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Prop. 1A to Help Stabilize California Fiscal Picture

Passage of Proposition 1A in the May 19 special election is an important step toward returning California government to solvency and to restraining state spending in the future, California Chamber of Commerce President and Chief Executive Officer Allan Zaremberg explained in an interview on Sacramento's KCRA 3 television this week.

Proposition 1A is part of a sixmeasure CalChamber-supported package (Propositions 1A–1F) that Governor Arnold Schwarzenegger and a bipartisan coalition of legislators, business leaders, public safety officials and labor representatives believe will resolve the state's persistent budget problems



CalChamber President and Chief Executive Officer Allan Zaremberg spells out the importance of Proposition 1A to the state's longterm fiscal health in a March 22 interview on Sacramento's KCRA 3 television.

and help restore the state's long-term economic health.

During the interview for KCRA's "Capitol Corner" program, aired on March 22, Zaremberg said there is a need to inject a certain amount of discipline on the Legislature in order to reserve funding for important aspects of the state budget.

"I don't think that there is any question that the public wants to put some limits on our Legislature that has been out of control and spending more money then we can afford. I think that's what Proposition 1A does," Zaremberg said.

Fiscal Discipline

Critics focus on the provision in Proposition 1A that extends for up to two years the tax increases in the recently enacted budget compromise.

"No taxes are good, but California is in a situation where it can't pay its bills," Zaremberg said. Proposition 1A, he noted, is "permanent discipline, it's permanent reforms in exchange for these temporary taxes."

The special election, he commented, will give the people of California their chance to vote to bring this discipline to the state's dysfunctional budgetary process—a process that has brought the

See Prop. 1A: Page 7

Gubernatorial Hopeful to Address CalChamber Business Summit



Steve Poizner

California
Insurance
Commissioner
Steve Poizner,
a candidate for
Governor in the
2010 election,
will be a featured
speaker at the
California
Chamber of
Commerce

Business Summit on May 18–19 in Sacramento.

Other gubernatorial candidates have been invited to speak at the Summit, which is expected to attract business leaders from throughout the state for an agenda focused on "Leading the State and Nation Through Challenging Times." This is the 22nd anniversary for the daylong event in Sacramento.

Also scheduled to speak are Governor Arnold Schwarzenegger, CalChamber Chair Frederick R. Ruiz and NBC News Political Director Chuck Todd.

Steve Poizner

Poizner was elected in November 2006 to oversee the California Department of Insurance, the largest consumer protection agency in the state with more than 1,200 positions and a

See Gubernatorial: Page 4

Unemployment Insurance Reforms Pass

Legislation including California Chamber of Commerce-supported improvements to the California unemployment insurance (UI) system has passed the Legislature and awaits action by the Governor. Efforts to resolve the UI system's solvency issues continue. Read more at *www.calchamber.com* and in next week's *Alert*.

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Labor Law Corner

Employee No Longer Exempt If Pay Cut When Reducing Work Time



Dale Louton Senior Helpline Consultant

What are the compensation requirements for exempt employees who go to a reduced workweek? If an exempt employee is required to take two days off within a month can he/she collect unemployment insurance benefits through the Employment Development Department (EDD) Work Sharing?

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E-mail: alert@calchamber.com. Home page: www.calchamber.com. To meet the requirements of the Industrial Welfare Commission (IWC) wage orders, executive, administrative and professional employees must receive a monthly salary equivalent to two times the minimum wage and meet the job duties test. This salary test rounded to the next dollar comes to \$2,774 per month.

Exempt employees also are guaranteed full salary for the week in which they do any work. However, deductions can be made from salaries of exempt employees who do not work full days for personal reasons. Another exception exists when an exempt employee does not work a full week upon first beginning work and upon termination.

Loss of Exempt Status

An exempt employee will not be considered to be on a salary basis if deductions from his/her salary are made for absences caused by the employer. Accordingly, if the employee is ready, willing and able to work, deductions may not be made for time when work is not available.

Therefore, if you cause your exempt employees to not work two days per month and don't pay their full salary, those employees will lose the exempt status.

There is no law in California that would prevent an employer from implementing a pay reduction. If you cut

an exempt employee's salary, however, and then reduce the time worked, you are attempting by indirection to make a deduction from salary. This action results in the loss of the employee's exempt status.

For example, you cannot reduce the salary of an exempt employee by 20 percent and mandate an extra day off per week without losing the exempt status.

No UI through Work Sharing

Exempt employees will not qualify for unemployment insurance payments through the EDD Work Sharing program because there must be at least a 10 percent reduction in both hours worked and wages earned for each participating employee. This is not a program that exempt employees can qualify for because they must receive their full weekly salary.

An employer has the option of reclassifying an exempt employee to non-exempt status on a monthly basis. You may wish to do this if the economic pressure to reduce cost is expected to continue for an extended period.

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.

CalChamber-Sponsored Seminars/Trade Shows

For more information, visit www.calchamber.com/events.

Business Resources

Breakfast in Beverly Hills. Beverly Hills Chamber. April 1–30, Beverly Hills. (310) 248-1000.

Central Valley Tour. Water Education Foundation. April 15–17, Bakersfield. (916) 444-6240.

Bay-Delta Tour. Water Education Foundation. June 10–12, Sacramento. (916) 444-6240.

International Trade

63rd World Affairs Council Annual Conference. World Affairs Council of Northern California. April 2–3, San Francisco. (415) 293-4626. 6th Annual Global California Conference. Monterey Bay International Trade Association. April 3, Santa Clara. (831) 335-4780.

Asia Pacific Business Outlook Conference. University of Southern California. April 6–7, Los Angeles. (213) 740-7130.

California Ag Export Training Series. Center for International Trade Development. April 7–June 18, various locations. (888) 638-7888.

2nd Celebration of the International Trade Community. U.S.-Mexico Chamber of Commerce. April 23, Los Angeles.

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New Model COBRA Form Available

For Use in Notifying Employees of Continuation Health Coverage, Subsidy Options

The U.S. Department of Labor has released the much-anticipated Consolidated Omnibus Budget Reconciliation Act (COBRA) Subsidy Model Notices for notifying assistance-eligible employees of continued health care coverage subsidy options after employees are involuntarily terminated by their employers.

Part of the American Recovery and Reinvestment Act of 2009 signed by President Barack Obama provides for offsets for COBRA coverage to employees who have been involuntarily terminated (fired or laid off, unless terminated for gross misconduct) between September 1, 2008 and December 31, 2009.

The COBRA Subsidy Model Notices are available for download at www. *HRCalifornia.com*.

Three Forms

There are three forms on HRCalifornia:

- ◆ The COBRA Subsidy General Notice (abbreviated version). This includes only the additional information relating to the subsidy that employers must send to eligible employees. This is different from the COBRA Continuation of Coverage Election Notice, which the California Chamber of Commerce also provides for its members to use. The CalChamber is recommending that businesses use the CalChamber's Continuation Coverage Election Notice and the COBRA Subsidy General Notice (abbreviated version) in conjunction with one another.
- ◆ COBRA Subsidy for Cal-COBRA—Alternative Notice. Insurance issuers that provide group health insurance coverage must send the Subsidy Alternative Notice to persons who became eligible for continuation coverage under a state law—this applies to Cal-

COBRA. Because continuation coverage requirements vary among states, the U.S. Department of Labor is recommending that issuers modify this model notice as necessary to conform it to the applicable state law. Issuers also may find the model Subsidy Alternative Notice or the abbreviated model Subsidy General Notice appropriate for use in certain situations. Cal-COBRA employers should verify that their carriers have this notice and have updated it accordingly.

- Notice in Connection with Extended Election Periods. Plans subject to the federal COBRA provisions must send this notice to any assistance-eligible individual (or any individual who would be an assistance-eligible individual if a COBRA continuation election were in effect) who:
- ✓ Had a qualifying event at any time from September 1, 2008 through February 16, 2009; and
- ✓ Either did not elect COBRA continuation coverage, or who elected COBRA but subsequently discontinued it. This notice includes information on the recovery act's additional election opportunity, as well as premium reduction information. This notice must be provided by April 18, 2009.

American Recovery/ Investment Act

Specifically, the American Recovery and Reinvestment Act of 2009 requires that employers:

- Include the COBRA Subsidy General Notice (abbreviated version) with the COBRA Continuation Coverage Election Notice notifications to involuntarily terminated employees.
- The bill provides COBRA payment assistance for up to 65 percent of the premium for employees involuntarily terminated by their employers, starting

February 17, 2009. The payment will be offset through payroll taxes.

The law outlines which entities are eligible for reimbursement by the federal government: If an individual had paid the full COBRA premium for the first 60 days after February 17, 2009 (the date of the bill's enactment), employers must reimburse the individual for any premium paid in excess of 35 percent or provide a credit to the individual to reduce one or more of the individual's premium payments. These employers will be reimbursed by the federal government.

• Employers with 2-19 employees covered by Cal-COBRA are affected by this new law as well. The premium repayment, however, will be handled through the employer's insurance carrier instead of the employer's payroll system. Cal-COBRA employers should notify their carriers of all employees involuntarily terminated since September 1, 2008 and now through December 31, 2009.

Legal Assistance

These new requirements have implications for the Internal Revenue Code, Employee Retirement Income Security Act (ERISA) and other federal laws that are complex with detailed requirements.

In addition, regulations have not yet been issued to address many questions relating to these new requirements so there is significant confusion in this area. Therefore, it is imperative that employers consult with a specialist in this area to fully understand their obligations under this new law.

The CalChamber urges employers covered by Cal-COBRA (2-19 employees) to get assistance from legal counsel regarding the impact of these changes on the business.

Staff Contact: Jessica Hawthorne

HRCalifornia.com

Forms, Checklists, Policies Covering All Areas of Human Resources.



Gubernatorial Hopeful Poizner to Speak at CalChamber Business Summit

From Page 1

\$200 million budget. Its regulations touch nearly a 10th of the state's economy.

He is the founder of several technology companies, including SnapTrack, pioneering technology that put GPS (global positioning system) receivers into cell phones; and Strategic Mapping Inc., which helped police departments, utilities, transportation companies, banks and retailers with selecting new locations and plotting distribution logistics.

Poizner's public service record includes serving as the White House director of critical infrastructure protection in the National Security Council from 2001–02. Since 2006, he has been a lifetime member of the Council on Foreign Relations. Poizner was a co-founder of the California Charter Schools Association.

Priority Business Issues

CalChamber President Allan Zaremberg will open the Summit with an overview of priority business issues.

During the luncheon, the CalChamber will announce local chamber of commerce recipients of the new President's Circle award, which recognizes chambers for excellence in business advocacy and marketing business compliance products.

Also to be recognized will be recipients of the CalChamber Political Partner of the Year and Small Business Advocate of the Year awards.

Valuable Breakout Sessions

Afternoon breakout sessions will give attendees the option to learn about best practices or hear information updates to enhance their political, human resources or business activities.

- Legislative Advocacy Boot Camp 101: How to use technology in building a grassroots network to gain access, influence and clout with legislators.
- Political Action 101: Legal basics on how to organize and manage a political action committee.
- HR 101: Helping alert attendees to changes in California.
- Protecting Your Customers' Credit Card Data.
- Protecting Your Business from ADA Lawsuits.

Host Committee Events

Governor Schwarzenegger and CalChamber Chair Ruiz will be the featured speakers at the invitation-only 83rd annual Sacramento Host Breakfast on May 19, which Summit attendees have the opportunity to attend.

Summit attendees also will have an

opportunity the evening of May 18 to mingle with fellow leaders from business, agriculture, state government, education and the military at the Sacramento Host Reception. The reception welcomes out-of-town guests who will be attending the Host Breakfast the next morning.

Sacramento business leaders host the annual reception and breakfast to spotlight California's role in national and international commerce, and to offer decision-making leaders in California finance, government, education, agriculture and industry the opportunity to exchange views, establish and renew friendships and create statewide atmospheres of good will and understanding at a common table.

Early Bird Registration

Attendees who register by April 17 qualify for savings of at least 20 percent.

The two-day registration package, including Summit with lunch, the Host Reception and Host Breakfast, is \$220 now, \$275 after April 17. Other registration options are available.

Online registration and more information are available at www.calchamber.com/summit09. Staff Contact: Alicia Smith





Leading Our State and Nation Through Challenging Times

Register early and save! Lower early bird rate until April 17, 2009.

May 18–19, 2009 | Sacramento Convention Center



Forced Closure of Gas Stations Looms as Owners Await Action by Bureaucracy CalChamber Urges New Look at Air Board Timeline for Enforcing Retrofit Mandate

Gas stations throughout the state may be forced to close abruptly if the California Air Resources Board (ARB) fails to reexamine its April 1 deadline for them to retrofit their fuel dispensers.

The regulations for "Enhanced Vapor Recovery" require service stations to increase the efficiency of equipment used to control gas vapor emissions (greenhouse gases) at the pump.

Delay Spawns Crisis

Although the regulations were adopted in 2000, the ARB just certified a full system usable by most service stations in December 2008.

The ARB-caused delay has placed additional pressure on the market and given station owners very little time to comply. Due to the high demand for the special vapor recovery systems, prices have escalated rapidly, placing station owners in a very difficult position.

Adding to the station owners' dilemma is the difficulty of securing financing to purchase the new equipment while the economy remains troubled.

Earlier this month, ARB reported that its experts estimate the retrofits will cost about \$11,000 per pump.

Timeline Review

The California Chamber of Commerce is urging a reassessment of the timeline for enforcing the vapor recovery regulation and its impact on small businesses and consumers in the state.

"The majority of California's gas stations are independently owned and operated. At this time in our economy we cannot afford to lose more small businesses and put hard-working individuals out of a job," said CalChamber Policy Advocate Amisha Patel.

"The CalChamber believes the state is capable of meeting its goals for the environment and economy, but appropriate analysis and timeframes are imperative to the success of any program," Patel said.

ARB Approach

In testimony before an Assembly committee on March 9, ARB officials



Marc Burgat, CalChamber vice president of government relations, speaks at a March 25 press conference on the steps of the State Capitol highlighting the need for the California Air Resources Board to extend the deadline for enforcing the mandate to retrofit fuel dispensers. Behind Burgat from front left are state Senator Roderick D. Wright (D-Inglewood); Brad Barnett, president, Sierra Energy, owner of 10 gas stations in the Sacramento area; Assemblyman Jeff Miller (R-Corona); and Senator John J. Benoit (R-Riverside).

said they did not have statutory authority to extend the April 1 deadline for retrofitting fuel dispensers. In response to an inquiry from Assemblyman Jeff Miller (R-Corona), the Legislative Counsel reported it was unable to find any law that precluded the ARB from extending the deadline.

An April 2008 ARB staff report recommended the agency not extend the deadline, arguing that sufficient time and resources remained for gas stations to come into compliance.

Permit/Funding Backlog

In November 2008, the ARB estimated that only 22 percent of stations had installed updated equipment, meaning 6,000 to 8,000 stations were out of compliance.

At the end of February 2009, less than half of the gasoline-dispensing locations in California had obtained final approval

for retrofitting their equipment, according to the California Independent Oil Marketers Association (CIOMA). That left more than 4,000 locations to receive final approval during March, CIOMA estimated.

As of mid-March, according to CIOMA, a third of the service stations in the state had not obtained permits, leaving 3,000 stations likely to shut down unless the April 1 deadline is reconsidered.

The ARB has estimated that as many as 2,000 low-volume fueling stations may be eligible for state assistance to meet the deadline, but the funds for the current fiscal year already are assigned.

Legislation is pending to allocate additional funds. Meanwhile, more than 150 applications for financial assistance with the new systems cannot be processed due to lack of funding. Staff Contact: Amisha Patel



Strong Advocacy Sparks Key Opposition to Federal 'Card Check' Legislation



A strong grassroots lobbying effort has gained a significant opponent to federal legislation that will abolish employees' right to a secret ballot election during union organizing drives and replace it with a

"card check" process.

In a March 24 speech on the U.S. Senate floor, U.S. Senator Arlen Specter (R-PA) announced that he is opposed to the so-called "Employee Free Choice Act."

Passage of the "card check" proposal will require support from at least a couple of Republicans. As the one Republican who voted for cloture—to cut off debate—on the proposal in 2007, Specter was one of the Republican votes that union supporters of "card check" were hoping to secure.

In his floor address this month, however, Specter said the "problems of the recession make this a particularly bad time to enact Employees Free Choice legislation."

CalChamber Opposition

The California Chamber of Commerce opposes the "card check" bills, S. 560 and H.R. 1409, authored by U.S. Senator Edward Kennedy (D-MA) and California Congressman George Miller (D-Martinez).

The CalChamber believes the legislation will hurt U.S. businesses by driving up costs and forcing employers to be less competitive in a global market.

The legislation abolishes private, secret ballot elections during union organizing drives and allows the federal government to gain more control over private sector employees and employers through government arbitrators deciding the terms of labor management agreements.

Specter Comments

"On the merits, the issue which has emerged at the top of the list for me is the elimination of the secret ballot, which is the cornerstone of how contests are decided in a democratic society," Specter said. He also noted, "The bill's requirement for compulsory arbitration if an agreement is not reached within 120

days may subject the employer to a deal he or she cannot live with."

Specter's position is in keeping with the CalChamber argument that only a secret ballot system can protect employees from both unions and employers.

The CalChamber also has pointed out that the short deadline for reaching agreement provides an incentive for union negotiators to be sure the process lasts long enough to get the matter into arbitration and eliminates any incentive to negotiate in good faith. The contract would be imposed with no ability for either employers or employees to challenge it.

In 2007, "card check" legislation passed the U.S. House of Representatives, but fell just nine votes short of passage in the U.S. Senate.

Action Needed

The CalChamber is urging members to contact their representatives in Congress and U.S. Senators Dianne Feinstein (D-San Francisco) and Barbara Boxer (D-Greenbrae) to ask them to **oppose** the "card check" proposal.

Staff Contact: Marti Fisher

CalChamber-Sponsored Seminars/Trade Shows

From Page 2

Implementation of Renewable Energy in the Emerging Markets of Africa, Latin America and the Caribbean. Centers for International Trade Development. April 27–29, San Francisco. (650) 738-7098.

World Trade Week Kickoff Breakfast. Los Angeles Area Chamber. May 7, Los Angeles. (213) 580-7569.

Game Changers in the Supply Chain Infrastructure. U.S. Department of Commerce and U.S. Department of Transportation. May 11, Washington D.C. (202) 482-1134.

8th Annual Maritime Leadership Symposium. California Association of Port Authorities; California Marine Affairs and Navigation Conference. May12–14. (916) 444-7158. U.S. Business Mission to Vietnam. U.S.-Vietnam Chamber. May 16–24, Ho Chi Minh City (Saigon). (202) 271-8200.

Busan International Machinery Fair. Busan Metropolitan City and others. Busan (South Korea), May 20–24.

TIBCO Bucharest International Fair. Consulate General of Romania. June 3–7, Bucharest, Romania. (310) 477-0197.

6th World Chambers Congress. International Chamber of Commerce. June 3–5, Kuala Lumpur, Malaysia. wcc2009@fmm.org.my.

Thailand-Los Angeles Port Seminar. Los Angeles Port Authority. June 12, San Pedro. (310) 732-3870.

China Building 2009. China Building Materials Industries Association and others. June 18-19, Beijing.

Labor Law

FMLA 101. Live Web Seminar. CalBizCentral. March 31. (800) 331-8877.

Federal Law Update Live Web Seminar. CalBizCentral. April 9. (800) 331-8877.

Checklist for Creating an Alternative Workweek. CalBizCentral. April 15. (800) 331-8877.

CalChamber Calendar

Labor and Employment Committee:
April 6, Sacramento
Business Summit:
May 18–19, Sacramento
Board of Directors:
May 19, Sacramento



CalChamber to New Commerce Secretary: Export Assistance Important to Recovery



Gary Locke

The California Chamber of Commerce emphasized the importance of exports to the economic recovery of California and the nation in a congratulatory letter to U.S. Commerce Secretary Gary

Locke this week, shortly after the U.S. Senate unanimously confirmed his appointment.

In a position paper accompanying the letter from CalChamber President Allan Zaremberg, the CalChamber pointed out that the Commercial Service of the U.S. Department of Commerce is an indispensable resource for California as it strives to increase its exports, invigorate its economy and create meaningful jobs.

Almost every industrialized country has much higher per capita expenditures on export expansion than the United States, the CalChamber noted. Many nations provide subsidies to their beginning or small and medium-sized exporters.

The CalChamber is hopeful that appropriate funding will be available to make the U.S. Commercial Service and export assistance a core part of the economic recovery package. Export assistance is an essential tool in economic recovery. Helping U.S. firms find foreign buyers for products and services and finalize those sales delivers direct stimulus to retain or expand employment.

As President Barack Obama's commerce secretary, Locke will work to foster and promote American economic development at home, and will be an influential ambassador for American business and industry abroad.

Locke, the first Chinese American to serve as commerce secretary, will oversee a department that, under the American Recovery and Reinvestment Act, is charged with expanding the country's broadband infrastructure, bringing economic development to communities hardest hit by the recession and putting Americans to work under programs run by the Census, National Oceanic and Atmospheric Administration and the National Institute of Standards and Technology.

The CalChamber supports free trade

worldwide, expansion of international trade and investment, fair and equitable market access for California products abroad and elimination of disincentives that impede the international competitiveness of California businesses.

Nominee Comments

While speaking to the U.S. Senate Commerce, Science and Transportation Committee on March 18, Locke reiterated his belief in fair trade and his faith in the U.S. economy.

"We must look over the horizon and prepare for the new economy that will emerge when this recession passes," Locke told the committee. "More than free trade, I believe in fair trade."

Locke said at his confirmation hearing last week that he intends to reduce the trade defecit, open new markets and direct resources to saving jobs and boosting economic growth.

Gary Locke

Locke was elected the 21st governor of the state of Washington in 1996, making him the first Chinese American governor in U.S. history and the first Asian American governor on the mainland. In 2000, Locke was overwhelmingly re-elected to a second term. He served as chair of the Democratic Governors Association and gave the Democratic response to the State of the Union address in 2003.

Locke is widely praised in Washington state for winning a nationwide competition to bring to the state the production of Boeing's newest jetliner, the 787, which created thousands of jobs in Washington, according to the U.S. Department of Commerce. Locke successfully aligned leaders from state, county and local government, businesses and unions, communities and tribes in this comprehensive, successful effort.

Locke launched Washington's Competitiveness Council with business and labor leaders working together to position the state for success at home and around the world. During the eight years of his administration, the state gained 280,000 jobs.

Staff Contact: Susanne Stirling

Prop. 1A to Help Stabilize State's Fiscal Picture

From Page 1

state to the brink of insolvency through overspending in above-average revenue years, giving the state responsibility it can't afford in the off years.

"How we've gotten in this mess is spending one-time money that we couldn't afford to sustain ongoing programs, and that is exactly what Proposition 1A is going to prevent from happening in the future," he said.

Rainy Day Reserve

If voters approve Proposition 1A, a mandatory "rainy day" budget reserve will be created for setting aside savings when the state can afford it, including unanticipated revenue windfalls during very good economic times. Accompanying the mandatory reserve would be a spending

cap that will feed the reserve in aboveaverage revenue years, limit overspending by the Legislature and ultimately decrease pressure for taxes when there is an economic downturn.

Zaremberg said the reserve will help provide support for public education and will make sure funding is available in tough economic times.

Proposition 1A, like Propositions 1B, 1C, 1D, 1E and 1F, was placed on the ballot by a supermajority vote of legislators. If Proposition 1A had been in place 10 years ago, it has been estimated that California would have had more than a \$9 billion reserve to help avert this year's budget cuts.

The campaign in support of Propositions 1A–1F has set up a website at www.cabudgetreformnow.com.



March Madness Special

Stay informed and get a \$10 Starbucks Card

It's crunch time for California companies. A nerve-racking economy, FMLA and CFRA laws, new cell phone usage standards and a slew of other challenges demand that you be in the know at all times. Arm yourself now with two timely essentials:

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