Chamber Urges Employers: Comment on Meal/Rest Rules
April 22 Deadline to Voice Support for Proposal

The state Division of Labor Standards Enforcement (DLSE) has posted the proposed meal and rest period regulations on its website, and will be accepting public comments until April 22.

The California Chamber of Commerce is encouraging all employers to view these new regulations and send in their comments before the deadline.

The Chamber, along with other employer groups, strongly supported changes proposed by the Schwarzenegger administration in the rules governing when employees may take a break from work for meals and rest periods.

The Chamber testified at all three of the public hearings on the issue, arguing that workers need to eat and rest when they are hungry or tired, rather than at a time set by state bureaucrats. Both employers and employees have said they would appreciate greater flexibility than was permitted by the old rules.

Simplification

The new proposed rules make no change to existing law; they simply provide clear instructions on how employers must provide meal breaks to their workers in compliance with existing labor code requirements.

The rules implement sections of the Labor Code that were added in 2000, but which have been subject to misinterpretation because of conflicting opinion letters issued by the Division of Labor Standards Enforcement.

Chamber to Speak at Breakfast Prelude to Legislative Summit

Governor Arnold Schwarzenegger will be the featured speaker at the breakfast prelude to the California Chamber’s annual Business Legislative Summit on May 25.

Preceding the Governor at the podium for the annual Golden State Breakfast will be Chamber Chair Eugene J. Voiland, president and chief executive officer of Aera Energy LLC, Bakersfield.

Close to 1,000 businesspeople from throughout the state are expected at the day-long event.

The agenda also will include:

- a recap on priority issues by Chamber President Allan Zaremberg;
- a panel discussion by print and electronic media reporters giving attendees an

Chamber: Focus on Health Care Cost Drivers

Trudi Hughes, legislative advocate for the California Chamber of Commerce, urges members of the Senate Banking, Finance and Insurance Committee to reject a proposal establishing a government-run “single payer” health care system in California. The proposal does nothing to address health care cost drivers — a move that is essential to a true fix to the existing system, Hughes pointed out. See story on Page 4.


**Labor Law Corner**

Absent Employee Must Be Paid If Required to Work Off-Site

A salaried exempt employee was off for a week on vacation. On returning to work, he claimed that he checked his e-mail daily from home and as a result, no vacation time should be deducted as he worked a part of each day.

The law states that the salary must be a pre-determined amount that is not subject to reduction because of variations in the quality or quantity of the work performed (29 C.F.R. 541.118 in the Code of Federal Regulations is the basis for the California enforcement policy).

**Permitted Deductions**

Deductions may be made when the exempt employee absents himself/herself from work for a day or more for personal reasons. If the “work” assignments are outside of the office environment, then the employee would still be at “work” for purposes of the salary.

The state Labor Commissioner’s position is that the exempt employee may not absent himself/herself, but contend he/she was “generally available” so as to defeat the expectations of the employer.

Unless the employer requires that the exempt employee perform some work on a day the exempt employee has absent himself/herself, there is no reason that the employer may not dock the pro rata amount of the exempt employee’s salary for the full-day absence.

**Payment While Absent**

If the employer requires (directly or indirectly) that the employee perform work on any day when the exempt employee has ostensibly absented himself/herself for a full day, the exempt employee’s salary may not be docked.

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**Chamber Calendar**

- **International Luncheon Forum**: April 14, Sacramento
- **Luncheon Forum**: April 21, Sacramento
- **International Luncheon Forum**: April 26, Sacramento
- **Advocacy Council Spring Retreat**: April 26-27, Sacramento
- **Water Resources Committee**: May 24, Sacramento
- **Tourism Committee**: May 24, Sacramento
- **Volunteer Leaders Conference**: May 24, Sacramento
- **Board of Directors**: May 24, Sacramento
- **California Business Legislative Summit**: May 25, Sacramento

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**Seminars**

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

**Business Resources**

Governor’s Older Worker and Exemplary Employer Awards. Employment Development Department. May 17, Sacramento. (916) 654-7079.

**International**


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Visit [www.calchamber.com](http://www.calchamber.com) for the latest business legislative news plus products and services to help you do business.
Restoring Manufacturers Investment Credit Reinstates Incentive Most States Use

The California Chamber of Commerce is working with legislators and other business organizations to make a positive change in the state tax system by restoring the manufacturers investment credit (MIC) or providing for a sales tax exemption on manufacturing equipment.

Since legislative inaction left the MIC to expire at the beginning of 2004, California has been one of only three states that taxes manufacturing equipment, allowing neither a credit nor an exemption.

“...To stabilize state finances, California needs an economic climate that encourages businesses to grow and create jobs here,” said Erika Frank, Chamber legislative advocate and general counsel. “...Reinstating the manufacturers investment credit would be an important signal to employers that California is serious about making them welcome.”

Background

Lawmakers enacted the MIC in 1993 to help make California competitive with other states as a business location and to encourage long-term investment to help move the state out of the recession. The law allowed a business a tax credit of 6 percent against income taxes when investing in manufacturing equipment.

In addition, a new or small business taxpayer could claim a sales tax exemption of 6 percent. The 6 percent was determined based on the portion of the sales tax rate that was allocated to the state (the rate was reduced temporarily to 5.75 percent in 2001).

The purpose of the MIC was to encourage new job creation, and so the original legislation included a provision making the MIC inoperative if new jobs were not created.

Unfortunately, the provision did not consider the possibility that the state would lose significant numbers of jobs after an initial job creation boom. Therefore, while the MIC helped stimulate job creation in the 1990s, other factors that discouraged job creation led to a decline of manufacturing jobs. When the Legislature failed to continue the MIC, the credit lapsed and has not been reinstated since.

Manufacturing at Risk

According to a recent study by the Bay Area Economic Forum, in 2003, manufacturing in California provided 1.5 million jobs, representing 10 percent of the state’s total employment. Of the manufacturing employers, 95 percent are small or medium-sized businesses, which account for 62 percent of the total manufacturing employment.

The study revealed that between 2000 and 2003, 312,600 manufacturing jobs left California. The study stressed that manufacturing in California continues to be at “serious risk of further erosion.”

Competition from Neighbors

The study attributes the risk of more manufacturing jobs leaving the state to a number of factors, one being the extremely high cost of doing business in California.

California manufacturers pay significantly more to conduct business than their competitors in neighboring states, according to the study. California also ranks the highest in doing business among the major manufacturing states. These costs include labor, workers’ compensation premiums and energy costs.

In addition, California’s corporate tax rate of 8.8 percent is higher than all states except Pennsylvania. When federal taxes are factored in, California manufacturers pay 15 percent more in taxes than those in Mexico and China.

The erosion of manufacturing jobs is also due in part to decisions by California manufacturers to move to other states. Many states have engaged in aggressive campaigns to recruit California manufacturers. According to the study, Washington and Oregon encourage manufacturing investments by promising lower energy costs, real estate prices and taxes.

The high cost of doing business in California, coupled with the aggressive recruiting by other states, demonstrates the need to reinstate the MIC or provide a sales tax exemption on manufacturing equipment.

Job Creation

According to a Milken Institute study, a five-cent reduction in sales tax for the purchase of manufacturing equipment would create 500,000 jobs over a period of 10 years.

Of these jobs, approximately 140,000 would be created in manufacturing. Those manufacturing jobs would contribute approximately $459 million in new net revenue to the state.

New Effort

A number of bills propose continuing some form of the MIC:

- ● AB 80 (Houston; R-Livermore) provides a sales tax exemption for investment in manufacturing, telecommunications and electrical generation equipment, retroactive to the beginning of 2004.
- ● AB 344 (Villines; R-Clovis) declares the Legislature’s intent to reinstate the sales tax exemption and personal income tax and corporation tax credit previously provided to manufacturers.
- ● AB 845 (Ridley-Thomas; D-Los Angeles) reinstates the sales tax exemption, but sets a sunset date depending on growth in employment and limits the exemption based on the manufacturers’ aggregate gross assets.

- ● SB 552 (Alquist; D-Santa Clara) calls for sales tax exemption credits to begin accruing on January 1, 2006, and to be redeemed during the first state budget fiscal year in which state revenues match expenditures.
- ● SB 631 (Dutton; R-Rancho Cucamonga) reinstates the MIC and broadens the sales tax exemption to include equipment purchases by electrical generators.

Chamber Position

The Chamber supports reinstating and expanding the MIC. The availability of the credit would be a positive change that would help California compete with other states for jobs and investment.

Staff Contact: Erika Frank
Chamber-Opposed Proposal to Enact Government-Run Health Care Moves

California Chamber of Commerce-opposed legislation creating a government-run health care system in California passed the Senate Banking, Finance and Insurance Committee this week by a vote of 7-4. SB 840 (Kuehl; D-Santa Monica), which imposes a government-run health care system on all Californians, was also referred to the Senate Health Committee to be heard at a later date.

Although the Chamber shares the author’s concerns about the rising cost of health care and the growing number of uninsured Californians, SB 840 is not the answer. The Chamber believes that the single payer system proposed in the bill will result in higher costs for consumers and more bureaucracy.

Multibillion-Dollar Cost

Several sources have estimated that operating the health care system envisioned by SB 840 would cost tens of billions of dollars. A study of a single payer health care initiative defeated in Oregon in 2002, for example, concluded that such a system would have increased health care costs by $2.5 billion to $6.5 billion in just three years — approximately $600 to $1,800 per Oregon resident.

In addition, a government-run health care system would foster the creation of a large bureaucracy. Implementing the new system envisioned under SB 840 would require the creation of several new agencies, offices and countless state employee positions at a cost of billions of dollars in start-up and administration expenses alone.

These costs would be financed through new health care taxes on consumers, employees and businesses in California. Thus, SB 840 will result in a multibillion-dollar tax increase on Californians.

Address Cost Drivers

The Chamber agrees that the health care system in California has some serious problems, but believes there can be no true fix to the existing system without identifying and addressing the true health care cost drivers. SB 840 does nothing to address these underlying costs.

Through focus groups and numerous opinion polls on health care reform, the Chamber has found that California residents do not want a government-run health care system. California voters’ rejection of Proposition 72 last November reinforces that finding.

The Chamber and California’s business community remain committed to finding solutions to the health care crisis. A government-run system like that proposed in SB 840 is not the solution.

Key Vote

The 7-4 Senate Banking, Finance and Insurance vote on SB 840 was as follows: Ayes: Speier (D-San Francisco/San Mateo), Figueroa (D-Fremont), Lowenthal (D-Long Beach), Machado (D-Linden), Murray (D-Los Angeles), Ortiz (D-Sacramento), Scott (D-Pasadena). Noes: Cox (R-Fair Oaks), Denham (R-Merced), Hollingsworth (R-Murrieta), Maldonado (R-Santa Maria).

Action Needed

SB 840 is significantly similar to “job killer” legislation from last session, SB 921. The Chamber is urging all employers to send letters opposing SB 840 to the Senate Health Committee.

For more information on SB 840 and an easy-to-edit sample letter, visit the Government Relations section at www.calchamber.com.

Staff Contact: Trudi Hughes

Chamber Urges Employers: Comment on Meal/Rest Rules

From Page 1

Employers and employees to view the proposed meal/rest period regulations and write the DLSE in support of the suggested regulations.

The deadline to submit written comments is 5 p.m. on April 22, by mail, e-mail or fax. Send letters of support to: Allen Perlof, Senior Deputy Labor Commissioner, Division of Labor Standards Enforcement, 9th Floor West, P.O. Box 420603, San Francisco, CA 94142. E-mail: dlsecomments@dir.ca.gov. Fax: (415) 703-4807.

Please send copies of your comments to the Chamber at cce@calchamber.com or fax (916) 325-1272.

For more information on the Chamber’s efforts to implement these proposed regulations or to view the Chamber’s comments to the DLSE, please visit our website at www.calchamber.com.

Staff Contact: Julianne Broyles
Chamber Opposing Antiquated Regulation of Telecommunications Industry

Bill Will Boost Costs, Stifle Innovation, Limit Consumer Choices

California Chamber-opposed legislation that will boost telecommunications costs and limit consumer choices is moving in the Senate.

SB 1068 (Escutia; D-Norwalk) stifles innovation and limits consumer choices by imposing antiquated regulations developed for monopolistic landline telephone services on the rapidly growing and competitive telecommunications industry.

At stake is the future of the $30 billion wireless communications industry, one of the fastest growing in California, with 60,000 jobs and $3.5 billion in payroll.

Modernizing Needed

“Right now telecommunications is a highly competitive industry that provides consumers with abundant choices, ranging from text messaging and e-mail to Web browsing, games, MP3 and mobile TV,” said Dominic DiMare, Chamber vice president of government relations.

“California needs to modernize the regulatory structure it applies to wireless communications so that the industry can continue to be the most technologically dynamic in the world. Instead, this bill goes in the opposite direction with an anachronistic approach that will hurt both consumers and the industry.”

Outdated Approach

The Chamber has pointed out that the state’s current regulatory structure prohibits the deployment of new technologies. The rules were designed to cover traditional wire-line service characterized by copper wire, dial tones and regional monopolies. Difficulties arise in applying those rules today, when cable companies offer telephone service and telephone companies offer in-home entertainment.

When one service provider wanted to lower its prices for service, it took almost two years for the Public Utilities Commission (PUC) to approve that price reduction.

The Chamber believes the PUC should be allowed and encouraged to complete its re-examination of the regulations governing wireless communications to ensure that the state’s regulatory structure is as modern as the industry it attempts to govern and the consumers it attempts to protect. SB 1068 is a roadblock to modernization efforts.

Key Vote

The Senate Energy, Utilities and Communications Committee passed SB 1068 by a vote of 7-3 on April 5.

Ayes: Escutia (D-Norwalk), Alarcón (D-San Fernando Valley), Bowen (D-Burbank), Dunn (D-Garden Grove), Kehoe (D-San Diego), Murray (D-Los Angeles), Simitian (D-Palo Alto).

Noes: Battin (R-La Quinta), Campbells (R-Irvine), Cox (R-Fair Oaks).

Absent/abstaining/not voting: Morrow (R-Oceanside).

The bill will be considered next by the Senate Appropriations Committee.

Staff Contact: Dominic DiMare

Governor to Speak at Breakfast Prelude to Legislative Summit

From Page 1

inside look at Sacramento politics “behind the story”;

● a town hall session with key state leaders.

Sessions on Hot Issues

Breakout sessions will provide employers and business owners an opportunity to learn how to make an impact on hot issues, including:

● updating infrastructure (highways, housing, energy, ports);
● stopping lawsuit abuse (including Americans with Disabilities Act reform);
● battling health care costs;
● building strong grassroots political action;
● removing barriers to workplace progress; and

● reforming policy through ballot initiatives.

Lunch with Legislators

The Chamber invites state legislators to join their constituents at the summit luncheon, which also features presentations acknowledging outstanding advocacy by small business owners and local chambers of commerce; effective work by local chambers in making members aware of changes in state and federal labor laws; and local chambers that have supported the California Chamber’s candidate political action committee, ChamberPAC.

Related Events

On May 24, the Western Association of Chamber Executives joins the California Chamber in sponsoring the Volunteer Leaders Conference.

The conference, designed for business leaders involved in local chambers, provides insights and tools for attendees to enhance leadership skills and promote action-oriented chamber management.

Following the conference, the Sacramento Host Committee sponsors the evening Golden State Reception for business and community leaders from throughout the state.

Registration

Registration brochures are in the mail to past attendees and key contacts at California Chamber member firms. More information and online registration also is available at www.calchamber.com.

Staff Contact: Amy Orr
Legislative Outlook

Chamber-Supported Energy Bill Falls Short of Votes

California Chamber-supported legislation that proposed consolidating, under one code, the various statutes that apply to electrical energy in California fell one vote short of passage this week in the Assembly Utilities and Commerce Committee.

AB 1190 (Canciamilla; D-Pittsburg) was granted reconsideration. The bill establishes an Energy Agency by consolidating the numerous agencies and commissions that regulate energy under the direction of a single Secretary of Energy for California.

California’s uncoordinated, crisis management approach to the energy crisis in 2002 demonstrated the need for restructuring the state entities dealing with energy. The Chamber supports the consolidation proposed in AB 1190 as the best and most efficient way to ensure the durability of the state’s Energy Action Plan, which will return stability and confidence to the marketplace, allowing for increased investment in new projects.

The Chamber believes California needs more electrical generation and transmission infrastructure to keep pace with growing demand.

Key Vote

The committee vote on AB 1190 was 5-0, one short of the total needed to pass:

Ayes: Blakeslee (R-San Luis Obispo), Bogh (R-Beaumont), Cohn (D-Saratoga), Keene (R-Chico), Wyland (R-Del Mar)

Absent/abstaining/not voting: Baca (D-Rialto), De La Torre (D-South Gate), Horton (D-Inglewood), Levine (D-Van Nuys), Montañez (D-San Fernando), Ridley-Thomas (D-Los Angeles).

Staff Contact: Dominic DiMare

Chamber-Opposed Biomonitoring Bill Moving in Senate

A California Chamber-opposed bill to establish a biomonitoring program lacking a sound basis in science is moving in the Legislature.

SB 600 (Ortiz; D-Sacramento) makes California unfriendly to business by establishing a biomonitoring program that could lead to the potential elimination or reduction of use of certain chemicals based on mere detection, even if those chemicals are not scientifically proven to be harmful, and without taking economic considerations into account.

The Chamber, along with a broad coalition of businesses and organizations, opposes SB 600 due to:

● the legislation’s erroneous presumption that there is a cause-effect relationship between the detection of a chemical in a person and adverse health outcomes;
● the absence of science-based criteria for developing the program;
● the lack of a health risk framework for interpreting the biomonitoring results and for communicating these results; and
● the lack of clarity in the role of the scientific advisory panel.

The Chamber believes that without a scientifically sound framework for interpreting results — one based on procedures reviewed by technical experts and their peers — the program will produce only a jumble of results that fail to distinguish between trivial levels of exposure and those of potential concern to public health.

Key Vote

SB 600 passed the Senate Health and Human Services Committee on a vote of 6-2 on March 30.

Ayes: Ortiz (D-Sacramento); Alquist (D-Santa Clara), Chesbro (D-Arcata), Kuehl (D-Santa Monica), Romero (D-Los Angeles), Vincent (D-Inglewood).

Noes: Runner (R-Lancaster), Aanesstad (R-Grass Valley).

Absent/abstaining/not voting: Cox (R-Fair Oaks), Figueroa (D-Fremont), Maldonado (R-Santa Maria).

The bill will be considered next by the Senate Environmental Quality Committee.

Staff Contact: Trudi Hughes
ChamberPAC Provides Way to Help Elect Pro-Jobs Candidates

A business-friendly majority in the state Legislature — one that can work with the Governor toward a pro-jobs agenda — is crucial to California’s economic recovery.

To help elect pro-jobs candidates and build toward this majority, the California Chamber of Commerce is engaging in an aggressive, bipartisan candidate recruitment program for the 2006 election cycle. The public employee unions and the trial bar are well ahead of business in this arena, but the Chamber believes it is possible to catch up if business begins now. With more than 40 open seats in the state Senate and Assembly, this effort is critical.

By contributing to ChamberPAC, the Chamber’s bipartisan political action committee, businesses can help pro-jobs candidates campaign and win in competitive races throughout the state. Even if these races are outside of an employer’s district, ChamberPAC provides a unique opportunity for contributors to pool resources with those of like-minded employers to maximize the business community’s impact on the 2006 elections.

Contributions — in any amount — will help strengthen the pro-business voice during the next election cycle. To join in this critical effort, please fill out and send in the form with your check.

For more information, visit the Government Relations section at www.calchamber.com or call (916) 444-6670, extension 275.

Chamber Provides Important Information on Leaves of Absence

The California Chamber of Commerce Leaves of Absence 2005 Edition is now available, providing employers with important information on employee leaves of absence.

The Leaves of Absences 2005 Edition offers in-depth assistance with a complicated aspect of providing employment. This book helps employers coordinate legally mandated time off with other discretionary forms of leave.

In addition, the Leaves of Absence 2005 Edition teaches employers how the different leaves of absence interact with each other — for example, the way federal family/medical leave and pregnancy disability leave relate.

Features

The Leaves of Absence 2005 Edition features:

- a quick introductory overview that shows which laws apply to which businesses based on business size;
- timelines that show overlapping leave and benefits requirements;
- a comprehensive CD that includes both mandatory and recommended forms, policies and checklists;
- step-by-step advice for handling employee requests and returns to work; and
- helpful callouts for important terms and cautions.

The Leaves of Absence 2005 Edition provides information on:

- pregnancy disability leave;
- family/medical leave and California Family Rights Act;
- vacation and sick pay; and
- disability insurance and paid family leave benefits.

For more information or to order the leaves of absence book or other compliance material, visit www.calchamberstore.com.

Staff Contact: Robyn Souza
Employers and business owners — Don’t miss out on this opportunity to learn how you and your company can have an impact on decisions at the state level.

• Updating Infrastructure (highways, housing, energy, ports)
• Stopping Lawsuit Abuse (including Americans with Disabilities Act reform)
• Battling Health Care Costs
• Building Strong Grassroots Political Action
• Removing Barriers to Workplace Progress
• Reforming Policy through Ballot Initiatives

Register today at www.calchamber.com, or for additional information, contact Amy Orr at (916) 444-6670, ext. 263 or e-mail events@calchamber.com.