VOLUME 33, NUMBER 34 • DECEMBER 14, 2007



## Sempra Energy Exec Named CalChamber Board Chair



Edwin A. Guiles

Edwin A. Guiles, executive vice president, corporate development, of Sempra Energy, San Diego, has been elected as 2008 chair of the California Chamber of Commerce Board of Directors.

Guiles succeeds Russell Gould, se-

nior managing director of Wachovia Port-

folio Services, in the CalChamber's top volunteer position.

"I am honored to serve as chair of the 2008 CalChamber Board of Directors," said Guiles. "We have an ambitious agenda for the upcoming year and many challenges ahead. I look forward to working closely with my colleagues on the CalChamber Board of Directors as we work to protect California jobs, enhance the business climate in our state and ensure that California remains competitive in a global economy."

See Sempra: Page 4

# CalChamber Files Water Infrastructure Bond Measures

The California Chamber of Commerce, along with a broad coalition of business, labor and agricultural groups, filed four versions of the "Comprehensive Safe Drinking Water, Water Supply Reliability and Delta Restoration Act of 2008" with the Attorney General for title and summary on December 5.

#### **New Coalition**

With the goal of enacting comprehensive solutions to California's looming water crisis and to assure that all Californians have an adequate supply of clean, safe water for years to come while protecting and enhancing the environment, the group has formed a new coalition, Californians for Clean and Reliable Water.

"We remain committed to working with the Governor and legislative leadership to produce a solution and are encouraged and hopeful that a legislative agreement can be reached and a measure placed before voters next year," said CalChamber President and Chief Executive Officer Allan Zaremberg. "In case this does not happen legislatively, we felt it necessary to file these measures today in order to preserve our options and have adequate time to gather signatures for

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## California-Canada Connections in Spotlight



The Honorable Michael Wilson, Canadian ambassador to the United States, highlights the prosperity California has gained through international trade with Canada at a December 13 International Luncheon Forum at the California Chamber of Commerce. Seated are Susan Corrales-Diaz, chair of the CalChamber Council for International Trade, and Marc LePage, consul general of Canada. Story at <a href="https://www.calchamber.com/international">www.calchamber.com/international</a>.

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### Labor Law Corner

## Answers to Frequently Asked Questions on Required Posters/Notices



Jessica Hawthorne Labor Law Counsel

• Are there any mandatory changes on the 2008 poster?

There is one mandatory change on the 2008 poster — the federal minimum wage poster. Although California's minimum wage increases on January 1, 2008, the 2007 posting contains the information

#### California Chamber Officers Russell Gould

Chair

Edwin A. Guiles
First Vice Chair

Frederick R. Ruiz Second Vice Chair

Larree M. Renda Third Vice Chair

**Donna F. Tuttle** Immediate Past Chair

Allan Zaremberg

President and Chief Executive Officer

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E-mail: alert@calchamber.com. Home page: www.calchamber.com. required for 2008. If you have the 2007 California minimum wage poster, you are in compliance for 2008.

• Are there recommended changes included on the 2008 poster?

No.

• I heard the federal OSHA poster is new for 2008; do I need to post it?

No, so long as you post the CalOSHA poster in California.

• Does my company need new pamphlets for 2008?

The Employment Development Department's *Paid Family Leave and State Disability Insurance Pamphlets* have been updated for 2008 with required changes. The *Workers' Compensation* pamphlet contains numerous required changes for 2008, in particular related to predesignation of physician and receipt of temporary disability insurance.

• What postings are on the California Chamber of Commerce poster?

The CalChamber's poster includes all 16 postings required by state and federal agencies that all California employers are required to post. For a list, see the Required Posters and Current Revisions chart on *HRCalifornia.com*.

• Where should I display the 2008 poster?

You should display the poster anywhere that all employees can easily read it, such as a break room, common hallway, payroll office, or other common location, and

## Seminars/Trade Shows

#### Labor Law

HR 201: Labor Law Update.

CalChamber. Southern California: January 7 – Glendale; January 9 – Irvine; January 11 - San Diego. Northern California: January 24 – Sacramento; January 29 – Emeryville; January 31 – San Jose; February 13 – Sacramento. (800) 331-8877.

HR 101: Labor Law Update.
CalChamber. Southern California:
January 8 – Irvine; January 10 – San
Diego. Northern California: January
23 – Sacramento; January 30 – San
Jose; February 12 – Sacramento. (800)
331-8877.

must post it in each company location. You must display several of the posters (polygraph protection, and state and federal anti-discrimination posters) where job applicants can read them.

• Our company has an office outside of California; am I required to post the California poster?

No, but check with local state agencies where other offices are located for state posting requirements.

• What notices are required to be distributed to employees?

Required notices include:

- For Your Benefit (DE 2320). This pamphlet explains California's unemployment insurance and disability insurance programs and must be distributed when an employer discharges or lays off an employee, or places an employee on a leave of absence.
- ✓ State Disability Insurance Provisions (DE 2515). This pamphlet explains an employee's disability insurance rights and must be distributed to all new hires and again if an employee goes out on disability leave. \*Updated for 2008.
- ✓ Workers' Compensation Rights and Benefits Pamphlets. Give all new employees this pamphlet at time of hire. \*Updated for 2008.
- ✓ Sexual Harassment Information Sheet. Every California employee and independent contractor must receive a sexual harassment information sheet from his/her employer.

✓ Paid Family Leave pamphlets. Explain California's Paid Family Leave (PFL) program. Give it to new employees and employees requesting time off for a covered reason. \*Updated for 2008.

All of the required notices that must be distributed are included in the CalChamber's *Required Notices Kit*.

Certain industries have specific posting requirements that apply only to them. For See Answers: Page 4

> Next Alert: January 11, 2008





## New Laws Affect State Businesses in 2008

The California Chamber of Commerce this week released a list of new laws scheduled to take effect in 2008 or earlier that will have an impact on California businesses.

"California employers need to be aware of several new laws affecting their businesses," said Allan Zaremberg, CalChamber president and chief executive officer. "The CalChamber's CalBizCentral compliance division is already a step ahead, offering training materials that will help businesses start off the new year in full compliance."

Among the training materials available is a labor law update seminar, with sessions beginning in January 2008.

In addition, the 2008 edition of the CalChamber *California Labor Law Digest* presents legal background information, including legislation, court cases and regulatory requirements in plain language organized to make complex laws understandable for businesses.

Following are new laws that have recently gone into effect or will take effect in 2008.

#### Discrimination

• AB 14: Civil Rights Act of 2007. The Unruh Civil Rights Act entitles all people in California to full and equal accommodations, advantages, facilities, privileges or services in all business establishments, regardless of sex, race, color, religion, ancestry, national origin, disability, medical condition, marital status or sexual orientation. This bill expands the protections to include a number of groups and individuals previously not specifically listed.

• SB 777: Prohibited Discrimination in Public and Private Education. Current protected classifications are sex, ethnic group identification, race, national origin, religion, or mental or physical disability. Teachers and school districts are prohibited from giving instruction or sponsoring an activity that ref ects adversely on race, sex, color, creed, handicap, national origin or ancestry.

#### **Domestic Partnerships**

• AB 102: Name Change, Domestic Partnership and Marriage License. Requires the Secretary of State to amend domestic partner registration forms to include an option for either or both parties to change their middle and/or last names.



The Secretary of State, when preparing the Certificate of Registered Partnership, must include the name used by each party before registration and any new name(s).

Employer note: A person engaged in a trade or business of any kind or in the provision of a service of any kind is prohibited from refusing to do business with or refusing to provide the service to, or imposing a specified requirement upon the use of the name, as a condition of doing business with or providing the service to, a person who uses a name adopted upon the solemnization of marriage or registration of a domestic partnership.

#### **Employment**

• AB 392: Urgency Legislation, Military Spouse Leave. Governor Arnold Schwarzenegger signed AB 392 on October 9, 2007, requiring employers with 25 or more employees to give qualified employees as many as 10 unpaid days off when their spouse is on leave from military deployment.

A qualified employee is one who works for more than 20 hours per week whose spouse is a member of the Armed Forces, National Guard or Reserves who has been deployed during a period of military conf ict. The employee must provide the employer with notice that s/he wishes to take leave within at least two business days of receiving official notice that the employee's spouse will be on leave from

deployment. The employee also must provide the employer with written documentation certifying the spouse will be on leave from deployment.

This urgency statute took effect immediately. The CalChamber has created an employee request for leave form for its members.

• SB 812: Pharmacists and Alternative Workweek. This bill resolved the inconsistency between Wage Orders 4 and 7 regarding alternative workweeks for pharmacists by clarifying that the terms and conditions of creating an alternative workweek are governed by Wage Order 4, including alternative workweeks that may be adopted by employees in the health care industry.

#### **Health and Safety**

• SB 783: Amusement Ride Safety. Effective January 1, 2009. The state Division of Occupational Safety and Health regulates the safe installation, repair, maintenance, use, operation and inspection of all amusement rides for the protection of the public. The Permanent Amusement Ride Safety Inspection Program prohibits the operation of permanent amusement rides without at least \$1 million of insurance per occurrence insuring the owner or operator against liability for injury or death and at least \$500,000 for injury suffered by persons riding the amusement ride. This bill increases the latter to \$1 million per occurrence, effective January 1, 2009. The bill also includes a number of additional notification, training and inspection requirements.

• AB 632: Health Care and Whistleblower Protection. This bill prohibits a health facility from discriminating or retaliating against any patient, employee, member of the facility's medical staff or any other health care worker of the facility because that person has (1) presented a grievance, complaint or report to an entity or agency responsible for accrediting or evaluating the facility or to any other governmental agency; or (2) has initiated, participated or cooperated in an investigation or administrative proceeding related to the quality of care, services or conditions at the facility.

An employee discriminated against in violation of this law shall be entitled to re-

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## Sempra Energy Executive Named 2008 CalChamber Board Chair

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#### 2008 Officers

Serving with Guiles as 2008 officers of the CalChamber Board are:

- First Vice Chair Frederick R. Ruiz, chairman, Ruiz Foods, Dinuba;
- Second Vice Chair Larree M. Renda, executive vice president, chief strategist and administrative officer, Safeway, Inc., Pleasanton;
- Third Vice Chair S. Shariq Yosufzai, president, global marketing, Chevron Corporation, San Ramon.

#### **Edwin Guiles**

Guiles previously served as chairman and chief executive officer of San Diego Gas & Electric (SDG&E) and Southern California Gas Co. (SoCalGas), Sempra Energy's California-regulated utilities.

Before that role, Guiles was president of SDG&E from 1997 to 2000. He also served as executive vice president of Enova Corporation, the former parent company of SDG&E, from January to June 1998. He was senior vice president of Enova Corporation from 1996 to 1997.

He joined SDG&E in 1972 and has held positions in engineering, power-plant management, natural gas operations, customer service, and business planning and budgeting.

Guiles earned his bachelor's degree in mechanical engineering from the University of Arizona, and is a graduate of the executive programs at the University of Southern California and the Edison Electric Institute.

#### 2008 Officers of California Chamber of Commerce







Larros M. Donda



S. Shariq Yosufzai

#### At-Large Members of Executive Committee



Philip R. Schimmel



Timothy S. Dubois

#### **Executive Committee**

The CalChamber Executive Committee also named its two new at-large members.

Serving in the one-year rotating position will be **Philip R. Schimmel**, managing partner, KPMG LLP, San Francisco, and **Timothy S. Dubois**, president, The Edward Thomas Companies, Beverly Hills.

In addition to the at-large members and

current officers, the Executive Committee includes the last three Board chairs.

The Executive Committee works with the CalChamber's top management to determine policy, financial and program direction, including, when necessary, providing policy guidance between the Board's regular quarterly meetings.

Staff Contact: Dave Kilby

## Answers to Frequently Asked Questions on Required Posters/Notices

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a list, visit Unique Posters and Notices on *HRCalifornia.com*.

• Do I have to post the Cal/OSHA Log 300?

If you are an employer in a high-hazard industry, and you have more than 10 employees, you may be required to post the Cal/OSHA Log 300. For more information, see Log 300 Record Keeping Obligations on *HRCalifornia.com*.

• Do I have to post both state and federal minimum wage posters even though

California's minimum wage is higher than the federal rate?

Even though California's minimum wage is higher than the federal minimum wage, both minimum wage posters are required for California employers. The CalChamber's *Employer Poster* has both.

• Are laminated posters required?

No, laminated posters are not required.
You may choose to use a laminated poster because of the needs of your work environment. For example, if your company operates in a hazardous environment,

outdoors, or in industries such as the restaurant or construction industry, laminated posters are highly recommended.

The pamphlets, posters or other required notices may be purchased from *CalBiz-Central.com*.

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.



# Economy Showing Impressive Resilience in Face of Slow Growth, Housing Slump

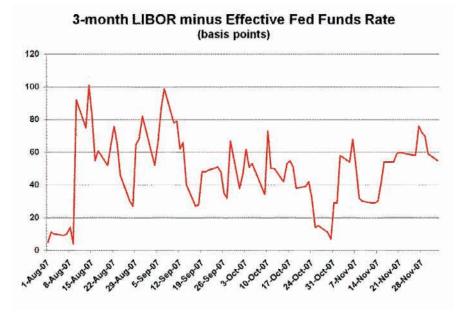
#### U.S. Economy

There have been several negative developments since the council's August report, including intensification of the housing slowdown, further deterioration in the credit markets, and soaring oil prices. Nevertheless, the economy has maintained moderate growth. Third quarter gross domestic product (GDP) grew at a robust 3.9 percent annual rate. Excluding home construction, which subtracted 1.1 percent from GDP growth, the expansion

was well balanced across sectors. Consumer spending increased at a 3 percent annual rate and business spending on equipment and software accelerated to a 5.9 percent annual rate of growth.

Net exports, which have been contributing strongly to growth throughout 2007, remained very healthy. Domestic demand, which excludes changes in inventories and net exports, grew at a 2.5 percent annual rate. This performance is remarkable considering the turmoil in financial markets.

There has been other good news. Employment growth, which slowed during the summer, picked up steam in October. Job cuts have continued in the housing, financial and manufacturing sectors. But other sectors are faring better, indicating limited contagion from the housing fallout. Payroll job gains in the service sector averaged 161,000 per month in the August-October period, with solid gains in health care, education, business services, leisure/hospitality and government employment. The unemployment rate has ticked up to 4.7 percent, but is still quite low. There also has been healthy income



growth, with real disposable income up 3.9 percent year/year in September.

Despite the good economic data, concern about a possible recession has increased. Indeed, there is evidence the economy will grow more slowly in the fourth quarter. Consumer sentiment has weakened substantially and retailers were reporting disappointing sales as they approached the holiday season. The Federal Reserve's most recent senior loan officer survey indicates that banks are tightening credit in sectors besides home mortgages. The decline in home prices, combined with softer equity markets, will reduce household wealth in the fourth quarter.

It is difficult to estimate the probability of recession. Recessions usually are characterized by substantial business inventory draw-downs and sharp reductions in business investment from inf ated levels. But business inventories (aside from homes) already are quite low, and business investment has hardly been robust in recent quarters. As a result, advisory council members believe that if there is an economic downturn, it will likely be

mild and of short duration.

A complicating factor is the recent surge in crude oil prices. So far, crude price increases have not been fully ref ected in the prices of refined oil products. But the longer crude prices remain elevated, the probability of passthrough into gasoline and other products increases. With consumers already vulnerable due to weakening home prices and re-setting mortgage rates, further increases in energy prices could trigger a decline in GDP.

#### **Interest Rates**

The Federal Open Market Committee (FOMC) dropped its Fed funds target from 5.25 percent to 4.5 percent at its September and October policy meetings. To a large extent, the Fed's decision was intended to stabilize deteriorating credit markets. FOMC members also expressed concern about the intensification of the housing market decline and its impact on consumers going forward.

But the Fed also maintained warnings about inf ation. Core inf ation (measured by the personal consumption def ator), which excludes food and energy prices, has declined to 1.8 percent and is in the Fed's implied target range of 1-2 percent. But overall inf ation is 2.4 percent, and the Fed has expressed concern that rising food and energy prices could filter into the prices of other goods. Thus, if financial markets calm down, the Fed would prefer to keep its Fed funds target at 4.5 percent for a while.

The advisory council believes that credit market developments will determine whether additional Fed rate cuts are likely in the short term. The stress in

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## Economy Showing Resilience in Face of Slow Growth, Housing Slump

From Previous Page money markets has eased somewhat since the FOMC cut the Fed funds target and lowered the premium for borrowing at the Fed's discount window. But problems continue in the asset-backed commer-

cial paper (ABCP) market. Demand for ABCP, which typically is purchased by money market funds, has diminished due to concerns about underlying portfolios. This is forcing bank sponsors to provide liquidity to these programs.

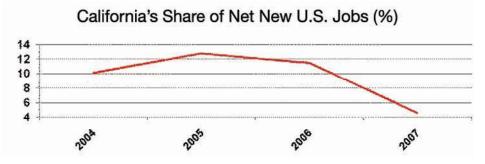
In turn, this created pressure in interbank lending markets, ref ected in higher LIBOR (London Interbank Offered Rate) rates. The spread between the effective fed funds rate and the LIBOR rate peaked near 100 basis points in early September, and has been very volatile since (see chart). As of this writing, these spreads remain abnormally high.

Problems in the mortgage securities market also continue. Prime mortgage securities that are insured by government-sponsored enterprises — Fannie Mae and Freddie Mac — are trading normally. But secondary market trading in sub-prime mortgage securities remains negligible. The jumbo mortgage loan market (which is very important to California) froze up in August and has resumed trading since, but at below normal activity levels.

Although jumbo mortgage rates have declined in recent weeks, the spread between jumbo and conventional mortgage rates remains abnormally high. Furthermore, bank mortgage lending standards have tightened considerably and there is much greater variation in rates charged to different quality borrowers.

#### **California Economy**

By most indicators, California continues to under-perform the U.S. economy, largely due to fallout in the housing sector. California's non-farm employment increased by 71,300 jobs during the first nine months of 2007, accounting for only 6.6 percent of the 1.09 million jobs created in the United States during that pe-



riod. This compares to California's 11.5 percent share of U.S. job gains in 2006 and its 12.9 percent share in 2005. The state's unemployment rate has increased from 4.8 percent to 5.6 percent since December, while the national unemployment rate has seen a milder increase from 4.5 percent to 4.7 percent.

California's job growth has been concentrated in education and health services (+3 percent year/year), leisure and hospitality (+2.8 percent year/year) and government (+2.2 percent). Construction employment is 3 percent below year-ago levels. Financial services employment is 1.2 percent below last year, ref ecting cutbacks at mortgage brokers, non-bank lenders, and realtors. Information technology jobs, which had been surprisingly weak given the strong performance in this sector, have gained momentum and are 1.5 percent above year-ago levels. California's manufacturing sector has seen a modest 0.3 percent decline in employment over the last year. The state's manufacturing firms have fared better than in other parts of the country due to their concentration in high-tech capital goods and export-oriented industries.

California exports, which surged 9.4 percent in 2006, expanded by a more subdued 3.9 percent in the first nine months of 2007. There was a surprisingly sharp 5.8 percent decline in exports to Mexico (California's leading export market). Mexico's economy is slowing because of falling oil production and a decline in U.S. remittances resulting from job losses in U.S. construction. Exports to Japan also declined by 1.5 percent, and growth in California's exports to China (which soared by 27 percent in 2006) moderated to 3.6 percent in the January-September

period. The slow-down in Pacific Rim exports likely ref ects softer U.S. consumer spending. But demand for high-tech capital equipment, where California has a competitive advantage, remains strong and should help to

maintain positive export levels, even in the face of a global slowdown.

As of this writing, California personal income data have been published only for the first half of 2007. These data indicate real personal income growth of 3.8 percent year/year, three-tenths below the national average in that period. In recent months, the California Department of Finance has reported personal income tax revenues falling short of projections, probably indicating slower income growth in the second half of the year. The state also reported shortfalls in sales and corporate income tax revenue.

Still, advisory council members maintain their view that California's diversified business structure will enable it to withstand the ongoing slowdown in the housing market.

Regional growth differentials within California largely ref ect significant differences in housing market performance. Generally, the interior regions of the state, including the Central Valley, High Desert and Inland Empire regions, are suffering the deepest housing downturns. Although housing markets are also softening in the coastal areas, home inventories are lower in these regions and price declines (except for San Diego) have been more contained. The San Francisco Bay Area has continued to outperform other California regions. There has been moderate job growth in Silicon Valley, although employment levels remain below peaks of the dot-com era.

While the Southern California economy has seen a housing-induced slowdown (particularly sharp in San Diego and Riverside-San Bernardino), the region continues to benefit from its diversity, with solid performances in international trade,

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## Economy Showing Resilience in Face of Slow Growth, Housing Slump

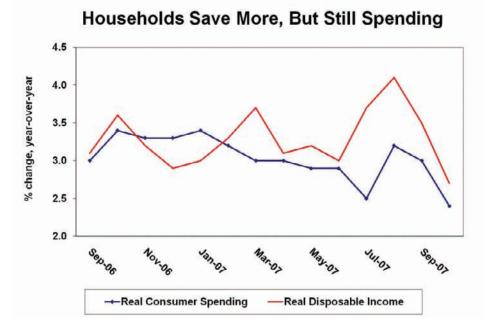
From Previous Page technology, aerospace and tourism. Nevertheless, some economic problems are emerging. There have been widespread layoffs at several mortgage lenders headquartered in Southern California, and these are likely to continue for several months. These cutbacks also are freeing up office space (especially in Orange County), which is putting some downward pressure on commercial real estate markets.

The ongoing strike by the Writers Guild of America could be lengthy, with the possibility of additional labor strife in the motion picture/television industry when the contracts for the Screen Actors Guild and Directors Guild of America come up for negotiation in 2008.

The motion picture and television production industry contributes about \$30 billion per year to Los Angeles County, according to the Los Angeles County Economic Development Corporation. While this is a small portion of the vast Los Angeles economy, there could be ripple effects into other industries if the strike persists. The strike comes at a time when the local economy is already softening and real estate markets are weak.

There also is worry about the potential for labor disruption when the International Longshore and Warehouse Union contract expires in June 2008. Port traffic and associated activities have been major contributors to the Southern California economy in recent years, and a strike in that sector would undoubtedly be harmful to the state and national economies.

California's agriculture sector is holding up well considering persistent cost pressures derived from several sources. The run-up in corn and other grain prices — tied largely to rising ethanol demand



— has pushed up animal feed costs. Energy cost increases also have intensified. And farmers face substantial water supply cutbacks during the coming year due to drought and likely reductions in water allocations related to preserving the Delta smelt.

On the positive side, farm labor shortages are less pervasive as more workers have been displaced from the construction sector. Farm product prices have remained firm, helping to maintain profit margins. The depreciating dollar and healthy agricultural export market also have provided some offset to considerable cost headwinds.

#### Real Estate

The U.S. housing downturn has intensified in recent months. This is in part due to tightening credit conditions related to the near collapse of secondary mortgage markets. While problems initially were concentrated in sub-prime and Alt-A mortgage markets, credit also has tightened in prime mortgage markets because of the difficulty lenders face in securitizing mortgages.

California has suffered disproportionately from these problems in part due to the high concentration of sub-prime loans — the state accounted for 17 percent of national sub-prime adjustable rate

mortgages and 19 percent of sub-prime foreclosures in the second quarter, according to the Mortgage Bankers Association.

In addition, the state's high home prices make it reliant on jumbo loans (above the \$417,000 conforming limit for Fannie Mae and Freddie Mac guarantees). Although the underlying credit quality of jumbo loans remains stellar, the secondary market for these loans seized up in the summer, pushing up jumbo mortgage

rates. In recent weeks, secondary trading of jumbo mortgage securities has revived, although at a subdued pace. Consequently, there has been a gradual reduction in jumbo mortgage rates.

California saw sharp declines in home sales in August and September, underperforming the national market by a wide margin. Inventories of unsold existing single-family homes soared to 16.6 months of supply, compared with 10.2 months nationally. To some extent this ref ects the stalled sub-prime mortgage

As this market gradually returns to normal, the pace of home sales could be expected to rebound somewhat. Still, the trend for home sales and prices will remain downward until the large inventory of new and existing homes for sale is depleted. State housing permit issuance averaged 122,000 at an annual rate during the first nine months of this year, down from 164,000 for all 2006. The housing market probably will not show significant improvement until the latter part of 2008.

U.S. commercial real estate market fundamentals have remained healthy and continue to provide an offset to the deteriorating residential real estate market. Non-residential construction activity

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### Special Report: Economic Advisory Council



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CALIFORNIA CHAMBER OF COMMERCE

## Economy Showing Resilience in Face of Slow Growth, Housing Slump

From Previous Page has continued to expand at doubledigit rates nationally, with particular strength in hotel and office construction. So far, there have not been the supply gluts that characterized the commercial real estate sector in earlier decades. But seeds of change are beginning to appear. The costs of financing commercial real estate development are increasing due to weakness in the commercial mortgage-backed securities market.

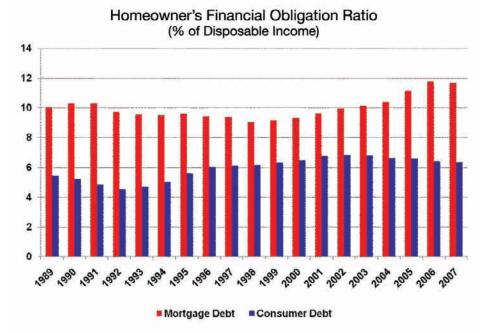
Despite good underlying funda-

mentals, commercial mortgage-backed securities are suffering the ripple effects of weakness in residential securities markets. In response, banks are tightening lending standards for commercial real estate development. There are mild increases in vacancies in office, retail and apartment markets in selected regions, especially regions suffering from severe housing downturns.

There also is some concern about potential overbuilding in the hotel sector, where construction activity has been phenomenal in recent years. Tourism remains very strong throughout the country, but there is a risk of decline — and a consequent decrease in hotel occupancy — if there is a global economic slowdown. In general, however, there has not been the degree of commercial over-building that characterized previous real estate cycles. This should limit the extent of any downturn.

#### **Risks**

Risks are mostly to the downside in the current environment. The first risk



derives from the decline in home valuations. After the sharp run-up in home prices over the last several years, little is known about how declining home values will affect consumer spending. There are now higher saving rates as households withdraw less equity from their homes. Recent weakness in the stock market, if it persists, could further reduce household wealth. But the economy should avoid an outright recession as long as job and income growth hold up at reasonable levels.

Another risk derives from the ongoing turbulence in the credit markets. There still are considerable problems in determining proper market values of asset-backed securities, particularly in the mortgage market. The faster these pricing issues are resolved and trading of these securities resumes, the more rapidly financial markets can return to normal.

The Federal Reserve Bank will provide needed liquidity to the banking system, but it can only do so much to alleviate problems that resulted from excessive risk taking. Although financial regulatory authorities will play some role

in crafting solutions, these problems will largely have to be worked out in the market-place. Californians have a strong interest in seeing these issues resolved due to the severity of the state's housing downturn and its dependence on jumbo mortgage loans.

Rising energy prices remain an important risk factor. Speculative activity has pushed crude oil prices to record levels and there is a risk they could go higher. If higher crude prices

are passed through into refined oil products, this will erode disposable income and increase the chances of recession. Barring a recession, inf ated energy prices will play a role in keeping economic growth below its potential during the coming year.

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 CalChamber 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.





# CalChamber Announces Positions on February Ballot Propositions

The California Chamber of Commerce has announced positions on a number of measures that will appear on the February 2008 ballot.

Following the December 7 meeting of the CalChamber Board of Directors, CalChamber President and Chief Executive Officer Allan Zaremberg announced that the Board voted to oppose Proposition 91 and support Propositions 94, 95, 96 and 97.

A secret ballot was taken on Proposition 93, the Term Limits and Legislative Reform Act, and the CalChamber's position on the measure will be announced on or before December 20

"The CalChamber's Board of Directors voted to oppose Proposition



91, a transportation funding initiative, based on the fact that the measure is no longer needed following passage of Proposition 1A in November 2006," said Zaremberg.

Propositions 94, 95, 96 and 97 deal with Indian gaming on tribal lands, a key contributor to jobs and the California economy. These agreements will allow four tribes in San Diego and Riverside Counties — the Agua Caliente, Morongo, Pechanga and Sycuan tribes — to expand

the number of slot machines at casinos on their existing tribal lands. In turn, this expansion will create thousands of new jobs and generate billions of dollars in new revenue to local economies, revenue that benefits local residents, small businesses and local governments. The initiatives will allow previously negotiated tribal compacts between the State of California and four tribes to go into effect.

"We are encouraging voters to support Propositions 94, 95, 96 and 97 because approval of these measures will protect a steady and significant revenue source to the state's general fund and help pay for schools, roads and bridges, public safety and health care," said Zaremberg.

The agreements will provide the state with approximately \$293 million in the first year (with revenues increasing significantly in future years) and an estimated \$9 billion over the next two decades to help balance the budget and pay for schools, roads and bridges, public safety and health care — without raising taxes or increasing debt.

The CalChamber Board of Directors voted at its September 7 meeting to **oppose Proposition 92**, the Community College Governance Funding Stabilization and Student Fee Reduction Act (see October 5 *Alert*).

## Political Strategist Assesses Presidential Race



Edward J. Rollins, longtime political strategist, comments on the prospects and tactics of the current batch of presidential candidates at the December 6 dinner gathering of the California Chamber of Commerce Board of Directors. Rollins has had major roles in seven presidential campaigns, including managing President Ronald Reagan's landslide re-election campaign in 1984. Rollins now heads a communications and crisis management firm with offices in New York and Washington, D.C.

### Water Bond Measures

Staff Contact: Denise Davis

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the November ballot. The four versions are very similar in concept and scope. The group will spend the next several weeks, during the title/summary process, to review language and determine future steps."

In addition to the CalChamber, the following organizations are assisting in the effort: California Alliance for Jobs; California Building Industry Association; California Business Properties Association; California Business Roundtable; Consulting Engineers and Land Surveyors of California; Western Growers Association.

The Association of California Water Agencies serves as a technical advisor to Californians for Clean and Reliable Water

**Staff Contact: Denise Davis** 



## New Laws Affecting California Businesses in 2008

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instatement, reimbursement for lost wages and work benefits caused by the employer, or to any remedy deemed warranted by the court, as well as lost income and legal costs

- AB 1302: Health Insurance Portability and Accountability Act. Extends the act's duration to July 1, 2010.
- AB 949: Residential Care Facilities for the Elderly. Licensed residential care facilities for the elderly, before transferring a resident to another facility or independent living arrangement because of a loss of license or change of use of the facility because of eviction by the Department of Social Services, must take all reasonable steps to transfer safely and minimize possible trauma during relocation.

If seven or more residents are transferred, a plan for closure for the affected residents must be submitted to the department for review and approval/denial. Facilities also must have an admission agreement explaining the facility's responsibility to prepare a relocation evaluation

and closure plan, and a statement of the facility's responsibilities and the resident's rights in an eviction. Penalties are \$100 per violation per day.

If a resident of a licensed residential care facility for the elderly is evicted, the resident is entitled to a refund of, or credit for, paid preadmission fees in excess of \$500 (actual amount), depending on when the fees originally were paid to the facility.

#### Wages

• AB 650: Employer Required Notification — Earned Income Tax Credit. Effective January 1, 2008, California employers who are required to provide unemployment insurance must notify all employees that they may be eligible for the federal Earned Income Tax Credit within one week before or after, or at the same time, the employer provides an annual wage summary, including but not limited to a Form W-2 or Form 1099.

Employers are encouraged to consult with their payroll service, accountant and/or legal counsel regarding compliance with tax laws.

• SB 929: Computer Professional Hourly Rate Lowered. The law exempts a computer professional from overtime requirements if the employee is primarily engaged in work that is intellectual or creative. This bill lowered the hourly minimum compensation from \$41 to \$36, effective January 1, 2008. The rate for 2009 will be set by October 1, 2008 by the Department of Industrial Relations.

#### **Workers' Compensation**

• AB 338: Temporary Disability Payments. Effective January 1, 2008, AB 338 changes how temporary disability (TD) is paid to injured workers. Under current law, an injured worker can receive 104 weeks of TD benefits that must be paid within 104 weeks of the first date that TD is paid.

AB 338 removes the requirement that the TD benefits be collected within two years of the first date that TD is paid. Instead, injured workers are eligible for 104 weeks of TD as long as those benefits are paid within five years of the date of injury.

Benefits still are capped at 104 weeks, but the injured worker has a longer period in which to collect those benefits.

• SB 869: Workers' Compensation. Authorizes the labor commissioner to systematically identify unlawfully uninsured employers and prioritize targets for the workers' compensation (WC) program in consideration of available resources. This bill requires the report to be posted on the labor commissioner's website. The funds will come from the WC revolving fund in the state treasury. The bill directs the director of employment development to share information with the labor commissioner so she can more readily identify unlawfully insured employers.

#### **CalChamber Seminars**

CalChamber employment law experts will travel throughout the state conducting seminars on human resources, labor and employment laws, regulations and court decisions that will affect how companies do business in 2008.

The *HR 201: Labor Law Update* seminar is designed for HR professionals or any employee responsible for HR duties. The *HR 101: Intro to HR Admin* covers HR basics, best practices and how to comply with California employment law.

For more information or to register, visit www.calbizcentral.com.

## Legislative Analyst Reviews State Budget Woes



Legislative Analyst Elizabeth Hill summarizes for the California Chamber of Commerce Board of Directors her assessment of the state's budget picture and its ongoing structural deficit. Her November analysis projected a \$10 billion deficit in the coming year. On December 11, the state Department of Finance forecast a \$14 billion budget gap.



## Senate OKs U.S.-Peru Free Trade Pact; Agreement Awaits President's Signature



The U.S. Senate has approved the U.S.-Peru Free Trade Agreement (FTA).

The U.S. Senate voted 77-18 on December 4 to approve the agreement, which will ensure that the United States will continue to gain access to world markets,

resulting in an improved economy and additional employment of Americans.

U.S. Senator Dianne Feinstein (D-San Francisco) voted "yes" on the FTA; U.S. Senator Barbara Boxer (D-Greenbrae) voted "no."

On November 8, the U.S. House approved the FTA by a vote of 285-132 (see November 16 *Alert*).

In June 2006, the Peruvian Congress overwhelmingly approved the agreement by a vote of 79-14 with six abstentions.

When the agreement enters into force, 80 percent of U.S. consumer and industrial exports to Peru will be duty-free immediately. Peru's remaining tariffs phase out over 10 years. U.S. farmers and ranchers also will become much more competitive,

benefiting from immediate duty-free treatment of 90 percent of current U.S. agricultural exports.

#### **California-Peru Relations**

California is one of the 10 largest economies in the world with a gross state product of approximately \$1.5 trillion. International-related commerce accounts for approximately one-quarter of the state's economy. Export-supported jobs account for more than 10 percent of California's total private sector employment — about one in 10 jobs.

Peru, the third largest country in South America, is approximately three times the size of California. Peru is the fifth most populous country in Latin America, and has an annual gross domestic product of more than \$67 billion. Peru's economy is one of the most dynamic in Latin America, showing particularly strong growth over the last three years. Recent economic expansion has been driven by construction, mining, investment, domestic demand and exports.

Total trade in 2006 between Peru and the United States was more than \$8 billion, with the United States exporting \$2.9

billion worth of goods to the nation. About 200,000 U.S. citizens visit Peru annually for business, tourism and study. Nearly 16,000 Americans live in Peru, and more than 400 companies are represented there.

In 2006, California exported \$180 million to Peru, making it one of the state's 50 largest trading partners.

A U.S.-Peru FTA is a critical element of the U.S. strategy to liberalize trade through multilateral, regional and bilateral initiatives. President George W. Bush is expected to sign the FTA by the end of the year.

#### **CalChamber Position**

The California Chamber of Commerce, in keeping with long-standing policy, enthusiastically supports free trade worldwide, expansion of international trade and investment, fair and equitable market access for California products abroad and elimination of disincentives that impede the international competitiveness of California business.

The U.S.-Peru FTA will increase momentum toward lowering trade barriers and set a positive example for other small economies in the Western Hemisphere.

**Staff Contact: Susanne Stirling** 

## Newly Merged Council for International Trade Meets for First Time



At the first meeting of the newly merged California Chamber of Commerce Council for International Trade are (from left) Jack McDougle, U.S. Department of Commerce (who reported on U.S. competitiveness and pending free trade agreements); Garrett Ashley, California Business, Transportation and Housing Agency (who summarized a pending study on the role of the state in international trade); Council Chair Susan Corrales-Diaz of Systems Integrated; and Jerry Levine, president of Mentor International, and chairman emeritus of the former California Council for International Trade (CCIT), which merged with the CalChamber **International Trade Committee in the** fall to form the CalChamber council. Levine was recognized for his many years of participation in and support for the CCIT.



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- Cases to Watch for in 2008
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