Governor Directs Attention to State’s Water Emergency

As a result of California’s third consecutive year of drought, Governor Arnold Schwarzenegger recently proclaimed a state of emergency and ordered immediate action to manage the crisis.

In the February 27 proclamation, the Governor uses his authority to direct all state government agencies to utilize their resources, implement a state emergency plan and provide assistance for people, communities and businesses affected by the drought.

Drought Damage

The drought and water restrictions are causing additional devastating economic and business losses. Agricultural revenue losses exceed $300 million to date and could exceed $2 billion in the coming season, with a total economic loss of nearly $3 billion in 2009.

In particular, the order directs that by March 30, the state Department of Water Resources (DWR) shall provide an updated report on the state’s drought conditions and water availability.

According to the proclamation, if the emergency conditions have not been sufficiently mitigated, the Governor will consider additional steps. These could include instituting mandatory water rationing and mandatory reductions in water use; reoperation of major reservoirs.

Labor Commissioner Covers Compliance Issues for Tough Times in CalChamber Web Interview

In a series of web interviews with CalChamber President Allan Zaremberg, California Labor Commissioner Angela Bradstreet explains how employers can stay in compliance with the law when dealing with layoffs, plant closure notices and voluntarily acknowledging a mistake. The three video interviews are posted at www.calchamber.com.

CalChamber: Avoid Midstream Rule Changes in ‘Green Chemistry’ Program

Implementation of California’s landmark “green chemistry” initiative shouldn’t be judged too quickly, the California Chamber of Commerce said at a joint informational hearing of two Assembly committees on February 24.

The “green chemistry” initiative, set in motion by 2008 legislation, will put the state in the business of telling companies how to formulate their products.

The program is intended to replace the often-politicized process of regulating or banning chemicals via legislation without a strong scientific analysis of either the chemical or possible alternatives.

Science-Driven Process Needed

The purpose of passing “green chemistry” legislation in 2008 was to provide a science-driven regulatory venue that would be capable of identifying and regulating the use of chemicals in consumer products based on sound science.

Some in the environmental community continue to claim that some chemicals need to be dealt with immediately, either through legislation or fast-tracking in the regulatory process. The CalChamber contends that this is inconsistent with the intent of the 2008 legislation because it takes the regulation out of the hands of.
Small Businesses Must Comply with California Paid Family Leave Law

I don’t have to comply with the family leave laws because I have less than 50 employees. Can my employees take paid family leave and do I need to distribute the paid family leave brochures to new employees?

Employers with fewer than 50 employees do not have to comply with the family leave laws because I have less than 50 employees?

No Guaranteed Time Off

PFL does not guarantee time off like the FMLA and CFRA do, but instead is simply an insurance policy that the state requires employees to purchase through a payroll deduction, much like state disability insurance (SDI).

The PFL law does not require employers to give employees time off under any circumstance, even if the employee has a doctor’s note indicating he/she needs to care for a family member. The PFL program is employee funded, so there is no direct cost to an employer when an employee files a claim.

Benefits

Benefits from the PFL program are paid for up to six weeks when an employee takes time off to bond with a new baby or to care for a seriously ill family member.

Sometimes the leave may be protected under the FMLA and/or CFRA, while other times it may be a leave a company agrees to grant when FMLA/CFRA do not apply (either because the company is too small to be subject to those laws or because the employee does not meet FMLA/CFRA eligibility requirements).

Eligibility

An employee may be eligible to receive benefits under the PFL program if:

- The employee is eligible for time off with job protection under the FMLA and/or CFRA.
- The employee is not eligible for time off with job protection under the FMLA and/or CFRA, but has been granted time off by his/her employer anyway, either with or without a guarantee to return to the job; or
- The employee is denied a leave by the employer and therefore quits his/her job to bond with a new baby or to care for a seriously ill family member. Because this individual was employed at the time the need for the leave arose, he/she may be eligible for PFL benefits even if the employer does not grant a leave of absence.

PFL is discussed in the CalChamber California Labor Law Digest. The Digest and the 2009 Paid Family Leave Pamphlets are available for purchase from the California Chamber of Commerce at www.calbizcentral.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.
Tax Incentive in Budget Compromise Sends Positive Signal to Job Creators

Californians have been treated to a bruising debate over the wisdom of raising taxes to resolve the budget deficit. But recent actions to improve the state’s economic competitiveness have mostly played out behind closed doors, leaving citizens with the incorrect impression that making tax policy in pursuit of economic development is too messy or obscure for democracy.

When the California economy begins its eventual recovery, our best hope for a strong resurgence in job creation will be to ensure we can compete for high-value, high-skill jobs that are in demand on the world market.

But for companies that make decisions based on the tax climate—which include much of the high tech, biotech and entrepreneurial sectors—California has not been in the game.

Uncompetitive Tax Climate

The national, non-partisan Tax Foundation regularly reports on California’s dismal ranking on business tax climate; this year we rank 48th among all states. We have the highest corporate tax rate in the West, the highest personal income tax rate on capital gains and investment income, and zealous tax collectors.

As part of last year’s short-lived budget deal, negotiators suspended two of California’s only business tax incentives: credits for locating in enterprise zones and conducting in-state research and development activities. Mercifully, the suspension of those credits was only temporary.

Good Signal

But on a more hopeful front, the recent state budget compromise found room to address a key source of California’s lackadaisical efforts in business climate improvement. The Legislature agreed to provide a tax incentive for many companies to invest in new facilities and new jobs in California by reducing the weight that those two factors contribute to calculating a company’s tax liability.

Guest Commentary
By Loren Kaye

The current law creates the perverse situation where companies that simply invest in more jobs or property in California can see their tax bills increase. Known obscurely as the single sales factor (SSF) apportionment formula, this change will make California more attractive for growth and investment.

Beneficial in Other States

How do we know this? When Massachusetts adopted this change in 1995, it helped stem job loss in the manufacturing sector.

A 2003 study by the Associated Industries of Massachusetts found “(t)he sales-only apportionment formula is an efficient tax incentive. Massachusetts gains over $7.00 of additional net personal income for each dollar of reduced state corporate excise tax revenues. This is a significant long-run return in terms of new jobs and higher incomes as a result of the state’s investment.”

The California-grown biotech powerhouse Genentech cited Oregon’s adoption of the SSF factor in its decision to build a state-of-the-art biopharmaceutical “fill/finish” facility in a community outside Portland.

Recognizing the importance of encouraging new job-creating investments, according to a recent study by Ernst & Young, more than 20 states have adopted the SSF formula substantially or completely, each with the knowledge that a short-term reduction in corporate tax revenues would be easily overtaken by increased investment and business activity that directly produces more property and income taxes, as well as other state and local income.

Loren Kaye is president of the California Foundation for Commerce and Education, a non-partisan, non-profit corporation that functions as a “think tank” for the business community in California and is affiliated with the California Chamber of Commerce.

They won’t know unless you tell them. Write your legislator. calchambervotes.com
Governor Declares State of Emergency Due to Water Shortage

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in the state to minimize impacts of the
drought; additional regulatory relief or
permit streamlining as allowed under the
Emergency Services Act; and other
actions necessary to prevent, remedy or
mitigate the effects of the extreme
drought.

DWR and the California Department
of Food and Agriculture will also
recommend, within 30 days, measures to
reduce the economic impacts of the
drought, including but not limited to
water transfers, through-Delta emergency
transfers, water conservation measures,
efficient irrigation practices and improve-
ments to the California Irrigation
Management Information System.

Water Deliveries Hurt

Last week, DWR announced that
California’s severe drought had prevented
it from increasing its State Water Project
(SWP) delivery allocations for the first
time since 2001. This year’s allocation as
of February is at just 15 percent of SWP
contractors’ requests. This is only the
second time in SWP history that the
February allocation has been this low.

In addition, the U.S. Bureau of
Reclamation, the administrator of the
Central Valley Project (CVP), announced
on February 20 that California farms will
not be allocated any water from the
massive system during 2009.

New Water Bond Legislation

Senator Dave Cogdill (R-Modesto)
last week introduced SB 371, the Safe,
Clean, Reliable Drinking Water Supply
Act of 2009. The bill continues the work
of many over the last several years to get
comprehensive and needed reforms to fix
California’s broken water supply and
delivery systems.

The plan proposed in Cogdill’s
legislation calls for issuing $9.98 billion
in general obligation bonds to invest in
the state’s aging water infrastructure.

Key elements of the proposal include
building California’s water supply and
storage systems, providing for Delta
sustainability, encouraging water conser-
vation and water use efficiency, and
improving water quality.

The plan also calls for implementing
important river and watershed restoration
projects.

“The water system that contributed
to California’s emergence as one of
the world’s major economic powers is
faltering,” said CalChamber President
and Chief Executive Officer Allan
Zaremberg. “Existing facilities are barely
able to meet current public demand. The
drought, environmental issues and the
additional pressures on a broken down
system have put the critical issue of water
infrastructure front and center.

“The business community truly
appreciates the commitment of Senator
Cogdill in working for a comprehensive
water package that invests in California’s
future.”

Staff Contact: Valerie Nera

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Fortune Ranks 35 CalChamber Members on ‘100 Best Companies to Work For’ List

Thirty-five members of the California Chamber of Commerce have been ranked among the “100 Best Companies to Work For” by Fortune magazine.

California-based companies had a higher representation on the list than last year, with 28 companies listed, compared to 14 in 2008.

Companies nominate themselves by going through a detailed application process. More than 81,000 employees from 353 companies responded to a 57-question survey created by the Great Place to Work Institute.

Two-thirds of each company’s score relies on the employee survey, which is sent to a minimum of 400 randomly selected employees. The remaining third is based on Fortune’s Culture Audit, which includes detailed questions about demographics, pay and benefits, and open-ended questions on philosophy, communication, etc.

Companies must be at least seven years old and have at least 1,000 employees to qualify.

Best to Work For

The following CalChamber members made Fortune’s 2009 list of the “100 Best Companies to Work For.” Company headquarter locations are noted in parentheses.

- **Accenture** (New York). Ranked 97. Every employee of this consulting company is assigned a career counselor — and he/she then has thousands of courses from which to choose. Average training is 78 hours a year per person.
- **Alcon Laboratories** (Fort Worth, TX). Ranked 74. Employees hope the sale of a majority stake to Novartis won’t uproot this eye-care company’s “Texas-friendly” culture or generous retirement plan (every dollar contributed is matched with $2.40 from the company).
- **Alston & Bird** (Atlanta). Ranked 36. This 115-year-old law firm is heaven for parents: three months’ paid leave for new moms, adoption benefits up to $7,000, special parking for pregnant moms, on-site child care and a “maternity closet” to recycle clothing.
- **American Fidelity Assurance** (Oklahoma City). Ranked 46. This seller of disability insurance offers wellness programs, an on-site fitness center and a new All-American Grill featuring healthy foods.
- **Booz Allen Hamilton** (McLean, VA). Ranked 52. Consultant separated its commercial business into Booz & Co. Now its business is predominantly from the U.S. government. Revenues were up 18 percent for the year, and there was a net increase of more than 500 employees in the second half of 2008.
- **Bright Horizons** (Watertown, MA). Ranked 80. After it was taken private, thousands of employees (excluding board and executives) shared a total of $31.5 million as a result of the buyout, via the company’s stock options and 401(k) plans.
- **CH2M HILL** (Englewood, CO). Ranked 86. When this engineering and construction company acquired Veco Inc., it welcomed 4,000 new employees by giving each of them $2,500 in stock and cash, making them immediate owners.
- **Cisco Systems** (San Jose, CA). Ranked 6. Chief Executive Officer John Chambers is focusing on collaborative efforts to give employees more say in decision-making. With more than $26 billion in cash and investments, Cisco is poised to ride out the business slowdown and has about 500 job openings, mostly across engineering disciplines and in “customer advocacy.”
- **Container Store** (Coppell, TX). Ranked 32. Sales turned down for the first time in 30 years, but this storage retailer (No. 1 on the 2000 and 2001 lists) continued with expansion plans, opening four new stores and refusing to resort to layoffs. Instead it froze salaries for everyone in the company and rallied the troops with introduction of sales contests.
- **Deloitte** (New York). Ranked 61. Women now hold 22 percent of top positions at this accounting firm, compared with 6 percent in 1993. Minorities account for 8 percent of top positions, compared to 4 percent in 1998.
- **eBay** (San Jose, CA). Ranked 83. This online auctioneer and owner of Skype and PayPal reduced its global workforce by 10 percent. Departing

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CalChamber Members on Fortune ‘100 Best Companies to Work For’ List

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workers got at least five months’ pay and three months of outplacement services.

- Ernst & Young (New York). Ranked 51. One-quarter of all manager hires and above are “boomerangs” — ex-employees who get credit for their previous time in computing vacation and retirement. As of recently, employees have zero costs for hospital stays.

- FedEx (Memphis, TN). Ranked 90. Chief Executive Officer Fred Smith announced sweating cost reductions in December. 401(k) matches were frozen, executive pay was cut 10 percent and Smith’s own pay was docked 20 percent, but he didn’t cut hourly wages or announce layoffs.

- Four Seasons Hotels (Toronto, ON). Ranked 92. Employees at the luxury hotel chain can stay free at any Four Seasons property (between three and 20 nights a year, depending on length of employment), with 50 percent off food service.

- General Mills (Minneapolis, MN). Ranked 99. Employees stay fit with an award-winning wellness program, including fitness centers, on-site medical clinics and health risk assessments. In California, 114 workers lost 704 pounds in a 10-week program.

- Gilbane (Providence, RI). Ranked 91. Core values of “integrity” and “tough-mindedness” have kept turnover at this 135-year-old, $4 billion construction company at around 9 percent, compared with 28 percent in the building industry as a whole.

- Intuit (Mountain View, CA). Ranked 49. King of personal finance software (Quicken, TurboTax) has gone ultra-green, with bottled water banned, mass-transit subsidies for employees of up to $100 per month, replacement of pick-up trucks with electric vehicles and the goal of reducing its carbon footprint by 15 percent in the next three years.

- Juniper Networks (Sunnyvale, CA). Ranked 84. The Cisco competitor is now a $3 billion-plus company, with the usual Silicon Valley perks — stock options for new hires and beer bashes — but employees credit unusual culture as the galvanizing factor. “Humility is one of our core values,” said one employee.

- Kimley-Horn & Associates (Cary, NC). Ranked 35. Engineering consultant shares profits with employees via bonuses (up to 16 percent of pay) and retirement contributions, but the slowdown has meant layoffs of 11 percent over the last two years. Firm retains employees for as long as several months to help them find new jobs.

- KPMG (New York). Ranked 56. Employees received wage hikes averaging 6.7 percent in October, while the accounting firm passed out bonuses totaling $108 million. Year-end gift was shelved in favor of a donation to a food bank.

- Mattel (El Segundo, CA). Ranked 48. Perks at the world’s largest toy company include 13 paid holidays, two paid days to volunteer in schools, two on-site child care centers, five paid days of parental leave (for new mothers and fathers), adoption assistance, half-days on Fridays all year, and on-site toy stores that offer discounts. In the last quarter of 2008, Mattel eliminated 307 U.S. positions through a combination of early retirement, attrition and layoffs.

- Marriott International (Washington, D.C.). Ranked 78. Given the travel slump, the hotel chain put every category of spending under review, reduced headcount and left non-critical open positions unfilled. Marriott now waives co-pays for most preventive health care.

- Microsoft (Redmond, WA). Ranked 38. Managers maintain “morale budgets” to stage fun events (team dinners, outings to sports events or plays) for the troops. But after adding 7,500 to payroll since 2007, the software company announced January 22 that it will cut up to 5,000 jobs in the next year and a half.

- NuStar Energy (San Antonio, TX). Ranked 44. This pipeline operator and refiner (a spinoff of Valero) shares the wealth: bonuses topping $10,000 and a 401(k) match of 100 percent for up to 6 percent of pay.

- Paychex (Rochester, NY). Ranked 39. Payroll and HR servicer has rich benefits: 401(k) match of 100 percent up to 3 percent of pay, 50 percent on next 2 percent; $6,500 tuition reimbursement; free flu shots. Coming in 2009: domestic partner benefits.

- PCL Construction Enterprises (Denver). Ranked 28. This general contractor (Denver International Airport, Mall of America and Staples Center) added more than 860 people to its payroll last year and has a huge backlog of projects for 2009. Employees benefit because it is 100 percent employee-owned. No one owns more than 5 percent.

- PricewaterhouseCoopers (New York). Ranked 58. Dennis Nally, the audit firm’s chairman, issued updates to employees, saying, “We have no plans to downsize, rightsize, or reduce our staffing levels.”

- Qualcomm (San Diego) Ranked 16. Wireless-technologies designer keeps new ideas flowing via an award-winning recruitment program: It hires 750 interns per year from 38 countries.

- Scripps Health (San Diego). Ranked 59. Last year, managers at this non-profit hospital hand-delivered Success Shares of nearly $900 per employee for improvements in patient satisfaction and held rallies with ponnies, hot dogs and cheerleaders.

- Starbucks (Seattle). Ranked 24. Despite the January 28 announcement that it will shut another 300 stores (on top of 600 closings announced in July 2008) and cut nearly 7,000 employees, Starbucks remains an attractive workplace, especially for part-timers seeking health insurance.

- T-Mobile (Bellevue, WA). Ranked 96. At year’s end, the wireless phone arm of Deutsche Telekom had avoided layoffs that hit many competitors. The company continued child care subsidies of between $125 and $200 per month, depending on salary.

- Umpqua Bank (Roseburg, OR). Ranked 34. Umpqua’s 147 branches in three Western states look like Internet cafés — with coffee on the house. One prized perk: Employees get 40 paid hours a year to volunteer for the cause of their choice.

- Valero Energy (San Antonio). Ranked 93. Hurricanes Gustav and Ike whiplashed refineries, but Chief Executive Officer Bill Klesse assured employees that Valero would not be severely affected by financial storms. Employees received financial assistance from the company to rebuild their homes.

- Whole Foods Market (Austin, TX). Ranked 22. Slowing growth, cutbacks in new-store openings, and 100 layoffs haven’t curbed the enthusiasm of this young workforce (28 percent are under the age of 25).
California Business in Spotlight at World’s Largest Tech Trade Fair

In addition, the Germany-California ICT Summit gave the two entities the opportunity to step up collaboration and stimulate increased bilateral business.

**Governor’s Visit**

Governor Arnold Schwarzenegger joined the delegation and spoke at several events, including CeBIT’s opening ceremony, where the audience topped 2,000. The Governor toured the CeBIT exhibition fair grounds, which showcased California companies and included 27 exhibit halls spanning more than 10 million square feet of exhibition space.

“I’m proud to have showcased our great state here…,” the Governor told CeBIT attendees. “Especially in the middle of this difficult global economy, it’s terrific to see so many companies from California seize this tremendous opportunity to network with organizations from across the globe, sharing their innovative technologies and pumping up their businesses.”

During his two-day CeBIT exhibition promotional tour, the Governor met with various business and elected officials, including German Chancellor Angela Merkel, Lower Saxony Minister President Christian Wulff and Hannover Lord Mayor Stephan Weil. In his meeting with Chancellor Merkel, discussions focused on economic stimulus and California’s desire to collaborate with other nations like Germany on climate change.

While in Hannover, the Governor also received the Transatlantic Partnership Award from the American Chamber of Commerce in Germany, the oldest bilateral trade association in Germany. The award recognizes significant contributions to the German-American relationship. The Governor was recognized for his efforts to bring attention to the climate crisis and build a stronger relationship between the United States and Europe.

For more information about CeBIT, visit www.cebit.com.

CalChamber: Avoid Midstream Rule Changes in ‘Green Chemistry’ Program

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**state scientists and puts it back into the political arena.**

**Time Needed**

CalChamber Policy Advocate Jason Schmelzer told members of the Assembly Health and Assembly Environmental Safety and Toxic Materials committees to give the Department of Toxic Substances Control (DTSC) the time granted by law to develop and implement the program before enacting any legislation that could complicate the department’s efforts.

Schmelzer testified on behalf of the Green Chemistry Alliance (GCA), an informal group of business associations and companies that are advocating an approach to implementation that values sound science and economic sustainability. The CalChamber is a founding member of the alliance.

“We are likely to see complaints from all sides throughout the implementation process, and some will want to change the rules in the middle of the game,” Schmelzer told the committees. “The GCA does not believe that would be a productive exercise; in fact, this would be a major step backward.”

The legislation putting DTSC in charge of establishing the “green chemistry” program, AB 1879 (Feuer; D-Los Angeles) and SB 509 (Simitan; D-Palo Alto), authorizes the department to identify “chemicals of concern,” study and prioritize them, and regulate certain products that contain these chemicals.

The CalChamber is urging members to visit the wiki and post answers to the questions posed by DTSC. The website is www.cagreenchem.wikidot.com/start.

**Get Involved**

DTSC has created a “wiki” website that allows stakeholders to post ideas and comments on implementation and is holding workshops all over the state.

The wiki is the first step in a regulatory process that will have a significant impact on the California business community. It is vitally important for companies to engage in this process.

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Staff Contact: Jason Schmelzer
Timely Web Seminars on Critical HR Topics

Get the latest information from attorneys with employment law expertise at our March live Web seminars.

**Payroll Deductions Overview** March 18, 10 a.m.–10:30 a.m.  FREE
- How to make legal deductions from employee paychecks.
- How to avoid common mistakes made by employers.

**FMLA 101**, March 31, 10 a.m.–11:30 a.m.  $170*
- For companies with 50 or more employees.
- Learn how to properly administer leaves of absence (notification of disability, return to work, etc.).
- Get questions answered, receive copy of seminar slides and access to recorded seminar.

* CalChamber Preferred and Executive members will receive their 20% member discount.

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