

ALERT

CALIFORNIA CHAMBER OF COMMERCE

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Chamber Sponsors Bills to Help Reduce Court Costs



SUPPORT

California Chamber of Commerce-sponsored bills that would give businesses the option to contract to resolve future disputes by bench, rather than

a jury trial were heard by the Assembly and Senate Judiciary committees this week.

The Chamber **sponsored** and **strongly supports** AB 2258 (Villines; R-Clovis) and its Senate companion bill, SB 1386 (Morrow; R-Oceanside), because predispute jury waivers are an efficient and cost-effective means for businesses to resolve contractual disputes. Numerous businesses in the state used such contracts until they were invalidated by the *Grafton* Supreme Court decision last year.

Common-Sense Option

"Predispute jury waivers should be reinstated as a common-sense dispute resolution choice," said Kyla Christoffersen, Chamber legislative advocate. "Jury trials in California can be costly and unpredictable. Predispute jury waivers provide one method that businesses could use to provide greater cost control and predictability in litigation because disputes resolved by a judge rather than a jury generally produce faster results with fewer legal fees."

Grafton Impacts

Before the *Grafton* decision, California law allowed parties to voluntarily contract to waive their right to a jury and instead have all disputes resolved by a judge.

The *Grafton* decision was unfavor-

able for businesses and made California one of only two states in the nation to prohibit predispute jury waivers. This action invalidated existing waiver agreements, added extra expense and time burdens on businesses involved in trial-based dispute resolutions, and left only two options for dispute resolutions: a costly and risky jury trial or arbitration without right to appeal.

Predispute jury waivers are consistent with the Chamber's policy to promote the streamlining of court costs and litigation. As compared to jury trials, bench trials are less costly and less time-consuming for the courts and all the parties involved. AB 2258 and SB 1386 will restore to businesses the desirable middle-ground option of a bench trial.

Key Votes

AB 2258 failed to pass out of the Assembly Judiciary Committee on a party-line vote of 3-6.

SB 1386 also failed to pass the Senate Judiciary Committee on a party-line vote of 2-3.

Voting aye on AB 2258: Harman (R-Huntington Beach); Haynes (R-Murrieta); Leslie (R-Tahoe City).

Noes: Jones (D-Sacramento); Evans (D-Santa Rosa); Laird (D-Santa Cruz); Levine (D-Van Nuys); Lieber (D-Mountain View); Montañez (D-San Fernando).

Voting aye on SB 1386: Morrow (R-Oceanside); Ackerman (R-Tustin).

Noes: Dunn (D-Garden Grove); Escutia (D-Norwalk); Kuehl (D-Santa Monica).

Staff Contact: Kyla Christoffersen

Flaws in Proposition 82 Attract Bipartisan Opposition Statewide

Many Chambers Opposing



The broad-based coalition opposing Proposition

82 on the June ballot is continuing to grow as Californians conclude the measure is a flawed proposal that will hurt the state's ability to deal with other priorities, including K-12 education.

To date, the bipartisan opposition to Proposition 82 includes educators, preschool teachers and providers, minority groups, seniors, taxpayer groups, a diverse array of businesses, the California Chamber and nearly 100 local chambers of commerce.

"California's Proposition 82 is *not* a question of whether preschool is good or bad, or even if expanding preschool opportunities is a worthwhile goal," notes California Chamber President Allan Zaremberg. "Instead, the question before voters is this: At a time when California has many other pressing needs, like fixing K-12 schools, should we institute a massive new preschool bureaucracy at a cost of \$2.4 billion annually, in order to increase preschool enrollment by a mere 4 or 5 percent?"

Erosion of Revenues

Another concern is that Proposition 82
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Labor Law Corner

Employees May Discuss Wage Rates, Working Conditions



Barbara Wilber
Labor Law Consultant

Is it legal for an employer to terminate an employee for discussing or disclosing his/her wage rate or salary amount to other employees? Our company handbook specifically states that discussion of wage rates is grounds for termination.

Restricting an employee's ability to

discuss wages is unlawful and exposes an employer to liability.

By establishing a policy against disclosure of wage rates, employers hope to avoid making employees unhappy and lowering employee morale. The feeling may be that discussion among employees causes jealousy over differences in wage rates and could generate uncomfortable situations that require intervention and explanation.

Although many employers believe these are valid reasons for restricting the disclosure of wage rates and working conditions, Labor Code Sections 232 and 232.5 protect the right of employees to discuss both.

Codes Protect Open Discussion

Pursuant to these sections, no employer may do any of the following:

- require, as a condition of employment, that an employee refrain from disclosing the amount of his/her wages or information about working conditions;
- require an employee to sign any document denying the employee the right to disclose the amount of his/her wages or working conditions; or
- discharge, formally discipline or otherwise discriminate against an employee for disclosing his/her wages or working conditions.

This law is not intended to permit employees to disclose proprietary information, trade secret information or information that is otherwise subject to a legal privilege without the consent of his/her employer. Rather, its purpose is to foster and protect the individual right of open, frank and honest discussion.

'Wages' Definition Broad

The prohibitions covered by the statute are not limited to just an hourly rate of pay.

A California Court of Appeals found that an employer violated the Labor Code when it fired an employee for engaging in a discussion of bonus payments with co-workers.

The court decided the use of the word "wages" in Labor Code Section 232 includes a discussion of "bonuses."

On the basis of this interpretation, it would be prudent to assume that Labor Code Section 232 applies to all types of wages as defined in Labor Code Section 200:

(a) "Wages" includes all amounts for labor performed by employees of every description, whether the amount is fixed or ascertained by the standard of time, task, piece, commission basis or other method of calculation.

Err on Cautious Side

Failure to observe the prohibitions outlined above subjects an employer to the possibility of a discrimination complaint being filed with the Division of Labor Standards Enforcement (DLSE).

The DLSE, or as it is more commonly known, the Labor Commissioner, has jurisdiction over complaints alleging discrimination pursuant to Labor Code Section 232 (and other specific statutes) and utilizes the provisions of Labor Code Section 98.7 to investigate and enforce this statute.

Actions brought pursuant to Labor Code Section 98.7 can result in monetary damages, recovery of lost wages and reinstatement of terminated employees.

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.

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Pro-Jobs California Legislation Begins with Supporting Pro-Jobs Candidates Today!

40+ Open Senate and Assembly Seats Present Huge Opportunity



The importance of creating a pro-jobs, employer-friendly majority in the Legislature cannot be understated as we

look to build momentum for California's economic turnaround. This election cycle is especially significant because of the large number of open legislative seats up for grabs.

The June primary is our first shot, in a one-two punch, to secure this majority position. It sets the stage for how successful we can ultimately be in the November general elections — the more wins we tally in the primaries, the more likely we'll be of achieving a majority who will support our pro-jobs reforms.

Total Legislative Return

Highlighting recent efforts from the California Chamber's legislative advocacy team illustrates the opportunity at hand if we are to gain this majority. The team has worked hard in stopping bad legislation aligned with the "job killer" agenda.

In 2005, bills to enact minimum wage increases with automatic indexing, business property tax increases, vehicle user taxes, port fees and employer-paid health care were among those ultimately vetoed or otherwise stopped. The net effect

spared employers more than \$29 billion in negative economic impact.

But that's only half the story. Sponsoring good legislation — such as workers' compensation reform, transportation funding, air quality/alternative fuels legislation and tourism funding — made the "Total Legislative Return" even more impressive last year, climbing to more than \$49 billion.

There lies the importance of the task

Commentary By Frank Washington

The June primary sets the stage for how successful we can ultimately be in the November general elections — the more wins we tally in the primaries, the more likely we'll be of achieving a majority who will support our pro-jobs reforms.

at hand: building a pro-jobs majority in the Legislature enables a shift in posture — from defensive to offensive — to sponsor more legislation that expands the job base.

ChamberPAC, the Chamber's bipartisan political action committee, is aggressively working to enable this shift in this election cycle. Charged with identifying and supporting business-friendly candidates in campaigns with significant election potential, ChamberPAC has an 82 percent success rate of ensuring they have the resources to shout their jobs-focused messages and sway voters.

Time to Reinvest Gains

But building visibility and momentum

for candidates who'll champion creating jobs and foster a healthy business climate is not an easy task, especially given the overflowing war chest of the job-killer opposing forces.

We're urging you to reinvest just a portion of the \$3,782 per employee your business has realized in Total Legislative Return to help us in the battle. By contributing to ChamberPAC, you'll be assisting business-friendly candidates campaign and win in competitive races throughout the state.

Even if these races are outside of your district, ChamberPAC provides a unique opportunity for you to pool your resources

with those of like-minded employers and maximize the business community's impact on the 2006 elections.

Time is of the essence, however, and we're urgently soliciting your contributions. The June primaries are just around the corner and

ramping up for the November general elections needs to start now if we expect to win!

To learn more about ChamberPAC, or to contribute online, visit www.calchamber.com/chamberpac. Please direct any questions to Michele Zschau at (916) 444-6670 or e-mail michele.zschau@calchamber.com.

Frank Washington, chair of the California Chamber Fundraising Committee, is a member of the California Chamber Board of Directors and chief executive officer of Moon Shot Communications, LLC, Sacramento.

ChamberPAC Recognizes Local Chambers of Commerce for Support



During the California Chamber's Business Legislative Summit on April 25, ChamberPAC, the California Chamber's candidate political action committee, recognizes local chambers of commerce for their support. From left are: Cynthia Roth, Greater Riverside Chambers; Debbie Moreno, Greater Bakersfield Chamber; Kim Joseph Cousins, Lake Elsinore Valley Chamber; Randy Gordon, Long Beach Area Chamber; Michele Zschau, California Chamber vice president of public affairs; Richard Leyner, Encino Chamber; Karie Najemnik, Orange Chamber; Cathy Kennerson, El Centro Chamber, and Nicole Nicholas Gilles, Brawley Chamber, for the Imperial Valley Joint Chambers.

Vallejo Chamber Named Compliance Partner of Year



Verna Mustico of the Vallejo Chamber accepts the Human Resource Compliance Partner Award from California Chamber President Allan Zaremberg. The award recognizes the local chamber that excels at working with the California Chamber in informing members about new state and federal laws. The Vallejo Chamber's efforts prompted one member to write, "Congratulations to you and the Vallejo Chamber for being the first to send something that actually benefits our business. It's a pleasure to be a member of your organization."

Long Beach Area, Bakersfield Chambers Get Kudos for Strong Business Advocacy



California Chamber President Allan Zaremberg (center, above) presents the Advocacy Partner of the Year Award for the fourth year in a row to the Long Beach Area Chamber, represented by Larry Whitley (left) and Randy Gordon, president/chief executive officer; and to the Greater Bakersfield Chamber (right photo), represented by Debbie Moreno, president/chief executive officer.





California Economy May Outperform Nation's

National Economy

The U.S. economy entered 2006 with a considerable head of steam. January consumer spending was boosted by unusually warm weather and redemption of holiday gift cards. Retail sales declined in February, but remained healthy enough to ensure that GDP growth in the first quarter will exceed 4 percent. The labor market has also remained strong, with monthly job gains restored to levels seen prior to the 2005 hurricanes.

Data on business investment in the first quarter were not available as of this writing, but lackluster capital goods orders in January and February would indicate that investment remained at sub-par levels. It appears that businesses continue to use their large cash hoards for mergers, share repurchases and dividends. Survey data indicate intentions to boost capital spending, but these intentions are not yet evident in the economic data.

The Economic Advisory Council believes that the economy will gradually slow during the course of 2006, with GDP growth settling around 2.5-3 percent in the second half of the year. Three headwinds identified in our last outlook — softening housing markets, high oil prices, and restrictive Federal Reserve policy — remain in play.

Consumer spending growth has exceeded growth in disposable income in recent years. Households have been able to finance their spending by extracting equity from their homes. Home equity borrowing is now declining and this will weigh on consumer spending in coming months. The slowdown will be gradual, as healthy job growth provides support for spending.

Oil prices remain a wild card in the economic outlook. Crude oil prices declined to around \$60 per barrel in early

2006 as oil supplies were restored from post-hurricane levels. But oil prices have recently begun to climb again due to supply interruptions in Nigeria and concerns about Iran's nuclear program.

Gasoline prices have also been increasing due to the higher costs associated with new regulations requiring conversion to ethanol-based gasoline blends. U.S. consumers have been amazingly resilient to soaring oil prices over the past few years, but energy expenditures will

The Economic Advisory Council believes that inflation will remain well-contained. Productivity gains have contained unit labor costs and core inflation has been decelerating of late. Global competition has kept a lid on the U.S. wages and prices, and there is no sign that this competition is relenting.

With core inflation remaining low and the economy slowing, the FOMC will likely raise its Fed Funds target to 5 percent in May and then pause. Long-term interest rates will rise in step with short-term rates, keeping the yield curve flat for several more months.

California

Recent California economic indicators look quite healthy. Although the state economy has largely tracked the national economy during this expansion, recent data indicate the state may now be growing a bit more rapidly than the nation.

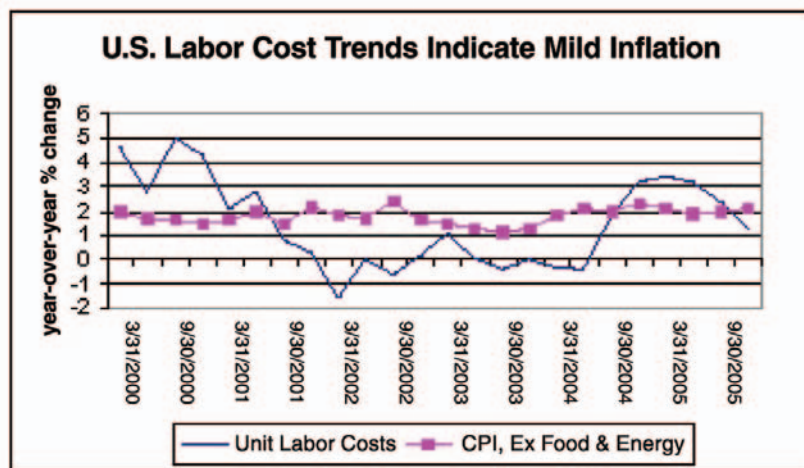
Annual benchmark revisions by the Employ-

ment Development Department raised the estimate for California job growth in 2005 from 1.6 percent to 1.8 percent. Healthy job gains were sustained in the first two months of 2006, bringing annual job growth to 1.9 percent, compared to national job growth of 1.5 percent.

The state's unemployment rate has fallen from 5.6 percent to 5 percent over the past year, although it is still a couple of tenths higher than the U.S. unemployment rate. California's personal income growth has outpaced the nation by a small margin.

An ongoing concern of the Economic Advisory Council has been California's dependence on residential construction and real estate. We are comforted that other sectors of the economy have been contributing more to growth over the past year.

In particular, the state has recently
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become more burdensome in a higher interest rate environment.

Interest Rates

The Federal Open Market Committee (FOMC) has raised interest rates 15 times since June 2004, bringing the Fed Funds target to 4.75 percent as of this writing. The Fed is poised to raise interest rates by another 25 basis points at its May 10 meeting.

The FOMC sent a mixed message after its March 28 meeting, the first policy meeting that was led by new Fed Chairman Ben Bernanke. The committee acknowledged that inflation remains well-contained, with minimal inflationary pressure emanating from energy prices and increased resource utilization. But the committee still believes there is a risk of higher inflation in coming months, and thus maintained its bias toward further monetary tightening.



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seen strong job gains in business services, tourism and financial services. The council believes that California's highly diverse business structure will enable it to withstand the ongoing slowdown in the housing market.

The council identified several other developments that should benefit California in coming months:

- First, we are seeing a healthy pickup in non-residential construction and real estate, which will partly offset the slowdown in residential real estate markets.

- Second, the council anticipates a pickup in U.S. capital spending this year, which will benefit California's high technology companies.

- Third, California will benefit from the recovery of the Japanese economy. There is increased evidence that Japan has finally turned the corner and that its economic recovery can be sustained. Japan is California's second largest export market and California is also a major destination for Japanese tourists. Japan's renewed strength will also benefit neighboring Asian economies, which in turn will increase demand for California goods and services.

The council observes a more even distribution of growth across California regions. Most noteworthy has been the recovery of the San Francisco Bay Area economy, which continues to see improved job growth and a solid demand for high tech products and services.

Growth in Southern California remains robust, with good performances turned in by international trade, technology and tourism. There has been modest job growth in aerospace, and strong orders for Boeing and Airbus are good news for subcontractors in Southern California.

Caution is warranted on the outlook for the motion picture and TV production industry, which has largely been flat over the past year. The Southern California economy is vulnerable to a downturn in

housing, but the diverse economic base should fuel continued growth.

Real Estate

U.S. home sales have been declining in recent months and there has been a considerable buildup in home inventories. Home price inflation is cooling, especially in the new home and condominium markets where inventories are most abundant.

Council members agreed that the decline in home sales will be gradual, but the housing downturn could go on over a

than national home price inflation of 11.6 percent. With mortgage rates creeping upward, home affordability continues to diminish.

U.S. commercial real estate markets continue to improve and will provide an economic offset to the deteriorating residential market. The council expects national industrial and office markets to maintain positive absorption trends in 2006. The apartment sector should see further improvements in response to declining home affordability.

Vacancy rates in the retail property sector — which is the most vulnerable to a slowdown in consumer spending — may slow as construction has caught up with absorption.

In California, commercial real estate markets are reported vibrant throughout the state. They remain the healthiest in Southern California, with Los Angeles County and the Riverside-San Bernardino area among the strongest markets in the United States.

Northern California markets have not been as strong,

but have seen steady improvement in recent quarters that are likely to continue in 2006. Ongoing conversion of industrial land for residential use has added to the tightness in non-residential real estate markets.

Tourism

California's tourism sector has been particularly strong of late and is expected to be a key contributor to growth going forward. The California Travel and Tourism Commission recently reported a 7.6 percent gain in tourism spending in 2005, and a 5.4 percent increase in tourism-related jobs. Hotel occupancy rates continue to rise.

Early reports for 2006 indicate solid activity for key Northern and Southern California tourist and convention destinations. There is a considerable amount of hotel construction underway in the state, in large part to serve the convention

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considerable period. Home price inflation will continue to cool, with price declines likely in some of the more inflated metropolitan areas.

Over the long-term, these developments are viewed as healthy, as additional home price inflation would increase the chances of a steeper decline in home sales, which would increase the risk of recession.

Recent data indicate that the decline in California home sales has been steeper than the national average. February single family home sales were off 15.5 percent from (very high) year-ago levels, according to the California Association of Realtors, with double-digit sales declines widespread throughout the state.

Unsold inventories rose to a 6.7 month supply, compared to a 5.1 month supply for the nation. The state's median single family home price was 13.7 percent above year-ago levels, somewhat higher



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business. If gasoline prices approach \$3 per gallon again, which is possible given new gasoline formula regulations, driving-dependent tourist attractions could be negatively impacted this summer.

Banking

We continue to see declines in home equity lending and mortgage refinancing activity, nationwide and in California. Federal regulators are also issuing new guidance to mortgage lenders, which will limit creative financing techniques such as interest-only loans and option adjustable rate mortgages.

Other forms of consumer lending — including credit cards — have also experienced slow growth. At the same time, commercial and industrial lending — which has lagged in the current business cycle — has gained strength.

The slowdown in consumer lending and the flat yield curve will weigh on bank profits, which have been heavily reliant on the household sector. Although bank loan credit quality and profits will likely diminish in 2006, the council expects the banking sector to remain healthy.

Agriculture and Resources

California agriculture turned in a good year in 2005, with the exception of lower revenues for many tree fruit producers resulting from lower yields. In general, another good year is anticipated in 2006.

Overall agricultural commodity prices remain firm, although the council noted exceptions such as lower dairy prices. Foreign demand for California agricultural products remains healthy, despite the modest strengthening of the U.S. dollar over the past year.

Yields for some tree fruit and nuts may decline this year because of moderate winter temperatures and unseasonable weather. Farm land prices have continued to rise.

The wet winter has boosted the California snow pack to 130 percent of normal, which means there will be plenty of water this year from California sources. Colorado River water supplies are also improved from last year, but are still not considered adequate.

Governor Schwarzenegger has been energized by Hurricane Katrina and the analogous threat to the levees around Sacramento and in the Delta. Levee repair is important for water supply, because a Delta levee collapse would bring salt

water into the system that supplies a high proportion of the state's water supplies.

However, moving forward with this project will require considerable funding, which is uncertain in the current political environment. There appears to be bipartisan support for including a bond issue (on the November ballot) to fund flood control and levee repair.

State electricity supplies look sufficient in 2006 due to some new capacity and rising electricity imports resulting from transmission line improvements. Still, California's longer-term electric reliability problems are unsolved. Although investment in the transmission system has improved, it is still below what is needed.

The rise in natural gas prices over the past year has raised California utility costs and prices. About half of the state's generating capacity is fueled by natural gas. Fortunately, natural gas prices have softened in early 2006, but the council expects continued sharp volatility in natu-

Risks

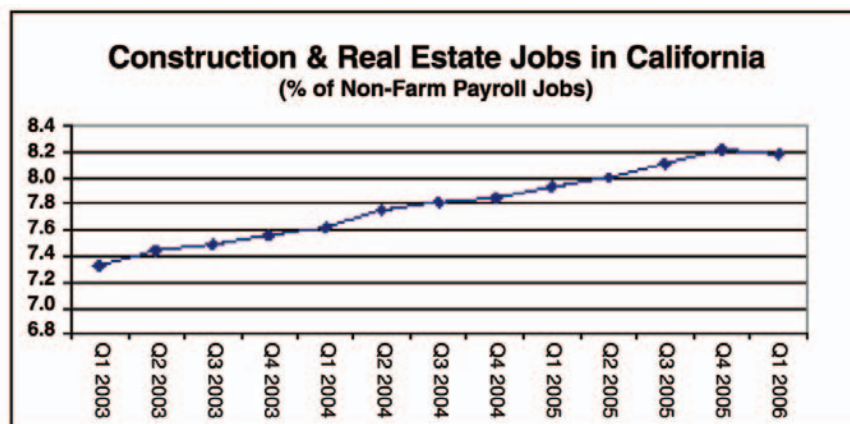
Risks to the outlook revolve around three economic headwinds:

- rising interest rates;
- the softening housing market; and
- high energy prices.

There remains some uncertainty about how much further the Fed will raise interest rates. If the Fed raises its Fed Funds target above 5 percent, this may cause greater deterioration in real estate mar-

kets and discourage consumer spending. More instability in the Middle East will exacerbate fears of diminished oil supplies, further boosting oil prices and eroding consumer and business confidence.

Staff Contact: Dave Kilby



The California Chamber of Commerce Economic Advisory

Council, made up of leading economists from the private and public sectors, presents a report each quarter to the Chamber Board of Directors. The council is chaired by Sheldon Engler, vice president and head of fixed income research, Charles Schwab Investment Management, Inc.

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



**CALIFORNIA FOUNDATION
FOR COMMERCE AND EDUCATION**

Flaws in Proposition 82 Attract Bipartisan Opposition Statewide

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will significantly erode general fund revenues and therefore funding intended for K-12 education, health care, emergency response services, public safety and other state programs. An analysis by former Legislative Analyst William Hamm projects that the state's general fund would lose as much as \$1.6 billion annually by 2011 if Proposition 82 passes.

Proposition 82 seeks to increase taxes on certain California taxpayers by as much as 18 percent to fund the new preschool bureaucracy it proposes to establish.

Hamm's analysis concludes that rather than just absorb that 18 percent tax hike, the targeted taxpayers are likely to change their investment behavior to reduce their tax burden. The changes would include steps such as switching from taxable stocks to tax-free bonds or deferring compensation to a later date.

The predicted moderate 2 percent to 5 percent reduction in reportable income would have a huge impact on California finances because the state budget is so reliant on this class of earner.

Potential 'Parent Tax'

Proposition 82 also gives the Legislature authority to impose a "parent tax" on participating families if the preschool program's costs exceed revenue.

The non-partisan Legislative Analyst estimates the program will spend as much as \$8,000 per student for a part-time, three-hour-per-day program. That's nearly as much as the state currently spends for full-day instruction for K-12 students.

Despite the program's cost, even its supporters project it will increase preschool enrollment by only 4 percent to 5 percent — to 70 percent of preschool-age children. About 65 percent of 4-year-olds already attend preschool, according to the Legislative Analyst.

An analysis by Hamm also found that only 8.4 percent of the new program's funding will go to enroll "high risk" children who otherwise wouldn't have attended preschool.

Harm to Small Businesses

Not to be overlooked is the impact of Proposition 82 on small businesses. Eighty percent of California businesses — primarily small business owners



(including Subchapter S corporations) — pay taxes under the personal income tax, so the tax increase in Proposition 82 would affect those small firms.

In addition, the government-run preschool bureaucracy is likely to shut down many of the thousands of private, community-based preschools that currently serve nearly half of all children enrolled in preschool programs. As a result, thriving businesses that provide jobs and tax revenues would be replaced with a government-run program requiring tax expenditures.

Recent Polls

Recent polls show the impact of the opposition campaign's ongoing efforts

to educate voters about the drawbacks of Proposition 82.

The latest tallies from both the Field poll and the Los Angeles Times poll show support for Proposition 82 is declining and has dropped below 50 percent.

Action Needed

The California Chamber is urging local chambers of commerce and other opponents of Proposition 82 to stay involved in the opposition campaign, making sure voters know all the reasons it is important to vote **against Proposition 82** on June 6.

More information on the opposition campaign is available at www.calchamber.com or the campaign website at www.noprop82.org.

CalBusPAC, the California Chamber's issues political action committee, is actively opposing Proposition 82. For more information or to contribute, visit www.calchamber.com/calbuspac.

Staff Contact: Jeanne Cain

Seminars/Trade Shows

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

Business Resources

Brand Is "You," Marketing Yourself in a Job Search. Wilcox Miller & Nelson. May 9, Sacramento. (916) 977-3700.
CEO Succession Planning. Wilcox Miller & Nelson. May 11, Sacramento. (916) 977-3700.

Consumer Affairs

Senior Summit 2006: Protecting and Serving California's Aging Population. California Department of Consumer Affairs. May 12, Sacramento. Free registration. (800) 952-5210.

Labor Law

Managing Employee Performance Web Seminar. California Chamber of Commerce. May 11. (800) 331-8877.
HR 101: Introduction to Human Resource Administration. California Chamber of Commerce. May 16, Sacramento. (800) 331-8877.
Paying Employees Web Seminar. California Chamber of Commerce. June 29. (800) 331-8877.

International Trade

Business Opportunities in Malaysia. Malaysian Industrial Development Authority and Malaysia External Trade Development Corporation. May 8, San Francisco. (408) 392-0617/8.
Integrated Water and Flood Management: Best Levee and Water Practices from the Dutch Experience. Netherlands Consulate General. May 11, Sacramento. (310) 268-1598.
DR-CAFTA 2006. San Diego World Trade Center and U.S. Chamber of Commerce. May 16, San Diego. (619) 615-0868, ext. 109.
Trading in America: Incoterms for Domestic Use. U.S. Council for International Business and the International Chamber of Commerce. June 8, San Francisco; June 9, Los Angeles. (212) 703-5061.
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 Board Covers Schools, Budget, Races for Governor, Attorney General



Barbara Kerr (right), president of the California Teachers Association, takes questions following her April 24 remarks to the California Chamber Board of Directors, chaired by Donna F. Tuttle (left).



Legislative Analyst Elizabeth Hill outlines the budget challenges facing California at the April 24 meeting of the California Chamber Board of Directors.



Commenting on the Democratic candidates for Governor and assessing how they will fare at the polls in June are political consultant Darry Sragow (left), partner, Sonnenschein Nath & Rosenthal, and Dan Weintraub, political columnist for *The Sacramento Bee*.



Senator Charles Poochigian (R-Fresno), candidate for attorney general, describes his approach to issues likely to face the office of the chief law enforcer for the state of California at the dinner gathering of the California Chamber Board of Directors.

Legislative Outlook

An update on the status of key legislation affecting businesses. Visit 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 Businesses to Oppose Anti-Arbitration Bill

**OPPOSE**

The California Chamber of Commerce is encouraging businesses to join the Chamber in a coalition **opposing AB 2371 (Levine; D-Van Nuys)**, which prohibits time- and cost-saving predispute mandatory arbitration agreements between employers and employees.

AB 2371 prohibits an employer and its employees from agreeing to arbitrate disputes that may arise during the course of employment for alleged violations of the Fair Employment and Housing Act (FEHA).

This prohibition is not only contrary to the provisions of the Federal Arbitration Act (FAA), but also is contrary to well-established public policy encouraging arbitration.

Both the California and the U.S. Supreme courts have recognized that arbitration is advantageous to both plaintiffs and defendants because it is less expensive, faster and more flexible than litigation. Arbitration is less expensive than litigation because it resolves disputes more quickly and the resolution is final.

By contrast, litigation is time-consuming and appeals can result in cases lasting

for years before there is a final resolution of the dispute.

Arbitration can help to relieve the docket by providing an alternative forum for disputes. On average, litigation is estimated to take two-and-a-half-years to resolve disputes, while the average arbitration case is resolved in only 8.6 months.

In an individual case, a two- to three-week jury trial can take only two to three days in arbitration. A study conducted by the American Bar Association found parties to arbitration were more satisfied than those involved in lawsuits. In addition, a survey conducted by **Dispute Resolution Times** found that 83 percent of employees favored using arbitration versus the courts.

AB 2371 passed the Assembly Judiciary Committee April 18 on a party-line vote of 6-3. The bill is currently scheduled to be considered by the Assembly Appropriations Committee on May 17.

Action Needed

For more information on joining the coalition to oppose AB 2371, e-mail advocacy@calchamber.com.

Staff Contact: Kyla Christoffersen

Chamber Testifies on Benefits of Tax Deductions for Health Savings Accounts

**SUPPORT**

The California Chamber of Commerce testified this week before the Assembly Revenue and Taxation Committee in **support** of legislation making it easier for employers and employees to take advantage of high deductible health plans.

AB 2010 (Plescia; R-La Jolla) aligns California's tax deduction for health savings accounts with the allowed federal tax deductions so employees may set aside pre-tax contributions into a health savings account (HSA) to pay for qualified medical expenses.

The Medicare Prescription Drug, Improvement and Modernization Act of 2003 amended the federal Internal Revenue Code to allow for tax-free savings into an HSA for medical expenses. Up to 100 percent of the deductible amount of an accompanying high-deductible health insurance policy may be contributed to an

HSA by either the account holder or the employer or both. Funds are completely portable and may be carried over from year to year during a participant's lifetime.

The Chamber also testified in support of **AB 2737 (Nakanishi; R-Lodi)**, which adds another beneficial aspect to HSAs for employers and employees.

AB 2737 helps small and medium employers provide health insurance by providing a tax credit to employers who have not previously provided health care and offer a high-deductible health plan or contribute to the employee's HSA.

Action Needed

Contact members of Assembly Revenue and Taxation and urge them to **support AB 2010 and AB 2737**.

Staff Contact: Marti Fisher

Chamber-Supported Legislation Combating Identity Theft to Be Heard



SUPPORT

California Chamber of Commerce-supported legislation to help the state combat identity theft is set to be heard on May 8 in the Senate Appropriations Committee.

● **SB 1388 (Poochigian; R-Fresno)** creates new criminal penalties for phishing, a technique used to obtain personal information via the Internet by persons pretending to represent legitimate businesses such as banks or credit card companies.

● **SB 1389 (Poochigian; R-Fresno)** remedies an oversight in current law by clarifying when a person can be charged with criminal identity theft.

"Identity theft is a serious crime. It costs victims many hours to resolve their credit histories and in some cases causes them to be unjustly incarcerated for crimes they did not commit," said Valerie Nera, Chamber director of agriculture, resources and privacy. "These bills will help strengthen the laws against this crime for which employers suffer right along with their employees who are victims of identity theft."

Identity theft is the number one consumer complaint reported to the Federal Trade Commission, which recorded 43,839 identity theft complaints from California in 2005. The average victim spends about 175 hours over a two-year period clearing off an average of \$17,000 of fraudulent expenditures from credit reports. Some victims spend years trying to clear their names and re-establish their credit histories.

Employers see the impact of identity theft in missed hours of work and increased administrative paperwork. The crime also can significantly slow the employment process, especially background checks.

SB 1388 takes further legislation enacted last year making phishing a crime punishable through a civil action by making it a public offense punishable by a fine and/or imprisonment. The business community believes increasing the penalties for identity theft will help curb its appeal to criminals and slow the rapid rise of thefts.

SB 1389 corrects an oversight in current law, which prohibits charging a person with criminal identity theft when that person uses a stolen identity and commits a crime that results in the victim of the identity theft being prosecuted.

Also pending in the Senate Judiciary Committee is **SB 1387 (Poochigian; R-Fresno)**, which increases the penalties for stealing and trafficking in identity theft information. No hearing date has been set.

Key Votes

All three bills passed Senate Public Safety by votes of 4-0.

Ayes on SB 1387 and SB 1388: Migden (D-San Francisco), Poochigian (R-Fresno), Cedillo (D-Los Angeles), Margett (R-Arcadia).

Absent/abstaining/not voting: Perata (D-Oakland), Romero (D-Los Angeles).

Ayes on SB 1389: Migden (D-San Francisco), Poochigian (R-Fresno), Cedillo (D-Los Angeles), Romero (D-Los Angeles).

Absent/abstaining/not voting: Margett (R-Arcadia), Perata (D-Oakland).

Action Needed

The Chamber is urging businesses to contact their senators and members of Senate Appropriations to voice **support** for **SB 1388 and SB 1389**.

Staff Contact: Valerie Nera

Applications Available for Governor's Environmental Leadership Award

Applications are now being accepted for the 2006 Governor's Environmental and Economic Leadership Award.

The award program recognizes individuals, organizations and businesses that have demonstrated exceptional leadership and made notable, voluntary contributions in conserving California's resources, protecting and enhancing California's environment, and building public-private partnerships.

The award, presented in seven categories,

will recognize voluntary achievements undertaken or completed in 2005. Competition is open to all California residents, businesses, non-profit organizations, professional and trade associations, communities, state and local governmental entities and federal agencies operating in California.

Projects are ineligible if they are the result of mitigation, litigation or required by legislation.

Two members of the California Cham-

ber of Commerce were among last year's award winners: Sierra Nevada Brewing Company won in the Sustainable Practices or Facilities category; Foster Farms won in the Environmental and Economic Partnerships category in conjunction with the East Bay Municipal Utility District.

Award applications must be received by June 8.

The application is available at www.calepa.ca.gov/Awards/GEELA or by calling (916) 322-7649.

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