

ALERT

CALIFORNIA CHAMBER OF COMMERCE

VOLUME 31, NUMBER 8 • MARCH 18, 2005



Chamber Board Supports Key Reform Initiatives



The California Chamber of Commerce Board of Directors has voted to **support** six key ballot proposals regarding redistricting, education, public pensions and state budget reform.

The Chamber is supporting the **California Live Within Our Means Act** in an effort to curb out-of-control spending by state officials. This act places caps on government spending to balance future state budgets, while assuring funding for necessary transportation projects.

The Chamber also is supporting both the **Put the Kids First Act** and the **Excellence in Teaching Act**. Each proposal extends from two years to five the number of years a teacher must have

served in order to receive tenure. The Excellence in Teaching Act also creates a system in which teachers are paid based on performance. Educational reforms have long been a top priority for the Chamber to assure that California has the educated workforce needed to support a 21st century economy.

The Chamber also is supporting the pension reforms contained in the **Fair and Fiscally Responsible Public Employee Retirement Act**, which replaces the state's current defined benefit public pension plan with a defined contribution retirement plan, commonly used in the private sector, for new employees effective July 1, 2007 — a major step in balancing future budgets.

The Chamber Board has voted to support these initiatives. *See Key: Page 4*

Chamber Backs Career Tech Education Bills to Better Prepare Students for Workplace



The California Chamber of Commerce is **supporting** a number of bills geared toward ensuring the state's schools better prepare students for today's

workplace.

The support for these bills reflects the Chamber's longstanding position that an educated workforce is a key for California's future economic growth and progress.

The Chamber and business community have pushed for changes in the school system, including higher academic

standards, smaller class sizes, innovative teaching methods and tools, and an improved system of student testing and school accountability.

Concern is growing, however, that workforce preparation is suffering as the state continues to focus solely on preparing students to meet college entrance requirements.

Chamber Supports

The bills supported by the Chamber boost the state's career technical education efforts in a number of ways:

- **AB 1425 (Daucher; R-Brea)** cre-
- See Career: Page 4*

Chamber-Sponsored Legislation Seeks to Curb Lawsuit Abuse



Senator Poochigian

The California Chamber of Commerce is **sponsoring** two reform bills to stop frivolous shakedown lawsuits filed under the Americans with Disabilities Act (ADA).

SB 855 (Poochigian; R-Fresno) helps stop predatory shakedown ADA lawsuits by requiring a specific notice of intent to sue and brief period of time where a business can repair an ADA access problem.

AB 20 (Leslie; R-Tahoe City/ La Malfa; R-Richvale) helps stop predatory ADA litigation by establishing

See Chamber-Sponsored: Page 4



Assemblyman Leslie



Assemblyman La Malfa

Inside

Special Report: Economic Advisory Council: Pages 5-7

Labor Law Corner

Employer May Be Responsible for Reimbursement of Employee Expenses



Susan Kemp
Senior Labor Law
Counsel

I recently read an article which implied that reimbursement of employee expenses is determined by an employer's policy. Is this true in California?

California Labor Code Section 2802 requires employers to indemnify employees for all expenses that the

employee incurs in discharge of his/her duties.

If an employer expects an employee to be available for phone calls, even when traveling, then the employer would essentially be requiring that the employee have a cell phone or pager. The employer would be responsible for providing the employee with a cell phone or pager, or for reimbursing the employee for such an expense.

Necessary Tools

The employer would be responsible for other items, such as BlackBerries, laptops, Internet access and other tools the employee needs to perform his/her job. The employer may choose to provide such tools, or reimburse employees.

You as the employer should establish a policy about supplying such tools, or a reimbursement policy, procedures and documentation required for reimbursement.

Mileage Reimbursement

Employees who travel on business and use their own personal vehicle are entitled to reimbursement for mileage. A non-exempt employee usually is entitled to compensation for the time he/she is traveling as part of the workday.

The Division of Labor Standards Enforcement (DLSE) has previously stated in opinion letters that mileage reimbursement at a reasonable rate covers all costs associated with use of a personal vehicle for business reasons. A reasonable mileage reimbursement rate would cover gas, maintenance, insurance and damages

resulting from accident or theft.

If the employer does not reimburse at a reasonable rate for mileage, the employer might be liable for damages or loss resulting from an accident or theft.

DLSE also has previously stated that the Internal Revenue Service (IRS) mileage rate is a reasonable reimbursement rate. The current IRS mileage rate for use of a personal car is 40.5 cents per mile.

Insurance Requirement

Employers may want to require that employees who drive their own personal vehicle for business provide proof of minimal insurance coverage. You cannot require that your employees maintain insurance coverage at a higher level than that required by state law.

Additionally, you could add a rider to your liability policy that would provide additional coverage should your employee have an accident while using his/her own vehicle for company business.

The Labor Law Helpline is a service to California Chamber preferred and executive members. For expert explanations of labor laws and Cal/OSHA regulations, not legal counsel for specific situations, call (800) 348-2262 or e-mail: helpline@calchamber.com.

Seminars

For more information on the seminars listed below, visit www.calchamber.com/events.

International

World Trade Week Breakfast. Los Angeles Area Chamber of Commerce. May 4, Los Angeles. (213) 580-7538.

Workplace Safety

Cal/OSHA Management and Compliance Strategies. Dufour Seminars. March 30, Concord; April 6, Burbank. (866) 312-8885.

California Chamber Officers

Eugene J. Voiland
Chair

Richard C. Hartnack
First Vice Chair

Donna F. Tuttle
Second Vice Chair

Russell Gould
Third Vice Chair

John W. Koeberer
Immediate Past Chair

Allan Zaremborg
President

Alert (ISSN 0882-0929) is published weekly during legislative session with exceptions by California Chamber of Commerce, 1215 K Street, Suite 1400, Sacramento, CA 95814-3918. Subscription price is \$199 paid through membership dues. Periodicals Postage Paid at Sacramento, CA.

POSTMASTER: Send address changes to Alert, 1215 K Street, Suite 1400, Sacramento, CA 95814-3918. Publisher: Allan Zaremborg. Executive Editor: Ann Amioka. Associate: Danielle Kando-Kaiser. Art Director: Andrew Larsen. Graphics Assistant: Jason Untalan. Capitol Correspondent: Kearsten Shepherd.

Permission granted to reprint articles if credit is given to the California Chamber of Commerce Alert, and reprint is mailed to Alert at address above.

E-mail: alert@calchamber.com.

Home page: www.calchamber.com.

Chamber Calendar

International Luncheon Forum:

April 14, Sacramento

Luncheon Forum:

April 21, Sacramento

Volunteer Leaders Conference:

May 24, Sacramento

Board of Directors:

May 24, Sacramento

California Business Legislative Summit:

May 25, Sacramento



Next Alert:
April 1

Chamber Board Hears Finance Director Overview of Budget



Tom Campbell, California director of finance, presents an overview of Governor Arnold Schwarzenegger's budget proposal and government reform plans at the recent gathering of the California Chamber of Commerce Board of Directors.

Assembly Speaker Invites Chamber Board Comments on State Issues



Assembly Speaker Fabian Núñez (right) takes questions from members of the California Chamber of Commerce Board of Directors, chaired by Eugene J. Voiland (left) of Aera Energy LLC. In his talk at the Chamber Board's meeting in Los Angeles on March 11, Núñez urged business to get involved in statewide hearings legislators are planning on priority issues.

Higher Education Leaders Present Policy Perspectives to Chamber Board



(From left) At the March 11 meeting of the California Chamber Board of Directors, James M. Rosser, Ph.D., president of California State University, Los Angeles, serves as moderator of a special presentation on higher education in California by Marshall Drummond, Ph.D., chancellor of the California Community Colleges; Robert Dynes, Ph.D., president of the University of California; and Charles Reed, Ph.D., chancellor of the California State University. Rosser, Drummond and Dynes are members of the Chamber Board.

Chamber-Sponsored Legislation Seeks to Curb Lawsuit Abuse



From Page 1
much-needed definitions of what constitutes an ADA access barrier and to whom it constitutes a barrier, among other

provisions.

Both bills work to stop ADA shakedown lawsuits while still providing protection for those the law was designed to protect. The Chamber is urging all employers to **support** SB 855 and AB 20.

Background

Thousands of California businesses, primarily small businesses, have been hit with a steady stream of lawsuits for allegedly violating the access

requirements of the ADA.

Under the federal ADA, a business that is open to the public must have designated parking and no steps or curbs blocking an entrance. Bathrooms and aisles must be able to accommodate patrons with wheelchairs and counters cannot be too high. The ADA allows a disabled person who has been denied access to a public building because of access violations to file a lawsuit.

Unfortunately, businesses throughout the state have been targeted by what have been called “frequent filers,” who file look-alike lawsuits where a single plaintiff and his/her lawyers file lawsuits alleging the same violation against numerous small businesses in a particular area. As a result, a growing number of small businesses have closed their doors for good, unable to pay tens of thousands of dollars in legal defense

costs — leaving workers unemployed and lowering local tax revenue.

Employers support the ADA and its objectives. The problem, from the small business owner’s perspective, is how the law is being enforced and the way lawyers seem to end up being the ones who benefit financially from the predatory lawsuits.

Supporting Reforms

The Chamber supports finding ways to help businesses avoid ADA shakedown lawsuits by creating a process where businesses have the opportunity to make a good faith effort to correct an alleged ADA violation before being subject to a lawsuit.

For more information on AB 20 or SB 855, visit the Government Relations section at www.calchamber.com.

Staff Contact: Julianne Broyles

Key Reform Initiatives Get Support from Chamber Board

From Page 1

port the **Redistricting Reform: Voter Empowerment Act**, reaffirming its December 2004 vote to support redistricting reforms to remove the inherent conflict of interest when legislators draw their own district boundaries. The Redistricting Reform: Voter Empowerment Act implements a realignment of legislative districts. The Board supports implementation of redistricting as soon as possible unless the Governor can work out a broader proposal.

The Chamber also is supporting the **Two-Thirds Vote Preservation Act of 2005**, in keeping with policy adopted by the Board in 1999. This act will prohibit the California Legislature from imposing a state or local tax without a two-thirds vote.

Information on these and other proposed initiatives is available on the Attorney General’s website at www.caag.state.ca.us.

Staff Contacts: Jeanne Cain (Redistricting Reform); **Dominic DiMare** (California Live Within Our Means Act); **Erika Frank** (Public Employee Retirement Act/Two-Thirds Vote Preservation Act); **Charles Bacchi** (Put the Kids First Act/Excellence in Teaching Act)

Career Technical Education Bills Strive to Better Prepare Students for Workplace

From Page 1

ates flexibility for community colleges to hire vocational and career technical teachers without violating their statutory requirement to have 75 percent of faculty be hired full-time.

● **AB 1608 (Liu; D-La Cañada Flintridge)** requires the governing boards of schools teaching the seventh and eighth grade to provide education on available career technical education fields.

● **AB 1609 (Liu; D-La Cañada Flintridge)** requires school district accountability report cards to include data on the programs the district offers on vocational education and career technical education.

● **SB 665 (Migden; D-San Francisco)** improves job development counseling to high school students.

● **SB 794 (Scott; D-Pasadena)** assigns community colleges to work with

other education segments to improve the transition of career technical education students.

● **SB 845 (Scott; D-Pasadena)** expands the pool of eligible teachers for career technical education programs.

● **SCA 10 (Runner; R-Lancaster)** amends the California Constitution to emphasize the importance of career technical education in the public schools.

Bill Updates

SB 665 has been set for hearing in the Senate Labor and Industrial Relations Committee. The other bills will be reviewed by education policy committees of either the Assembly or Senate.

For updates on these bills, visit the Government Relations section at www.calchamber.com.

Staff Contact: Charles Bacchi

California Business Legislative Summit

MAY 24-25 — SACRAMENTO CONVENTION CENTER



Economic Outlook for 2005 Shows Signs of Steady Growth, Continued Recovery

National Economy

On balance, the fourth quarter economic data from last year showed few surprises. It was characterized somewhat by a general lack of excitement, which satisfied none of the fiery political sentiments expressed on the economy during the political season of 2004.

The U.S. economy did not boom, but was not sluggish either. The initial gross domestic product (GDP) growth estimate for the 2004 fourth quarter was 3.2 percent, but will be revised to 3.5 percent or higher at the end of the day.

Revisions of national non-farm job numbers did not confirm unusually dismal labor markets, nor did they show overwhelming strength. This year's annual benchmark added 203,000 to the level of non-farm jobs for March 2004, resulting in stronger growth between mid-2003 and mid-2004. The producer goods and investment sectors stayed on their recovery path, while consumers continued to groom their spending habits.

The international trade deficit narrowed a bit in December, but this probably did not change much a slight worsening in the GDP net export numbers during the fourth quarter of last year. To top it all off, productivity growth slowed in the fourth quarter, but not enough to reflect a slowdown in the underlying trend of productivity growth, which is about 3.25 percent.

Meanwhile, inflationary expectations remained in check, although some inflationary pressures were building in the "processed" intermediate portion of the Producer Price Index, suggesting a possible pick up in core consumer price index

(CPI) inflation to 3 percent by the end of this year. This may not be a foregone conclusion, however, as other indicators are suggesting that inflationary pressures from the production side may be subsiding.

In short, the U.S. economy became boring. Some would say that it probably

for momentum to pick up, led by the U.S. economy and a slight improvement in the European economy, Japan and, hopefully, more relaxed oil prices. The Chinese economy continued to be strong.

California

Official California non-farm payrolls lost 25,000 in December from the month before. This was a disappointing headline number, but is probably not indicative of general economic weakness.

For one, retail trade and motion pictures were largely responsible for the drop. Seasonality is probably changing for the retail sector, and the motion picture industry is very volatile.

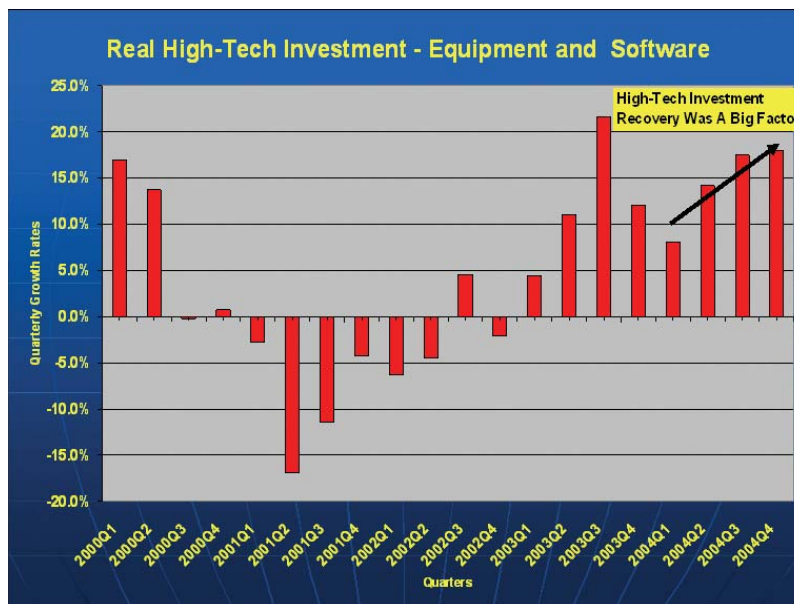
Furthermore, a recent release of jobs data by the Bureau of Labor Statistics (BLS) in connection with its *ES 202* program points to possibly massive job revisions in the *Current Employment Statistics* for the Southwest of the United States.

For example, between June 2003 and June 2004, Orange County gained 56,000 jobs instead of a meager official 7,000; the Inland Empire payrolls jumped by 67,000 instead of a mediocre 21,000; and Los Angeles County added 19,000 jobs instead of an official 12,000.

The BLS numbers are showing a slightly worse job picture for the San Francisco Bay Area than the official numbers, although net office absorption numbers and sharply improved passenger traffic at the San Francisco International Airport are hinting at an improvement in the overall economic climate there.

Also, home building was strong in California during 2004 and state tax with

See Next Page



condescended itself to settle near something of an equilibrium — a rare and happy, yet unexciting and steady state.

Foreign Sector

The foreign sector was neither a big plus nor a big negative in the fourth quarter of 2004 as the general economic system adjusted to potentially better international competitiveness of U.S. goods and services, thanks to a lower dollar.

The global recovery has been marking time, weighed by higher, more volatile oil prices. Activity has decelerated slightly in the United States and contracted in Japan, while exchange rate appreciation has taken its toll in the European areas.

The conditions are in place, however,



Economic Outlook Shows Signs of Steady Growth, Continued Recovery

From Previous Page

holdings in January 2005 were significantly better than anticipated, rising almost 29 percent on a year-over-year basis.

Banking

Bank lending is providing welcome support to the expanding economy. Despite a rise in short-term interest rates, bank lending continues to improve.

Total U.S. bank loans were up 9.2 percent in January compared to January 2004. Real estate loan portfolios continue to grow “the most and the fastest,” and consumer lending also was up.

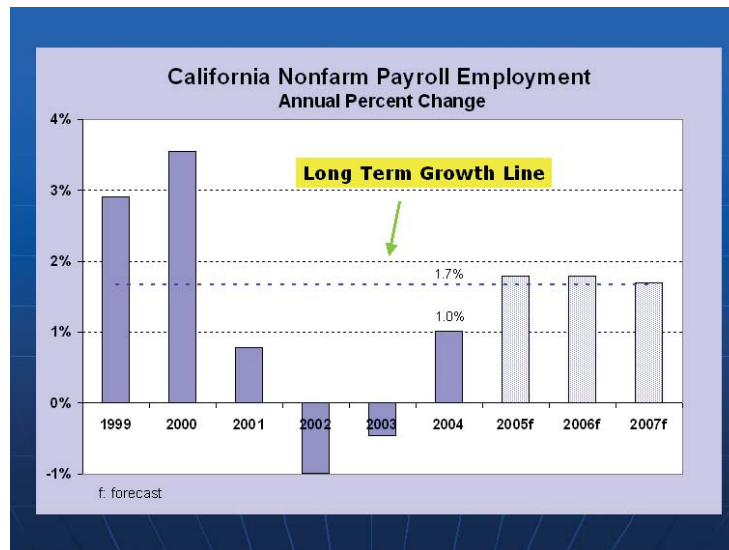
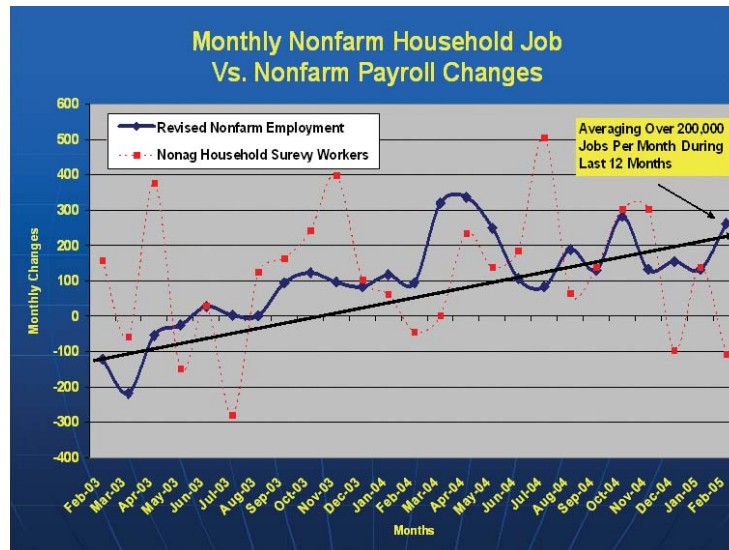
Most interesting is the up-swell in demand for commercial and industrial loans, which were up 4.1 percent year over year in January 2005 — the biggest increase since early 2001.

Furthermore, credit quality does not appear to be an issue yet for most banks as a number of credit officers reported loosening their commercial lending standards.

Real Estate

The California commercial real estate sector was in transition during 2004 with significant improvements in Southern California and some stabilizing trends in Northern California. Overall, the business community appears to be feeling better about the economic outlook as indicated by positive net office and industrial absorption, particularly in Southern California.

The boom was off in residential real estate during the second half of the fourth quarter of 2004 as sales declined and price increases flattened out, thanks to a sharp rise in listings during the summer and fall. This may have made buyers prematurely cocky about happier buying prospects during this spring’s home buying season.



However, early indications are that — despite inclement weather — multiple offers are on the rise again. Another “frenzy” may be just around the corner. Creative financing and continued low mortgage rates (despite Greenspan’s “tightening”) will continue to generate strong housing demand through the spring.

Tourism

The tourism industry is cautiously optimistic. The weaker dollar is helping and there is more interest from European

tourists. The domestic drive markets continue to dominate the industry, with the biggest increases in San Francisco.

Mountain resorts are doing well, thanks to ample snow and good skiing conditions.

Indian gaming may be a bright spot and is keeping some gambling business in California that would have otherwise gone to Reno or Las Vegas.

The upcoming King Tut show in Los Angeles at the County Museum of Art and the 50th birthday of Disneyland will give a boost to the Southern California economy.

Agriculture

Last year was a good one for agriculture with good prices and healthy crop volumes. Exceptions were stone fruit, which suffered from near-drought conditions earlier last year. Dairies are doing well, thanks to good prices and strong demand for cheese. The Atkins diet continues to benefit the business prospects of cattle feeders. Prices for nuts and grapes were good.

Prospects for 2005 look promising, as water conditions have improved. The Imperial Valley, however, has been suffering from South American competition.

Southern California

International trade remains a bright spot for Southern California, as eastbound (to United States) container traffic is likely to be rising by 10 percent to 12 percent in 2005. The biggest concern in this regard is congestion and the fragile rail infrastructure.

Entertainment activity was strong in 2004. The boom seems to be coming back to scripted television productions, thanks to the success of “Desperate Housewives” and “Lost.” Domestic box office has gotten off to a strong start, rising

See Next Page



Economic Outlook Shows Signs of Steady Growth, Continued Recovery

From Previous Page

ing almost 15 percent year to date over the same period last year.

Retail sales have been strong in Southern California, but structural change is on the horizon.

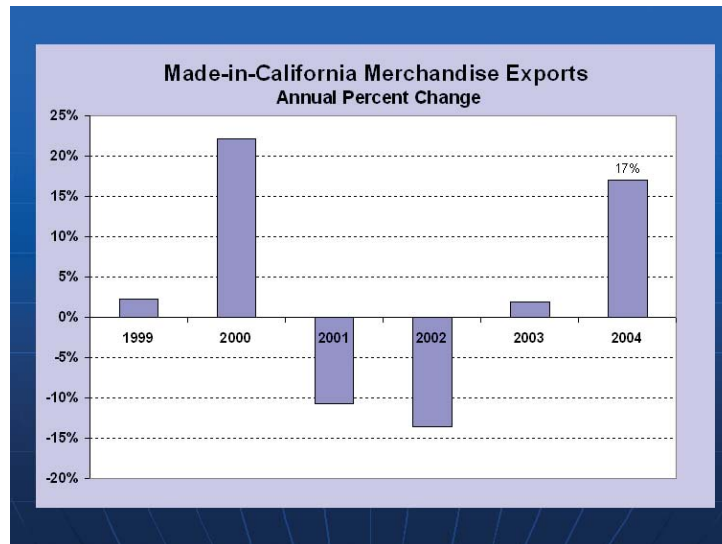
Risks

A risk for Southern California is that the defense budget could be trimmed and that some weapons programs with California content might be cut back.

The base realignment and closure process (BRAC) could also put a damper on California's economic prospects.

The state budget continues to be a problem, and county and city governments are scrambling to impose new taxes and fees on business.

Furthermore, as the California econ-



The California Chamber of Commerce Economic Advisory Council,

made up of leading economists from the private and public sectors, presents a report each quarter to the Chamber Board of Directors. The council is chaired by G-U Krueger, vice president of Institutional Housing Partners. The vice chair is Sheldon Engler, Ph.D., vice president of international research for Charles Schwab Investment Management.

omy continues on its recovery path, congestion has suddenly become a hot topic.

Staff Contact: Dave Kilby

Publication of this report is a project of the California Foundation for Commerce and Education.

Central American Ambassadors Meet with Chamber Board Members



An international breakfast hosted by the California Chamber of Commerce and its International Trade Committee in Los Angeles on March 11 provides an opportunity for members of the Chamber Board of Directors and other interested business representatives to meet with ambassadors representing four of the nations in the proposed U.S.-Central America Free Trade Agreement (CAFTA). From left are Ambassador Salvador Stadhagen of Nicaragua; Chamber Chair Eugene J. Voiland; Ambassador Rene Antonio León Rodríguez of El Salvador; Susan Corrales-Díaz (at podium), committee chair; John Murphy, U.S. Chamber; Ambassador Mario Canahuati of Honduras; Douglas Youngdahl, committee vice chair; and Ambassador Jose Guillermo Castillo of Guatemala. For more information on CAFTA, see the March 11 *Alert* or visit www.calchamber.com/international.

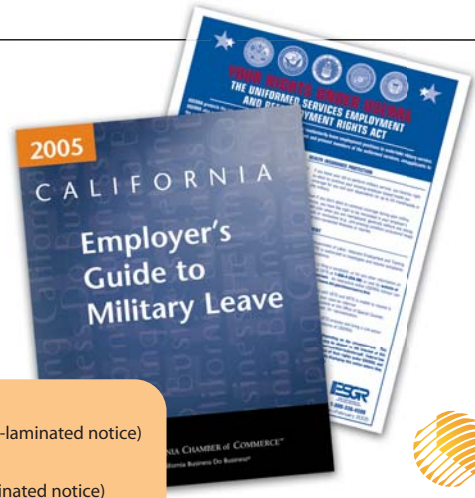
New military leave requirements

To help you comply, we are offering a supplemental product to coordinate with the *Required Notices Kit* and *Employer Poster*. The *USERRA Kit* contains:

- the newly mandated USERRA notice
- a pamphlet to give to employees going on military leave
- a booklet explaining USERRA requirements to employers

As a member benefit, the USERRA notice alone will be available to download free at www.hrcalifornia.com.

Prices do not include tax. Prepayment is required for orders under \$150.



\$10 (non-laminated notice)
\$12 (laminated notice)

Executive and Preferred members save 20% on product purchases.



CALIFORNIA CHAMBER of COMMERCESM

Order online at www.calchamberstore.com, or call our toll-free number (800) 331-8877.

Periodicals
Postage
PAID
Sacramento, CA

ADDRESS SERVICE REQUESTED

Helping California Business Do BusinessSM
www.calchamber.com
 (916) 444-6670 FACSIMILE (916) 444-6685
 P.O. BOX 1736 SACRAMENTO, CA 95812-1736



CALIFORNIA CHAMBER OF COMMERCE

ALERT