



An assessment of excessive tort costs in the Sacramento—Roseville—Arden-Arcade MSA and California and potential economic benefits of reform

A flawed civil justice system which generates exorbitant levels of damages or numbers of awards and which is unpredictable in its outcomes may result in negative impacts through the misallocation of society's scarce economic and human resources. Tort reform can lead to substantial economic benefits, and states which have implemented reforms have seen improved judicial efficiency and measurable advancement in economic performance.

All major industry groups are negatively affected, with the retail trade, business services, health services, and other services industries typically experiencing the greatest losses.

The Perryman Group estimates that excessive tort litigation in the **State of California** results in:

- \$11.6 billion** in direct costs annually
- \$18.5 billion** in gross product annually
- \$961.0 million** in State revenues annually
- \$804.7 million** in local government revenues annually
- 197,776 jobs**

Excessive tort litigation in the **Sacramento—Roseville—Arden-Arcade MSA** results in:

-\$600.9 million
in direct costs annually

-\$682.0 million
in gross product annually

-\$497.9 million
in personal income annually

-10,245 jobs

Excess costs result in a **“tort tax”** of
-\$289.59
per person

Notes:

The economic effects of excessive tort costs take into consideration dynamic multiplier effects. The “tort tax” is defined as the per capita loss of gross product in the area. The Perryman Group compared California's tort costs to those in the benchmark state used in this study (Ohio), which has enacted notable reforms and exhibits an average level of tort costs, to quantify the amount of excess costs as of 2018. Costs were allocated to the **Sacramento—Roseville—Arden-Arcade** Metropolitan Statistical Area (El Dorado, Placer, Sacramento, and Yolo counties) based on relative legal costs in the area and economic and demographic patterns. Tort reform can reduce or eliminate these costs. Thus, these results may also be viewed as a measure of the benefits of reasonable reform measures.



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The Perryman Group is a focused team of analysts who know how to address any economic information task and present findings effectively. Our in-house professionals bring expertise in economics, finance, statistics, mathematics, real estate, valuation, systems analysis, engineering, technical communications, and marketing. Dr. Ray Perryman, President and CEO, has 40 years of experience in developing systems, analyzing complex problems, and communicating effectively.

Clients include more than half of the Fortune 100, over two-thirds of the Global Top 25 and the six largest energy companies doing business in the US.