CalChamber Network Says ‘No’ to Health Care Tax

Employers, business owners and individuals throughout the state are voicing their opposition to AB 8 (Núñez; D-Los Angeles), which imposes a tax on employers who can’t afford to provide health care coverage to fund health care coverage for those who don’t currently purchase it. Local chambers of commerce statewide have helped direct concerned employers to the CalChamber grassroots system, generating more than 9,000 letters to elected officials through www.calchambervotes.com.

The bill will be considered next by the Senate Appropriations Committee. The California Chamber of Commerce-opposed “job killer” bill sets up a government-run health care system for employees who don’t receive health care from their employers, financed almost exclusively by a payroll tax on all employers who don’t spend a certain level of funding on employee health care.

In addition, the bill grants an unelected government bureaucracy—the Managed Risk Medical Insurance Board (MRMIB), unpaid appointees of the Gov-

CalChamber Calls for More Flexible Meal/Rest Period Rules

The state’s current meal and rest period rules are inflexible, the California Chamber of Commerce told the new state labor commissioner this month. CalChamber policy advocate Marti Fisher highlighted employer concerns at public forums set up by Labor Commissioner Angela Bradstreet and the state Department of Industrial Relations in Sacramento on August 2 and in Northridge on August 9.

The lack of clarity and inflexibility in the meal and rest period rules has resulted in confusion among businesses and left employers open to lawsuits if employees are even a few minutes late in taking meal or rest breaks, Fisher said.

Rules Too Rigid

“The current meal and rest period rules are too rigid and do not reflect the workplace today,” Fisher explained to the labor commissioner. “The workplace is constantly changing and the laws need to be flexible enough to accommodate circumstances where it is not feasible or safe for an employee to take an off-duty break. Employers are getting sued because the law is unclear and does not address the need for more employee flexibility.”

See CalChamber: Page 7

CalChamber Welcomes Sonora Governor

The Honorable Eduardo Bours Castelo, Governor of Sonora, Mexico, chats with CalChamber President Allan Zaremberg following the Governor’s talk on the benefits of investing in Sonora at the August 16 CalChamber International Luncheon Forum. More information at www.calchamber.com.
Labor Law Corner
Take Precautions with Matters Related to Employees’ Right to Privacy

I suspect one of my employees is viewing inappropriate Internet sites while at work. He works in a private office, but is using one of our company-owned computers. Can I access his computer and see what he’s been viewing without invading his privacy?

Dana Leisinger
Senior Helpline Consultant

Employees in California have a right to privacy as contained in the California Constitution. Although there is not an abundance of direction from our courts determining the extent of employees’ privacy rights when using company property (indeed, case law is very unclear on this issue), an employer can view this kind of material when certain criteria are met.

Privacy Expectation

When an employee uses a computer paid for by the company and Internet access paid for by the company in the company office where the company pays the rent, it becomes difficult for an employee to maintain a legitimate expectation of privacy. Such privacy interests can be further outweighed by the employer’s interest in productivity, the security of the premises and any potential claims of sexual harassment that might stem from an employee observing inappropriate materials on a co-worker’s computer.

Some case law suggests that an individual does not have a reasonable expectation of privacy when information technology employees have complete administrative access to anyone’s machine, monitoring is routine, upon hiring employees are apprised of the company’s monitoring efforts (via training and the employment manual), and employees are told the computers are company-owned and not to be used for activities of a personal nature. Further, although some employees work in a private, locked office, other individuals may have access to the office.

Precautions to Take

The following precautions will protect an employer in this type of situation. Using the following guidelines is urged:

- Maintain keys to offices and passwords to computers;
- Disseminate written policies concerning your right to conduct searches of company computers and your use of Internet and sexual harassment policies;
- Supply any lock used on company property and forbid employees from using their own locks; and
- Conduct searches in a non-discriminatory manner.

What should you do? Follow the precautions outlined above to defeat any reasonable claim of expectation of privacy. Further, if your employee credibly denies knowledge of your search policy, it is wise not to proceed. If there is any doubt as to the credibility, consult with a competent labor and employment law attorney before conducting further searches.

The Labor Law Helpline is a service to California Chamber of Commerce 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 submit your question at www.hrcalifornia.com.

Make a difference on proposed laws

calchambervotes.com
‘Job Killer’ Bill Appears Stalled in Assembly Policy Committee

A California Chamber of Commerce-opposed “job killer” bill that would have mandated onerous management practices for the leafy greens industry, appears to be stalled in the Assembly Agriculture Committee.

SB 201 (Florez; D-Shafter) threatened agricultural productivity, and would have increased the costs of leafy green vegetables, by mandating day-to-day growing practices in statute and requiring a state waiver for any deviations. The bill was not brought to a vote in the Assembly committee before the summer recess and therefore missed the deadline to move through the committee.

Industry Approach Better

The CalChamber shares the author’s goal of providing safe food products for consumers, but believes that the path the leafy greens industry has taken with the development of the California Leafy Green Handler Marketing Agreement is the correct approach.

Placing field crop production standards in statute prevents updates and revisions to practices as science provides increased understanding of food safety best practices.

The marketing agreement creates an inspection system to ensure that growers are adhering to the best management practices accepted by the Leafy Green Handler Board. This system allows revisions to the practices as science develops and creates a program that will ensure consumers receive the safest food possible.

Bad Precedent

Placing growing practices in statute sets a precedent of allowing the Legislature to mandate day-to-day business practices. The CalChamber believes that the agricultural industry should lead the development of grower practices with scientific review and input, as the industry is the most qualified to create a system that growers can implement successfully.

Recognizing the importance of creating a system based on the best scientific information available, the leafy greens industry has requested input from the state Department of Health Services and the U.S. Food and Drug Administration, as well as the nation’s top food safety experts on the good agricultural practices required by the marketing agreement.

Legislating a solution does not allow for the same scientific review and would significantly hamper future changes as the science in this area evolves.

The marketing agreement already requires adherence to good agricultural practices and the leafy greens industry is covering the cost of this program in its entirety.

Duplicative, Costly

SB 201 requires the Department of Public Health to duplicate — at significant cost to the state — the work that has been completed under the marketing agreement. Spending the state’s limited resources on a duplicative program will not improve food safety.

The CalChamber and the leafy greens industry share the objective of creating a food safety program that enhances food safety and provides real benefits to the consumer, which is why the industry took the initiative to develop the marketing agreement.

Staff Contact: Valerie Nera

Bipartisan Federal Employee Wellness Tax Credit Bill Proposed

Bipartisan federal legislation to offer tax credits to businesses providing comprehensive employee wellness programs was introduced in the U.S. Senate on July 9 and will be considered when senators reconvene after their summer recess.

S. 1753 (Harkin; D-Iowa/Smith; R-Oregon), the Healthy Workforce Act, proposes a tax credit of up to $200 per employee for the first 200 employees, and up to $100 per employee thereafter. The credit would be available to an eligible employer for 10 years.

The bill requires the programs to include specific components to qualify for the credit, including:

- health awareness and risk assessment programs;
- an employee engagement and participation-tracking provision;
- a behavioral change component; and
- a supportive environment/incentives program.

Wellness Benefits

Treating chronic conditions — including obesity, diabetes and cardiovascular disease — accounts for 75 percent of health care dollars spent, according to the U.S. Department of Health and Human Services (HHS).

The HHS reports benefit-to-cost ratios of $1.49 to $4.91, with a median of $3.11, for each dollar companies spend on wellness programs. Wellness programs often also are cited as contributing to increased employee productivity, morale and lower rates of absenteeism.

State Legislation

S. 1753 is similar to state legislation, California Chamber of Commerce-supported AB 1439 (Levine; D-Van Nuys), which encourages employers to foster healthy workplaces by providing a small tax credit (10 percent) for qualifying expenditures.

AB 1439 remains stalled in the Assembly Revenue and Taxation Committee and is not expected to move further this year.

Staff Contact: Marti Fisher
CalChamber Grassroots Network Says ‘No’ to Health Care Tax

From Page 1

error and Legislature — the authority to increase the employer tax to whatever level it deems appropriate to pay for the comprehensive benefit package in the proposal.

It seems virtually certain the payroll tax will have to be increased substantially, well beyond what most employers pay in health care costs today.

Employer/Employee Concerns

Business owners and employees are communicating their concerns:

● Gary Cushing, owner of a Marie Callender’s restaurant in Camarillo, said the tax would cost his business more than $50,000 per year.

“We can’t just raise prices to cover these expenses,” Cushing said. “We must reduce employees.”

Cushing added that the average restaurant nets only 5 cents on every dollar of revenue, and the proposed 7.5 percent tax would put most restaurants below the break-even point. He said two minimum wage increases have already caused him to eliminate jobs.

● Jim Bailey, a loan officer with United Mortgage Specialists in Murphys, said the Legislature should work on making health insurance more affordable rather than just raising taxes.

“I am a W2 employee of my company; I pay for my own health insurance,” Bailey wrote in his letter opposing AB 8. “If I ever want to be the owner of my small company, this tax would be impossible for me to afford.”

● Michael Ellithorp is a manager for Patriot Endeavors, a sole proprietor business created to help establish and promote small business endeavors. In the company’s first few years of business, Ellithorp says it often contracts out employees when the company needs them, therefore operating on “thin margins.”

“Most service-type businesses in a small town, and maybe in larger towns, can hardly afford the now-required liability insurance payments, let alone any added health insurance [payments] that AB 8 would demand,” Ellithorp said.

Ellithorp agreed that the tax would certainly have to increase to fund the program in coming years, and that his business and the small businesses he works with would not be able to maintain it.

“Should this bill pass, we will have to consider closing our doors, thus removing much-needed services from our community,” Ellithorp said. “We need to make a living and survive in the same world that our employees do.”

Problems With AB 8

A look at the makeup of the uninsured in California quickly demonstrates why it is likely that the benefit package in the new government health care program would require revenues from a much higher tax rate than the 7.5 percent of Social Security wages contained in AB 8.

Other than people with a pre-existing condition, the vast majority of Californians without health insurance are individuals employed in lower-wage jobs. Neither they nor their employers can afford to buy health care coverage.

Any employers who already pay at least 7.5 percent of payroll for health care and think the legislation wouldn’t apply to them need to be greatly concerned that the tax ultimately will exceed their cost of delivering health benefits, given that just the revenue from employers of low-wage employees will be insufficient to fund the program.

If the employer tax is enacted by just a simple majority vote — which Democrats claim they can do, having labeled the tax as a “fee” — it will violate the state Constitution. When voters approved Proposition 13 in 1978, they placed in the state Constitution not only a cap on property tax increases, but also the requirement that all tax increases be approved by a two-thirds vote of the Legislature.

Action Needed

Contact members of Senate Appropriations and urge them to oppose AB 8.

Sample letters are available at www.calchambervotes.com.

Staff Contact: Marti Fisher

CalChamber Informing Businesses of New State Emissions Regulations

The California Chamber of Commerce is encouraging businesses to get informed about new emissions regulations affecting the construction, mining, airport ground support and other industries.

The California Air Resources Board (ARB) in July adopted the toughest regulation in the nation aimed at reducing toxic and cancer-causing diesel emissions from the state’s estimated 180,000 “off-road” vehicles used in these types of businesses.

The CalChamber was part of a coalition that opposed the regulation.

Vehicles Affected

Affected vehicles include bulldozers, loaders,バックhoe and forklifts, and many other self-propelled, off-road diesel vehicles. The requirements and deadlines vary depending on fleet size.

● For small fleets, which include small businesses or municipalities with a combined horsepower of 2,500 or less, implementation does not begin until 2015.

● Medium fleets, with 2,501 to 5,000 horsepower, have until 2013, while large fleets, with more than 5,000 horsepower, must begin complying in 2010.

According to the ARB, because many diesel engines lack emission controls and can remain in use for 30 years or more, they will remain a major contributor to air pollution. The regulation is intended to dramatically reduce emissions by installing diesel soot filters and encouraging the replacement of older, dirtier engines with newer emission-controlled models.

Reduction Targets

The new regulations are designed to reduce particulate matter from all diesel-fueled engines in California by 75 percent in 2010 and 85 percent by 2020. These accelerated targets are expected to have a profound effect on California’s construction industry, which already has invested heavily in cleaning up the air.

Businesses that believe this new regulation affects their business should contact legal counsel.

Staff Contact: Jason Schmelzer
CalChamber Members Receive Honorable Mentions for Saving Energy

Eight members of the California Chamber of Commerce have received honorable mentions in several award categories of the 2007 Flex Your Power awards.

Established in 2001 as a response to California’s 2001-02 energy crisis, Flex Your Power is California’s statewide energy efficiency marketing and outreach campaign. The campaign is a partnership of the state’s utilities, businesses, government entities, non-profit organizations and private citizens.

The August 10 issue of Alert identified the 13 CalChamber members that won in the five Flex Your Power Award categories.

Honorable Mentions

CalChamber members received honorable mentions for the 5th Annual Flex Your Power Awards in three categories: Education and Leadership

Awards in this category are presented for educational efforts or outstanding leadership having significant impact on energy efficiency or demand response/conservation.

- **Amgen, Inc.** More than 3,000 employees participated in Amgen’s 2006 Earth Day and Energy Conservation Fair, an effort to educate its employees about energy efficiency. Amgen received regular feedback from employees on how to conserve energy and has formed an energy team to implement new projects.

**Demand Response/Conservation**

Awards in this category are presented for activities or equipment used to reduce energy use during certain times of the day (for example, at peak use periods) by shedding or shifting demand.

- **Farmers’ Rice Cooperative.** To demonstrate its commitment to environmental conservation, Farmers’ Rice Collaborated with Pacific Gas & Electric to enroll in PG&E’s Critical Peak Pricing Program (CPP). Over 11 days of participation, Farmers’ Rice Cooperative averaged 37 percent in load reduction.

- **Monterey Bay Aquarium.** The Monterey Bay Aquarium shed 26 percent of its energy load through careful staggering of pump cycles and pump calibration during energy events. The aquarium also earned PG&E’s Golden Orb Award.

- **University of California, San Diego.** The main campus of UC San Diego installed three major demand response systems: altered management of the centralized chilled water system; maximizing the combined cycle steam turbine generator; and a building energy management system. When these systems are implemented simultaneously, UC San Diego reaches a total peak energy savings of 25 percent of campus load.

**Energy Efficiency**

These awards are presented for installation of energy-efficient equipment, lighting and appliances.

- **Anheuser-Busch, Inc.** The brewer’s Fairfield site initiated two major projects in 2006 that will save nearly $1 million, an 11 percent reduction. Both projects involve unique heat exchange and recovery in the brewing process to provide steam heat, reducing the need for gas-generated heat.

- **California Portland Cement Company.** In 2006, the California Portland Cement Company’s Mojave plant invested in high-efficiency equipment, including variable frequency drives and premium efficiency motors. The plant reduced its power consumption to the tune of more than $1 million and a 7.8 percent energy reduction.

- **General Mills.** General Mills’ two California distribution facilities have more than 1 million square feet, and a few replacements to lighting fixtures cut about 45 percent of the company’s energy use. The lighting changes coupled with occupancy sensors saved General Mills $269,000 per year and paid back the cost of the investment in less than one year.

- **Operating Engineers Trust Funds.** This company worked closely with Pasadena Water & Power to upgrade to high-efficiency cooling compressors, reducing consumption by 64 percent, total energy use by 18.5 percent and costs by more than $43,000 annually. Operating Engineers Trust also has held several open houses to show its technology in action.

More Information

To learn more about the Flex Your Power program, visit [www.fypower.org](http://www.fypower.org).

State Hazard Mitigation Plan Available for Review

The California Chamber of Commerce is urging members to evaluate the draft of California’s updated and enhanced State Hazard Mitigation Plan (SHMP).

According to the Office of Emergency Services (OES), updates in the plan cover issues such as climate change, tsunami mitigation and preparedness, San Francisco Bay-San Joaquin Delta regional levee failure, and deadly landslides.

The SHMP is the official statement of California’s statewide hazard mitigation goals, strategies and priorities. Hazard mitigation deals with reshaping and strengthening the built environment to significantly reduce disaster losses from natural and human-caused hazards and risks.

By law, state hazard mitigation plans must be updated every three years in order for states and their local jurisdictions to be eligible for federal hazard mitigation and certain public assistance funding.

Following the 45-day review period, which concludes on September 7, OES will forward the updated and enhanced draft plan to the Federal Emergency Management Agency (FEMA) in the U.S. Department of Homeland Security for review and approval. FEMA must approve the next SHMP update by October 8.

To review and provide comments on the 2007 draft SHMP, visit the Hazard Mitigation Web Portal at [www.oes.ca.gov](http://www.oes.ca.gov) or call the Office of Public Information at (916) 845-8400.
Legislative Outlook

An update on the status of key legislation affecting businesses. Visit www.calchambervotes.com for more information, sample letters and updates on other legislation. Staff contacts listed below can be reached at (916) 444-6670. Address correspondence to legislators at the State Capitol, Sacramento, CA 95814. Be sure to include your company name and location on all correspondence.

Bill to Improve Workforce Development Awaits Hearing

California Chamber of Commerce-supported legislation to help close the gap between education and workforce development will be considered soon in the Senate Appropriations Committee.

AB 365 (Portantino; D-La Cañada Flintridge) creates a task force that includes the California Postsecondary Education Commission, the Labor and Workforce Development Agency and state agencies, public and private postsecondary and K-12 education facilities, laborers and employers.

The task force will make findings and recommendations to smooth the transition for students from education to the workforce.

Findings submitted to the Legislature and Governor by November 1, 2008 would include appropriate measures of data collection on workforce needs, suggestions for postsecondary education programs to fulfill those needs, as well as necessary detail to develop a permanent research panel to address future needs.

Hundreds of thousands of technically capable workers are needed to keep the California economy moving. Industries such as aerospace, automotive, business, construction, engineering, health, information technology and manufacturing will rely upon a highly skilled and educated workforce to prosper in the 21st century.

The bill addresses the need for data to evaluate where California is lacking in education for specific industries and would develop a panel to continuously address and compensate for those needs.

Action Needed

Contact your senators and encourage them to support AB 365.

Staff Contact: John Hooper

More Small Business Loans with Pending Proposal

The California Chamber of Commerce is supporting legislation to allow more loans for small businesses without raising costs to the program that administers them.

AB 610 (Price; D-Inglewood) will enable financial development corporations to make 50-75 more small business loans per year than under the current statutory cap without raising costs to the program.

The Small Business Loan Guarantee Program is administered through small business financial development corporations, which have guaranteed more than 4,471 loans totaling $627 million in the last five years.

The loan default rate and loss ratios in this program are significantly lower than that of other financial institutions.

Increasing the ability of this program to make even more small business loans will contribute to the growth of jobs and the economy in California.

Action Needed

AB 610 will be heard next by the Senate Appropriations Committee. Contact your senators and urge them to support the bill.

Staff Contact: Marti Fisher
CalChamber Calls for More Flexible Meal/Rest Period Rules

From Page 1
Fisher also pointed out that employers want to offer their employees a more flexible schedule to help them achieve a balance between work and personal demands.

“The workforce and workplace are constantly changing. Employers are always looking for greater opportunities to attract qualified employees by offering employees more flexibility to balance work and personal demands,” Fisher said.

“Employees are also looking for employers who can provide flexible schedules to achieve this balance and want to be able to take their breaks when it is compatible with their work and personal demands. Absent this much-needed flexibility, employers and employees are left with rules that do not accurately reflect the workplace today,” she said.

Key Court Ruling
In April 2007, the California Supreme Court ruled that the amount paid to a worker by an employer for failing to provide a worker a meal break is a wage, not a penalty.

The Supreme Court decision was the final stop in the case of Murphy v. Kenneth Cole Productions, Inc., the leading case on the issue of whether the statutory payment required under Labor Code Section 226.7 for failure to provide a rest or meal break is a penalty or a wage.

The court’s decision increases an employer’s liability by establishing a three-year statute of limitations for employees to sue about an alleged violation of the requirement that employers provide a rest or meal break. Accordingly, the impact of this case is enormous due to the number of lawsuits pending in California seeking payment under Section 226.7.

As a result of the decision, employers must treat the payment owed for a missed meal period as a wage and pay the employee the statutory amount.

New Health/Safety Videos Available at CalBizCentral

CalBizCentral™, the source for California business and human resource compliance products, presented by the California Chamber of Commerce, is offering a new series of videos and DVDs to help employees stay productive by remaining healthy and pain free.

According to the California Task Force on Youth and Workplace Wellness, obesity among working-age adults in California is increasing at one of the fastest rates in the nation. Well over half of California’s adults are considered overweight or obese.

Lost Productivity
In 2000, physical inactivity, obesity and overweight conditions cost California $21.7 billion in lost productivity, workers’ compensation and direct and indirect medical costs.

A 2000 study by the Health Enhancement Research Organization (HERO) found that employees with modifiable health risks were responsible for 25 percent of total health care expenditures. Stressed employees who couldn’t get relief made up 7.9 percent of costs, while smokers and overweight workers accounted for 5.6 percent and 4.1 percent, respectively, of their employers’ costs.

The costs are continuing to grow, with the heaviest economic impact falling on employers. Therefore, employers are uniquely positioned to care about and promote the health of their employees. They are increasingly aware of the positive connection that employee health has on their financial bottom line.

Submitting Comments
The CalChamber is urging employers and employees to submit comments to the labor commissioner. Written comments should be addressed to: Chief Counsel, Division of Labor Standards Enforcement, P.O. Box 420603, San Francisco, CA 94142.

The Division of Labor Standards Enforcement contact person must receive all comments by close of business on August 31. In addition, the office of the labor commissioner will be accepting written comments received by the close of business on August 31.

For more information, visit the Department of Industrial Relations website at www.dir.ca.gov.
Staff Contact: Marti Fisher

User-Friendly Videos
The Stanford Workplace Health Videos showcase techniques and exercises for dealing with common workplace complaints. Each of these videos — Preventing and Managing Stress, Preventing and Managing Computer-Related Injuries, and Preventing and Managing Back Pain — is presented in an intuitive, user-friendly format and contains:

● valuable information presented by experts at Stanford University; and
● a companion guidebook that shows specific exercises presented in the video.

The videos are available in both DVD and VHS formats.

Member Discount
Any business may purchase the videos; CalChamber preferred and executive members receive a 20 percent discount.

For more information, visit www.calbizcentral.com or call (800) 331-8877.
Stay on top of non-exempt employee wage and hour laws so you avoid being buried by penalties.

*How to Pay Non-Exempt Employees and Not Get Penalized Live Web Seminar* provides an in-depth review of the requirements of wage and hour laws and how they apply to non-exempt employees. This 90-minute event is ideal for anyone who manages employees and wants clarification on agency regulations and case law that dictate the penalties for improperly handling non-exempt employee meal and rest periods. We cover:

- Explanation of Kenneth Cole case, specifically meal and rest periods;
- Administration of proper payment without documentation;
- Differentiating between reporting time, on-call pay, travel and training time;
- Properly handling overpayment and deductions from wages;
- Understand the agency regulations and how to protect your company.

To register, visit [www.calbizcentral.com/nonexempt](http://www.calbizcentral.com/nonexempt) or call (800) 331-8877.

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**How to Pay Non-Exempt Employees and Not Get Penalized Live Web Seminar**

Thursday, September 20
10 a.m. (PST)
90 minutes
Registration starts at $120