

# ALERT

CALIFORNIA CHAMBER OF COMMERCE

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## Chamber-Opposed Prop. 82 Rejected by State Voters

California voters gave an emphatic “no” to California Chamber-opposed Proposition 82, the initiative increasing taxes an estimated \$2.4 billion to create a massive new preschool bureaucracy.

“As was said throughout the recent campaign, Proposition 82 was never about the merits of preschool,” said Chamber President Allan Zaremborg. “The question before the voters was whether Proposition 82 was the right solution. Californians agreed with more



than 40 major newspaper editorials and voted against raising taxes and spending billions of dollars to create a government-run preschool program that would have increased participation by only 4-5 percent.”

### Opposition Statewide

Statewide, 60.9 percent of voters said “no” on Proposition 82, while 39.1 percent voted “yes.” A sizable majority of voters in all but two counties rejected

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## Chamber Hosts Visit from President of Mexico



Photo by Steve Snyder

California Chamber President Allan Zaremborg helps moderate a question-and-answer session with President of Mexico Vicente Fox during his stop at the Chamber. See story on Page 3.

## Chamber-Backed Candidates Win in Legislative Primaries

For the June primary election cycle, the California Chamber of Commerce successfully led a broad business community effort to help pro-jobs candidates win their party’s nomination.

Despite very low voter turnout (statewide, only 28 percent of registered voters cast ballots), which often allows more extremist views to dominate, the Chamber was successful in assisting the following candidates through the primary:

- Assembly District 17 (Tracy) - Cathleen Galgiani;
- Assembly District 28 (Salinas) - Anna Caballero;
- Assembly District 55 (Long Beach) - Laura Richardson;
- Assembly District 58 (Montebello) - Chuck Calderon;
- Senate District 20 (San Fernando Valley) - Alex Padilla;
- Senate District 30 (Montebello) - Ron Calderon;
- Senate District 34 (Santa Ana) - Lou Correa.

In legislative races, the Chamber generally endorses only when there is a clear difference between candidates in their positions on jobs and economic growth and where the Chamber’s endorsement can help the pro-jobs candidate to victory.

“California has made great strides recently in improving its business climate and fiscal health,” said Chamber Presi-

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## Labor Law Corner

# Answers to FAQs about Paycheck Deduction Statements



**Gary Hermann**  
Labor Law Consultant

Some questions that are frequently asked about paycheck deduction statements include:

- Must an employee's Social Security number be on her/his paycheck?
- Are deduction statements required with every paycheck?

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- Can deduction statements be provided electronically?
- Can a copy of the employee's Social Security card be made?

### Social Security Numbers on Checks

Section 226 of the California Labor Code requires that the employee be provided either as a detachable part of the check or separately, an itemized statement, containing, among other things, the employee's Social Security number.

It should be noted that by January 1, 2008, all employers will be required to print no more than the last four digits of an employee's Social Security number on check stubs or similar documents or to substitute some other identifying number.

### Deduction Statement Frequency, Format

Section 226 requires the issuance of a deduction statement with each payment of wages.

Employers can establish a system that would represent each employee's paycheck electronically available from an Internet website managed by the payroll company as a service to its customers.

The website must be secure using industry standard security and encryption technology. Employee access must be controlled through the use of unique and confidential employee identification. Firewalls should be implemented to prevent unauthorized access.

Access to the website, using properly configured web browsers, should be possible from terminals located at the work site and from home computers. The system should be available 24 hours a day with every employee having access to an individual or network printer at reasonable times at no cost to the employee.

### Social Security Card Copies

Nothing in Section 226 of the Labor

Code or elsewhere in California law precludes an employer from making a copy of an employee's Social Security card. It should be noted, however, how important the security of that number is.

Section 1798.85 of the California Civil Code prohibits:

- the public posting of a Social Security number;
- printing the number on any card required for individual access to products or services;
- requiring an individual to transmit the number over the Internet, unless the connection is secure or the number is encrypted;
- requiring an individual to use her/his Social Security number to access an Internet website, unless a password or unique personal identification number also is required; or
- printing the number on any materials mailed to the individual unless otherwise required by law.

*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/Trade Shows

For more information on the seminars listed below, visit [www.calchamber.com/events](http://www.calchamber.com/events).

### Business Resources

Hosts "Let's Network." Wilcox Miller & Nelson. June 13, Sacramento. (916) 977-3700.

### Labor Law

HR 101: Introduction to Human Resource Administration. California Chamber of Commerce. June 20, Sacramento. (800) 331-8877.

Paying Employees Web Seminar. California Chamber of Commerce. June 29. (800) 331-8877.

### International Trade

Hong Kong & Jiangmen: Your Partners for Success. Hong Kong Trade Development Council and the California Chamber of Commerce. June 15, San Diego. (213) 622-3194.

## Chamber Calendar

*International Luncheon Forum:*  
June 13, Sacramento



# Chamber Breakfast for Mexico President Highlights Strong Economic Ties with State

The California Chamber of Commerce hosted His Excellency Vicente Fox, president of Mexico, at an international trade breakfast on May 26 to discuss trade and expanding the economic relationship between California and Mexico.

The more than 100 guests who greeted President Fox included a delegation of officials from Mexico, representatives of California's state government and business people from California and Mexico, including representatives of agriculture, the service industry and manufacturing.

## Mexican Economy Improving

President Fox discussed the successes of his administration since being elected in July 2000 in a historic race. He commented that Mexico has a balanced budget this year, its overall economy is improving and jobs are increasing.

"Now our economy has two motors — local consumption and our trading with the rest of the world," said President Fox. "This year our economy started very strong: five-and-a-half percent growth in the first quarter, 350,000 new jobs. This year very possibly we will end up creating one million new jobs throughout the year. It has been a long time since we have been able to generate a million new jobs."

The biggest challenge Mexico faces, President Fox said, is the need to expedite the speed at which it educates its workers because there is a deficit of 100,000 jobs along the border between the United States and Mexico. "We have the demand for jobs. We just have to work harder to meet the requirements for those jobs."

## Number One Export Market

"As you know, California and Mexico are neighbors," said California Chamber President Allan Zaremborg. "We share a common border, history and are heavily dependent on each other for trade and economic growth.

In 1999, Mexico replaced Japan as the number one destination for California exports.

"The California Chamber of Commerce is a longtime supporter of NAFTA



Photo by Steve Snyder

Joining President of Mexico Vicente Fox (left) at a brief reception preceding his breakfast talk at the California Chamber of Commerce are (from left) Sunne Wright McPeak, secretary of the California Business, Transportation and Housing Agency; Susan Corrales-Diaz, chair of the Chamber International Trade Committee; California Secretary of State Bruce McPherson; and Chamber President Allan Zaremborg.

based on the assessment that it serves the employment, trading and environmental interests of California, the United States, Canada and Mexico," Zaremborg said.

Mexico continues to be California's top export market.

California exports to Mexico increased in 2005 to top \$17 billion. Mexico purchases nearly 16 percent of all California exports. California exports to Mexico are driven by computer and electronic products, which account for 34 percent of all California exports to Mexico. Key exports to Mexico showing growth in 2005 include transportation equipment, processed foods and chemicals.

California exports to Mexico directly and indirectly support approximately 177,000 California jobs, with more than half of these jobs resulting from export growth under NAFTA.

## President Fox's Career

President Fox's varied career has in-

cluded years of experience in both business and politics. He began working for Coca-Cola in 1964, starting as a delivery route supervisor and ending up as the president of the company for Mexico and Latin America, the youngest person in the company to occupy the position.

He entered politics in the 1980s and in 1995 was elected governor of his home state of Guanajuato. During his administration, the state became the fifth largest economy in Mexico. He has served as a board member of the U.S.- Mexico Chamber of Commerce and as a director of the Grupo Fox, whose companies are involved in agribusiness and manufacturing footwear and cowboy boots for export, providing many employment opportunities.

The international trade breakfast was co-sponsored by the Sacramento Hispanic Chamber of Commerce.

**Staff Contact: Susanne Stirling**



## Chamber-Backed Candidates Win in Legislative Primaries

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dent Allan Zarembeg. “In order to keep our economic engine going strong, our state needs more legislators who will work to continue to improve our business climate to foster economic growth and job creation.”

### Assembly Candidates

● Salinas Mayor **Anna Caballero** is a strong leader who has demonstrated her ability to bring all parties to the table to get things done for the benefit of the constituents she serves. Moreover, she is an unabashed supporter of California’s working families, as well as their employers.

● **Chuck Calderon** has a long track record as a strong ally of California employers. He consistently supports policies that create an environment in which employers can succeed and create jobs.

● A fifth-generation Stocktonian,

**Cathleen Galgiani** knows her district well. Moreover, she understands what is required to be an effective legislator, having worked for Assemblywoman Barbara Matthews (now termed out) for the past six years. Galgiani was instrumental in the development of the University of California, Merced, the UC system’s newest campus, and worked to help defeat “job killer” bills being considered in the Legislature.

● The California Chamber joined the Long Beach Area Chamber in backing **Laura Richardson** for Assembly. A member of the Long Beach City Council since 2000, Richardson has prioritized attracting jobs and employers to the city and has championed job training programs to ensure employers an adequately skilled workforce.

### Senate Candidates

● In two terms as a member of the

California Assembly, **Ron Calderon** has supported policies to help control employer costs, particularly excessive litigation. His experience in business and finance and as a former small business owner helps guide his efforts to promote economic development opportunities for all businesses.

● Before his election to the Orange County Board of Supervisors, **Lou Correa** served in the Assembly for six years, compiling a record of support for job-producing investment in infrastructure and education, as well as actions to prevent lawsuit abuse.

● As a member of the Los Angeles City Council, **Alex Padilla** has worked to bring and keep jobs in the San Fernando Valley. In addition to working to bring housing and retail developments to his district, he is a strong supporter of community-based programs that provide job training.

**Staff Contact: Michele Zschau**

## Vote Shows Members’ Positions on 4-Day Workweek, Automatic Indexing

Assembly	4-Day Workweek	Automatic Indexing		4-Day Workweek	Automatic Indexing
Laird, J. (D-Santa Cruz)	N	Y	Parra, N. (D-Hanford)	A	Y
Leno, M. (D-San Francisco)	N	Y	Pavley, F. (D-Agoura Hills)	N	Y
Leslie, T. (R-Tahoe City)	Y	N	Plescia, G. (R-La Jolla)	Y	N
Levine, L. (D-Van Nuys)	N	Y	Richman, K. (R-Northridge)	Y	N
Lieber, S. (D-Mountain View)	N	Y	Ridley-Thomas, M. (D-Los Angeles)	N	Y
Lieu, T. (D-Torrance)	N	Y	Runner, S. (R-Lancaster)	Y	N
Liu, C. (D-La Cañada Flintridge)	N	Y	Ruskin, I. (D-Palo Alto)	N	Y
Matthews, B. (D-Tracy)	N	A	Saldaña, L. (D-San Diego)	N	Y
Maze, B. (R-Visalia)	Y	N	Salinas, S. (D-Salinas)	N	Y
McCarthy, K. (R-Bakersfield)	Y	N	Spitzer, T. (R-Orange)	Y	N
Montañez, C. (D-San Fernando)	N	Y	Strickland, A. (R-Thousand Oaks)	Y	N
Mountjoy, D. (R-Monrovia)	Y	N	Torrice, A. (D-Newark)	N	Y
Mullin, G. (D-South San Francisco)	N	Y	Tran, V. (R-Garden Grove)	Y	N
Nakanishi, A. (R-Lodi)	Y	N	Umberg, T. (D-Santa Ana)	N	Y
Nation, J. (D-San Rafael)	N	Y	Vargas, J. (D-San Diego)	N	Y
Nava, P. (D-Santa Barbara)	N	Y	Villines, M. (R-Clovis)	Y	N
Negrete McLeod, G. (D-Chino)	N	Y	Walters, M. (R-Laguna Niguel)	Y	N
Niello, R. (R-Fair Oaks)	Y	N	Wolk, L. (D-Davis)	N	Y
Núñez, F. (D-Los Angeles)	N	Y	Wyland, M. (R-Del Mar)	Y	N
Oropeza, J. (D-Long Beach)	N	Y	Yee, L. (D-San Francisco)	N	Y

# Legislative Outlook

An update on the status of key legislation affecting businesses. Visit [www.calchamber.com/position\\_letters](http://www.calchamber.com/position_letters) for more information, sample letters and updates on other legislation. Staff contacts listed below can be reached at (916) 444-6670. Address correspondence to legislators at the State Capitol, Sacramento, CA 95814. Be sure to include your company name and location on all correspondence.

## Chamber Urges Opposition to 'Blank Check' Litigation Bill



OPPOSE

California Chamber of Commerce-**opposed** legislation that in effect creates a "blank check" for the Attorney General's office to pursue lawsuits against business is scheduled for a hearing on June 20.

**SB 1489 (Ducheny; D-San Diego)** would force companies that are sued by the Attorney General to pay all investigation and prosecution costs whenever the Attorney General "prevails." The bill does not define "prevails" and requires a judge to automatically award investigation and prosecution costs to the Attorney General, including expert fees, attorneys' fees and court costs.

The bill applies retroactively to any lawsuits pending as far back as 2003 or 2004.

The Chamber and the diverse coalition of businesses opposing SB 1489 believe the ambiguity and scope of the bill in essence creates a "blank check" for the Attorney General's office to conduct fishing expeditions and pursue lawsuits of all types against businesses, including lawsuits under the Unruh Civil Rights Act, the Fair Employment and Housing Act,

corporate securities laws, environmental laws and public nuisance laws.

SB 1489 also could open the door to numerous actions by private plaintiff's lawyers retained by the Attorney General's office.

SB 1489 creates severe imbalance and unfairness in the justice system.

The bill gives the Attorney General unfair settlement leverage. The threat of facing an enormous and debilitating award of all attorneys' fees and investigation and court costs will place extreme pressure on innocent companies to agree to costly settlements.

Also, the fee provision is one-way in favor of the Attorney General, so that defendants who do not settle and prevail at trial cannot recover any of their attorneys' fees or costs.

### Action Needed

SB 1489 is scheduled to be heard June 20 by the Assembly Judiciary Committee. Urge committee members to **oppose SB 1489**.

**Staff Contact: Kyla Christoffersen**

## Chamber Opposition Stops Bill to Limit Health Care Options



OPPOSE

In response to overwhelming **opposition** from the California Chamber, the business community and health plans, legislation that would have boosted health care premiums and made health care less accessible failed to pass the Assembly.

**AB 2281 (Chan; D-Oakland)** would have created unreasonable requirements for high deductible health plans that would have increased premiums for many health plans, thereby limiting options for employers and employees.

AB 2281 failed in the Assembly, 37-36 on May 31 with bipartisan opposition.

Given that health care costs continue to grow, a variety of options that include health plans with deductibles are critical. Although high deductible plans may not be appropriate for everyone, especially low-wage workers who could have trouble affording the deductible payment,

they are important tools for employers and individuals who are trying to control health care costs.

Many employers dealing with rising health care costs face the choice of providing lower-cost options or forgoing insurance. Mandating coverage requirements will increase costs and could force price-sensitive individuals or small businesses to drop coverage.

Mandating first-dollar coverage on preventive care will increase premiums on plans that do not include as many first-dollar benefits. If not for the availability of high deductible health plans, some employers would be unable to provide health coverage; increasing premiums could result in fewer employees being offered health insurance through their employers.

**Staff Contact: Marti Fisher**

## Chamber Highlights Issues for IWC to Consider in Reviewing Minimum Wage

The California Chamber of Commerce has asked members of the state Industrial Welfare Commission (IWC) to consider a number of issues as it begins its review of the state minimum wage.

Removing barriers to productivity and wage growth is a better avenue to improving California's economy, the Chamber said in written testimony to the IWC.

The IWC held its first hearing on June 2 to consider whether to convene a wage board to consider the adequacy of the minimum wage.

Issues the Chamber said need to be considered as the IWC reviews the minimum wage are:

- Increasing the state minimum wage to \$7.75 per hour will make California home to the highest minimum wage rate in the nation.
- Statutory authority limits the IWC to examining the adequacy of the minimum wage as it pertains to a single worker.
- No statutory authority exists for

the IWC to consider adding "indexing" mechanisms to a minimum wage increase.

● Increases in the minimum wage have a wide range of direct and indirect economic consequences.

● In California, a manager's exempt status is directly tied to minimum wage rates.

● Rapid rate of implementation of an increase may have adverse impact.

● Removing barriers to productivity and wage growth is a better avenue to improving California's economy.

The IWC has announced that a public hearing to accept testimony on the adequacy of the current state minimum wage level will take place on July 5 in Sacramento, beginning at 10 a.m. at 1001 I Street (Cal/EPA building) in the Byron Sher Auditorium. More information is available on the IWC website at [www.dir.ca.gov/IWC](http://www.dir.ca.gov/IWC).

**Staff Contact: Julianne Broyles**

## Chamber-Opposed Proposition 82 Rejected by State Voters

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Proposition 82. The exceptions were Alameda County (54 percent "yes") and Imperial County (51 percent "yes").

In a statement released the day after the election, Zaremberg pointed out that "raising taxes by billions of dollars to fund a new government program with such a marginal benefit also would have harmed California's existing programs, such as K-12 education, health care, public safety and more."

### Revenue Erosion

A study by former Legislative Analyst William Hamm found that the tax increase in Proposition 82 would have eroded General Fund revenues by hundreds of millions of dollars a year.

The revenue erosion, according to Dr. Hamm, was because rather than just absorb the proposed 18 percent tax increase, the targeted taxpayers were likely to have changed their investment behavior to reduce their tax burden.

"Significantly increasing taxes on high earners and small businesses to fund a specific program of questionable benefit can drive income out of our state and end up decreasing revenues to California's

treasury — revenues needed to pay for existing programs," Zaremberg noted.

"Proposition 82 was the wrong solution also because it subsidized wealthy parents with public dollars and didn't focus limited funds on those who need help the most — at a time when our state has limited resources and so many pressing needs, such as fixing K-12 education," said Zaremberg.

### Better Alternatives

Governor Arnold Schwarzenegger has taken steps to address both issues. The Governor's budget calls for targeting new preschool funding at 4-year-olds from low-income families residing in school districts in the lowest three deciles of

the Academic Performance Index. The Governor also has proposed an increase in education spending that brings the total per pupil spending from all sources to more than \$11,000 for each California K-12 student.

"Clearly, there are affordable, successful alternatives to Proposition 82's multibillion-dollar, bureaucratic plan rejected by the voters," Zaremberg said. "For example, in Bakersfield, the business community has partnered with the public education community to provide a successful, cost-effective summer program that utilizes existing facilities and certified personnel and could become a model for California."

**Staff Contact: Vince Sollitto**

Visit [www.calchamber.com](http://www.calchamber.com) for the latest business legislative news plus products and services to help you do business in California.

## Learn the costly mistakes you'll want to avoid when paying California employees

Attend the **Paying California Employees — Top 10 Mistakes** live web seminar and learn the most frequent mistakes (and how to avoid them) employers make involving violations of federal and/or California state laws when paying exempt and non-exempt employees. If mishandled, those mistakes can result in expensive lawsuits and backpay settlements. Here are some of the key points that will be discussed:

- Misclassifying employees as exempt from overtime
- Misclassifying an employee as an independent contractor
- Failing to properly pay overtime
- Improperly creating an alternative workweek schedule
- Failing to provide for meals and rest periods
- Not making and keeping payroll records
- And many other critical wage-and-hour law topics.

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