Governor Begins New Year with Balanced Budget Plan
No Deficit, No New Taxes in Tight Spending Proposal

Governor Arnold Schwarzenegger opened his second term this week with a proposal for a balanced budget with no new taxes or operating deficit.

The budget announcement was the culmination of a series of proposals to address major issues for California’s economic climate. At each step, the Governor encouraged everyone to participate in the policy debate to develop solutions.

No New Taxes

The $103 billion spending plan presented by the Governor this week eliminates the operating deficit, includes no new new jobs and more than $25 billion in additional revenues since the Governor was first elected — revenues the state can

Governor Unveils Health Care Reform Plan

Governor Arnold Schwarzenegger this week released his proposal to reform California’s health care system with a goal of providing health care coverage for all Californians.

The California Chamber of Commerce response to the proposal appears at right on this page.

In a January 8 presentation, the Governor said he wants to reduce hidden taxes, lower costs, support better care and create a healthier California through three core components:

- prevention, health promotion and wellness;
- coverage for all Californians; and
- affordability and cost containment.

He commented that the rapid growth of health care premiums — more than twice as fast as prices or workers’ earnings — are a drain on the economy. Moreover, unpaid medical bills for patients without insurance mean billions

See Governor: Page 4

CalChamber President Comments on Governor’s Health Care Reform Proposal

California Chamber of Commerce President Allan Zaremberg released the following statement the day Governor Arnold Schwarzenegger outlined his health care reform proposal.

“The California Chamber of Commerce shares Governor Schwarzenegger’s goals of increased access to and affordability of health care coverage. Indeed, the CalChamber long has advocated policies to improve the ability of employers and employees to purchase coverage by reducing costs — such as reducing mandates in benefit coverage, increasing the types of plans available for purchase, favorable state tax treatment for health savings accounts, reducing cost shifting by adequately funding government health care programs, and streamlining government regulation.

“The CalChamber will conduct a comprehensive analysis of the reform proposal to examine its effects on the goals of increased affordability and access and on the state’s economic competitiveness. We are concerned that the new costs mandated

See CalChamber: Page 5

Inside

Member Involvement Essential: Page 3
Labor Law Corner

Important for Employers to Distinguish Between Volunteers, Employees

If the person intends to volunteer his/her services in the spirit of devotion, self-sacrifice or service to the needy, that person is not an employee.

If the person is performing tasks that might otherwise be performed by an employee, it is not likely that such a person could be a volunteer. Because of the tacit threat of adverse action, employers and employees seldom deal with each other on an equal footing, creating a serious question about someone’s intention.

On the other hand, members of charitable, medical, religious or volunteer social organizations usually are involved out of a sense of duty and obligation.

Donated Services

Volunteers may be persons who intend to donate their services to religious, charitable or similar non-profit corporations, without contemplation of pay and for public service, religious or humanitarian objectives. The individual is not an employee of the religious, charitable or similar non-profit corporation that receives the services.

When the religious, charitable or non-profit corporation operates a commercial enterprise serving the general public, however, such enterprises are subject to the Industrial Welfare Commission orders, and persons performing services therefore would have to be employees.

In certain circumstances, a regular employee of such an organization may donate his/her services as a volunteer. Such services may not be the usual duties of the employee’s job, however.

Public Project

There are times when members of a community may desire to donate their time and energies to the completion of a certain public project, such as a park or playground. The Legislature created an amendment to the state’s public works laws to recognize such volunteerism.

Section 1720.4 of the California Labor Code recognizes and allows the work of volunteers on public works projects as an exemption to the prevailing wage requirements of the statute.

CalChamber-Sponsored Seminars/Trade Shows

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

Business Resources


International Trade


CalChamber Calendar

Legislator Reception:
January 16, Sacramento

Board of Directors:
March 8-9, Beverly Hills

California Business Legislative Summit:
May 21-22, Sacramento

February 26, Sacramento. (916) 319-4276.

Labor Law

HR 101: Introduction to HR Administration. California Chamber of Commerce. January 23 - Sacramento; January 31 - Santa Clara; February 6 - Sacramento. (800) 331-8877.

Labor Law Update: HR 201. California Chamber of Commerce. January 24 - Sacramento; January 30 - Emeryville; February 1 - Santa Clara; February 7 - Sacramento; February 13 - Online (2 hours). (800) 331-8877.

Next Alert: January 26
Member Involvement Essential as State Focuses on Competitiveness Issues

Keeping California competitive in a global economy is the priority of the California Chamber of Commerce and the Board of Directors I am honored to chair this year.

That said, making sure state policymakers keep competitiveness issues at the forefront is a huge task that requires more people power than can be generated by just me, the Board and the CalChamber staff. To be successful, we need your involvement and rely on you to be informed about the issues and our advocacy efforts on behalf of you and the rest of the business community.

The ambitious agenda Governor Arnold Schwarzenegger outlined in his inaugural remarks and State of the State address puts at the center of this year’s policy discussions numerous issues affecting the competitiveness of California job providers.

Health care, education, climate change and infrastructure investment are just a few of the issues the Governor Schwarzenegger said he wanted to talk about “our” vision “because I think we all want the same thing for Californians.”

Few would argue that California needs improved education and infrastructure or a fiscally responsible and politically responsive government and a business climate that promotes innovation, job creating and continued economic growth. Differences of opinion arise when it comes to working out the details, however, and that is where the CalChamber needs your active participation. There’s no substitute in the political debates for comments directly from employers who know from experience how proposals actually function in the real working world.

Web Tools for Your Use

To make it as easy as possible for you to stay informed and be involved, the CalChamber has gathered in one section of our website all the tools you’ll need. Just go to www.calchamber.com/grassroots. When the legislative session is in full swing, you’ll find that the latest news, easy-to-edit letters to elected representatives and updates on the status of legislation are just a few mouse clicks away.

In addition to visiting the website regularly, please encourage your business colleagues to do the same. Our values, our principles and our fundamental business sense are absolutely essential to the legislative debate and the regulatory process. Working together with the Governor, legislators and other interested parties, we can ensure that California chooses policies that support business competitiveness in the international marketplace.

As the discussions begin, the one certain thing is that there is no easy solution. Business as usual, however, is not acceptable. CalChamber members must be prepared to get involved in the debate, both as individuals and as companies. The stakes are too great to leave the decisions to someone else.

Russell Gould, 2007 chair of the California Chamber of Commerce, is senior vice president of Wachovia Bank, Sacramento.

Our values, our principles and our fundamental business sense are absolutely essential to the legislative debate and the regulatory process.
Governor Begins New Year with Balanced Budget Proposal

From Page 1

use to fund essential services, such as education, public safety and transportation.

“The CalChamber applauds this fiscal discipline, which will help our state stretch the dollars of the recently approved infrastructure bonds to the fullest and pave the way for California to take the next step in building for the future.”

Health Care Plan

Earlier in the week, the Governor outlined a proposal for reforming the health care system, emphasizing the need for shared responsibility from individuals, government, doctors and hospitals, insurers and employers.

The Governor’s proposal includes having employers of 10 or more workers pay 4 percent of payroll if they do not provide health care coverage and requiring all Californians to have health insurance (see related story and CalChamber comment on Page 1).

In his State of the State address on Tuesday, the Governor reiterated his call for action on health care, citing rising costs and lack of coverage for 6.5 million Californians as reasons the system is “a sick old man.”

More Investments

The Governor also called for investment in education and following up on the infrastructure bonds voters approved last November with investments in public safety, water supply, transportation and disaster preparedness.

In addition, he asked legislators to work with him to make California the first in the world to develop a low carbon fuel standard that leads the state away from fossil fuels while granting market flexibility on how to reach the standard. He also asked legislators to “do the right thing for the people” and work with him on political reform by creating an independent commission to draw boundaries for legislative and congressional districts.

CalChamber Position

The CalChamber shares the Governor’s vision for a California with improved education and infrastructure, a fiscally responsible and political responsive state government, and a business climate that promotes innovation, job creation and continued economic growth.

The CalChamber looks forward to working with Governor Schwarzenegger to continue building a better California.

Staff Contact: Jeanne Cain

Governor Schwarzenegger Unveils Health Care Reform Plan

From Page 1

of dollars in hidden taxes in the form of higher deductibles, treatment costs, premiums and co-pays.

Following is a summary of key points of the Governor’s proposal, which appears in detail at www.gov.ca.gov.

Prevention/Wellness

● “Healthy Action Incentives/Rewards” programs will be implemented in both the public and private sectors to promote healthy lifestyles. Individuals who take personal responsibility to better their health through practices and behaviors will be rewarded with benefits such as reduced premiums. All health plans and insurers would be required to offer health benefit packages that include an incentive program.

Programs and campaigns will be launched to combat and attempt to reduce diabetes, obesity and tobacco use among California residents.

Required Coverage

● Employers with 10 or more workers who do not provide coverage will pay an “in-lieu fee” — or payroll tax — of 4 percent of their payroll, that will go toward the cost of employees’ health coverage.

● All Californians will be required to have health care coverage that is extensive enough to protect families against catastrophic costs and minimize the “cost shift” that occurs when a large number of individuals are receiving care but are not paying the full cost of it.

An individual’s health insurance benefit plan must have a minimum of a $5,000 deductible with maximum out-of-pocket limits of $7,500 per person and $10,000 per family. A system will be set up to facilitate enrollment of uninsured persons who use the health care system.

An economist and health care expert has estimated that all uninsured children below 300 percent of the federal poverty level will be eligible for state-subsidized coverage through Medi-Cal or the Healthy Families Program, regardless of residency status, while others would become covered through employment-sponsored coverage or private insurance.

● Very low-income individuals will receive affordable coverage through public programs such as Medi-Cal. Lower-income working residents will receive financial assistance through a new, state-administered purchasing pool to help with the cost of coverage.

● Insurers would be prohibited from denying insurance to any person who seeks it.

● Medi-Cal rates for providers, hospitals and health plans will be increased “significantly” in an effort to reduce the “hidden tax” associated with low Medi-Cal reimbursement and to encourage greater provider participation. Increased Medi-Cal rates, along with eliminating the uninsured, is estimated to direct $10 billion to $15 billion in new money to hospitals and doctors, who will then return a portion of this coverage dividend to help cover the increased Medi-Cal rates — physicians will contribute 2 percent of gross revenues; hospitals will contribute 4 percent of gross revenues.

Cost Containment

● Health plans (HMOs), insurers and hospitals will be required to spend 85 percent of every premium dollar on patient care, therefore allocating 15 percent for administrative costs.

● Individuals may make pre-tax contributions to health care insurance health savings accounts, thus aligning state tax laws with federal tax laws. The proposal also will require employers to establish “Section 125” plans so that employees can make tax-sheltered contributions to health insurance and save employers additional federal payroll taxes —the Federal Insurance Contributions Act (FICA) tax supporting Social Security and Medicare.

Staff contact: Marti Fisher
Small Business Advocate of the Year Award

Developing Leaders Is Mission for South Bay Business Advocate

Don Lee has bent his ingenuity and drive toward small business advocacy in the South Bay area for nearly three decades.

Lee, a recipient of the California Chamber of Commerce Small Business Advocate of the Year Award, is a district manager with Farmers Insurance Group in El Segundo. A 30-year insurance industry veteran, Lee currently recruits and manages agents, a job that requires particular attention to the health of the small business climate in the state.

This professional concern, combined with long-term and active involvement in his local chamber of commerce, has made Lee a powerful and proactive advocate for small businesses.

Lee “embodies the type of community leader that leads the charge for business,” says Barbara Glennie, president/chief executive officer of the Torrance Area Chamber.

Leading by Example

“Business drives the South Bay community and the state as whole,” Lee says. “Without a strong, vibrant business sector, nothing else works because it drives the revenue sector that allows the rest of community to operate.”

Spurred by his father’s suggestion and own example of chamber involvement, Lee became active in junior chamber activities nearly 30 years ago. After a few years, he moved his membership to the Torrance Area Chamber, where he has been on the board of directors for 15 years. As a board member, Lee has been on “too many committees to count,” he says.

Public Service Academy

As chairman of the board for the Torrance Area Chamber in 2005-06, Lee’s theme was “Developing Leaders.” He created and developed the chamber’s Grassroots Public Service Academy, a four-week course aimed at helping business people learn how to become involved with public service at the grassroots level — from volunteering to running for office.

The academy was Lee’s way of filling a community need.

“The academy was designed to be a tutorial on how to get involved from square one,” Lee says. The course attracted 43 members of the business community and had others adding their names to a waiting list for another course this spring.

Lee made a concerted effort to bring in elected officials from as wide a political spectrum as possible to lead the course.

“The academy opened up a lot of eyes,” he says. “We had a contentious mayor’s race at the same time as the class, and it allowed people to see and get access to lots of officials.”

Many business people gained confidence to approach public officials. “Now they know all the people in town that they didn’t know before,” Lee says, adding that he thinks several course participants will run for office.

An added and unforeseen benefit of the academy is the enhanced community image the chamber acquired by running it. “What was interesting was that the residential community had some skepticism about the neutrality of the chamber,” Lee says. “We kept the academy neutral and gained a high degree of credibility.”

Helping Is Giving Back

The importance of maintaining the voice of business at the table of public policymaking is not lost on Lee, who “has instilled in the chamber and the political action committee board the importance of the chamber being the representative of business before government,” says Glennie.

“What policy makers do affects health care costs, workers’ compensation insurance and the ability to hire employees,” Lee says. “A strong business influence among the legislative bodies can be where the majority of challenges can be fought, and that is where the majority of them arise.”

CalChamber President Comments on Governor’s Health Care Reform

From Page 1

by this plan will far outstrip anticipated resources. One funding mechanism for the increased coverage — the employer tax and mandated employee contribution — is tied to payroll, and payroll growth in California has risen at just half the rate of health care costs in California in recent years. How will the inevitable shortfall in funding be addressed? Will the tax have to be doubled in 10 years?

“We are concerned also about what the proposal will mean for those who purchase health care coverage today. Will the new tax on health care providers be passed on to employers and employees who currently purchase health care coverage, thereby reducing affordability and access?

“Finally, what effect will a new 4 percent payroll tax have on employers in California? How will small businesses that cannot provide health insurance today afford the new tax? How will it affect employment in our state and our state’s economic competitiveness?

“The CalChamber is committed to improving access to health coverage through increased affordability. We will review today’s proposal as we prepare an alternative approach for the state government to join with employers in increasing coverage in California.”
CalChamber Members Receive Recognition for Practices Promoting Healthy Workplaces

Seven members of the California Chamber of Commerce have been recognized by the California Task Force on Youth and Workplace Wellness as recipients of its Fit Business Award.

Each year the task force teams up with the California Department of Health Services 5-a-Day — Be Active! Worksite Program to acknowledge California businesses that are recognizing and promoting workplace wellness through easy-access physical activity and nutrition options.

Award Winners

Following are the CalChamber members that received the 2006 Fit Business Award:

- **USAA** — USA, the nation’s premier provider of diversified financial services for military members and their families, provides a Weight Watchers at Work program, massage therapy, ergonomics consultants, nursing mothers rooms, annual on-site health screening, on-site clinic staffed by nurses, discounted pedometers and a health education website with information and tools to help employees develop a healthy lifestyle.

- **Sacramento Municipal Utility District (SMUD)** — The nation’s sixth largest public-owned electric utility, SMUD offers low-cost, dietitian-created healthy meal choices three days a week in its cafeteria. Some departments have formed “healthy snack teams,” which purchase healthy food items for the community refrigerators.

- **Anheuser-Busch Inc.** — The Los Angeles brewery of Anheuser-Busch Inc. provides nutritious options for its 900 on-site employees, with cafeteria choices including fresh fruit, bottled water and salads. Selections are not available in “super-sized” or larger portions. The brewery offers a free on-site fitness center with locker rooms and fitness trainers for its employees, and encourages walking breaks around the property.

- **Grundfos Pumps Manufacturing** — Grundfos, a leading manufacturer of residential, commercial and industrial pumps, has developed the Grundfos B2WELL process, aiming to create healthy lifestyles in its employees. Grundfos also puts on annual health and safety fairs, provides periodic lunch-n-learn sessions, and works with food vendors to provide healthy food choices in vending machines.

- **Shimano American Corp.** — Shimano American Corporation, a manufacturer and distributor of bicycle components and fishing equipment, developed “Shimano Fit,” which gives employees choices in nutrition and physical activities to work toward and maintain a healthy lifestyle. Shimano provides employees with a large workout room, free health screenings, smoking cessation benefits, gym reimbursements and pedometers.

- **The Lapham Company** — A small family business responsible for asset property management, The Lapham Company is unique in its healthy workplace options. The company president cooks lunch and sometimes breakfast for his employees a few times per week. His wife also runs a fully stocked exercise studio on site. The company reports this family-style way of work has trickled down to each employee, helping employees eat better, be more active, and as a result, sleep better and become more goal-oriented and productive at the workplace.

The Lapham Company’s team environment motivates employees to maintain a healthy lifestyle, and the workplace makes it easy to do so. The two largest rooms are the kitchen and the exercise room, a basket of fresh fruit is always on hand and the Lapham president even makes weekly shopping trips to stock the kitchen with natural, healthy food choices.

- **Redi-Tag Corp.** — A creator of office products, Redi-Tag Corp. offers its 14 employees fruit and other healthy options in its workplace vending machines. Fresh fruit and salads are always part of company lunches, and employees are discouraged from bringing candy, cake and junk food to share with their co-workers.

The company also pays for employees to participate in 5k run/walks to encourage physical activity. Along with distribution of quarterly nutrition articles, Redi-Tag executed a “Healthy Challenge Program” that included nutrition seminars, time with fitness trainers, and monthly incentives for employees who set and reach fitness goals.

**Award Applications**

Applications for the 2007 Fit Business Award will be launched on March 1. For more information, visit [www.wellnesstaskforce.org](http://www.wellnesstaskforce.org).

The Fit Business Kit is available at [www.ca5aday.com/worksite](http://www.ca5aday.com/worksite).
**Mexico Trade Mission**

**Wine Institute Takes California Lifestyle, Agriculture International**

Governor Arnold Schwarzenegger’s trade mission to Mexico in November 2006 presented another great occasion for the California wine industry to promote its wines in a significant market of opportunity. Although Mexico ranks 10th in the list of export markets for California wine, it is a market with strong potential to develop a wine culture.

Joseph Rollo, director of the Wine Institute’s International Program, was one of 70 business delegates who represented agricultural, tourism and environmental sectors on the two-day trade mission to Mexico. John Kautz, chairman of Kautz Ironstone Vineyards in Lodi and a member of the California Chamber of Commerce Board of Directors, represented both the agriculture and tourism sectors.

**California Lifestyle**

“We promote California wine internationally by featuring the state’s lifestyle of which wine is so much a part,” Rollo said. “The quality of our wines is highlighted through the tasting events that demonstrate the fun, casual lifestyle of California. The events of this trade mission fit perfectly into these themes, particularly the premiere of the IMAX movie ‘Adventures in Wild California’ in Mexico City.

“Our industry is also very involved in sustainable agriculture because the industry is comprised predominantly of families who are interested in passing on healthy vineyards and businesses to their families and future generations. Thus, participating and pouring wine at the environmental trade show in Monterrey was also a perfect fit.”

**Trade Show**

The trade show in Monterrey included a cooking demonstration by local television star Chef LuLu Pedraza, who appeared on the stage with both California Food and Agriculture Secretary A.G. Kawamura and the Governor. The pairing of California fresh produce and wine is another very positive combination that reflects the popular California cuisine.

The Governor and Secretary Kawamura visited the Chedraui grocery store in Mexico City with a large press contingent. A wine display sat among the agricultural product displays, and the Governor and secretary were photographed toasting each other with a California selection. Media representatives were present at the event, snapping photos that appeared in the local press.

Wine was specifically included in all mentions of California agricultural products in presentations at each major event. Also, the secretary accompanied the agricultural delegation in a visit to the HEB market in Monterrey. Wine was displayed and available for tasting, and local press and photographers attended this event as well.

“The publicity for California wine is a great boost to our importers and retail buyers,” Kautz said. “The Mexican wine consumer is more familiar with European and South American wines, and we need to build awareness for our wines in Mexico, where consumption is small but growing.”

The wine industry has participated in three trade missions to date.
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