

To the Members of the California State Assembly:

I am returning Assembly Bill 1829 without my signature.

California is a partner in the global marketplace. California businesses and its citizens are entrepreneurial, innovative and on the leading edge of new ideas and technologies. The rest of the world has received untold benefits exported from our state; yet at the same time our state and its citizens have also benefited from our neighbors around the world.

As California begins to emerge from the dark days of our fiscal crisis, our focus should not be on erecting artificial barriers that will thwart the spirit of our citizens and the businesses that help our economy grow, but rather on ideas and policies that will fuel the thriving spirit of businesses who look to be on the forefront of the challenges of tomorrow.

This bill prohibits state agencies from using funds from the state to contract for services with a contractor unless they can certify that the work will be performed in the United States.

Noticeably excluded from the provisions of this bill are the investment activities of the State of California. The state will continue to be able to invest its treasury bonds and state retirement funds without the need to comply with this bill, but these provisions apply to all other state and local contracts.

While this bill purports to be about saving jobs, it would actually be detrimental to our economy and the creation of new jobs in this state. It is also contrary to my administration's efforts to create a more efficient and effective purchasing system and to increase small business contracting participation. This bill adds additional restrictions on state contractors, thereby resulting in less competition at the state and local levels and ultimately result in higher prices paid by governmental entities for goods and services.

A recent report by the Public Policy Institute of California (PPIC) states that California has gained 713,000 jobs from direct foreign investment in California and additionally found that placing the type of restrictions, as set forth in this bill, on businesses will have a negative impact on our economy. The report further states that restricting state contracting will not necessarily help workers in California, but could instead result in contracts being awarded to out-of-state bidders.

There is a right way and a wrong way to expand economic opportunity in California. The wrong approach is to implement measures that restrict trade, invite retaliation or violate the United States Constitution and our foreign trade agreements. The United States Constitution clearly defines that the authority to regulate trade with foreign nations rests with the federal government. Article 1, Section 8 grants Congress the exclusive authority "to regulate Commerce with foreign nations."

In today's global economy, the best approach to create and enhance job growth in California is to provide a competitive business environment. In order to improve their competitiveness in a global market, California businesses cannot be penalized with punitive policies restricting their

ability to make decisions on how to best perform and provide goods or services for state government and our consumers. These restrictions will drive businesses out of California.

California must continue to be an active participant in the worldwide economy in order to create new opportunities and better jobs for our citizens. This bill is contrary to those goals. Therefore, I cannot support this measure.

Sincerely,

Arnold Schwarzenegger