

ALERT

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Governor, CalChamber Chair Outline Top State Issues

Governor Arnold Schwarzenegger and California Chamber of Commerce Chair Edwin A. Guiles spoke to the challenges that California faces and offered recommendations as to how the business community can affect those changes while stimulating the economy on May 22.

The Governor and Guiles spoke at the 82nd Annual Sacramento Host Breakfast, sponsored by Sacramento business leaders and attended by more than 1,500 business and civic leaders from throughout the state.

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Governor Arnold Schwarzenegger (right) greets CalChamber Chair Edwin A. Guiles at the 82nd Annual Sacramento Host Breakfast. At left is Sacramento Host Committee Chairman F. Frederick Brown.

CalChamber Releases 2008 'Job Killer' List *34 Bills Threaten California Competitiveness*



The California Chamber of Commerce this week released its annual list of "job killer" bills, calling attention to the negative impact the proposed measures would have on California's competitiveness and job climate if they were to become law.

"Economic recovery is the linchpin for a long-term budget solution," said CalChamber President Allan Zaremborg. "In the face of this year's budget deficit, the Legislature must focus on helping to strengthen California's economy. Should these 'job killer' bills become law, they would impose a variety of mandates, barriers and unnecessary regulatory hurdles on California's already-overburdened employers.

"In addition, several of this year's 'job killers' would work to artificially inflate liability costs for California businesses, stifling our ability to recover from a

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Labor Law Corner

Employer May Require Employees to Wear Business-Like Attire at Work



Dana Leisinger
Senior Helpline
Consultant

We have an employee, our receptionist, who wears very faddish clothing — such as torn t-shirts, bare midriffs — and we really don't like it. Can we tell her not to wear this type of clothing?

Yes, you can have a dress code that doesn't allow certain types of apparel. Employers have the right to have a policy

that their employees maintain a business-like, professional appearance.

Clothing Restrictions

Most employers would agree that they want their employees to work comfortably in the workplace; however, there are many other examples of appearances that employers do not like and can restrict: Visible tattoos, multiple earrings, nose rings, eyebrow rings, bare midriffs, excessively long fingernails, mini-skirts, tattered jeans, and even overly strong perfume.

It should be stressed that the employer wishes to maintain a business-like appearance in the office, and that clothing that works well outside the office (at the gym, at nightclubs, at the beach) may not be appropriate for the office where customers and clients visit.

Safety Concerns

Safety concerns can also be an issue involving a dress code. Production employees wearing long earrings risk getting caught in machinery; flip-flop sandals could expose feet and toes to injury; and excessively long fingernails pose safety and health issues, particularly in a medical office.

On occasion, an employee might claim that a tattoo is associated with

a religion, and if that is the case, the employer must attempt to make a reasonable accommodation. However, the vast majority of calls to the Helpline complaining of tattoos do not involve religious tattoos.

It can be very difficult to approach an employee about inappropriate clothing, but clothing that's too revealing is not appropriate for a place of business.

Perfume

One of the touchiest subjects is overly strong perfume. Any discussion can be a particularly sensitive subject, but when it's a big problem, a tactful approach can be to explain that perfumes can cause allergic reactions to many people; therefore, it's easier to simply forbid perfumes entirely.

It's wise to have a dress code policy that outlines the employer's preferences, and give guidelines to the employees. It's wise to consult with legal counsel in drafting such a policy.

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.

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Business Resources

Food Recalls: Putting the Pieces Together.
California Department of Public Health. June 6. (916) 650-6595.

International Trade

Germany California Solar Day. German American Chamber of Commerce Inc., California Branch. May 27, San Francisco. (415) 248-1245.

Shunde: Gateway to Success in the New China. Bay Area World Trade Center. May 29, San Francisco. (510) 251-5940.
U.S. Commercial Service Trade Mission to Vietnam. U.S. Commercial Service. June 16-20, Hanoi and Ho Chi Minh City, Vietnam.

BIS Export Management Seminar. U.S. Bureau of Industry and Security. July 9-10, San Jose.

Labor Law

HR 201: Labor Law Update On-Demand Web Seminar. CalChamber. 90 minutes. (800) 331-8877.

Pregnancy Disability Leave 201 Web Seminar. CalChamber. May 29. (800) 331-8877.

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2008 'Job Killer' Proposals Impose Unnecessary Hurdles on State's Employers

Following is the 2008 list of the "job killer" proposals under consideration in the California Legislature. If these 34 bills become law, they will hurt the ability of California businesses to compete in the global economy and recover from the current economic slowdown.

The current location of each bill appears in *italics* after the bill description.

For ongoing updates on the status of these bills, visit www.calchamber.com/jobkillers.

Barriers To Affordable Housing

● **AB 1065 (Lieber; D-Mountain View) Construction Costs Increase.** Substantially increases the cost of housing and development in California by implementing significant energy efficiency measures for all new residential and commercial buildings without regard for the additional costs that will be passed on to consumers. *Senate Transportation and Housing hearing June 10.*

● **AB 2046 (Jones; D-Sacramento) Construction Jobs Loss.** Halts construction of housing, costs construction jobs and provides a disincentive to clean up groundwater by inappropriately denying use of some groundwater resources as a stable water supply. *Assembly Floor.*

● **AB 2112 (Saldana; D-San Diego) Construction Costs Increase.** Substantially increases the cost of housing, interferes with the utilities' ability to meet the AB 32 carbon cap mandates and drives up the cost of AB 32 compliance, ultimately leading to increased utility bills, by mandating on-site energy generation and efficiency standards for all new residential buildings. *Assembly Appropriations Suspense File.*

● **AB 2153 (Krekorian; D-Burbank) Construction Jobs Loss.** Imposes an unconstitutional developer fee on new residential and commercial development that will be used to finance water conservation strategies in existing communities by requiring that all new development be water-demand neutral. *Assembly Floor.*



● **AB 2705 (Jones; D-Sacramento) Construction Jobs Loss.** Potentially makes new housing less affordable, risks the loss of construction jobs and squeezes support for maintenance costs for parks and schools by expanding Mello Roos fees to include financial support of transit services. *Senate Rules.*

Costly Workplace Mandates

● **AB 2279 (Leno; D-San Francisco) Employee Safety Risk.** Hurts employee safety and employers' right to maintain drug-free workplace policies. Exposes employers to potential litigation by forcing them to hire workers who use medical marijuana. *Assembly Floor.*

● **AB 2716 (Ma; D-San Francisco) Employer Benefit Mandate.** Unreasonably expands employer's costs and liability by mandating a specific paid sick leave policy. *Assembly Appropriations Suspense File.*

● **SB 840 (Kuehl; D-Santa Monica) Government-Run Health Care.** Creates a new government-run, multibillion-dollar socialized health care system financed from a yet-to-be-specified tax increase. *Assembly Appropriations.*

● **SB 1115 (Migden; D-San Francisco) Workers' Compensation Reform Roll Back.** Increases workers' compensation costs and rolls back the workers' compensation reforms from 2004 by making apportionment very difficult to prove. *Assembly Insurance.*

● **SB 1717 (Perata; D-Oakland) Workers' Compensation Reform Roll Back.** Increases workers' compensation costs and rolls back the workers' compensation

reforms from 2004 by arbitrarily doubling permanent disability benefits and altering the 15 percent bump up/down provision in current law. *Senate Floor.*

Economic Development Barriers

● **AB 1840 (C. Calderon; D-Montebello)/ABX3 2 (C. Calderon; D-Montebello) Internet Tax.** Encourages companies that provide services via the Internet and which operate and provide jobs in California to move their operations out of California. *AB 1840: Assembly Appropriations Suspense File; ABX3 2: In Assembly.*

● **AB 2030 (Lieu; D-Torrance) Construction Costs Increases.** Substantially increases the cost of commercial development, interferes with the utilities' ability to meet the AB 32 carbon cap mandates and drives up the cost of AB 32 compliance, ultimately leading to increased utility bills, by mandating on-site energy generation and efficiency standards for all new commercial development. *Assembly Appropriations Suspense File.*

● **AB 2359 (Jones; D-Sacramento) Limits Investments.** Limits investment by capital markets by imposing legal liability for flaws in loans written by other lenders and brokers to those entities purchasing certain types of home loans. *Assembly Floor.*

● **AB 2372 (Coto; D-San Jose) Personal Income Tax Increase.** Harms numerous small business taxpayers who file personal income tax rather than corporate income tax returns by imposing a new 1 percent personal income tax increase on incomes over \$1 million in order to fund education programs. *Assembly Appropriations.*

● **AB 2447 (Jones; D-Sacramento) Construction Job Loss.** Severely limits residential and commercial development to a degree that it could virtually shut down any suburban development in certain areas of California by prohibiting the approval of development in fire-risk areas without a mitigating finding by the city or county. *Assembly Floor.*

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2008 'Job Killer' Proposals Impose Unnecessary Hurdles on Employers



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- **AB 2514 (Eng; D-Monterey Park) Costly Construction Delays.**

Delays construction of commercial and residential projects and

obstructs normal agricultural practices by requiring an unworkable resolution to disposition of human remains that are not Native American. *Assembly Floor.*

- **AB 2678 (Núñez; D-Los Angeles) Building Energy Audits.**

Threatens already-beleaguered existing housing and commercial real estate markets by establishing a process to adopt mandatory time-of-sale energy efficiency audits without any specificity on what would ultimately be required by the audits. *Assembly Appropriations Suspense File.*

- **AB 2897 (Hancock; D-Berkeley) Personal Income Tax Increase.**

Harms numerous small business taxpayers who file personal income tax rather than corporate income tax returns by increasing tax rates on incomes over \$100,000 and \$200,000 to 10 percent and 11 percent respectively and the alternative minimum tax to 8.5 percent. *Assembly Revenue and Taxation.*

- **SB 375 (Steinberg; D-Sacramento) Limits Transportation Capacity.**

Thwarts the intent of voters who approved broad-based transportation bonds and limits increased transportation capacity in certain areas of the state by prioritizing transportation projects in areas identified as a preferred area for growth. *Assembly Appropriations.*

- **SB 974 (Lowenthal; D-Long Beach) Tax on Freight Movement.**

Increases the cost of shipping goods and makes California less competitive by imposing an illegal per-container tax in the ports of Long Beach, Los Angeles and Oakland. *Assembly Floor.*

- **SB 1165 (Kuehl; D-Santa Monica) Construction Jobs Loss.**

Jeopardizes economic growth by restricting environmental impact statements to a five-year lifetime which will delay permitting of the project and open the door for frivolous lawsuits in an attempt to block the project. *Senate Floor.*

Expensive, Unnecessary Regulatory Burdens

- **AB 2546 (De La Torre; D-South Gate) Interference with Goods Movement.**

Jeopardizes ports, rail yards and manufacturing facilities by setting up an unreasonable requirement to regulate the emissions from mobile emitters that visit their facility even if they have no control over the mobile sources. *Assembly Appropriations Suspense File.*

- **SB 899 (Simitian; D-Palo Alto) Plastic Packaging Ban.**

Pushes jobs out of California and increases costs for industries that use plastic packaging by banning the manufacturing and distribution of specified plastic packaging in California. *Assembly Environmental Safety and Toxic Materials.*

Fuel Price Increases

- **AB 2558 (Feuer; D-Los Angeles) Climate Change Tax.**

Assesses an unconstitutional tax on businesses and consumers by authorizing the Los Angeles County Metropolitan Transportation Authority to impose a tax by a majority vote on either motor vehicles or vehicle fuel. *Assembly Floor.*

- **ABX3 9 (Núñez; D-Los Angeles) Gas Price Increase.**

Imposes a billion-plus-dollar tax increase on California oil companies which would result in higher gas prices for consumers, increased dependence on foreign oil, and further damage to our already-suffering economy. *Assembly Unfinished Business.*

- **SB 140 (Kehoe; D-San Diego) New Fuel Mandate.**

Disadvantages California businesses and increases fuel prices by creating a fuel mandate that picks a winner in the alternative fuels market, preventing the research and development of additional viable options that may be cheaper and more efficient. *Assembly Inactive File.*

- **SB 445 (Torlakson; D-Antioch) Climate Change Tax.**

Assesses an unfair tax on businesses and consumers by authorizing specified regional transportation agencies to impose a tax on either motor vehicles or vehicle fuel. *Assembly Transportation.*

- **SB 1240 (Kehoe; D-San Diego)**

Restrictive Fuel Standard.

Interferes with the development of a competitive alternative fuels market and threatens job creation in California by creating a costly Low Carbon Fuel Standard that conflicts with the existing standard created by Governor's Executive Order S-7-04. *Senate Floor.*

Inflated Liability Costs

- **AB 437 (Jones; D-Sacramento) Increased Employer Liability Exposure.**

Significantly expands employers' liability exposure and hampers their ability to defend themselves by effectively removing any statute of limitations for lawsuits challenging any employer decision that affects pay or benefits. *Assembly Inactive File.*

- **AB 1456 (Laird; D-Santa Cruz) Increased Insurance Costs.**

Greatly increases liability exposure for companies and may lead to higher insurance rates for consumers by preventing Medi-Cal amounts paid on behalf of a plaintiff from being considered in determining an insurance company's liability for medical damages. *Senate Inactive File.*

- **AB 2690 (Krekorian; D-Burbank) Increased Health Care Costs.**

Expands liability of manufacturers of prescription pharmaceutical products by eliminating a well-established and common-sense legal defense which recognizes that a patient's doctor should warn them of the risks and side effects of drugs. *Assembly Floor.*

- **AB 2847 (Krekorian; D-Burbank) Increased Health Care Costs.**

Raises health care costs due to increased litigation by shifting the burden of proof from providers to insurers in legal disputes about the appropriateness of care regardless of whether the medical care is based on any sound clinical foundation or is evidence-based. *Assembly Appropriations Suspense File.*

- **SB 1113 (Migden; D-San Francisco) Incentive to Sue.**

Rewards plaintiffs for costs of litigation stemming from private attorney general actions while providing no cost recovery for those who must defend themselves against such actions, even if those actions are found to be baseless. *In Assembly.*

Four Receive Business Advocate Award

CalChamber Recognizes Fresno Chamber as Strong Business Representative

The California Chamber of Commerce honored four small business executives on May 20 with its 2008 Small Business Advocate of the Year award, recognizing recipients for their advocacy efforts on behalf of small businesses.

In addition, the CalChamber recognized a local chamber of commerce for outstanding advocacy efforts.

The CalChamber presented the awards at a luncheon before more than 600 attendees at the CalChamber Business Legislative Summit in Sacramento.

Small Business Advocates

The 2008 Small Business Advocate of the Year winners are:

- Ruth Evans, owner, Evans HR, Fresno;
- Lori Lofstrom, partner, Holmes and Lofstrom, LLP, Long Beach;
- Sharon Tyrrell, co-owner, Capree Escrow, Inc, Riverside; and
- Frank DeSmidt, retired, Milpitas.

Among other activities, Evans led the Greater Fresno Area Chamber's revamp of its advocacy program; Lofstrom led signature gathering to overturn a local ordinance preventing chain stores from locating in the community; Tyrrell testified before local and state governmental entities on electric rate restructuring; and DeSmidt has spearheaded the generation of thousands of letters to legislators from Milpitas business owners.

Profiles of the award recipients will appear in future *Alerts* and at www.calchamber.com.

Small business advocate award honorees are nominated by local chambers and selected by a task force made up of members of the CalChamber Small Business Committee. Those selected have taken on leadership roles with federal, state or local ballot measures, have testified before the state Legislature or represented a chamber of commerce before local government.

Advocacy Partner

The 2008 Advocacy Partner of the Year, an award presented to the local chamber that does a superb job at representing the business perspective, is the Greater Fresno Area Chamber.

The Greater Fresno Chamber has been



Present to receive the CalChamber's 2008 Small Business Advocate of the Year Award are (from left) Sharon Tyrrell of Riverside, Lori Lofstrom of Long Beach and Ruth Evans of Fresno. Not pictured is award winner Frank DeSmidt of Milpitas.

active on statewide and local issues. It opposed Propositions 92 (community college funding guarantee without accountability) and Proposition 93 (limits on legislators' terms) on the February ballot. The chamber also organized three lobbying trips to Sacramento and recruited businesspeople to testify in support of CalChamber-sponsored state legislation to provide individual workers and their employers greater flexibility in workplace scheduling.

The Greater Fresno Chamber also published a vote record to show members

how state legislators and local elected officials had voted on issues of importance to business.

Representing the Greater Fresno Chamber were Al Smith, president and chief executive officer; Amy Huerta, governmental affairs manager; Board Chair Ray Dunn; and Evans, who chairs the chamber's legislative committee.

The Greater Fresno Chamber was one of two Advocacy Partners of the Year honored last year.

Staff Contact: Dave Kilby

CalChamber Releases 2008 'Job Killer' List

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slowed economy. This year, more than ever, the Legislature must focus on tax and workplace policies that foster economic health, seek balance in our legal system and maintain the historic accomplishments of workers' compensation reform."

The CalChamber annually releases its list of "job killer" bills to identify legislation that will harm economic

and job growth in California. The CalChamber will track the bills throughout the rest of the legislative session and work to educate legislators about the serious consequences these bills will have on the state.

The list of "job killer" bills begins on Page 3. For updates on the status of the "job killer" bills, see the list at www.calchamber.com/jobkillers.

Staff Contact: Denise Davis

Governor, CalChamber Chair Outline Top State Issues

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'Job Killer' Bills

Governor Schwarzenegger compared the similarities between his legislative agenda and the agenda of the business community, highlighting his repeated rejection of the CalChamber-opposed "job killer" bills.

Governor Schwarzenegger vetoed all 12 "job killer" bills that were sent to his desk last year.

"Those job killing bills...they were terminated!" the Governor said. "They were terminated immediately and I can guarantee you that this year we will do exactly the same again, that if any job killing bills come on my desk, we will say, 'Hasta la vista baby!'"

He continued, "Because the bills that we do want to sign are job creating bills...because that is exactly what we need right now to stimulate our down economy...The best way to do that, and to help businesses grow, is to minimize the burdensome regulations we have, to get rid of the frivolous lawsuits, and to provide incentives and to make sure that we don't drive businesses out of the state."

Budget

Governor Schwarzenegger called on the business community to support his new constitutional amendment that he said will "fix our feast-and-famine budget system once and for all."

For decades, the state has had this problem, the Governor said, "but the legislators refuse to fix the problem. So, this is the year where we can do it."

As part of the May revision to his budget proposal, Governor Schwarzenegger has proposed the Budget Stabilization Act, which includes mechanisms to immediately establish and partially fund the Revenue Stabilization Fund — or rainy day fund — so that California can begin to address the current deficit while making the structural changes necessary to prevent similar problems in the future.

"The Democrats are upset that I didn't raise taxes, the Republicans are upset because I didn't do all cuts, but let me tell you something — our budget is in the middle and the important thing is that it is the only budget in town right now," the Governor said.

He also called on the business community for help in passing a redistricting initiative that will be on the November 4 General Election ballot.

"I guarantee you, if we put it into the hands of ordinary people and experts, do the redistricting so that the districts are fairly drawn and there is no gerrymandering going on, then you have competition, then you have better performance here at the Capitol," he said.

CalChamber Chair Remarks

Guiles, executive vice president of corporate development for Sempra Energy, emphasized the importance of an adequate, affordable and reliable energy supply to keep California's economy strong and growing.

"History has shown that emerging nations develop their energy infrastructure and develop their economies before they begin paying attention to the environmental consequences of their growth," Guiles said. "And it is the resources of that economic development that help fund environmental improvements."

Under the leadership of Governor Schwarzenegger, the California Public Utilities Commission, the California Energy Commission and the California Air Resources Board, Guiles commented, California is poised to lead the way into a new area — tackling global warming by reducing carbon emissions. The goal is to cut emissions back to 1990 levels by the year 2020.

"That's a 30 percent reduction in emissions from business as usual," Guiles said.

"Protecting our environment and protecting our economy can go hand-in-hand," Guiles pointed out, but the solution must take into account four key areas together:

- Electric transmission infrastructure;
- Energy efficiency;
- Natural gas; and
- Renewable resources.

Guiles pointed out that expanding the use of renewable energy resources is an important piece of what should be a national policy agenda. "A federal renewable portfolio standard can help support the development of new renewable energy markets and apply consistent incentives and goals nationwide," Guiles said.

Although California is a leader in energy and environmental policy, emissions do not recognize state or even national boundaries, he noted. "National policies are needed to integrate energy and environmental concerns in the form of sustainable, comprehensive solutions."

"For the past 30 years, the United States hasn't had a coherent national energy policy," Guiles said. "We need one now!"

Guiles said any federal formula for reducing emissions must be fair and equitable and "not shift costs to consumers in states like California, which has invested heavily over the years in energy efficiency, renewable resources and new and efficient electric generating fleets."

"California can channel its energy know-how to effectively address climate change concerns," Guiles said. "What you do in your communities, businesses and even at home is important because it does make a difference."

Heat Illness Awareness Teleconference

The impact of the recent heat wave on California workers will be the subject of a conference call scheduled by the state Department of Industrial Relations for May 29 at 10 a.m.

Speakers will be John Duncan, state director of industrial relations, and Len Welsh, Cal/OSHA chief.

Heat illness occurs when the body's temperature control system is unable

to maintain an acceptable temperature. If left untreated, heat illness can lead to damage of the brain and other vital organs, even death.

The California Chamber of Commerce is urging members to join the conference call by calling (866) 620-8248 and using participants pass code 5437850, followed by the "#" sign.

Remarks by CalChamber Chair Edwin A. Guiles

Reliable Energy, Environmental Protection: Both Possible with Realistic Energy Policy

Following are remarks presented by California Chamber of Commerce Chair Edwin A. Guiles at the Sacramento Host Breakfast on May 21. Guiles is executive vice president, corporate development, for Sempra Energy.

Good morning. It was important for me to be here today because not only do I care about California, but I care about the way policies are developed and implemented, and the way they impact business.

In fact, that's why I became involved with the California Chamber of Commerce.

As a broad-based organization with more than 16,000 members from a wide range of industries and all parts of the state, the CalChamber is actively engaged in issues that affect jobs and the California economy.

As I see it, the pressing issues for our state today include:

● **Water** — We need to boost our water storage capacity while protecting the fragile Delta.

● **Budget** — We need a sound budget that provides taxpayer certainty for existing businesses and those that may want to relocate or expand here.

● **Education** — We need a system that utilizes our budget dollars effectively to produce a quality workforce for our 21st century job market, including technical skills.

● And of course, **energy**, which is what I've spent my career focused on — We need an adequate, affordable and reliable supply of energy to keep California's economy strong and growing.

I think we would all agree that no modern nation has ever achieved economic prosperity and a high quality of life without an adequate, affordable and reliable energy supply.

Energy supply is where my career started, and continues today.

In 1972, I graduated from college and became a junior engineer at San Diego Gas & Electric. Over the last 36 years, I've worked in all aspects of the energy



Edwin A. Guiles, 2008 CalChamber chair

industry, from power plant management to serving as chairman and CEO of both Sempra Energy's California utilities — San Diego Gas & Electric and Southern California Gas Company.

I was in the eye of the storm during the energy crisis and have lived through — some might say “survived” — the way the energy industry has evolved.

The energy industry has faced daunting challenges — from oil embargoes to nuclear concerns to wars in the Middle East. Don't forget deregulation and then re-regulation. The challenges of the industry remain enormous and have never been more relevant and important than they are today.

As Nobel Prize-winning physicist Dr. Rick Smalley said: “Even though our civilization has many problems, energy is central to all of them.”

History has shown that emerging nations develop their energy infrastructure and develop their economies before they begin paying attention to the environmental consequences of their growth. And it is the resources of that economic development that help fund environmental improvements.

Energy in California

Here in California, we are fortunate to have reached that advanced stage long

ago. It's no accident that California leads the nation with the lowest per capita energy consumption. Californians benefit from a progressive regulatory agenda and previous investments in energy efficiency and cleaner burning fuels.

And now, under the leadership of Governor Schwarzenegger, the California Public Utilities Commission, the California Energy Commission and the California Air Resources Board, California is poised to lead the way into a new area — tackling global warming by reducing carbon emissions. The goal is to cut back to 1990 levels by the year 2020. That's a 30 percent reduction in emissions from business as usual.

Protecting our environment and protecting our economy can go hand-in-hand. However, the solution must take into account four key areas together:

- electric transmission infrastructure;
- energy efficiency;
- natural gas; and
- renewable resources.

Transmission

I list transmission first because transmission is the highway that connects urban centers to their energy supply. In any business, it's all about supply and demand. But in the electricity business, that demand is instantaneous, while supply comes from long-lived assets, often in remote locations. Without that transmission highway, electricity can't get from point A, where it is generated, to point B, where it's consumed.

For example, one of Sempra utilities' major projects, SDG&E's **Sunrise Powerlink**, is a 150-mile transmission line that would carry renewable power from the sun, wind and geothermal in the ground in our Imperial Valley area to San Diego.

Unfortunately, environmental opposition continues to frustrate this project and others like it. The Governor has said recently: “I don't know whether this is ironic or absurd...if we cannot put solar power plants in the Mojave Desert, I don't know where the heck we can put them.”

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Reliable Energy, Environmental Protection: Both Possible



Edwin A. Guiles, 2008 CalChamber chair and executive vice president, corporate development, Sempra Energy, speaks at the 82nd annual Sacramento Host Breakfast.

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Energy Efficiency

Energy efficiency continues to be important because the more efficient we are in how we generate and use energy, the more compact our carbon footprint can be.

And while we diligently pursue realistic policy creation and the development of new sources of energy, let's remember that we, individually, can make a difference at home with small changes. For example, let's turn off that plasma TV and light switch when we leave the room. Or in your business, turn off that computer before you leave the office. Small but common-sense changes can make a difference.

Natural Gas

Efficiency is also tied to **natural gas**. Because many renewable resources generally are not available around the clock (when the sun doesn't shine or the wind doesn't blow) natural gas will be an increasingly important part of the long-term solution. It's the cleanest and most environmentally friendly of the fossil fuels.

Using another example from close to home: Sempra is a major player in the import, transportation, marketing, storage and distribution of natural gas. Our carbon dioxide emissions are roughly half the national average among the nation's power generators. You can see why we plan to continue major investments in that

area. Our goal is to be part of the solution — not part of the problem.

Renewable Energy

We also continue to invest in **renewable energy**, a key to turning the vision of a green future into a reality. I use the word "investment" because we all must recognize that there is a price tag to making the transition to cleaner energy. Currently, many renewable energy technologies are more expensive than conventional fuel sources and building the new infrastructure that's necessary to support a different energy-supply system will require new investment.

Even so, expanding the use of renewable energy resources is an important piece of what should be a national policy agenda. A federal renewable portfolio standard can help support the development of new renewable energy markets and apply consistent incentives and goals nationwide.

National Energy Policy

Having a sound **national energy policy** is critical. Although California is a leader in energy and environmental policy, emissions do not recognize state or national boundaries. National policies are needed to integrate energy and environmental concerns in the form of sustainable, comprehensive solutions.

For the past 30 years, the United

States hasn't had a coherent national energy policy. We need one now.

Federal policy should support programs that encourage *energy conservation* — it's the fastest and easiest way to make progress toward reducing reliance on fossil fuels.

Other states should follow California and revisit their *utility rate structure* and *decouple* or separate profitability from energy consumption. Many utilities still earn more money when their customers use more energy. In California this is not true... Utilities' profit incentives are based upon efficiency, operational performance and invested capital.

In terms of *emission regulations*, any federal formula for reducing emissions must be fair and equitable and not shift costs to customers in states like California, which has invested heavily over the years in energy efficiency, renewable resources and new and efficient electric generating fleets.

Capturing *vehicle emissions* should also be a part of any national climate change policy. Electric, hybrid, natural gas and liquefied natural gas vehicles can all reduce emissions and lessen our reliance on oil. The utility industry can play a key role in helping reduce transportation sector emissions.

Keep California a Leader

At the California Chamber of Commerce, we are honored to be working with Governor Schwarzenegger to keep California a leader in protecting our environment and our economy.

California can channel its energy know-how to effectively address climate change concerns. What you do in your communities, in your businesses and even at home is important because it does make a difference. The challenge before us is not easy and not everyone will be happy.

The citizens of California understand that it is our destiny to lead the way and provide a shining example to the rest of the nation — if not the world — to follow us in the quest for securing reliable energy while respecting the environment. We *will* prove once again California embraces the challenges of our times and brings solutions to the world. In California, we clearly understand that business and the environment are natural allies.

State Economy Lags Behind National; Housing Mortgage Problems Main Cause

U.S. Economic Slowdown

The economic statistics continued to deteriorate over the past three months. In particular, growth in U.S. gross domestic product (GDP) dragged on at an anemic 0.6 percent annual rate, the same pace as in the fourth quarter, and well below the 4.9 percent pace of third quarter 2007.

New home construction continued to plunge, subtracting about 1.2 percentage points from GDP growth. Elsewhere, consumer spending slowed to a 1 percent annual rate of growth.

Business-fixed investment spending actually declined by -2.5 percent, while business inventories increased a bit after falling sharply during the fourth quarter. Government spending held stable, increasing by 2 percent.

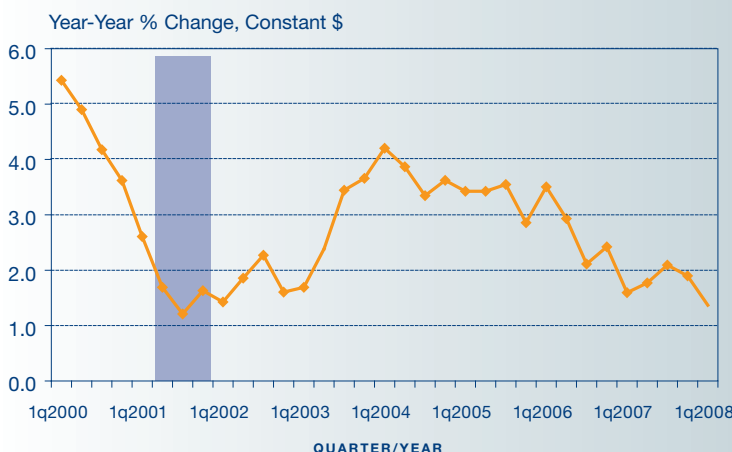
Net exports improved slightly. Export growth edged down to a still-healthy 5.5 percent annual rate. Meanwhile, imports increased modestly (by +2.5 percent) after declining by -1.4 percent in the fourth quarter.

As shown in the chart, final domestic demand, which excludes changes in inventories and net exports, grew by 1.4 percent last quarter compared with first quarter 2007, down from the 2 percent pace of the previous three quarters and the slowest quarter since the 2001 recession.

Other news also has been downbeat. Monthly increases in non-farm payroll employment, which averaged +91,000 net new jobs during 2007, dropped to the negative territory, with an average decline of -77,000 net new jobs during the first three months of 2008.

During 2007, weakness had

U.S. Final Domestic Demand



spread from residential construction to manufacturers and distributors of housing-related products (doors, windows, shingles, furnaces, etc.) to the financial sector — first, to mortgage finance and then more broadly to Wall Street, and beyond.

In 2008, employment growth has slowed in other — presumably unaffected — industries as well, reflecting employers' uncertainty and cautious attitudes. Meanwhile, the nation's unemployment rate moved up from 4.6 percent in June to 5 percent in December and 5.1 percent in March.

Consumer sentiment has plunged to its lowest level since 1982. Sentiment usually reflects current labor market conditions and recent trends on the inflation front. Both are problematic at present.

Energy prices are reaching for new highs, with crude oil testing at \$115 per barrel and gasoline prices soaring above the \$3.80 per gallon level in California.

The increase in grocery prices has been just as conspicuous. Rising prices for food and energy threaten to eclipse

the growth in disposable income (indeed, they did so in March) and limit consumers' discretionary spending options.

It's no surprise then that household spending slowed sharply in the first quarter, especially for durable goods, placing the U.S. economy at real risk of recession.

Concerns about recession have grown as the incoming data worsened. Most economic forecasters have reduced their projections for 2008, with a significant proportion now expecting a shallow downturn (in GDP terms) early in the year.

The Economic Advisory Council shares these concerns, noting the odds of a downturn have risen to more than 50-50. Thus far, however, the steep production and employment declines that usually accompany a recession have been confined to specific industry sectors — housing, manufacturing and finance. Outside of these sectors, the economy is doing reasonably well, though businesses are cautious and limiting their own hiring and investment spending.

Interest Rates/ Financial Markets

The Federal Open Market Committee (FOMC) dropped the fed funds target rate in several steps from 5.25 percent in August 2007 to 2 percent at its April 30, 2008 meeting, a swift decline not seen since the 2001 recession.

The Fed has several concerns: an upsurge of extreme instability in global financial markets beginning around midyear 2007 and fears that volatility and tight credit conditions could spread to the real economy, already struggling with a

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severe downturn in housing activity.

Global credit markets, which “seized up” in August, are still far from normal despite vigorous actions by central banks to increase market liquidity and ease interest costs. The level of short-term has fallen, but spreads are still high, though narrower than during last fall’s episodes of extreme market stress.

An upsurge in inflation pressures complicates matters for policymakers. Most energy, industrial and agricultural commodity prices are high and rising rapidly, boosting costs for manufacturers, farmers and all businesses that operate fleets of trucks, locomotives, aircraft or ships. Many of the affected firms are attempting to pass the higher costs onto their customers.

As fighting inflation is one of the Fed’s two primary charges (the other is maximizing employment), members of the council believe that intensifying inflation pressures likely will limit the Fed’s easing options. Thus, the Fed may choose to pause for a while to determine if capital markets and the economy can manage on their own in light of all the expansionary monetary and fiscal policy actions taken to date.

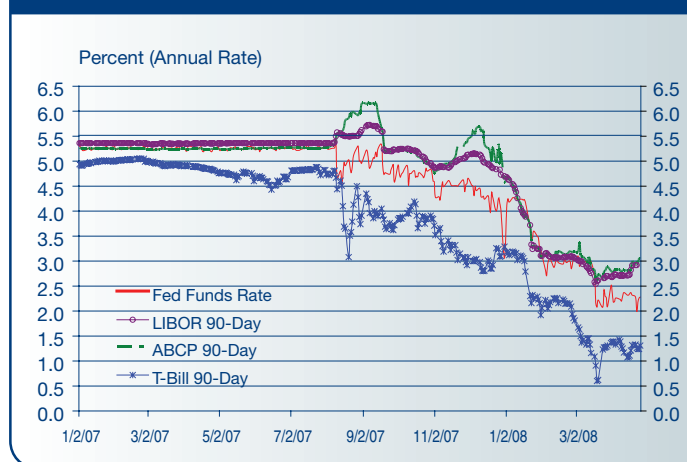
California Economy Lags

California continues to underperform the rest of the United States by most economic indicators, largely as a consequence of its extensive housing-mortgage problems.

Non-farm employment, for example, was down by -0.1 percent over the year to March 2008 in California, while employment in the rest of the nation increased by 0.4 percent over the same period. (In contrast, job counts grew by 1.2 percent in both cases between March 2006 and March 2007.)

Employment actually declined over the last 12 months in the state’s construction, mortgage-related financial, manufacturing, retail trade, real estate

Short-Term Interest Rates



and information sectors. On the plus side, job growth leaders included education and health, with payrolls up by 2.5 percent; professional, scientific and technical services (+2.5 percent); and leisure and hospitality (+1.2 percent).

Still, the state’s unemployment rate rose from 5 percent in March 2007 to 6.2 percent in March 2008. This was a bigger increase than experienced by the United States as a whole so the margin between the state and the nation widened from 0.6 percent to 1.1 percent.

Exports

Exports of goods made in California are providing a much-needed boost to the state’s economy. Total state exports grew by 5 percent during 2007. Exports during the first two months of 2008 — the latest data available — increased by 11.5 percent.

The largest category of exports is high-tech manufactures (computers, peripherals and so forth), which edged up by just 0.1 percent in dollar terms. However, exports of transportation equipment soared by 28.6 percent.

Exports of other important California-made products also grew rapidly, like chemicals (up by 11.9 percent), miscellaneous manufactures (+19.8 percent), and agribusiness products (farm produce, livestock, fish and processed food products), which increased by 24.5 percent. The one major negative was a -12.6 percent decline in exports of non-

electrical machinery.

Personal income earned in California increased by 5.8 percent during 2007 compared to 2006 (latest data available). U.S. personal income grew by 6.2 percent over the same period. Problems in the state’s finance and construction sectors accounted for most of the difference.

More recent California information can be inferred from state personal income tax payments. The California State Controller reports that personal income tax receipts increased by just 2.7 percent during the first three months of 2008 compared with the same period of the

previous year, suggesting that income growth has slowed.

Also, Department of Finance reports show that corporation and sales tax receipts both have been running below expectations. The state government will have to address a severe budget crunch in coming months.

Regional Performance

Among the state’s major metro areas, regional economic performance is mixed. For any area, the net amount of local job growth or decline depends not only on the importance of the residential and mortgage-related industries to the local economy, but also on how the area’s other leading sectors are performing.

Non-farm employment growth between March 2007 and March 2008 was positive in the San Francisco Area, Bakersfield, Stockton, San Jose and Fresno. At the other end of the scale, employment declines have been most severe in Ventura County, Riverside-San Bernardino and Orange County, with lesser declines in Oakland-Contra Costa, Modesto and Los Angeles.

Job counts in the Sacramento and San Diego areas have shown little change over the 12-month period despite marked declines in residential construction activity.

The San Francisco and San Jose areas continue to outperform other regions of the state. In large part, this reflects the

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renewed strength of the Bay Area's high-tech sector, where employment is rising nicely. In addition, the biotech sector continues to develop, and tourism-related activities are doing well. However, construction plays a more important role in the Oakland/Contra Costa metro area, and many finance industry jobs have disappeared, especially in Oakland and San Francisco.

In Southern California, the motion picture industry hasn't returned to normal even though the writers' strike has ended. Negotiations with the Screen Actors Guild started early — a hopeful sign — but the timing of the industry's recovery is not clear.

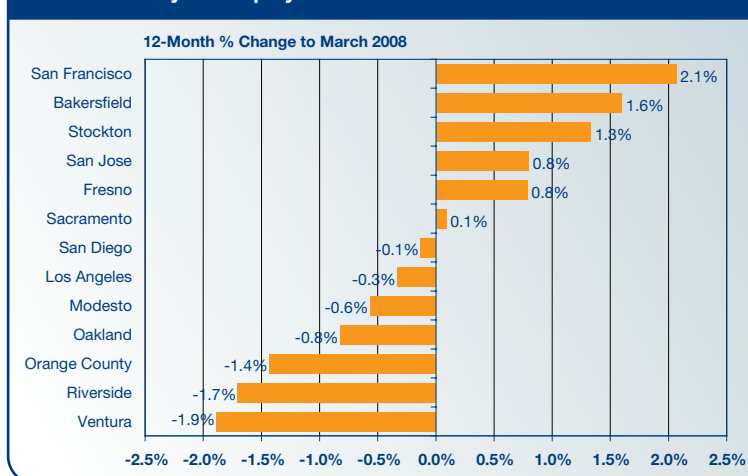
Elsewhere in Los Angeles, the strongest industries are tourism, technology and professional business services. Residential construction is quite soft throughout the region, with activity especially slow in the Inland Empire. Orange County has taken substantial hits in its mortgage banking industry, and tourism is somewhat sluggish. San Diego's economy is moving sideways, with growth in tourism, education and health care.

Agriculture and Resources

California's agriculture sector is holding up well. Prices are high for most products and exports are growing nicely. Dairy prices are expected to turn down toward year end, as more young cows are coming into production. However, costs are rising rapidly, especially feed grains for livestock and energy of all types. Also, the minimum wage was raised in January, so farms will experience higher labor costs in 2008.

Profitability varies widely by product. As examples, dairy and nut producers are doing well, but cattle and poultry margins have been squeezed. A number of farms in California will have to make hard decisions in 2008 about which products to produce and which to reduce, or eliminate, if severe water restrictions are implemented.

Non-Farm Payroll Employment Growth



Water

Water supply will be an important concern in 2008. The weather was well-behaved early in the year, but the rains ended early. It looks like the state's water supply overall will be a little below normal this year. Still, the drought in the Colorado River Basin has broken after eight years. And water levels are rising in most reservoirs, though the water actually in storage remains well below average.

The major issue for 2008 is how much water will be permitted to transit the Delta. Allocations to parts of the Bay Area, Southern California and the San Joaquin Valley will be sharply reduced this year — perhaps by 30 percent or more — following several court decisions to curtail Delta pumping in order to protect the endangered Delta smelt and salmon.

Even for farms with adequate annual water allocations, there could be temporary problems if the pumps are shut down at the "wrong time" of year for their particular crops.

Real Estate: Housing Crash

The downturn in housing has worsened over the last three months. Here are some of the grim statistics for the resale home market:

- Existing single-family home sales in California plunged by -24.5 percent over the year to March 2008, while condo sales were down by -45.5 percent.

- Prices also have fallen, with the median price of single-family homes sold in March 2008 down by -29 percent compared to March 2007.

- The number of homes available for sale represented 11.6 months supply (at March's sales rate), compared to 7.6 months a year earlier.

The declines in California's home sales and prices are exacerbated by the scarcity of jumbo mortgages on the one hand and a large number of real estate owned (REO) homes on the other. Many primary mortgage lenders are limiting risk by

offering only traditional "conforming" mortgages, which top out at \$417,000, not enough to purchase a typical home in many California communities.

The conforming limit has been boosted temporarily (through year end 2008) by varying amounts depending on median home prices. However, the all-important details required to handle the new (jumbo-conforming) mortgages in the secondary market have not been worked out yet, and loan fees are reportedly high.

Several areas in California have experienced high foreclosure rates, and lenders have been repossessing large numbers of homes. Usually, these homes are then placed on the market priced for a quick sale, that is, at a discount below prices of other comparable homes in the area. Bank-owned REO homes account for a significant fraction of for-sale homes in several markets (up to and above 50 percent in some cases) and are said to be pushing prices down.

Residential construction has continued to plunge across the state. A total of 112,800 new home construction permits were pulled during 2007, down by -31 percent from 2006 (and by -46 percent from the 2004-05 peak). Total housing permits were issued at an annual rate of only 68,000 units during first quarter 2008.

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Single-family homes continue to be most affected. Some 68,000 new single-family permits were issued during 2007 (down by -37 percent from 2006). The first quarter annual rate for new single family homes was just 35,100 units, down by -48 percent from 2007.

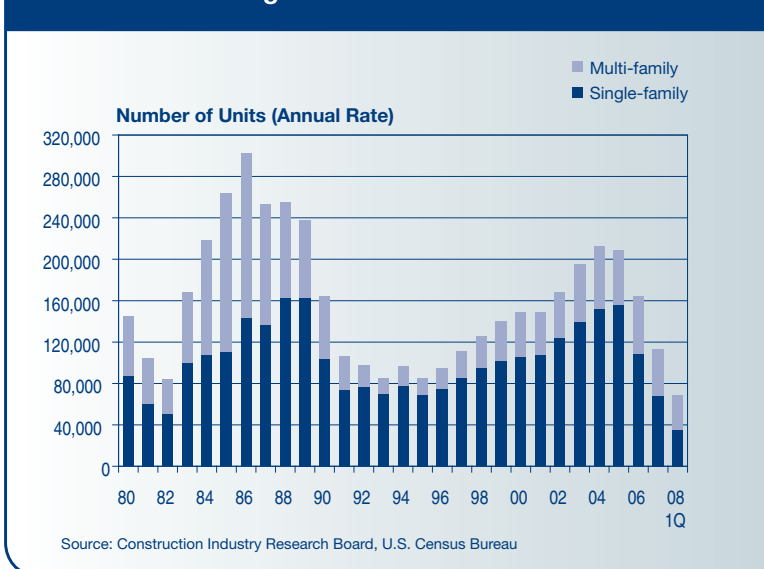
As in the resale market, many new home builders have large inventories of mostly-completed-but-not-yet-sold homes. Construction of new homes is dropping fast and effective prices are falling, both of which will help to clear out the unsold inventories. However, this process will take a while. Industry observers do not expect any significant improvement before 2009, with some areas not reaching bottom until a year later.

Commercial Real Estate

In contrast to residential, most of California's commercial real estate markets have held up fairly well. Demand for office space has slackened, reflecting the mixed trends expected for employment growth in office-based industries. Vacancies are high and rising in Orange County, Sacramento and San Diego, and rents look weaker there than elsewhere.

The Bay Area appears to have the best employment prospects, though even here cautious hiring may cause vacancy rates to rise. Industrial markets look reasonably solid. San Jose and the East Bay are expected to do well, and vacancy rates are extremely low in Los Angeles County. Again, vacancies may tick up if activity slows substantially.

California Housing Permits



Financing has become much harder to obtain for most types of new commercial real estate projects. The construction pipeline will empty out gradually, limiting the amount of new supply coming into already slowing markets.

Risks

Risks are mostly to the downside in this environment. Troubles in the state's housing markets could worsen further, especially if prices continue to decline. Markets won't adjust until enough sales take place and inventories are reduced.

Falling prices give buyers an incentive to wait (to see if they fall any further), and sellers an incentive to turn in the keys and simply walk away from their homes (if the mortgage is under water). If/as defaults and foreclosures rise, the spreads of mortgage rates over U.S. Treasury bonds could widen further.

Finally, the more home prices fall, the more likely the "wealth effect" will kick

in, causing households to restrict spending and save more to rebuild their nest eggs.

Continued volatility in global capital markets could reduce the willingness of financial institutions to take on mortgage-related debt and also to engage in ordinary business and consumer lending, thereby worsening the current credit crunch and slowing business and household spending.

Rising energy and food prices continue to be an important risk factor. Higher prices of gasoline and other energy-intensive products actually shrink the amount of consumers' income available for other types of purchases. Higher grocery prices have the same effect.

Consumer surveys show confidence is dropping, reflecting numerous media reports on both subjects.

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 Nancy D. Sidhu, vice president and senior economist for the Los Angeles Economic Development Corporation.

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

CFCE California Foundation for Commerce & Education

Stephanopoulos Brings Presidential Politics to CalChamber Legislative Summit

George Stephanopoulos, chief Washington correspondent for ABC News and former senior adviser to President Bill Clinton, shared his perspective on the 2008 presidential election at the California Chamber of Commerce Business Legislative Summit on May 20.

The 51-minute presentation/question-and-answer session came after CalChamber President Allan Zarembek welcomed Stephanopoulos to the crowd of business leaders, state politicians, local chambers of commerce and others.

Stephanopoulos asked for a brief moment of silence for Senator Edward Kennedy, who was diagnosed with a malignant brain tumor earlier that morning, and then jumped right into discussing the significance of and the enthusiasm surrounding this year's presidential election.

"This is a very big election, I'm sure all of you can feel that," Stephanopoulos said. "Going back to the spring of 2007, we were seeing 65, 66 percent of the public saying they were paying close attention to the presidential race. You usually don't see those kinds of numbers until the conventions, just a few months away from the general election."

Stephanopoulos pointed to the economic woes, an extraordinary batch of candidates and the wars in Iraq and Afghanistan as the main reasons for the record number of voters and enthusiasm.

John McCain

Stephanopoulos discussed Senator John McCain's presidential campaign in detail, describing how he was nearly counted out a year ago, and has since stormed back to the forefront as the presumptive Republican nominee.

"His campaign was floundering, it was hemorrhaging money, he was getting battered by the immigration issue, his campaign basically fell apart," said Stephanopoulos. "He came back; a lot of that has to do with his pure grit and determination."

McCain's personal story and patriotic background is what Stephanopoulos said will be the Arizona senator's best chance at bringing the Republican Party back to the White House.



George Stephanopoulos analyzes this year's presidential candidates at the 2008 Legislative Summit.

"When he was being held prisoner in Vietnam in the 1960s for more than five years, the North Vietnamese came to him again and again and again and said 'you can leave, you can walk out the door,' and every single time he said, 'no,' and that is a testament to his personal strength."

The crowd applauded.

This is a very big election. Going back to the spring of 2007, we were seeing 65, 66 percent of the public saying they were paying close attention to the presidential race.

The other key strategy that Stephanopoulos said McCain must use to his advantage against Senator Barack Obama in the general election is to take a play out of the 1988 playbook of President George H.W. Bush when he made Michael Dukakis an "unacceptable candidate."

Stephanopoulos said McCain must make Obama "too unknown," "too inexperienced" and "not really one of us."

Democratic Primary

Stephanopoulos said that when he accepted the invitation to speak at the

Summit a few months ago, he "never would have believed that the Democratic primary fight would still be going on."

He declared the race will end in the next couple of weeks and it is going to take a serious anomaly for Senator Hillary Clinton to overcome Obama's lead.

Stephanopoulos said the best way for the Democratic Party to be unified around Obama is to do something that he probably doesn't want to do — "That is make Senator Clinton his running mate."

Stephanopoulos said Obama has been successful this primary season for "embodying change in a year when that is exactly what people want," building a tight, disciplined campaign, having an appeal to super delegates and learning from his mistakes.

Possible Vice Presidents

Stephanopoulos said he thinks possible running mates for John McCain include Minnesota Governor Tim Pawlenty, South Carolina Governor Mark Sanford and former Director of the Office of Management and Budget Rob Portman, among others.

For Obama, Stephanopoulos said possible options could be Senator Joe Biden, former Head of U.S. NATO Forces Jim Jones, U.S. Army General Wesley Clark and New Mexico Governor Bill Richardson.

Panelists Comment on Budget Crisis

The practical and political challenges of solving California's chronic budget deficit were the focus of a panel discussion at the California Chamber of Commerce Business Legislative Summit on May 20.

CalChamber President Allan Zaremborg served as moderator for the session, featuring panelists Elizabeth Hill, state legislative analyst; Dan Weintraub, public affairs columnist for *The Sacramento Bee*; and Dan Schnur, executive vice president and director of the California public affairs practice of the Edelman public relations firm.

How We Got Here

Opening with a slideshow recap of the history of the budget crisis, Zaremborg noted that from 2004 until now, state tax revenues have increased 18 percent, while state spending has increased 30 percent.

Since January of this year, revenue projections have deteriorated \$6 billion and the projected deficit for next year's budget is \$15 billion.

Zaremborg pointed out that state budget discussions generally refer to a "workload" budget — what various spending formulas and mandates require



Offering their perspectives on California's budget crisis at the CalChamber Business Legislative Summit are (from left): Dan Weintraub, Elizabeth Hill and Dan Schnur.

the state to spend, including increases. Consequently, a so-called "decrease" in the workload budget is not necessarily a reduction in actual dollars budgeted.

The Governor is proposing to "securitize" revenues from modernizing the state lottery, thereby raising funds to close the budget gap and start a "rainy day" fund. The lottery plan would go before voters in November.

If voters do not approve the lottery plan or tax revenues fall below what is needed, the Governor proposes seeking approval for a temporary one-cent increase in the sales tax.

Perspectives

Hill summarized her analysis of the Governor's May proposal, released on May 19. Her alternative balances the

budget through 2012-13, "securitizes" lottery funds for just two years and takes a simpler approach to budget reform.

Hill said her office has previously suggested that the state "unlock formulas" in the budget.

Weintraub speculated that the California Teachers Association may want to avoid a tax discussion now because it has been planning for several years to seek voter approval of a major tax increase to improve education.

Schnur said the current budget crisis is the third during his 18 years in California. In each case, he said, the state has found a way to get through the crisis of the moment without stopping essential services until the recovering business climate "can save us" by generating more revenues for the government.

Senate Leader Emphasizes Education



Senator Darrell Steinberg (D-Sacramento) tells a dinner gathering of the California Chamber of Commerce Board of Directors on May 20 that education is a policy priority and will remain so when he becomes the Senate Democratic leader as Senate president pro tempore later this year.

CalChamber Positions on November Measures

The California Chamber of Commerce Board of Directors voted May 21 on two November ballot initiatives:

● **California Voters First Initiative — Support.** "The CalChamber has long believed that fair redistricting is key to meaningful political reform," said CalChamber President Allan Zaremborg in announcing the vote. "The California Voters First Initiative will allow the

citizens of California — rather than the Legislature — to create legislative districts that will require elected officials be accountable to the voters."

● **Solar and Clean Energy Act of 2008 — Oppose.** The CalChamber Board of Directors voted to oppose this measure due to its potential to substantially drive up energy prices in the state and its unworkable mandates.

New CalChamber Coalition Working to Secure Approval of Free Trade Pacts

The California Chamber of Commerce Council for International Trade (CIT) is urging members of the business community to join its coalition working to secure congressional approval of the free trade agreements (FTAs) with Colombia, Panama and South Korea.

The California Coalition for Free Trade is a broad-based group of California companies and business organizations.

The FTAs are critical to the U.S. strategy to liberalize trade through multilateral, regional and bilateral initiatives.

California is one of the 10 largest economies in the world with a gross state product of more than \$1.5 trillion. International-related commerce accounts for approximately one-quarter of the state's economy. Although trade is a nationally determined policy issue, its impact on California is immense.

Free Trade Agreements

● **A U.S.-Colombia FTA** will increase momentum toward lowering trade barriers and will set a positive example for other small economies in the Western Hemisphere. In 2007, California exported goods worth more than \$320 million to Colombia. This was a 60 percent increase since 2006, making Colombia California's 39th largest trading partner.

According to the U.S. Department of Commerce, International Trade Administration, the U.S.-Colombia FTA offers

May 27-30

Congressional District Work Period

A good time to visit with congressional representatives about supporting the free trade agreements.

Sample letter available at www.calchambervotes.com.

tremendous opportunities for California's exporters. When this agreement enters into force, 80 percent of U.S. consumer and industrial exporters to Colombia will be duty-free immediately. The remaining tariffs phase out over 10 years.

● **Panama** has the highest gross domestic product per capita in Central America. In 2007, the United States had a trade surplus with Panama, with exports reaching \$3 billion and imports slightly less than \$359 million. California exports to Panama have increased since 2006, and now total more than \$259 million, making it the state's 41st largest export market.

● **The FTA with Korea** is another big win for the California and U.S. economies. Korea is the seventh largest U.S. export market in the world and the sixth largest market for farm exports. In 2007, U.S. exports to Korea reached \$34 billion; U.S. small and medium-sized companies accounted for a third of this total.

Korea is California's fifth largest exporting partner. In 2007, California exported goods worth \$7.4 billion to Korea.

Congress Delays Vote

On April 10, Congress passed a resolution on trade promotion authority removing the requirement that it act within 90 days of receiving the U.S.-Colombia FTA from President George W. Bush.

On April 7, President Bush sent Congress legislation that would have implemented the FTA. Because of the resolution, Congress now has until the end of the current session to act. The Second Session of the 110th Congress typically would adjourn at the end of this year.

Impact on Other Agreements

Still awaiting consideration by Congress are the U.S.-Panama and U.S.-Korea FTAs. Neither is likely to be considered until Congress approves or rejects the U.S.-Colombia FTA.

The CIT is urging Congress to approve the U.S.-Colombia FTA, emphasizing Colombia's existing strong relationship with California and the numerous positive implications the FTA would have on the state by lifting tariffs on exports. The CIT also is urging Congress to consider the U.S.-Colombia agreement to make time for additional FTAs.

Coalition

Companies or associations that join the California Coalition for Free Trade will be included on the rapidly growing list of FTA supporters. There is no cost to join the coalition, which will keep members apprised of its activities and how to be supportive of the FTAs.

For more information on the FTAs or to join the coalition, visit www.calchamber.com/international.
Staff Contact: Susanne Stirling

Ambassador Highlights Importance of U.S.-Colombia Free Trade Pact



Ambassador Charles Shapiro, senior coordinator, Western Hemisphere Free Trade Task Force, U.S. State Department, is the featured speaker at a May 20 forum of the CalChamber Council for International Trade, chaired by Susan Corrales-Diaz (left). Shapiro described the positive geo-political aspects of supporting the U.S.-Colombia Free Trade Agreement.

CalChamber Announces New HRConsultant Program



HRConsultant Network Member

You turn to the CalChamber when you need current and accurate employment law information. Sometimes, however, your human resources needs go beyond clarifying California employment law.

That's why the CalChamber has developed the **CalChamber HRConsultant Network** in partnership with several California human resources consultants.

Each consultant went through an application process that included a background verification, professional reference check and interview with CalChamber employment law counsel. We went through this detailed process so you can be assured that if you are contacting a consultant partner in the network, you are reaching a highly knowledgeable professional who understands the complexity of California labor and employment laws.



To learn more about the program or find an HRConsultant Network member near you, go to: www.calchamber.com/hrconsultant



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