New Analysis Finds Prop. 82 Would Erode School Funding
$4 Billion-Plus in First 5 Years from General Fund

Proposition 82, the California Chamber-opposed initiative that increases taxes to create a government-run preschool system, would significantly erode General Fund revenues available for schools, health care, public safety, transportation and other state priorities, a newly released economic report has concluded.

The report by Dr. William Hamm, former legislative analyst for the state (a non-partisan post) was commissioned by the No on 82 campaign.

Hamm, now an independent consultant and researcher, has not taken a position on Proposition 82, which will appear on the June ballot.

“Dr. Hamm’s report provides yet another example of why Proposition 82 would be bad policy for California,” said Chamber President Allan Zaremberg. “Proposition 82 would lead to lower state revenues, placing at risk other important programs that rely on the General Fund.

New Analysis Finds Prop. 82 Would Erode School Funding
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Governor to Open Legislative Summit at 80th Host Breakfast

Governor Arnold Schwarzenegger and California Chamber Chair Donna F. Tuttle will be the opening speakers at this year’s California Business Legislative Summit.

The April 25 event, held in Sacramento and sponsored by the California Chamber of Commerce, provides business and local chamber of commerce leaders a forum to meet with peers and state policy experts and to focus on priority legislative issues facing California business.

The Summit’s dual aims are to empower attendees to be active players in the legislative process and to present the business perspective on policy issues affecting California business’ bottom line.
**Guaranteed Leave.** California’s Paid Family Leave law (PFL) does not entitle employees to take a leave of absence, nor does it require an employer to pay an employee who is on leave. PFL is simply a state-mandated insurance program, much like State Disability Insurance.

The state’s Employment Development Department provides PFL insurance payments when an employee takes a leave for baby bonding or to care for an ill family member, but the employer needs to hold the job only if:

- an employee is entitled to take a leave under the family/medical leave laws; or
- the employer’s policy provides such leaves, even if not mandated by law.

**Vacation Timing**

**Vacation: Employer Has Control Over Timing.** Employers often are concerned when employees do not take vacations, both because of large buildups in vacation banks and because failing to take vacations can lead to job burnout.

Many employees believe the choice of when to take a vacation is theirs alone, but in fact an employer has the option of scheduling an employee’s vacation time regardless of the employee’s wishes.

The employer can either set a date for an employee to take vacation time or let the employee know that a certain amount of vacation must be used within a set timeframe and let the employee choose the vacation dates within that timeframe.

**Family Leave**

**Family Leave: Not All Employees Eligible.** The state and federal family leave laws cover employers of 50 or more employees, but not all employees of those companies are eligible to take family leave.

When an employee requests family leave, most employers covered by the law check to see if the employee meets the eligibility tests of having been employed for one year; and having worked at least 1,250 hours.

It is not uncommon for an employer to overlook the eligibility requirement that the employee’s worksite has 50 or more employees, either at the worksite or within a 75-mile radius.

An employer of 50 or more whose employees work in multiple locations more than 75 miles apart may not legally be required to grant family leaves to employees at smaller locations.

**Job Abandonment**

**Job Abandonment: No Three-Day Rule.** No federal or state laws regulate job abandonment. Each employer is free to set any number of days of “no show, no call” after which the employee will be considered to have abandoned the job, although three days is a common number.

Exceptions should be made for emergencies, of course.

**Doctor’s Notes**

**Doctor’s Notes: No “Hold the Job” Guarantee.** It is not uncommon to receive a note from an employee’s doctor indicating the employee should be excused from work for a certain length of time. The employee’s job need not be held, however, simply because of a doctor’s note.

An employer must only hold a job open:

- if there is a legal requirement for a medical leave, such as leave entitlement under family leave or pregnancy disability laws;
- where a short leave is a reasonable accommodation under the federal Americans with Disabilities Act and the related California laws:
  - where the employer’s own policy provides medical leaves beyond those legally required; or
  - if the employee is out for a work-related injury or illness (workers’ compensation), which also may qualify for family leave.

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.
Infrastructure Must Remain High Priority

**Voters Can Protect Proposition 42, Approve Local Financing**

As time ran out this week on negotiations to place a bond proposal on the June ballot, California Chamber President Allan Zaremberg underscored the importance of infrastructure investment to the state’s future economic growth.

“California’s infrastructure needs significant investment to keep our state safe, move our economy forward and prepare for the millions who will move here over the next decade,” Zaremberg said. “Governor Schwarzenegger highlighted this when he called for a strategic growth plan in his State of the State Address and we applaud the Governor for his strong leadership in addressing this crucial issue.

“While it is disappointing that an agreement was not reached in time to place an infrastructure bond package on the June ballot, it appears that all sides agree on the importance of this issue to our state and will continue to work towards a successful proposal to place before the people.

“In the absence of an agreement on new infrastructure investment, it is even more important that we protect the existing Proposition 42 measure approved by the voters to require investment in transportation projects each year. Californians likely will have the opportunity to take action on this issue in November by supporting an initiative to guarantee their gas tax revenues are invested in transportation projects every year.

“In addition, voters in 12 counties will be able to address the infrastructure needs of their communities directly this year by supporting local option sales taxes dedicated to transportation projects. Approximately $18 billion in much-needed transportation resources will be available through elections in June and November to reduce congestion and improve air quality. We strongly encourage the voters to approve these measures for their local communities.”

Zaremberg is co-chair of Californians to Improve Traffic Now, a coalition that is gathering signatures to qualify for the November ballot an initiative to close the Proposition 42 loophole that allowed revenues to be shifted from the General Fund to help balance the state budget during the state’s fiscal crisis.

**Staff Contact:** Vince Sollitto

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**New Analysis Finds Proposition 82 Would Erode School Funding**

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such as the schools, state college and university systems, health care and public safety.

“Increased access to preschool is a laudable goal, but given the state’s unresolved budget gap, now is not the time to create a new government bureaucracy with no accountability to parents and taxpayers.”

**Multibillion-Dollar Impacts**

Proposition 82 proposes to increase taxes by $2.4 billion via a 1.7 percent tax increase on incomes over $400,000 for individuals and $800,000 for couples.

“Based on well-established economic modeling, we estimate that Proposition 82 would reduce General Fund revenues by billions of dollars during its first several years, with the amount of the revenue loss increasing over time,” Hamm said.

The study concluded that Proposition 82 could reduce General Fund revenues by approximately $618 million in the first year (2007), with the reduction increasing to an estimated $1.1 billion annually by 2011.

Because California’s General Fund relies so heavily upon the higher earner, even a modest reduction in reportable income from these taxpayers translates into a significant reduction in General Fund revenues, Hamm explained.

Using the current Legislative Analyst’s forecasts for the state’s future Proposition 98 obligations to fund K-14 education, Hamm also estimates that Proposition 82 will reduce K-14 funding by hundreds of millions of dollars each year.

**‘High Risk’ Kids: Little Funding**

In a separate report, Hamm and the global economic consulting firm LECG analyzed Proposition 82’s design and funding mechanisms. They concluded that:

- less than 9 percent of funding from the new program will go to enroll in preschool the “high risk” children who otherwise wouldn’t have gone — those children from lower-income families or children who historically have shown school achievement gaps.

- 24 percent of Proposition 82 funding would go to subsidize preschool for those making more than $100,000 per year.

As part of its evaluation, LECG analyzed information in a recent report by the RAND Corporation, The Economics of Investing in Universal Preschool in California. Supporters of Proposition 82 frequently cite this report, which provides estimates of the participation rates, costs and benefits for a Proposition 82-type program.

LECG also relied on the California Department of Finance demographic projection of 4-year-olds in 2011.

**Existing Program**

At the December 2005 meeting where it reaffirmed its support for preschool, but voted to oppose Proposition 82, the Chamber Board of Directors heard a presentation about a Bakersfield area program that prepares children with no preschool experience to enter kindergarten. The five-week summer program uses existing facilities and certificated teachers at a cost of $250-$350 per child. The academic results were comparable to those of other preschool attendees.

The Legislative Analyst has estimated that the new program started by Proposition 82 will cost as much as $8,000 per student for a three-hour per day schedule running at least 180 days per year.

**Staff Contact:** Jeanne Cain
Governor to Open Legislative Summit at 80th Sacramento Host Breakfast

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Close to 1,000 business people from throughout the state are expected at the day-long Summit.

Host Breakfast
The opening event — the Sacramento Host Breakfast at which the Governor and Tuttle will speak — marks the 80th annual breakfast sponsored by the Sacramento Host Committee. Twenty-three Sacramento business leaders comprise the committee, sharing event planning and expenses.

The goal of the annual gathering is to offer decision-making leaders in California finance, government, education, agriculture and industry the opportunity to exchange views, establish and renew friendships, and create statewide atmospheres of good will and understanding at a common table.

Expected attendance at this year’s Host Breakfast is likely to exceed 2,000.

This year’s Host Committee chairman is Carl Otto, president of John F. Otto, Inc. The vice chairman of the committee is F. Frederick Brown, president of Brown, Stevens, Elmore & Sparre.

Each year the breakfast honors the directors of the California Chamber. The Chamber staff assists the Host Committee with arrangements.

Legislative Summit
Following the Host Breakfast, Summit attendees can choose from a number of breakout sessions focusing on timely business issues. General sessions will include a recap on priority issues by California Chamber President Allan Zaremberg and a town hall session with key state leaders.

State legislators are invited to join their constituents at the Summit luncheon, which also features presentations acknowledging outstanding advocacy by small business owners and local chambers of commerce; the HR Partner of the Year; and local chambers that have supported the California Chamber’s candidate political action committee, ChamberPAC.

Related Events
On April 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 Host Reception for business and community leaders from throughout the state.

Registration
The cost of registering for the Summit increases after March 22; the deadline to register is April 11. For more information, visit www.calchamber.com.

Staff Contact: Amy Orr

California Chamber Enhances Public Policy Team

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Vincent Sollitto
In addition to serving as the Chamber’s chief liaison with the media, Sollitto will manage the Chamber’s involvement on select issue advocacy and ballot measure campaigns.

Immediately before joining the Governor’s staff, Sollitto served as communications director for the U.S. House Select Committee on Homeland Security under Chairman Christopher Cox of Orange County.

Sollitto previously spent three years as vice president of corporate communications and external relations for the online payments company PayPal, Inc. in Mountain View. In addition to overseeing public, investor and media relations, he created the company’s government relations program.

Before joining the high tech start-up, he worked in political communications in Washington, D.C. from 1992-99, including five years as a Capitol Hill press secretary, first for Congressman Cox and then for U.S. Senator Jon Kyl of Arizona. He also directed media relations for a public policy think tank for two years.

Sollitto earned his bachelor’s degree in public policy studies and political science from Duke University.

Jessica Smith
Smith’s primary duty will be to enhance the Chamber’s grassroots network throughout the state, working closely with the public policy staff to secure business input as early as possible on priority issues.

At the local homebuilding association, she spearheaded grassroots campaigning on local initiatives that would have impeded residential development in the southern portion of the Central Valley.

Smith is a former Kenneth L. Maddy intern for Congressman George Radanovich in Turlock, and also has held positions with Associated Student Government at Merritt College and the City of Oakland’s Citizens Academy. After attending Merritt College in Oakland, she went on to earn a B.A. in political science from California State University, Fresno.

Political Manager
Joining the Chamber as political manager is Jillian Hacker, a graduate of the University of California, Santa Barbara with a B.A. in political science. Her experience includes work on legislative and other events for a variety of organizations, as well as website design and production for a number of clients.

Hacker will work with Chamber Vice President of Public Affairs Michele Zschau in encouraging Chamber members and other businesses to support the Chamber’s candidate and issues-oriented political action committees (PAC).

Staff Contact: Jeanne Cain
Jim Theis is not a man to back off from a challenge — whether it’s passing a school bond measure, suggesting ways to balance a city’s budget or helping a region define its political voice.

Theis, a recipient of the California Chamber of Commerce Small Business Advocate of the Year Award, has been engaged in local and state business advocacy for more than 30 years.

Theis’ advocacy has aligned itself naturally with his professional life, both as a manufacturing director in the food processing sector and later as a real estate broker.

“In my profession,” he says, “I need to know what is happening at all levels of government (city, county, state and federal) and how it may impact my clients. The issues include land use/zoning; new fees or taxes; air and water quality; quality of life and education; and economic development.”

Not only does Theis stay in the know; he also remains actively engaged in many ventures to improve the places he has spent most of his life: Turlock and the Central Valley.

**Local Focus**

According to Sharon Silva, president and chief executive officer of the Turlock Chamber, “Jim has displayed excellence over the past 20 years, often quietly and with little fanfare. . .[and] has always taken an active role in the local economic development process.”

Theis has been an active member and chair of many chamber committees. He also has served on the chamber board for 14 of the past 20 years. He currently sits on the chamber Government Affairs Committee and chairs the Economic Development Committee. He also makes three or four trips a year to Sacramento to meet with legislators and sometimes to testify.

“If you’re not out lobbying for your issue, I guarantee you there are people lobbying for the other side,” Theis says.

“You need to be active. . .you need to be informed about what’s going on. The challenge of staying abreast of issues is more than a full-time job.”

Along with his contributions to the Turlock Chamber, Theis is deeply involved in a variety of local improvement measures.

In 2003, he chaired a successful campaign to unify the Turlock school districts, which resulted in more than $2 million in savings to the combined districts.

Theis, a self-described action-oriented person who likes to make things happen, says, “The issue sat on the table for years. We finally got board members who were interested. We ran an aggressive educational campaign and got it moving.”

Theis worked to pass a bond measure in 2002 to secure funds to build a new elementary and high school in Turlock. He is still involved with the citizens’ committee that meets quarterly to oversee the bond and produces annual reports for Turlock’s citizens.

The oversight builds credibility, in Theis’ opinion, something he says it’s important to continue to do.

**Regional Alliance Involvement**

Along with Theis’ local focus comes a clear understanding that those needs are tied inextricably to regional and state concerns.

According to Silva, Theis was “instrumental in the development and implementation of the Central California Chamber Alliance,” a group comprised of more than 15 chambers from around the Central Valley that meets quarterly to discuss and deal with legislative issues particular to the Central Valley; to assure local legislators are aware of their positions; and to create a united voice for Central Valley business issues in Sacramento.

The alliance is important, Theis says, because “We have to look at Central Valley issues on a regional level for solutions. The problems we face are not just one-city problems.”

The alliance is working to develop a voice in the Capitol vis-à-vis Southern California and the Bay Area. “As the regional focus gains strength,” Theis asserts, “it will become a more formidable voice compared to other big regions.”

One matter currently before the alliance is an effort to pass a county sales tax initiative for funds solely devoted to regional transportation. This sales tax would allow Stanislaus County to become a state-designated “self-help” county, one willing to help itself solve its own transportation problems. This designation makes the county more competitive for state and federal transportation monies because it can provide matching funds.

**Many Other Projects**

Theis’ activism doesn’t end here. He helped Stanislaus County obtain an enterprise zone designation, the economic benefits of which will be felt for 20 years, in Theis’ estimation.

Another of his projects is leading a group of concerned citizens to build a local “election infrastructure” by defining issues for city council and finding qualified, business-friendly candidates to run for office.

Theis also has been working for some time to encourage the City of Turlock to come to grips with its burgeoning costs, particularly in the realm of public safety benefits and pensions, and much of his local advocacy focuses on fiscal responsibility.

Theis also sits on the boards of the Stanislaus Economic Development and Workforce Alliance and the Center for Public Policy Studies at Cal State Stanislaus.

Why does Theis involve himself so comprehensively in these diverse issues at so many levels? Simply put, “I want to give back to my community,” he says. “I take a lot out of it, and I want to give back. We have that obligation. I’ve chosen to be part of the solution.”
Chamber Says Enterprise Zone Program Should Reward Job Creation

California’s enterprise zone program should maintain its broad vision of attracting and maintaining jobs in the state, the California Chamber testified at a legislative hearing this week.

The program “needs to be structured to be rewarding business for bringing new jobs into the state,” Kyla Christoffersen, Chamber legislative advocate, told a joint meeting of the Assembly Jobs, Economic Development and the Economy Committee and Assembly Revenue and Taxation Committee on March 14.

The committees were reviewing the enterprise zone program, established by Chamber-supported legislation signed in 1984. The program offers a variety of tax credits and incentives to encourage business activity in economically distressed areas of the state.

Christoffersen commented that businesses find the program’s hiring credit to be very complicated and bureaucratic. Simplifying the credit could be one improvement, she noted.

Legislation pending before the two committees, SB 1008 (Ducheny; D-San Diego and Machado; D-Linden), proposes to change some of the criteria for an acceptable enterprise zone, as well as the criteria that qualify employees for the hiring credit.

The Chamber is presently opposing SB 1008, along with a coalition of employer groups, because it seriously undermines the enterprise zone program. With the expiration of the manufacturing investment credit in 2004, the enterprise zone program offers the only significant economic development tax credit currently available to business in California.

The coalition believes the legislation would significantly narrow the eligibility criteria for the hiring credit, thereby negating one of the major business incentives for job creation in an enterprise zone. The proposal would also make it more difficult for businesses to obtain loans to develop in enterprise zones because it imposes burdensome new requirements on lenders.

When the enterprise zone legislation was enacted, the Chamber noted that the program relies on creating a productive, free market environment in economically depressed areas by reducing taxes, regulations and other government burdens. Such an approach permits private firms and entrepreneurs to create jobs.

The Chamber is optimistic about working with the authors of SB 1008 on amendments to the bill that will ensure the program continues to carry out these original objectives.

Staff Contact: Kyla Christoffersen

Seminars/Trade Shows

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

Business Resources

Labor Law

International Trade
Changzhou China Luncheon Seminar.

Changzhou China Events Team. March 21, Irvine. (703) 770-8058.
Chamber-Opposed Health Coverage Reporting Bill Moves

A California Chamber of Commerce-opposed proposal to create a new administrative burden with no foreseeable benefit passed the Assembly Health Committee this week on a 10-4 vote.

AB 1840 (J. Horton; D-Inglewood) establishes a list of employers with more than 25 employees that employ beneficiaries of public assistance health care benefits under Medi-Cal, the California Children's Services Program, and the Healthy Families Program and provides public access to this list. The purpose of this public posting is unclear and could be misleading.

Concerns

The Chamber believes naming employers with employees who are enrolled in public health care programs in reports to the Legislature and on agency websites is a seriously misguided approach to expanding employer-based health care coverage.

The data collection presents challenges to accuracy that could misrepresent the employer’s benefit profile. For example, if an individual has more than one job, on which employer’s report would he/she appear?

In addition, the bill does not differentiate between part-time, seasonal or recently hired employees. It does not consider that some employers require employees to be employed for a specific amount of time before health care benefits are offered, and some employees may decline to take advantage of coverage due to the out-of-pocket employee share of the cost. Still other employees may change jobs frequently or work for temporary labor firms, perhaps taking a variety of assignments from several agencies.

Key Vote

The Assembly Health vote on AB 1840:

Ayes: Chan (D-Oakland); Berg (D-Eureka); Cohn (D-Saratoga); Dymally (D-Compton); Mullin (D-South San Francisco); Jones (D-Sacramento); Lieu (D-El Segundo); Montañez (D-San Fernando); Negrete McLeod (D-Chino); Ridley-Thomas (D-Los Angeles).

Noes: Aghazarian (R-Stockton); Nakanishi (R-Lodi); Richman (R-Northridge); Strickland (R-Thousand Oaks).

Action Needed

AB 1840 will be heard next by the Assembly Appropriations Committee. The Chamber urges all employers to contact their Assembly representatives and members of Assembly Appropriations and ask them to oppose AB 1840. Sample letters are available in the Government Relations section at www.calchamber.com.

Staff Contact: Marti Fisher

Columnist Comments on California Political Currents to Chamber Board

Dan Walters, political columnist for The Sacramento Bee, presents his observations on what to expect in California politics this year at the recent meeting of the California Chamber Board of Directors.

California Business Legislative Summit
April 25, Sacramento

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