Alert

Coalition Fights Expansion of Employment Litigation

Trial Attorneys Benefit from Agreement Ban

The California Chamber of Commerce and a large coalition of employer groups and local chambers of commerce are opposing a job killer bill that bans settlement and arbitration agreements.

AB 3080 (Gonzalez Fletcher; D-San Diego) significantly expands employment litigation and increases costs for employees and employers by banning settlement agreements for labor and employment claims as well as arbitration agreements made as a condition of employment, which is likely preempted under the Federal Arbitration Act (FAA) and will only delay the resolution of claims. Banning such agreements benefits the trial attorneys, not the employer or employee.

After passing the Assembly on May 30, 47-25, AB 3080 is scheduled to be considered by the Senate Judiciary Committee on June 19.

Bans Arbitration

AB 3080 prohibits arbitration agreements made as a condition of employment for any claims arising under the Labor Code or Fair Employment and Housing Act (FEHA) and/or including class action waivers.

Arbitration is a less formal, less costly and less time-consuming forum in which to resolve a dispute. The cost savings is not in the compensation paid to the employees; it is in the fees paid to attorneys.

Although studies demonstrate that employees generally win the same percentage of cases in arbitration, if not more, the trial attorneys may not recover as much in fees. Thus, the ultimate beneficiaries of an arbitration and class action waiver ban are trial attorneys, not employers or employees.

Hurts Low-Wage Employees

Banning arbitration leaves litigation as the only option for employees to resolve many labor and employment claims. This ultimately results in low-wage employees being denied access to justice.

The California Democratic Party’s Platform on Civil Justice states that budget cuts to the judiciary have led to extended waits for civil lawsuits and legal issues that touch everyday lives, with the delays meaning only the wealthy can afford to use the civil justice system.

Several studies also support the idea that access to civil courts is not a realistic option for low-wage employees.

With the civil justice system being

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Tools to stay in touch with your legislators.

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Hospital Contract Bill Amended to Remove Opposition

As a result of recent amendments, the California Chamber of Commerce has removed SB 538 (Monning; D-Carmel), dealing with hospital contracts, from the job killer list.

Before the June 11 amendments, CalChamber had identified the bill as a job killer because SB 538 unfairly and unlawfully discriminated against arbitration agreements by restricting the formation of antitrust arbitration agreements in hospital contracts, which would have led to costly litigation over preemption by the Federal Arbitration Act.

Even with the long line of cases consistently ruling in favor of arbitration, SB 538, if enacted, would likely have led to many legal challenges regarding its validity, which only would have resulted in more litigation tying up the court system, increasing litigation costs and driving businesses out of business.

Although CalChamber supports efforts to reduce and address rising health care costs, it opposes any measure that undermines or disfavors arbitration as the elimination of arbitration in health care contracts will only increase health care costs and lead to confusion, uncertainty and costly litigation for such contracts.

As a result of the amendments, CalChamber has no position on SB 538.

For more information on the remaining job killer bills, visit www.CAJobKillers.com.

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**Labor Law Corner**

Caveats on Deducting from Exempt Employee’s Salary for Sick Time

An exempt employee has missed two days of work this week because she was sick, but she has used all her sick leave. Can I deduct two days’ pay from her salary?

The general rule for exempt employees is that if they perform any work in the workweek, they must receive their full weekly salary. If an exempt employee is out sick for part of the workweek, the employee will still be paid her weekly salary, but you can deduct from the employee’s sick leave bank, assuming she has time available.

If the employee is out sick and doesn’t have any available sick leave, as in the question above, you can deduct from the employee’s pay only if you have a bona fide sick leave plan.

**Bona Fide Sick Leave Plan**

To qualify as bona fide, your sick leave plan must:

- Have defined sick leave benefits that are communicated to employees;
- Operate as described in the plan;
- Be administered impartially; and
- Not be designed to evade the requirement that exempt employees be paid on a salary basis.

In addition, your sick leave plan must provide a “reasonable” number of sick days. Although there isn’t a bright-line test for determining how many days are considered reasonable, the U.S. Department of Labor has held that plans providing at least five days qualified as bona fide. Consult legal counsel if you have questions about whether your plan would qualify as bona fide.

**Full Days Only**

Assuming you have a bona fide sick leave plan, you can make a deduction from your exempt employee’s salary, but only if the employee is out sick for a full day. If the employee is absent for only part of the day, you can’t make a partial day deduction from her salary—she must be paid her full salary.

Note: The answer to this question would be different if you had a paid time off (PTO) plan instead of a sick leave plan. PTO plans are not considered bona fide sick leave plans, so you cannot deduct from the exempt employee’s salary when she is out sick but doesn’t have any PTO to use.

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**Business Resources**


**International Trade**

Capitol Insider

CalChamber Policy Advocates Beat the Odds

You had a better chance of hitting 00 on the roulette wheel than killing a bill in the first house of the Legislature this month.

Yet CalChamber helped stop five bills on the Assembly floor. Talk about beating the odds!

Lobbyist Chris Micheli reported that of the 450 bills to hit the Assembly floor, just 11 fell short of moving to the Senate. The odds were similar on the other side of the Capitol. As reported by Micheli, of the 280 bills considered by senators, just five didn’t move on to the Assembly.

Convincing senators or Assembly members to turn down a bill by colleagues in the same house is historically a difficult task. With near supermajority dominance by Democrats in both houses, the majority members are even more disciplined to pass bills.

But CalChamber lobbyists helped to buck the trend.

Five bills opposed by CalChamber, including one job killer, languished on the Assembly floor at the June 1 deadline (see June 8 Alert). These bills included:

- **AB 2613 (Reyes; D-Grand Terrace)**, a job killer, adds and increases penalties for Labor Code violations.
- **AB 2779 (M. Stone; D-Scotts Valley)** prohibits selling plastic beverage containers with untethered caps.
- **AB 2379 (Bloom; D-Santa Monica)** creates a meaningless label and lots of liability for garments with microfibers.
- **AB 2995 (Carrillo; D-Los Angeles)**

Throughout California, local cities and counties continue to pass ordinances relating to minimum wage, paid sick leave, criminal background checks and more. On July 1, 2018, several local minimum wage rates will increase, and two new local ordinances will go into effect.

### Minimum Wage Increases

The following cities and county will increase their minimum wage on July 1:

- **Emeryville**: $15.69/hour for businesses with 56 or more employees; $15/hour for businesses with 55 or fewer employees.
- **City of Los Angeles**: $13.25/hour for employers with 26 or more employees; $12/hour for employers with 25 or fewer employees.
- **County of Los Angeles (unincorporated areas only)**: $13.25/hour for employers with 26 or more employees; $12/hour for employers with 25 or fewer employees.
- **San Francisco**: $15/hour.
- **San Leandro**: $13/hour.
- **Santa Monica**: $13.25/hour for employers with 26 or more employees; $12/hour for employers with 25 or fewer employees.

Eligibility rules may vary based on different locations.

### New Minimum Wage Ordinance

**Belmont** enacted a new minimum wage ordinance that goes into effect July 1, 2018, setting the minimum wage rate at $12.50/hour.

### Salary History Ordinance

In addition to its minimum wage rate increase, San Francisco will have a new Consideration of Salary History Ordinance that will take effect on July 1, 2018.

Under the ordinance, employers will be banned from considering the current or past salary of an applicant in determining whether to hire the applicant or what salary to offer the applicant.

### CalChamber Help

Many of these local ordinances contain notice requirements. California Chamber of Commerce members can use the Local Ordinance Wizard on HRCalifornia to determine which requirements apply. Nonmembers can sign up for a free 15-day trial of HRCalifornia.

The CalChamber Store sells required posters that are in compliance with various California city and county local ordinances.

Those who have already purchased CalChamber’s 2018 Los Angeles County Minimum Wage Poster or 2018 Malibu Minimum Wage Poster are in compliance for July 1.

**Save 20%** if you buy your updated posters by June 30, 2018. CalChamber Preferred/Executive members receive the 20% offer in addition to their 20% member discount. Use priority code PLY3 online at [calchamber.com/july1](http://calchamber.com/july1) or by calling (800) 331-8877

**Staff Contact**: Bianca Saad
Legislative Outlook

An update on the status of key legislation affecting businesses. Visit www.calchambervotes.com 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.

Governor Signs Bill Clarifying Cleaning Product Right to Know Act

Governor Edmund G. Brown Jr. this week signed a California Chamber of Commerce-supported bill that clarifies the Cleaning Product Right to Know Act approved last year.

AB 2901 (Committee on Environmental Safety and Toxic Materials) provides greater clarity for implementing the act by making minor technical changes to certain terminology.

Through a robust stakeholder process, members of the cleaning product industry and nongovernmental organizations worked collaboratively to pass the act (SB 258; Lara; D-Bell Gardens; Chapter 830) in 2017. The act provides consumers and employees access to ingredient information on product labels and online.

As is often the case when drafting detailed legislation, there were minor, inadvertent typos, and inaccurate code references in the final version of SB 258. AB 2901 corrects the language before the act’s first implementation date of January 1, 2020.

In addition, since SB 258 was signed, a dictionary referenced in the law has been renamed. The former “Consumer Specialty Products Association Consumer Product Ingredients Dictionary” now is called the “Household and Commercial Products Association Consumer Product Ingredients Dictionary.”

The law requires manufacturers to use the ingredient name as it appears in this dictionary, if available. Making sure the current name of the dictionary is referenced in law will assist manufacturers with compliance.

Staff Contact: Adam Regele

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accessi...
**CalChamber in Court**

**California Court of Appeal Upholds Lead Safe Harbor Under Proposition 65**

The legal fight over the validity of the Office of Environmental Health Hazard Assessment (OEHHA) “safe harbor” for lead may finally be over for now.

After more than three years of litigation, the California Court of Appeal for the First District affirmed a lower court’s decision and rejected an environmental group’s attempt to have OEHHA retract the current safe harbor level for lead under Proposition 65.

The appellate decision is a major win for the California Chamber of Commerce and the business community, which has operated under the current lead safe harbor for more than 25 years. Had the current lead safe harbor been invalidated, it could have left no safe harbor lead level or forced the OEHHA to establish a new and potentially lower safe harbor lead level with adverse economic, legal and policy implications.

**Legal Challenge**

The legal challenge centered around the regulatory “safe harbor” for lead of 0.5 micrograms per day; a warning is not required if the safe harbor is met.

Appellant Mateel Environmental Justice Foundation (Mateel) sued OEHHA in 2015, seeking to compel the agency to invalidate the regulatory safe harbor number for lead that was established more than two decades ago.

The relief sought by Mateel would have, in effect, eliminated the OEHHA lead safe harbor number, thereby requiring a Proposition 65 warning for all products containing any amount of lead, or alternatively forcing companies to spend hundreds of thousands of dollars providing a lead safe harbor number for their product.

Recognizing the impact such decision would have on California businesses, the CalChamber and the California Farm Bureau Federation intervened in the case as a defendant alongside OEHHA, arguing in support of the safe harbor.

CalChamber and the Farm Bureau argued that the lead “safe harbor” provides certainty as a presumptively valid warning threshold, and without the safe harbor, businesses will be “vulnerable to Proposition 65 enforcers” in pursuit of injunctive relief and civil penalties provided by the statute.

Mateel lost in superior court and appealed the decision, hoping for a different outcome in the appellate court. The First District Court of Appeal, however, again rejected Mateel’s challenge and held that OEHHA’s predecessor agency, which adopted the lead safe harbor level 25 years ago, should be afforded deference on this issue, thereby retaining the safe harbor.

**Negatives Averted**

Invalidating the “safe harbor” for lead would have resulted in tremendous uncertainty for businesses operating in California and would have led to a proliferation of unnecessary warnings by businesses seeking to avoid lawsuits.

From a policy standpoint, the relief sought by Mateel would have gone directly contrary to the Governor’s calls to reduce Proposition 65 litigation and OEHHA’s calls to reduce the amount of warnings in California’s stream of commerce.

From a business standpoint, such outcome would have been extremely costly for companies already trying to comply with Proposition 65. Businesses would have been forced to over-warn on their products regardless of whether there were any scientific dangers, or risk even more Proposition 65 “shakedown” lawsuits.

As the California Supreme Court has noted with respect to warnings in the context of products liability: “Requiring manufacturers to warn their products’ users in all instances would place an onerous burden on them and would ‘invite mass consumer disregard and ultimate contempt for the warning process.’”

**Proposition 65**

Proposition 65 is a fixture of California’s consumer products legal environment. California voters originally approved the Proposition 65 ballot initiative in 1986 as a way to ensure that the state’s drinking water sources are not contaminated with chemicals known to the state to cause cancer, birth defects or other reproductive harm. The initiative also aimed to let consumers know via a warning label when a certain product would expose them to such chemicals.

Over the years, Proposition 65 has led to the growth of a multibillion-dollar cottage industry of “citizen enforcers” who often enrich themselves by using the statute’s warning label requirements as an excuse to file lawsuits.

Businesses have relied upon the current lead safe harbor level for more than 25 years. The Court of Appeal decision is a major victory for companies doing business in California and looking for regulatory consistency when complying with Proposition 65.

Staff Contact: Adam Regele
CalChamber-Opposed Bill Will Increase Energy Costs

Legislation that will lead to increased energy costs has passed the Senate, is under consideration in the Assembly and is opposed by the California Chamber of Commerce and a coalition of industry groups and local chambers of commerce.

SB 64 (Wieckowski; D-Fremont) arbitrarily imposes severe limitations on the operation of energy-generating facilities and unnecessarily increases costs for ratepayers by creating a short list of facilities subject to immediate shutdown with only 24 hours’ notice on days when forecasts predict air quality will exceed state or federal ambient air quality standards—otherwise known as non-attainment days.

The bill jeopardizes the state’s ability to maintain a reliable electric grid when demand is high while ignoring other air pollution sources.

SB 64 purports to address air quality during non-attainment days, but there is no data to show that such shutdowns will have a measurable impact on local air quality. Instead, the bill allows arbitrary shutdown by local balancing authorities.

Ignores Shutdown Requirements

Unfortunately, the bill fails to recognize the complexities of shutting down and starting up a facility. Although SB 64 allows for an exception from shutdown if energy demand peaks, what the bill does not do is recognize that facilities cannot always be shut down or started back up immediately.

Depending on the complexity of a facility, it may take several days to safely shut down equipment and then days to safely start back up. What happens when a facility cannot start back up quickly enough to meet peak energy demands, which can fluctuate quickly?

Businesses depend upon a reliable energy grid, and will end up shouldering the burden of increased rates resulting from this arbitrary bill.

Unanswered Questions

SB 64 creates more questions than it answers. For example, the bill does not address how, which, in what amount, or in what order the “short list” facilities will be brought back on-line when (and if) a non-attainment determination is lifted. Instead, SB 64 gives the balancing authority broad discretion to choose from the short list.

Other unanswered questions include: Will all the short-list facilities face shutdown every time? Only some? A portion of capacity of each facility? Once the short list is created, what factors will the balancing authority use to decide which to shut down and which to maintain if all are on the short list and all are operating within their permit limits? What happens to the workers who are scheduled to work during these forced shutdowns? How does this comply with due process requirements under the law?

Hurts Energy Reliability

The health of the public, employees of a company, and the environment are a priority of the state. However, arbitrary and immediate shutdowns will hinder the ability of the state to maintain a reliable energy supply and create yet another layer of logistical and financial hurdles for energy producers and increased costs for California ratepayers.

Existing Authority

More effective solutions already exist. If the intent of the bill is to protect the public, current law already gives an air pollution officer authority to order a facility to shut down if the officer finds there is an “imminent and substantial endangerment to the public health or welfare, or the environment.”

Significant penalties for violations are already imposed by the law, which was enacted just last year (AB 1132; C, Garcia; D-Bell Gardens; Chapter 171; Statutes of 2017).

Current law is sufficient to address the air pollution concerns that SB 64 purports to address. A needlessly complicated law that does nothing to address air quality is not the solution.

Action Needed

SB 64 is scheduled to be considered by the Assembly Natural Resources Committee on June 18. The CalChamber is urging members to contact their Assembly representatives and committee members to ask them to oppose SB 64.


Staff Contact: Leah Silverthorn

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Lead Paint Liability Expansion Passes First Committee in Senate

A California Chamber of Commerce-opposed bill that significantly expands public nuisance liability in California passed a Senate policy committee this week.

The CalChamber opposes AB 2803 (Limón; D-Goleta) because it extends public nuisance liability far beyond the seminal case law regarding lead paint pigment public nuisance liability to apply to any residence in California where lead paint is found either inside or outside the home.

Contrary to the bill’s declaration that it merely clarifies “existing public nuisance law as applied to lead-based paint,” AB 2803 greatly expands liability for paint manufacturers, retailers, and distributors by making them liable for lead-based paint for every home, in any state, regardless of whether the business even sold the paint used, when the paint was sold, whether the paint was used internally or externally, or if any injury resulted from the lead-based paint at the home.

In a recent landmark case, People v. Atlantic Richfield Company, three companies associated with promoting interior lead-based paint more than 50 years ago were held liable for public nuisance in 10 plaintiff jurisdictions. The Sixth District Court of Appeal carefully limited liability to interior only lead-based paints, applied in pre-1951 homes, that were located only in these 10 jurisdictions. Nevertheless, the ruling opened a Pandora’s box of future claims extending well beyond the lead-paint issue. Given that there is some risk of harm from nearly all products, especially when they are misused, misapplied or not maintained, the expansion of public nuisance liability may have a profound effect on the California business landscape for all companies associated with any product.

AB 2803 would magnify the uncertainty and potential liabilities for California companies already reeling from the landmark court decision. The bill removes the distinction between interior and exterior lead paint, removes the restriction that liability extend only to homes built before 1951, and unleashes public nuisance liability for any home across the state.

The decision in People v. Atlantic Richfield Company that imposed liability for lawful products sold or promoted 50 years ago is already significant and unprecedented. Expanding this liability even further as proposed in AB 2803, is unnecessary and creates further harm to companies that did not create or cause the health hazard alleged.

Key Vote

The Senate Judiciary Committee voted 4-2 on June 12 to send AB 2803 along to the Senate Environmental Quality Committee: Ayes: Jackson (D-Santa Barbara), Hertzberg (D-Van Nuys), Monning (D-Carmel), Stern (D-Canoga Park). Noes: Anderson (R-Alpine), Moorlach (R-Costa Mesa). No vote recorded: Wieckowski (D-Fremont).

Staff Contact: Adam Regele

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