively are showing double digit increases in costs.

Traditional factors that have driven up costs in the past continue to do so. They include new medical technology, new drug therapies, overuse and misuse of medical services, oversupply of hospital beds, high administrative costs and cost shifting among payers, and in Tennessee, the use of prescription drugs that is twice the national average.

The federal government is the major governmental entity in determining health care coverage, insurance regulations and other factors impacting its delivery. State policy impact on health care insurance is often directed by or limited by federal law. There are, however, key actions a state can take to ensure that it is not contributing to the cycle of increasing health care costs.

In just over a decade, the cost of managing the TennCare program has grown beyond the state's ability to meet that cost. Consequently, in early 2005, the Governor announced a drastic reduction in benefits and the number of beneficiaries eligible for TennCare enrollees.

## TENNESSEE CHAMBER POSITION

The Chamber believes that health care costs must be addressed to guarantee that health care insurance is an option for working Tennesseans. The Chamber is committed to the preservation of a system in which an employer can negotiate health care insurance benefits for employees free from governmental mandates. The Tennessee Chamber supports:

- Protecting employers and employer-sponsored health care programs against direct or indirect cost shifting as a result of the needed reforms to the TennCare (Medicaid) program.
- The successful implementation of the cost-benefit analysis law designed to measure the fiscal impact of mandates on existing health care costs and to measure the overall, long-term benefit.
- Preserving managed care systems as an option for employers and employees, including the right of health care plan providers to negotiate fees, provide volume discounts to their customers, and to preserve provider and pharmacy networks and their efficiencies free from cost-increasing mandates.

## Preserving the Recent Reforms of the Workers' Compensation System *A Legislative Position*

### OBJECTIVE

To ensure that the workers' compensation reforms enacted in 2004 restore to the Tennessee workers' compensation system the integrity and fairness that both employees and employers deserve; and, further, to promote legislation that improves the definition of "injury" and "accident," and strengthens the state's existing fraud enforcement statutes. Additionally, to ensure that the reform measures of 2004 are not changed in any manner other than through necessary technical corrections following Tennessee Chamber review. In its 2005 Issues Survey, Chamber members ranked the need to preserve the recent workers' compensation reforms while working for further refinements to the system as the Chamber's second-highest priority for 2005.

### BACKGROUND

Workers' compensation insurance is thought of by some as a traditional insurance system. Instead, it is a system born of necessity and expediency for both employers and employees. Employees who suffered a work-related injury needed a system in which medical care was immediate and partial wage replacement, until they could return to work, was available. Employers had



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two desires. First and foremost was the desire that employees be taken care of properly and quickly, ensuring that employees could reach full recovery and return to productive work as soon as possible. Second, employers wanted a non-adversarial system that provided a degree of predictability in terms of costs and liability. Obviously the judicial tort system met neither the needs of the employer nor the employee. Instead, a workers' compensation system evolved, where every employer with more than five employees was required by law to become insured, where the employee had the commitment of immediate medical care and partial wage replacement and the employer had the assurance of a sole remedy system. It was a true no-fault system.

Tennessee is only one of two court-based systems in the nation; in other states, workers' compensation is based in the more familiar administrative or regulatory system. For those companies or managers new to Tennessee, the court-based system—with its uncertainties, its adversarial nature, its longer delays and its inconsistencies—has been an immediate concern.

Added to the uniqueness of the court-based system has been the uniqueness of a set of "multipliers" that could be arbitrarily applied to impairment ratings, and employers in and out of the state have looked with dismay and disbelief at the Tennessee workers' compensation system. The results have been manifested in concerns about the system and in decisions to create new jobs elsewhere.

## SITUATION

By 2004, Tennessee's workers' compensation system had gone awry—serving neither the employee nor the employer. With its escalating costs and inconsistent awards, both employees and employers were victims. The system had been compromised to the point that it was successfully serving only those who feed off the system and profit from it.

The Workers' Compensation Research Institute, a nonpartisan, not-for-profit research organization, in looking at costs in Tennessee and the eight states contiguous to it, stated in 2004, "Among surrounding states, Tennessee ranked second highest, 19 percent above the median state. Among 20 states with 7-day waiting periods, Tennessee ranked seventh, 17 percent above the median state." Even more indicting is the uniqueness of the Tennessee system. In a global economy where political lines are of little consequence, companies and individuals are increasingly taken aback by the Tennessee court-based workers' compensation system. Unlike any other system, its complexity and unfamiliarity bred distrust; in practice, the distrust became dismay. Specifically, employers and employees had been victimized for years by inconsistencies and blatant unfairness in the areas of Permanent Partial Disability settlements, understanding of what is a compensable injury or illness, inconsistency in the application of the law to repetitive motion injuries and the wide inconsistencies delivered by a court-based system.

The Chamber recognized the crisis situation that existed in workers' compensation and was successful in its coalition efforts to pass a meaningful reform bill during the 2004 legislative session. When fully implemented, the reforms will provide needed relief for employers and employees, and will restore a degree of fairness to both employees and employers.

## TENNESSEE CHAMBER POSITION

The Chamber will resist all efforts in 2005 to undo these reforms in order to allow the system, and Tennessee's employers and employees with it, the time to realize the positive effects of a fully implemented law. Tennessee ultimately must end its reliance on court administration of the system and join the 48 other states using a commission-based system. Specifically for 2005, the Chamber will focus on two areas that need to be addressed:

- Clear definitions of injuries and illnesses which are compensable under the workers' compensation system, eliminating non-work-related claims.
- Strengthening Tennessee's fraud statutes; or, new rules calling attention to the problem of systemic fraud and encouraging the investigation of acts of fraud leading to the prosecution of anyone who is intentionally attempting to defraud the system.

## The Case for Tort Reform *A Statement of Support*

### OBJECTIVE

To advocate for a fair, efficient and uniform civil justice system; to support efforts aimed at enacting legislation to limit non-economic damages for medical malpractice and frivolous lawsuits. In its 2005 Issues Survey, Chamber members ranked the need for tort reform as the Chamber's third-highest priority for 2005.

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## BACKGROUND

The U.S. tort system has come under heavy fire in recent years for being too costly and inefficient. Studies indicate that as a result of greater awards in tort cases, individuals must pay higher insurance costs which lead to more expensive goods and services. Today's climate of excessive and frivolous lawsuits discourages risk-taking and hampers the development and introduction of new products, services and technologies. According to the 1995 Tillinghaust-Towers Perrin study, *Tort Costs Trends: An International Perspective*:

- The cost of the U.S. tort system for 1994 was \$152 billion. Over the past ten years, it has increased 125 percent.
- Between 1930 and 1994, tort costs grew almost four times faster than the rate of growth of the U.S. economy.
- The U.S. tort system is the most expensive in the industrialized world. U.S. tort costs are 2.2 percent of the GDP, substantially higher than that of other developed countries studied and two and a half times the average of those studied.
- The tort system returns less than 50 cents on the dollar and less than 25 cents for actual economic loss to claimants.

The National Bureau of Economic Research, Inc. reports that, "A recent study revealed that when states pass tort reform, productivity and employment increase. These increases range from 7 or 8% for productivity to 11 and 12% for employment. If a state enacted more than one reform, increases ranged from 10 to 20% for productivity and employment. When states pass laws that increase liability such as comparative negligence or prejudgment interest, there is a significant decrease in productivity and employment."

States have begun to enact reform measures. In 2002, Mississippi—long a state known for lucrative class action and mass tort settlements—passed legislation that included venue reform, limits on non-economic damage awards to \$500,000 for the medical industry and \$1 million for general businesses. It also capped punitive damages on a sliding scale based on the net worth of the defendant.

## SITUATION

Tennessee is ripe for tort reform. The national trends of excessive awards, high malpractice insurance costs, "defensive" medicine, and business raising prices to pay to compensate for increased insurance premiums all are present today in Tennessee. By enacting serious tort reform measures, Tennessee will provide a fair, efficient and uniform civil justice system—lowering the cost of business and insurance while making the state more attractive to economic development and medical professionals.

## TENNESSEE CHAMBER POSITION

The Tennessee Chamber will support efforts in 2005 to enact meaningful tort reform measures, such as medical malpractice liability and limits on damages.

## Supporting a Positive Tax Climate *A Statement of Support*

### OBJECTIVE

To identify and address tax policy changes that will facilitate the maintenance of a balanced, fair and stable tax system.

### BACKGROUND

Tennessee's state budget, unavoidably, rises and falls with economic times. While government policy can not control the economy, it can certainly impact the ability to weather economic cycles. One of the key components of Tennessee's pro-business climate has been the recognition that all citizens—corporate and individual—should bear the responsibility of paying the costs of government and its services. That burden, however, must be fair and equitable, recognizing that business and industry are job creators that fuel the economy and its growth. To unfairly burden the businesses and industries of the state with a non-competitive tax structure is to stifle future growth and the creation of wealth for citizens.

In the same way that government needs stability and predictability in its revenue, citizens—both individual and corporate—need stability and predictability in their governmental services and tax liabilities.



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## SITUATION

Tennessee weathered—in 2000, 2001 and 2002—a prolonged battle over the adoption of an individual state income tax. The battle for the tax, which failed, fueled, however, an active populace that is prepared to fight tax changes and increases and harbors a basic distrust of government policies.

As a result, Tennessee's government has struggled to weather the economic downturn with revenues from existing sources and management of expenses. An unstable, overly burdensome and unfair tax system, however, can harm the financial well-being of the business community, returning fewer dollars to the pockets of Tennesseans and making the state less competitive and jobs less available. As in most public policy matters, sound tax policy is a balancing act. As governments continue to search for revenues, businesses and industries are increasingly at risk for new taxes or fees or tax shifts from individual taxpayers.

## TENNESSEE CHAMBER POSITION

The Tennessee Chamber must be a catalyst and a leader in supporting a balanced, stable and predictable tax system that ensures government service, accountability and economic growth. With such a system, the opportunity for increased trust and credibility between citizens and their governments should exist. The Tennessee Chamber supports these the following goals:

### Accountability

- Require understandable, ongoing reporting from the State of Tennessee, using common methods that allow fair and understandable comparisons to other states.
- Cap spending growth in state funds at the growth in the state's economy and not allow simple legislative override, but instead require reserving or rebating funds above that rate.
- Require cost/benefit analysis of all spending, recognizing some expenditures are mandated.
- Use funds for their intended purpose, and enforce policies protecting those funds.
- Require stability and consistency in tax policy, prohibiting retroactive taxation.

### Adequacy

- To ensure competitiveness, and benchmark all state performance, not just spending, at or above the southeastern states' average.
- Fund reasonable reserves for current, future and unforeseen financial needs, specifically the statutorily required 5 percent of the state's General Fund.

### Balance

- Ensure that the tax burden on Tennessee's business community is competitive in both the national and southeastern comparisons.
- Ensure that all business taxpayers are treated equally and fairly, regardless of sector, size or location.
- Recognize that a tax burden on the state's job creators includes state and local taxes and review all state policy in light of the tax burden it could create by a local political subdivision or district.
- Ensure that the tax system is balanced regardless of economic cycles by encompassing a proper mix and array of tax types that are applicable to all taxpayers, corporate and individual, to create predictability and stability.

### Promotion of Growth and Economic Security

- Ensure that the Tennessee tax climate, including incentives, proactively encourages job creation and capital investment by new and existing industries.
- Retain the use of a statutory depreciation table for personal property tax.
- Ensure that any changes or modifications in the Streamlined Sales Tax system adopted in 2003 do not deviate from the original intent of the legislation, which was to create conformity, not raise revenues.

### Stability, Predictability and Reliability

- Protect and restore the state's credit rating.
- Ensure the reasonable prediction of revenues and mirror other economic indicators.
- Reflect a measurable relationship to the economy.

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## Maintaining Positive Employee Relations *A Statement of Support*

### OBJECTIVE

To preserve and enhance for Tennessee employers and their employees a workplace climate that provides an opportunity for professional and economic growth for employees while ensuring that competitive and productive companies can continue to prosper while offering economic stability and creating jobs.

### BACKGROUND

The most valuable asset any employer has, regardless of size, is its employees. Employees are the key to productivity, quality, safety and profitability – core components of a company’s ability to create jobs and job stability.

### SITUATION

The number of state, federal and even local laws governing the workplace continues to increase at an exponential rate. New court decisions, regulations and statutes all impact the way an employer manages his or her workplace. Many are good laws that are instrumental in creating a healthy, safe and fair workplace. Others, however, place a cost and regulatory burden on a company that is not counterbalanced by benefit to those they intend to help.

While most laws governing the workplace are federal, the state does maintain a body of employment law to meet the needs of Tennessee employers and employees. In some instances, local governments have also attempted to venture into the world of employment law. Increasingly, however, state laws are being proposed that exceed or differ from federal laws, doubling the compliance burden and, in many cases, creating a confusing situation for employees and employers. Because so many businesses have multi-state operations, it is critical to the state’s economic growth to have a minimum number of employment law differences from the states with which Tennessee competes. Adding to the state body of employment law creates administrative burdens as well as increased costs for Tennessee employers.

### TENNESSEE CHAMBER POSITION

The Tennessee Chamber believes that governments should respect the relationship between employer and employee, refusing to enact laws and regulations that will interfere with management of the workplace or create adversarial relationships. Additionally, laws and regulations should be clearly worded to avoid re-interpretation by regulators or the judicial branch which could circumvent the actual intent of the legislature. To that end, the Tennessee Chamber will work to:

- Preserve the right-to-work law, recognizing that Tennessee employees have the right to work free from harassment or intimidation and that each has the right and ability to decide freely whether he or she wants to join or not join a labor union, knowing that the decision has no impact on the right to be employed.
- Ensure that Tennessee does not adopt a policy of enforceable public sector union contracts.
- Preserve employees' rights to select union representation by secret ballot election.
- Preserve the employment-at-will doctrine, recognizing that it provides economic flexibility for both employees and employers.
- Maintain the integrity of the state’s unemployment compensation system, opposing the expansion of payment of benefits for any purpose other than providing supplements to employees who qualify because they have lost employment through no fault of their own, recognizing that it was designed specifically to provide resources for those individuals seeking a new job.
- An adequate trust fund balance must be maintained to ensure adequate funds to provide benefits and to provide stability in employers’ unemployment taxes.
- Ensure that the “SUTA Dumping” bill the General Assembly is required to pass by federal law does not adversely affect legitimate mergers, acquisitions, and divestitures or make unintended changes in basic unemployment tax law.
- Support the continuation of the state plan for Occupational Safety and Health Administration, recognizing that Tennessee can more effectively administer the program directly for the benefit of all Tennesseans.
- Support efforts to enact regulatory relief and flexibility legislation that would require state agencies to consider the impact of proposed regulations on business (such as the model legislation proposed by the Office of Advocacy of the U.S. Small Business Administration).



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## Environmental Stewardship *A Statement of Support*

### OBJECTIVE

Environmental stewardship and economic growth must be viewed as complementary, providing the basic elements for a desirable quality of life for Tennessee citizens. Tennesseans must work diligently for a balance between conservation of the environment and maintaining a climate that allows companies—large and small—to be competitive, successful and to create jobs.

### BACKGROUND

Environmental regulation—fueled by three decades of environmental activism—creates a major expense to American business and industry. As a result, environmental considerations have an increasingly greater impact on business decisions. In an increasingly global marketplace where the elasticity between price and cost is diminishing, regulatory costs become a factor in the profit and success of a company. Too often, the costs of American regulations place American companies at a global disadvantage, forcing companies to delay expansions in the United States or to choose to move overseas.

### SITUATION

The business and industry community remains the target of many environmental activists—often with the goal of putting companies out of business through increased regulation. Environmental purity—even at the expense of jobs for our state’s citizens—is often the mission. Government mandates that are often arbitrarily imposed and cost prohibitive do not always result in the protections they intend. Instead, they render companies non-competitive and cause a loss in jobs. Environmental policy must be driven by sound science, not emotion, and the fact that most businesses strive constantly to balance and provide environmental leadership and economic success must be recognized. Tennessee’s future depends on it.

The Tennessee Department of Environment and Conservation, as the state’s environmental agency, should enforce regulations and actively encourage compliance as a means of promoting and conserving the environment. Conservation of the environment is in the interest of all Tennessee citizens, both corporate and individual, who desire a favorable quality of life. To that end, the Tennessee Chamber must maintain a commitment to reasonable actions that restore and conserve the environment.

The government of Tennessee must ensure that people in all communities are protected from unacceptable risks to human health, that laws and regulations are enforced fairly and uniformly, that timely and meaningful communications are delivered to citizens when decisions affect their local environment and that policies support and encourage economic development in an environmentally responsible manner.

### TENNESSEE CHAMBER POSITION

The Chamber must be a catalyst and a leader in conserving our state’s environment and in promoting its economic growth. The Chamber must work to ensure that:

- Businesses and industries are credited with their leadership roles in environmental stewardship and that they are able to identify and/or correct problems without being unjustly penalized.
- Environmental legislation and regulation does not unnecessarily increase administrative burdens, result in unnecessary regulations or become cost prohibitive.
- State environmental regulations are not unjustifiably more stringent than federal regulations.
- Regulations and legislation are based on current sound science and technology, not emotion.
- The cost and responsibility of ensuring the quality of the environment is borne fairly by the regulated industries and the citizenry.
- The environmental fees and increases must go strictly for the purposes for which they were implemented.
- Environmental regulation encourages and supports a growing economy.
- The primary role of environmental regulators is proactive conservation of the environment through compliance, not prosecution.
- Environmentally responsible businesses are not held accountable—through increased regulations or costs—for the actions of environmentally irresponsible companies.
- Scientific facts used to develop regulations or new laws must be available to all parties.
- Extreme positions must not be allowed to compromise facts or result in policies that hamper job creation and growth.
- Regulatory agencies are willing and able to work cooperatively with regulated businesses and industries that are expanding to provide for timely and cost-effective evaluation and cleanup of contaminated media.

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## Preparing Tomorrow's Workforce *A Statement of Support*

### OBJECTIVE

To ensure that students and adults receive the education needed to offer them an opportunity to be successful in life and in the workplace, thereby providing employers with a productive workforce, providing a better quality of life for Tennesseans and a stronger economic future for our state.

### BACKGROUND

The business community has found that many students coming out of Tennessee schools are not ready to meet the rigorous demands of today's workplaces. An unprepared workforce impacts the ability of the State of Tennessee to attract new businesses and to encourage existing ones to expand while hampering the economic growth of current employers. It impacts the ability of Tennesseans to find good jobs that support a good quality of life.

### SITUATION

While Tennessee schools have shown improvement, challenges remain. Specifically, the mismatch between preparation and workforce needs continues, the skill level of many graduates does not meet workforce standards, candidates continue to lack "soft skills," such as integrity and being a team player, and the drop-out rate is steadily increasing. Students lacking a successful start in early grades fall further behind as they enter middle and high school. High school students are not encouraged to take a curriculum that is challenging and relevant to the modern-day workplace. Adults in the workplace find the continual training needs a challenge when they lack the basic skills needed to grasp the information. The needs of employers are not being met and the dreams of students die in the reality of workplace demands.

Higher education in Tennessee, like many other states, has realized a reduced financial commitment from government in recent years. As a result, Tennessee which lagged other states initially, now is in the bottom tier in the nation in its commitment to higher education. Tennesseans must realize that higher education is an economic engine for the state, provides the education and research to support a viable economy and provides the educational resources that allow Tennesseans to succeed in many of our jobs today.

### TENNESSEE CHAMBER POSITION

The Chamber, recognizing the need for a prepared workforce that can support economic growth and job creation, supports a cohesive effort that includes long-term investments in a future workforce by ensuring children are prepared to learn, by encouraging high school students to challenge themselves with the Tennessee Scholars curriculum and by providing resources for workforce training and re-training. To accomplish this, our state's education system must remain flexible while requiring achievement and being accountable to the taxpaying citizens of the state. The Chamber endorses the following:

- Recognizing the changing nature and technology of the workplace, ensure increased availability of training opportunities for today's workforce, recognizing that 21st Century jobs require constant upgrading of skills.
- Increased school to work programs to allow students to obtain skills necessary to earn jobs with Tennessee's employers.
- Increased partnership between the state and businesses to create educational programs to ensure manufacturing jobs remain within Tennessee.
- Continued recognition of Tennessee Scholars, noting that its demanding and relevant curriculum prepares students for post high school education and the workplace.
- A continuing commitment to constant and meaningful improvement in student achievement at all levels.
- Programs to ensure that students acquire basic skills, particularly at early grades and that those skills are maintained throughout all grades.
- Support of the expansion of the state's model pre-kindergarten program on a voluntary basis that does not mandate a new funding requirement on local governments or taxpayers.
- Increased availability and flexibility of charter schools.
- A sound system of accountability ensuring that monies invested in education are resulting in expected returns while encouraging successful educators to remain in the system.
- A commitment to increasing the value of higher education to our citizens and our companies by creating a greater awareness of its value and by ensuring a funding commitment that allows our higher education institutions to succeed in both student education and research.





# TDEC Aims for Greater Efficiency

**Deputy Commissioner Karen Stachowski**  
**Tennessee Department of Environment and Conservation**

The Tennessee Department of Environment and Conservation recently announced organization changes in its Bureau of Environment (BOE). Following a process that utilized an internal committee, external consultants and a best management practices comparison, Environment and Conservation made changes to improve coordination and reduce duplication. BOE's new structure integrates Environment and Conservation's important proactive outreach activities with its core regulatory responsibilities—building upon last year's success with the on-line permitting flowcharts posted to the department's website. Highlights of BOE's new structure include:

- ❑ Organizing environmental work programs around three major resource groups—Land, Air and Water—streamlines communications and decision-making plus reduces “turf” battles that often impede progress.
- ❑ Integrating the program work from the division of Community Assistance (DCA) into other divisions that have related regulated responsibilities—Solid and Hazardous Waste Management, Water Pollution Control, Water Supply and Fiscal Services—improves coordination of proactive outreach and regulatory activities.
- ❑ Amplifying the work of the Small Business Environmental Assistance Program and the Tennessee Pollution Prevention Roundtable (TP3) in a new Business Assistance and Compliance division emphasizes outreach to employers.
- ❑ Combining the division of Superfund and the State Remediation program, formerly in the division of Solid Waste Management, into one consolidated division of Remediation creates greater operational efficiencies and coordination.
- ❑ Transferring the Oil and Gas regulatory program from the division of Geology to the division of Water Pollution Control's mining section achieves greater program effectiveness.

The department will continue to utilize external benchmarking and formal workload analysis to ensure improved alignment of its program resources and its responsibilities. There should be no reduction in service delivery due to these changes. Instead, Environment and Conservation's new BOE structure will improve the department's operational capacity and responsiveness in both the short and long run. BOE stakeholders should experience better customer service and performance as a result of this deliberate, stepwise process.

TDEC appreciates the environmental leadership demonstrated by Tennessee's businesses. Whether it is the recent commitments of Eastman and ALCOA to utilize biodiesel fuels for their company fleets or Brunswick Boat Group's introduction of closed mold manufacturing technologies that significantly reduce Volatile Organic Compound (VOC) emissions, Tennessee companies are modeling the way. Working together, TDEC and Tennessee's businesses continue to improve the quality of life for our state by achieving a cleaner, safer environment and increased economic prosperity.

## Wage and Benefit Survey Data Collection Begins in March

Two years ago, the Tennessee Chamber launched a new wage and benefit survey format. The Chamber works with Compdata Surveys which produces surveys with sponsoring organizations like the Chamber in about 25 states. This year's survey will include more than 400 job titles at all levels—hourly, administrative, technical/professional and management. It is one of the most comprehensive products on the market and an excellent resource for Chamber members. This survey includes data for Tennessee and Kentucky and is broken down by state, region and metropolitan areas where sufficient data is available to be meaningful and protect participants' confidentiality.

The survey also includes sections on pay practices and comprehensive coverage of employee benefits. Chamber members are eligible to participate and receive the book at a reduced rate of \$299. The data collection period is March through May and results will be available by August. If you have not received information about this survey, you can contact Compdata Surveys at 1-800-300-9570 or visit [www.compdatasurvey.com](http://www.compdatasurvey.com).



## Economic Development

### ***Incentives Case Appealed to U.S. Supreme Court***

**Mike Stewart, Esq., Waller Lansden Dortch & Davis**

On January 18, the U.S. 6th Circuit Court of Appeals denied, without explanation, the request by DaimlerChrysler Corporation and various public entities for *en banc* review in *Cuno v. Daimler Chrysler*. The case resulted in the Court striking down Ohio's tax credit for investment in industrial equipment as violating the Commerce Clause of the U.S. Constitution. The case was initiated by taxpayers and businesses contesting a \$280 million credit for DaimlerChrysler's jeep plant in Toledo.

The Tennessee Chamber, working with the chambers of commerce of Kentucky, Ohio and Michigan, had joined numerous other business organizations, including the National Association of Manufacturers, in supporting Daimler with a "friend of the court" brief. Daimler has announced its intention to file a petition for a hearing before the Supreme Court.

The good news for business is that, should the petition be granted, Daimler might find itself in a more hospitable legal environment. The Supreme Court has been increasingly hostile to Commerce Clause claims of the sort upheld by the 6th Circuit. If Daimler can make its case before the Supreme Court, it might find a receptive audience for its core argument that states have the power to make themselves attractive for investment by high wage industries.

While the Court of Appeals stopped short of declaring all tax incentives unconstitutional, its decision in *Cuno*, whether deemed valid, will cast doubt on the constitutionality of numerous credits for jobs or investments which in many instances have figured heavily in corporate re-location and expansion decisions. Businesses relying on these incentives could find them challenged, as in *Cuno*, by competitors, or by state departments of revenue unwilling to provide credits under statutes they deem unconstitutional. Either way, Tennessee businesses will have to think twice about relying on many long-standing incentive programs if the *Cuno* decision is not successfully challenged.

### ***Chamber Member Appointed to Federal Advisory Committee***

Congratulations to Rick Bolton of AMEC Earth & Environmental, Inc., in Nashville who was invited January 5 to serve a two-year term as a member of the U.S. Environmental Protection Agency's Clear Air Act Advisory Committee. The committee, established in 1990 and chartered through November of 2006, advises the EPA on its policies concerning the application of the Clear Air Act. Mr. Bolton will represent the business community's perspective on the committee comprised of representatives from local and state governments, unions, academic institutions, trade associations and utilities among others. The immediate past chair of the Chamber's Environment Committee and one of the Chamber's representatives on the state Air Pollution Control Board, Mr. Bolton is a senior project manger at AMEC. ***Well Done Rick!***



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