

ALERT

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CalChamber Chair Calls for Focus on Economy, Jobs

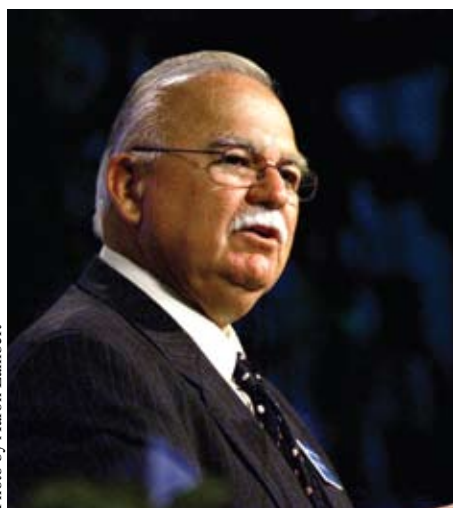


Photo by Aaron Lambert

CalChamber Chair Frederick R. Ruiz

This year is “the perfect time to require that all legislative proposals are reviewed for economic impact,” Frederick R. Ruiz, chair of the California Chamber of Commerce Board of Directors, told a statewide audience this week.

“California’s recent economic trends are moving in the wrong direction,” Ruiz commented at the Sacramento Host Breakfast on May 19, calling for legislators to “do no more harm” and defeat the “job killers.” (See full text of remarks on Page 7.)

The 83rd anniversary of the annual breakfast brought together 1,100 statewide leaders from business, agriculture, state government, education

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CalChamber Business Summit State, U.S. Politics in Spotlight



Photos by Aaron Lambert

Candidates for Governor in 2010 Tom Campbell (left) and Steve Poizner (center) speak at the CalChamber Business Summit on May 18. NBC News Political Director Chuck Todd provides an overview of the Obama administration’s early days in office. See story on Page 9.

Voters Reject 5 of 6 Special Election Ballot Measures



California voters this week rejected a series of ballot initiatives aimed at addressing the state’s massive budget shortfall.

The defeat of Propositions 1A through 1E means the state’s \$15.4 billion budget deficit has grown to a projected \$21.3 billion.

California Chamber of Commerce President and Chief Executive Officer Allan Zaremborg called on California’s elected officials to take immediate steps to address the daunting budget shortfall without further harming the economy.

‘No Additional Taxes’

“The message from voters to Sacramento on Tuesday was loud and clear: No additional taxes,” said Zaremborg. “Voters expect our elected officials to do their job and bring spending into line with revenues from existing sources. Legislators must govern

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Labor Law Corner

No Waiver for Rest Breaks; Some Exceptions for Specific Industries



Barbara Wilber
Labor Law Consultant

May the 10-minute rest break be waived? If not, where in the law does it state that it cannot be waived? Also, if two rest breaks are missed, do we owe two hours of premium pay?

No, rest breaks cannot be waived. The mandate for rest breaks appears in the Industrial Welfare Commission (IWC)

orders. The orders do not provide for a waiver of the rest break similar to that authorized for meal periods. Therefore, if the language of the law does not provide for an exception, the mandate applies as written.

Although a waiver is not available, some exceptions to the usual rest break provisions exist in IWC Order 16, covering on-site construction, drilling, logging and mining industries, and in IWC Order 5 for specific residential care employees as defined.

Missed Rest Period

The IWC orders and the California Labor Code state that if an employer fails to provide an employee a meal period or rest period in accordance with the applicable provisions of the order, the employer shall pay the employee one hour of pay at the employee's regular rate (premium pay) for each workday that the rest or meal period is not provided.

The Division of Labor Standards Enforcement (DLSE) enforces the provisions of the Labor Code and the IWC orders. The DLSE interprets this section to mean that only one hour of

premium pay is owed for each workday that one or more rest breaks are not provided. The same interpretation applies for meal breaks.

Examples

As an example, let's say an employee works an eight-hour day but does not receive either of the two required rest breaks and does not take a meal break. In this scenario, the employee is owed one hour of premium pay for missing both rest breaks and one hour for missing the meal break, for a total of two additional hours of pay.

In another scenario, the employee works 11 hours and does not receive the required two meal breaks, neither of which is waived, but does receive all required rest breaks. Again, even though the employee missed two meal breaks, only one hour of premium pay is owed.

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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CalChamber-Sponsored Seminars/Trade Shows

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

Business Resources

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

Business Excellence and Installation Gala. June 11, Beverly Hills. (310) 248-1000.

Russian River Tour. Water Education Foundation. August 6–7, Santa Rosa. (916) 444-6240.

International Trade

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

Chile in the NAFSA. Prochile. May 24–29, Los Angeles. info@prochilela.com.

The Americas Business Forum. Los Angeles Area Chamber. May 27–28, Los Angeles. (213) 580-7570.

Be Global, Work Local Luncheon. Monterey Bay International Trade Association. May 29, Felton. (831) 335-4780.

A Time of Change for International Trade. Center for International Trade Development. May 29, Redding. (530) 896-0958.

6th World Chambers Congress. World Chamber Federation. June 3–5, Kuala Lumpur, Malaysia. aps@iccwbo.org.
TIBCO Bucharest International Fair. Consulate General of Romania. June 3–7, Bucharest, Romania. (310) 477-0197.

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**Next Alert:
June 5**



Voters Say 'No' to Additional Taxes; Vigilance Needed to Make Message Stick

Five California Chamber of Commerce-supported measures were soundly defeated this week while the sixth won equally emphatic approval.

The defeated measures provided short-term budget solutions to get the state through these difficult economic times, while enacting a strong spending limit (Proposition 1A) to end out-of-control spending and providing the long-term budget reforms that our state needs.

The approved measure (74 percent to 26 percent), Proposition 1F, prevents state legislators and statewide elected officials from receiving pay raises whenever the state runs a budget deficit.

Voter Message

Ultimately, the content of the propositions, including Proposition 1A, seemed irrelevant to voters. Research before the election showed that even with the reform concepts included in Proposition 1A, voters wanted to send a message to Sacramento by turning down the proposals simply because it was the politicians themselves who drafted the propositions and put them on the ballot, and additional tax increases were unacceptable, even if they are temporary.

The message from voters to Sacramento politicians was clear: solve California's budget problems without additional taxes and do the job you were elected to do.

Our takeaway should be to acknowledge that voters were upset that the tax increases were tied to the budget reforms in Proposition 1A and resentful that the politicians asked the people to solve problems that politicians had created.



discriminated against. The across-the-board taxes minimized the economic impact because *all* Californians are required to pay a little bit for a limited period.

Tax Mantra Restarting

Already, the pressure has begun to resurrect those harmful proposals. The day after the election, the California Faculty Association, whose members vigorously

opposed Proposition 1A because they thought it would shrink public services, unbelievably renewed its call for permanent new taxes, apparently targeted toward business.

The faculty association exemplifies the pressure for new taxes on business and an effort to eliminate the two-thirds vote currently required for approving new taxes so the Legislature can more easily raise taxes with support from just a majority of lawmakers.

The business community must remain firm and encourage other Californians to join us in ensuring that our elected officials make a job-creating economy their number one priority. A recovering economy will provide jobs for Californians, who in turn will produce more revenue that will help government resolve its funding woes without raising taxes or fees.

It's no coincidence that the No. 1 issue for voters is the lack of economic growth and jobs. By focusing all efforts on improving our economy, our elected officials can both satisfy the voters' No. 1 concern and help solve the state's budget crisis.

Allan Zaremborg is president and chief executive officer of the California Chamber of Commerce.

Commentary By Allan Zaremborg

It's also quite clear that the voters want state spending to be brought in line with revenues from existing sources.

Economic Recovery Needed

To the business community, it is obvious that if you want to provide additional revenues from existing sources rather than raise taxes or fees, then you need to improve the economy. A stronger economy is the surest way to ensure the maintenance of necessary programs and reduce the pressure for tax and fee increases.

All taxpayers will have to be vigilant against new pressures from special interests who want to increase taxes, especially on business. That pressure was the dilemma the business community faced before passage of the legislative budget compromise in February.

A number of proposals targeted certain businesses and industries with disproportionate, permanent tax increases. The final solution replaced the targeted tax increases with temporary, broad-based taxes, so that no one industry (nor its customers) would be

CalChamber Chair Calls for Focus on Economy, Jobs

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and the military.

Governor Arnold Schwarzenegger appeared via video at the breakfast, announcing he would be in Washington, D.C. as President Barack Obama announced federal greenhouse gas emission standards will match California's by 2016.

Political humorist Will Durst was the final speaker at the breakfast.

Then and Now

Ruiz, co-chairman and co-chief executive officer of Ruiz Foods, the largest manufacturer of frozen Mexican food in the United States, contrasted current conditions with those in 1964, the year he and his father started the company.

During that "midpoint of our state's great golden era," Ruiz noted, California had "the vision to move forward with infrastructure investments that made California great," including water projects, transportation and highways, schools and the higher education systems.

Today, the cost of doing business, natural resource issues, such as water, the business and economic climate and higher education are challenges facing the state, Ruiz said.

"On more than one occasion, I've found myself wondering if we were starting Ruiz Foods today, would we be able to succeed and would we be able to pursue our business dream here in California," Ruiz said. "In 1964, the decision was simple and a resounding 'yes.' Today, I'm not so sure—it would definitely be a lot more costly and difficult."

Time for Action

The state's deteriorating economy "is at least partly due to the high cost of doing business here—taxes, fees and mandates that are enacted without considering their cumulative impact on jobs and business expansion," Ruiz said.

Enacting bills on the CalChamber's "job creators" list would be a good start toward improving California's business climate, he said. "On the flip side," he commented, to improve the business climate, elected leaders can defeat the "job killers."

Optimism

Commenting that a lot of work is needed "to recapture the spirit of



Photo by Aaron Lambert

Will Durst, political comic, makes satirical comments on state and national issues at the Sacramento Host Breakfast.

enterprise that was alive and well in 1964," Ruiz said he is an "optimist who believes it can and will be done."

He urged breakfast attendees to help deliver the job creation message. "Now more than ever we cannot allow our elected officials to just talk a good game—they need to lead and walk their

talk," he said.

"With your help we will resurrect a new golden era for the next generations of mothers and fathers, and their daughters and sons to start up their own businesses and grow the California economy, and most importantly, to realize their American dream," Ruiz said.

Senator Proposes Alternative to 'Card Check'



U.S. Senator Arlen Specter of Pennsylvania, who recently switched his affiliation from the Republican to the Democratic Party, has proposed mail-in

union authorization cards as an alternative to the hotly contested "card check" proposal, according to newspaper reports.

The "compromise" still weakens employee and employer rights in union organizing.

The National Labor Relations Board (NLRB) currently uses mail-in ballots in place of secret ballot elections held on the employer's premises in rare circumstances where "eligible voters are scattered...over a wide geographic

area" or are otherwise "not present at a common location at common times," but only after considering various other factors.

NLRB career staff members have mentioned several problems with the mail-in ballots, including potential interference by any party in a mail ballot situation. In addition, statistics show substantially lower participation rates by potential voters when ballots are mailed in rather than cast via a secret ballot.

Senator Specter also is floating a "last best offer" arbitration. While this differs somewhat from the original "card check" proposal, the binding arbitration still gives a government bureaucrat the ability to impose a labor contract on business covering wages, hours, work rules, pension, etc.

Staff Contact: Marti Fisher

Five Receive Business Advocate Award

Recipients Honored at CalChamber Business Legislative Summit

The California Chamber of Commerce honored five small business executives on May 18 with its 2009 Small Business Advocate of the Year award, recognizing recipients for their advocacy efforts on behalf of small businesses.

The CalChamber presented the awards at a luncheon before more than 400 attendees at the CalChamber Business Summit in Sacramento.

Award Winners

The 2009 Small Business Advocate of the Year award recipients are:

- Lou Monville, vice president, O'Reilly Public Relations, Riverside;
 - Dave Penry, owner, Pacific Landscapes, Santa Rosa;
 - Victoria Salisch, partner, Lang, Richert & Patch, Attorneys at Law, Fresno;
 - Cynthia Schneider, senior vice president, American Security Bank, Corona; and
 - Mark Waronek, owner, Waronek and Associates, Torrance.
- Honorees are nominated by local chambers and selected by a task force comprised of members of the



Present to receive the CalChamber's 2009 Small Business Advocate of the Year award are (from left) Mark Waronek of Torrance, Victoria Salisch of Fresno, Dave Penry of Santa Rosa and Lou Monville of Riverside. Not pictured is Cynthia Schneider of Corona.

CalChamber Small Business Committee and the Local Chamber Advisory Council. The criteria used in the selection process include taking leadership roles in or working on federal, state or local

ballot measures, testifying before the state Legislature and representing a local chamber of commerce before local government.

Staff Contact: Dave Kilby

13 Local Chambers Attain President's Circle Recognition



The California Chamber of Commerce this week named 13 local chambers of commerce as the first-ever recipients of the President's Circle award.

The new award recognizes chambers for excellence in business advocacy and helping their members comply with California's ever-changing and often confusing labor laws.

The awards were presented to the following local chambers:

- Greater Bakersfield Chamber:

Debbie Moreno, president/chief executive officer;

- Culver City Chamber: Steve Rose, president/chief executive officer;
- El Centro Chamber: Cathy Kennerson, president/chief executive officer;
- Long Beach Area Chamber: Randy Gordon, president/chief executive officer;
- Napa Chamber: Kate King, president/chief executive officer;
- Palm Desert Chamber: Barbara deBoom, president/chief executive officer;
- Pleasanton Chamber: Scott Raty, president/chief executive officer;
- Greater Riverside Chambers: Cynthia Roth, president/chief executive officer;
- Sacramento Metro Chamber: Matt Mahood, president/chief executive officer;

● Greater San Fernando Valley Chamber: Nancy Hoffman Vanyek, president/chief executive officer;

● Thousand Oaks-Westlake Village Chamber: Jill Lederer, president/chief executive officer;

● Turlock Chamber: Sharon Silva, president/chief executive officer;

● Vallejo Chamber: Rick Wells, president/chief executive officer.

President's Circle recipients published vote records of their state legislators on key business issues, generated letters to state elected officials on issues of interest to members, participated in the CalChamber compliance product resale program at an exemplary level and brought a delegation to Sacramento for the CalChamber Business Summit.

Staff Contact: Steve Snyder

CalChamber Recognizes Political Partners of Year

The California Chamber of Commerce praised the political activities of four local chambers of commerce this week, presenting them with Political Partnership awards for their efforts in the 2008 elections.

Following are the chambers recognized and the chamber representatives accepting the awards at the CalChamber Business Summit on May 18:

● **Long Beach Area Chamber.** Award accepted by Randy Gordon, president/chief executive officer; Blake Christian, board chairman; and Joanne Davis, chairman of the Governmental Affairs Committee.

● **Ventura Chamber.** Award accepted by Zoe Taylor, president/chief executive officer.

● **United Chambers of the San Fernando Valley.** Award accepted by Debi Schultze, president/chief executive officer.

● **Greater Bakersfield Chamber.** Award accepted by Debbie Moreno, president/chief executive officer; and Nick Ortiz, governmental affairs manager.

"We hope that this will be just the

beginning of many, many political partnership awards that we will have for the future," said CalChamber Vice President of Public Affairs Rob Lapsley in announcing the awards. "Your political participation is absolutely critical."

Key Races

In 2008, JobsPAC, an independent expenditure (I.E.) political action committee (PAC) under CalChamber, spent \$3 million in various campaigns, including three in which local chamber support played a pivotal role:

● The Long Beach Area Chamber's endorsement helped elect pro-business Democrat Rod Wright (Inglewood) in the 25th Senate District. Wright defeated then-Assembly Health Committee Chairman Mervyn Dymally (D-Compton) in the primary.

"Everyone told us it wasn't possible, but after a coordinated effort with our independent expenditure coalition partners, we were able to put together an I.E. campaign that started at 6 percent in the polls" and ended at 44 percent, Lapsley said.

● The Ventura Chamber was the first chamber to endorse businessman and

former Assemblyman Tony Strickland (R-Moorpark) for the 19th Senate District seat being vacated by Republican Tom McClintock.

The United Chambers of the San Fernando Valley also supported Strickland, who faced a very anti-business former Assembly member.

Ultimately, JobsPAC spent \$1.5 million in an independent expenditure campaign in support of Strickland. Strickland won by 851 votes, keeping the seat in the pro-business column.

● Support from the Greater Bakersfield Chamber helped put pro-business Republican Danny Gilmore (Hanford) in the 30th Assembly District seat previously held by pro-business Democrat Nicole Parra, forced out of the position due to term limits. The position was among the top targeted seats in the Assembly.

"The effort that came through from the Bakersfield Chamber to help Danny win was absolutely critical," Lapsley said.

Staff Contact: Rob Lapsley

Special Election

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in a responsible manner and exercise fiscal discipline. There can be no more business as usual." (See Commentary on Page 3.)

Governor Arnold Schwarzenegger issued a statement Tuesday night saying that he and the Legislature would be back at work Wednesday to balance the budget in the short term and reform the budgeting process in the long term.

"Tonight we have heard from the voters and I respect the will of the people who are frustrated with the dysfunction in our budget system," he said. "Now we must move forward from this point to begin to address our fiscal crisis with constructive solutions."

The Governor added, "We must also continue to fight for real, comprehensive budget reform that brings stability to California's budget process and forces the state to save in the good times so that we do not face these kinds of deep deficits, devastating cuts and tax increases when the economy takes a downturn."

The latest election results are available at www.ss.ca.gov.

CalChamber-Sponsored Seminars/Trade Shows

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The Global Financial Crisis: How Did We Get Here? Asia Society Northern California. June 9, San Francisco. (415) 421-8707.

Breaking Into The Trade Game. Centers for International Trade Development. June 10–August 6, Sacramento. (916) 566-7168.

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.

India Trade Conference. Port of Los

Angeles, Southern California Edison, Quanta Consulting. June 26, Irwindale. (949) 480-9466.

Labor Law

Non-Exempt Employees Reimbursement Web Seminar. CalBizCentral. June 11. (800) 331-8877.

Workplace Safety

Workplace Violence Overview Live Web Seminar. CalBizCentral. June 11. (800) 331-8877.

CalChamber Calendar

Public Affairs Council Retreat:
May 28, Sacramento

They won't know unless you tell them. Write your legislator.
calchambervotes.com

Remarks by CalChamber Chair Frederick R. Ruiz

Time for Extraordinary Leadership, Focus on Economy, Jobs in Measuring Solutions



Photo by Aaron Lambert

Frederick R. Ruiz

Following are remarks presented by California Chamber of Commerce Chair Frederick R. Ruiz at the Sacramento Host Breakfast on May 19. Ruiz is co-chairman and co-chief executive officer of Ruiz Foods.

On behalf of the CalChamber's over 15,000 member companies, who represent approximately 25 percent of the private sector jobs in the state, I want to say thank you to the Sacramento Host Committee.

I am very proud to be here before you as the chair of the Board of Directors for the California Chamber of Commerce.

If you would allow me to turn back the clock 45 years to the year 1964 when our company, Ruiz Foods, was founded by my father and me in Tulare, California.

Golden Era

By every measurement, California was "quite the place" in 1964. Some have called it the mid-point of our state's great golden era, which occurred in the late 1950s and 1960s.

It was during these years that California invested in a foundation for success by having the vision to move forward with infrastructure investments that made

California great—including water projects, transportation and highways, K-12 schools, and of course our terrific higher education university systems, which includes UC, CSU and our community colleges. It was an era like no other time before or since.

For the business community, this was also a tremendous time—an era that was full of energy, optimism, growth, success and entrepreneurial spirit.

Humble Beginnings

1964 was the year that two men—a father and son—a team—in the Central Valley of California embarked on a journey to live out their dream of selling authentic frozen Mexican food to California supermarkets.

When my dad and I formed Ruiz Foods, we started out with humble beginnings in a small town and met the challenge of growing demand with a lot of hard work and the determination to become the largest manufacturer of frozen Mexican food in the United States.

Today our headquarters and main facility is a 300,000 square-foot state-of-the-art food processing plant in Dinuba. We have approximately 2,700 team members and have expanded with other facilities in Tulare, California and Denison, Texas to sustain our growth and better service our customers.

We have 200 different products under our signature brand, El Monterey, and our focus hasn't changed—we continue to produce authentic frozen Mexican food based on my mother's recipes—that taste great and are a good value. Thanks, Mom.

I would like to personally thank all of you and your families who purchase our products—you have helped make the Ruiz family's American dream come true. So, thank you very, very much.

Challenges Today

Now let's fast forward to today—May 19, 2009.

During my years on the CalChamber Board and now as Chair, I have become keenly aware of the many challenges facing our state—from the cost of doing

business, and the natural resource issues like water, to the business and economic climate and the increased importance of higher education.

But on more than one occasion, I've found myself wondering if we were starting Ruiz Foods today, would we be able to succeed and would we be able to pursue our business dream here in California?

In 1964, the decision was simple and a resounding "yes." Today, I'm not so sure—it would definitely be a lot more costly and difficult and I have a lot of unanswered questions.

Let me explain.

Unfortunately, California's recent economic trends are moving in the wrong direction.

During the current recession, California has suffered more than other states. Our unemployment is 11.2 percent, real estate values continue to fall and there is a mass exodus of middle class families from the state. California's deteriorating economic condition is at least partly due to the high cost of doing business here—taxes, fees and mandates that are enacted without considering their cumulative impact on jobs and business expansion.

Time for Action

Talk is cheap—anyone can talk a good game. But the time for talking is over. These are serious times. It's time for our elected leaders to take action and lead.

A good place to start would be to enact the CalChamber's "job creators" list of bills. This is not a cure-all list for California's business climate, but it's a good starting point. Our "job creators" include proposals to reduce costs to employers, provide sensible regulatory policies, reform our out-of-control legal climate and immediately incentivize companies with tax credits to hire new workers.

And yet, sadly, it appears that because of the strong grip of anti-business interests in the capital, we will see the vast majority of the job creators defeated in the Legislature.

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Time for Extraordinary Leadership, Focus on Economy, Jobs

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On the flip side of the “job creator” list is the CalChamber’s “job killer” list—just released yesterday with over 27 bills on it! It was 25, now it’s 27 and going up.

You would think that in this recession and in this tough business climate that there wouldn’t be a legislator who could possibly introduce a bill that would negatively impact job creation. Yet this is not the case. It’s as if some of our legislators don’t understand that we are in the middle of a recession.

‘Do No More Harm’

In the name of improving California’s business climate, we ask our elected leaders—“Do no more harm”—Defeat the job killers.

In addition, we believe that whenever a proposal is before our elected leaders that the first question they all should be asking is: “Will it have a positive impact on jobs and the economy?”

We believe that the economy and jobs must be the litmus test used to measure any and all “solutions.”

As I’m sure you’re aware, legislation always must be reviewed for fiscal impact on the state, and of course California is the national leader when it comes to the environment, so it is no surprise that proposals are subject to environmental review and environmental impact reports.

The CalChamber believes that 2009 is the perfect time to require that all legislative proposals are reviewed for economic impact—to determine if a bill would impact jobs and the economy. Do no harm.

Extraordinary Leadership

Some people have said that our state is ungovernable. I don’t believe that, but I do know that now is not the time for business as usual. It is time for extraordinary leadership.

We certainly have a lot of work to do if we’re going to recapture the spirit of enterprise that was alive and well in 1964 and reinvigorate our great state.

We need to rekindle the ambition of business growth to make California the land of opportunity once again.

I am an optimist and I do believe it can and will be done.

With your help, we need all of you to engage and deliver the job creation message. Now more than ever we cannot allow our elected officials to just talk a

good game; they need to lead and walk their talk, now more than ever.

With your help we will resurrect a new golden era for the next generations of mothers and fathers, and their daughters and sons to start up their own businesses and grow the California economy, and most importantly, to realize their American dream.

Thank you for this opportunity to share these thoughts with you this morning. We have a lot of work to do! One of my favorite Mexican sayings is “When the going gets tough, the tough get going!” (That’s a joke!)

Thank you so much. Have a great day and I wish all of you a great year! God bless you.



Photo by Aaron Lambert

Frederick R. Ruiz, 2009 CalChamber chair, discusses the state’s need for extraordinary leadership at the Sacramento Host Breakfast.



Ruiz Foods headquarters and main facility in Dinuba is a 300,000 square-foot state-of-the-art food processing plant. The company’s El Monterey brand is the No. 1 frozen Mexican food brand in the United States.

Summit Spotlights Candidates for Governor, Presidential/California Political Analysis

Two 2010 gubernatorial candidates and NBC News Political Director Chuck Todd were just a few of the many guests to speak at the 2009 California Chamber of Commerce Business Summit, which marked its 22nd anniversary on May 18–19.

Candidates for Governor

Business and local chamber of commerce leaders who attended the annual summit listened to California Insurance Commissioner Steve Poizner and former California Director of Finance Tom Campbell discuss their views on how the state of California could make its way out of the economic downturn under their gubernatorial leadership.

Poizner proposed two changes in California so as not to be “steamrolled in the 21st century global economy.” He said the state must fix the public school system and overhaul the tax and regulatory codes.

“It really matters where companies locate and where they stand. That’s where

the wealth gets generated, that’s where taxes get paid, that’s where we get the resources to invest,” Poizner said.

Campbell said the “means for correcting our problems are within our hands.” He focused on putting an end to overregulation and improper use of litigation and taxation.

“We should not impose regulatory burdens on those who offer jobs in our state with the consequence that jobs will go elsewhere,” Campbell said.

Panel Discussion

A discussion panel that included Dan Schnur, director, Jesse M. Unruh Institute of Politics, University of Southern California, and Greg Lucas, a political writer for *California’s Capitol* blog followed the gubernatorial candidates.

The discussion, moderated by CalChamber President Allan Zaremborg, covered topics ranging from a California constitutional convention, the 2010 race for Governor, the importance of the

young voters and a new strategy for the Republican party.

Federal View

NBC News Political Director Chuck Todd discussed national politics and the first 120 days of President Barack Obama.

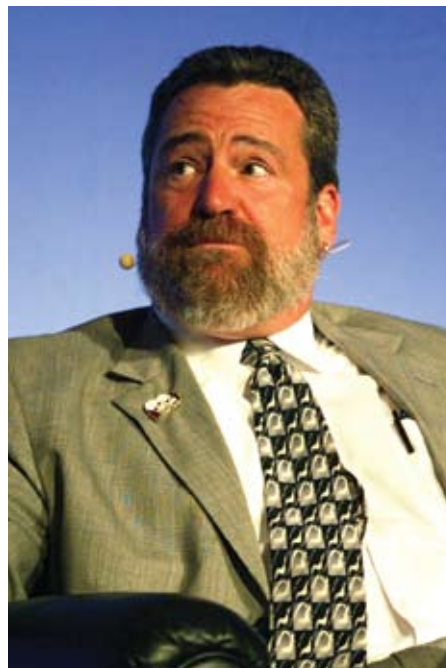
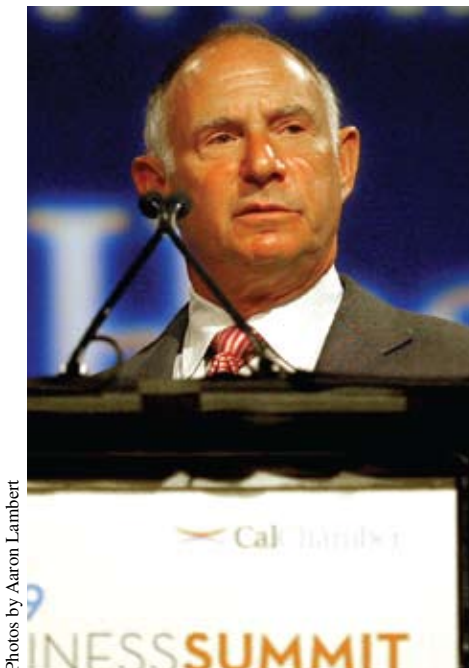
Todd discussed the recent criticism that Obama is “doing too much,” and how it is a reaction to the American public getting used to the “new normal.”

“Everything is just resetting right now in American business and the American economy, which means there will be a new normal,” Todd said.

Todd described the “ADD culture” of America as the largest challenge for the Obama administration and said that the activeness is a response to that.

“This is their response to this ADD mindset,” Todd said.

The administration will do two to three stories a day, assuming that in this “24-hour culture” their story is going to be stepped on, Todd said.



Photos by Aaron Lambert

CalChamber President Allan Zaremborg (left) moderates a discussion on California’s changing political landscape by political writer Greg Lucas (center), *California’s Capitol* blog, and Dan Schnur, director of the Jesse M. Unruh Institute of Politics at the University of Southern California, during the morning general session at the CalChamber Business Summit on May 18.

June 1 Deadline to Apply for Governor's Environmental Award

The deadline to apply for the annual Governor's Environmental and Economic Leadership Awards (GEELA) is June 1.

The GEELA program recognizes individuals, organizations and businesses that have demonstrated exceptional leadership and made notable, voluntary contributions in conserving California's precious resources, protecting and enhancing the environment, building public-private partnerships and strengthening the state's economy.

The competition is open to all California residents, businesses, non-profit organizations, professional and



trade associations, communities, state and local government entities, tribes and federal agencies operating in California.

Award recipients will be chosen in 10 categories based on their strength in eight areas, including results, transferability, environmental impact, resource conservation, economic progress, innovation and uniqueness, pollution prevention and environmental justice.

Applicants are asked to submit the application and supporting documents electronically with only one paper copy and one compact disc mailed and received no later than Monday, June 1, at 5 p.m.

For award information, visit www.calepa.ca.gov.

U.S. Trade Official Gives Overview of Obama Trade Policies, Priorities



Stephen P. Jacobs (left), acting assistant secretary of the International Trade Administration in the U.S. Department of Commerce, outlined the trade strategies, policies and priorities of the Obama administration to more than 70 guests at a May 18 forum presented by the CalChamber Council for International Trade. Attendees included CalChamber Board members Susan Corrales-Diaz (center), council chair, and Roger Baccigaluppi.

CalChamber Board Hears from Departing Assembly GOP Head



Assembly Republican Leader Mike Villines (Clovis) comments on the state of California politics and the issues facing his successor, Assemblyman Sam Blakeslee (R-San Luis Obispo), at the May 18 dinner gathering of the CalChamber Board of Directors.

Uncertainty Strong as Downturn Continues for California, National Economies

U.S. Economic Downdraft Continues

Economic statistics for the nation continued to deteriorate sharply during the past several months.

Reflecting the underlying trends, the government's initial estimate of gross domestic product (GDP) came in at a -6.1 percent annual rate in the first quarter, nearly as bad as the -6.8 percent pace registered in the fourth quarter.

The main reasons the economy fell so sharply last quarter include plunging business spending for new equipment, software and non-residential structures, combined with plummeting exports and massive inventory de-stocking. Together, they sliced an extraordinary -11 percentage points from quarterly growth. Also on the downside, residential investment spending reduced growth by -1.4 percentage points, the 13th quarter of negative performance. Finally, declining federal, state and local government spending drained -0.8 percentage points from first quarter growth.

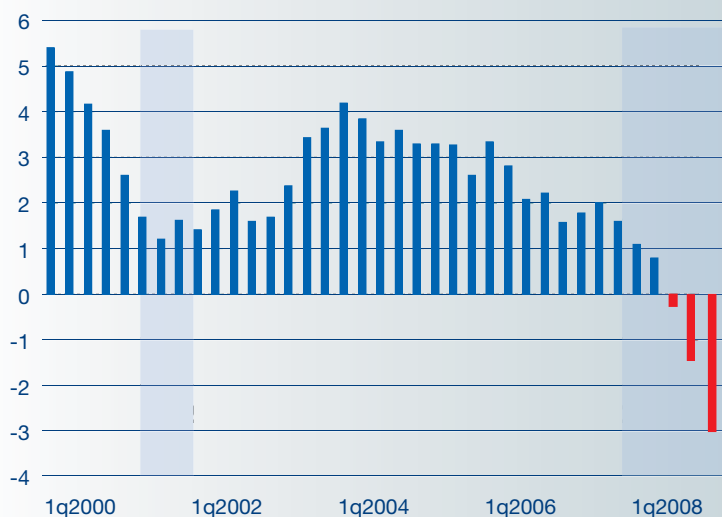
Meanwhile, falling imports (which enter GDP with a minus sign) added +6.1 percentage points to growth during the first quarter, and a welcome upturn in consumer spending contributed +1.5 percentage points.

As shown in the chart, final domestic demand (which includes spending by U.S. consumers, business firms and governments, but excludes changes in inventories and net exports) fell by -3 percent last quarter compared with first quarter 2008. This performance continued the downward trend in place since summer 2007 and marked the worst four-quarter performance since quarterly GDP data became available in 1947.

Other economic news has been just as downbeat. Non-farm payroll employment across the nation has declined every

U.S. Final Domestic Demand

Year/year % Change, Constant \$



month since December 2007, and the cumulative loss through March 2009 was more than 5.1 million workers. Job counts are falling especially fast in construction and manufacturing. Indeed, these two sectors together accounted for nearly half of the drop-off in total employment. There are significant declines also in professional and business service industries, transportation, wholesale and retail trade, and the financial and real estate sectors.

Meanwhile, the nation's unemployment rate moved up from 5 percent in December 2007 to 5.5 percent in June 2008, 7.2 percent in December, and then 8.5 percent in March 2009. Not surprisingly, consumer sentiment is hovering near the record lows of 1980. Weak consumer confidence reflects current poor labor market conditions and continued anxiety about the impact of the ongoing crisis in financial markets.

In a bit of positive news, recent trends on the inflation front are generally favorable. Energy prices have declined markedly from the highs set in late June-early July 2008. Currently, crude oil is priced in the \$45-\$50/barrel range compared with a mid 2008 peak north of \$155/barrel. In

California, regular gasoline is priced about \$2.35/gallon, well below the mid-2008 peak of almost \$4.60/gallon. Lower transportation fuel costs provide a welcome boost to the purchasing power of both households and businesses in a weakening economy.

Concerns about this recession spreading have grown markedly in recent months. Economic forecasters have marked down their 2009 projections around the globe. Deep recessions are now expected in virtually all of the industrial nations and many of the developing countries. The Economic Advisory Council shares these concerns. The economic data reported for the first quarter

2009 revealed very steep declines in employment, domestic and export sales in many nations. In the past, such synchronous downturns have been followed by slow recoveries.

Interest Rates/Financial Markets

The Federal Open Market Committee (FOMC) dropped the fed funds target rate to a range of 0 percent to 0.25 percent at its mid-December 2008 meeting, about as low as interest rate policy can go. The Fed's main concern was then and continues to be the weak economy, evidenced by steep declines in industrial production, housing, consumer and business spending, and foreign trade.

While conditions in some credit markets have improved, "credit conditions for households and business firms remain extremely tight." Thus, the Fed plans to use its balance sheet to "support the functioning of financial markets and stimulate the economy through open market and other measures likely to keep . . . [its] balance sheet at a high level."

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Uncertainty Strong as Downturn Continues for California, U.S. Economies

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In particular, the Fed's holdings of mortgage-backed securities have grown markedly in 2009. There has been some improvement in domestic and foreign capital markets over the past few months. Long- and short-term corporate spreads have narrowed somewhat, though they remain higher than before the financial crisis began in September.

Other leading central banks are following similar policies to increase market liquidity, ease interest costs and stem the downward economic momentum in their nations.

However, most households and firms still face credit quality constraints when they try to obtain new mortgages and business loans. The Economic Advisory Council's prognosis: the situation is improving, but the battle is not yet won.

California Economy Sinking

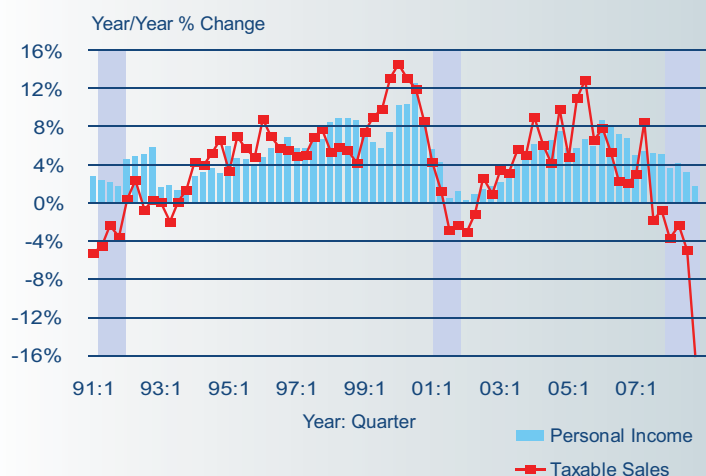
Like the nation, California's economy turned down sharply during the past two quarters. The state lost -637,400 non-farm jobs between March 2008 and March 2009. Of these, 72 percent (or -458,400 jobs) disappeared between September and March. The state's unemployment rate rose to 11.2 percent in March 2009 from 6.4 percent in March 2008. The latest reading was the highest since World War II.

Other broad-based indicators also paint a dark picture. Personal income earned in California increased by just 1.7 percent during fourth quarter 2008 compared to fourth quarter 2007 (latest data available). A year earlier that figure was 5.1 percent.

Problems in the state's construction, manufacturing, retail trade and finance sectors accounted for much of the drag in the state's earnings growth. Taxable sales have been weakening since early 2007. By fourth quarter 2008, the estimated year-to-year decline had swollen to -16 percent.

Sales declines have been most severe for California's motor vehicle dealers,

California Personal Income and Taxable Sales



Sources: U.S. Bureau of Economic Analysis, California Board of Equalization

followed by building materials dealers and household furniture and appliance stores. Weakness in personal incomes, corporate profits and taxable sales are a threat to the state's operations, as tax revenues continue to come in below expectations.

With or without passage of the collateral propositions on May 19, the February budget package may need to be re-opened to avoid another operating deficit in the state's General Fund. In turn, the need to close this deficit constrains the state's ability to support the economy.

Employment performance among the state's industries has been mostly negative over the 12 months to March. On the plus side, the only major industries with higher job counts were health care and social assistance; (private) educational services; the federal and state governments; and agriculture. Job counts fell in all other major sectors.

Employment declined the most in California's construction, retail trade, manufacturing, employment services, leisure and hospitality, and financial activities sectors. Together, firms in these six industries reduced payrolls by more than -525,000 workers, while other sectors reported smaller declines.

Exports

Exports of goods made in California

provided a much-needed boost to the state's economy last year, but this sector too is showing considerable weakness. Total state exports grew by 7.8 percent during 2008. However, exports in January–February 2009 were down by -20.5 percent over the first two months of 2008.

The largest category of exports—high tech manufactures (computers, peripherals and so forth) declined by -25 percent in dollar terms, while non-electrical machinery exports dropped by -20.2 percent. Exports of transportation equipment sagged by -8.7 percent, while California agribusi-

ness products (farm produce, livestock, fish, processed food products, and beverages and tobacco) fell by -11 percent. Exports of other important California-made products also declined, like chemicals (down by -20.6 percent) and miscellaneous manufactures (-19 percent).

Regional Employment

Comparing the state's major metro areas, regional employment performance continued to worsen in the early months of 2009. By March, all of the state's major metro areas were reporting year-to-year losses in non-farm employment.

Job losses were relatively moderate in four areas of the Central Valley—Bakersfield and Stockton (-1.1 percent to -2 percent), followed by Fresno and Modesto (at -2.9 percent and -3.1 percent respectively).

San Diego, Los Angeles, San Francisco and San Jose reported "middling" losses in the -3.4 percent to -3.7 percent range.

At the other end of the scale, employment declines were most severe (-4.7 percent to -6.6 percent) in Ventura County, Orange County, and the Sacramento and Riverside-San Bernardino metro areas.

The employment downturn accelerated in the San Francisco Bay Area during the first quarter, especially in the San Francisco and San Jose metro areas.

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Construction activity has fallen around the Bay. Retail trade job counts are decreasing, especially in San Francisco and Alameda County. The shrinkage in the financial sector has impacted San Francisco, Oakland and Contra Costa County.

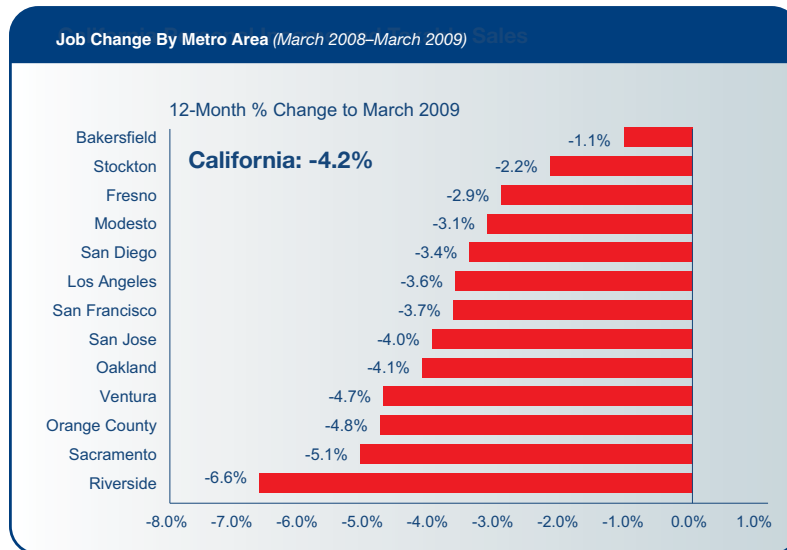
In the San Francisco area, the sharp downdraft in tourism during the fourth and first quarters has generated much concern about the months to come. Similarly, San Jose's high tech manufacturers, especially those producing semiconductors and electronic components, have reduced output and cut back employment in response to shrinking business and consumer demands for computers and electronic products.

In Southern California, the downturns in construction and industrial production, combined with retail bankruptcies and store closures, have caused significant employment losses across the region. In addition, financial sector job counts are shrinking in Los Angeles and Orange counties due to industry restructuring.

The slowdown in tourism is a growing concern in Los Angeles, San Diego and Orange County. In addition, drastic reductions in freight traffic through the area's ports have generated adverse impacts at the ports themselves and in the transportation, warehousing and distribution centers of Los Angeles, Orange County and the Inland Empire.

The region's entertainment and media sector presents a mixed picture. On the one hand, domestic box office demand for films is off to a fast start this year, and international box office also is doing well. However, recent sharp declines in advertising revenues have had an impact on broadcast TV and newspapers. Finally, the Screen Actors Guild still has not settled its contract, though a vote is scheduled soon on the latest set of proposals.

In another key sector, the new Department of Defense procurement budget proposals will have a mixed-to-nega-



tive impact on the region's key aerospace industry if they are enacted into law.

Agriculture and Resources

2008 appeared to be a pretty good year for California's agriculture sector. Prices were high for many products and exports grew strongly. However, prices of several important products have weakened considerably over the past six months, including dairy, apples and other fruits, and some nuts. California-grown exports decreased over the year to January and February. Feed costs have also declined, but not as much as prices, raising concerns about farms' profit margins in 2009.

Demand for many premium California-grown products has softened, as recession-weary consumers economize. Drought restrictions have become a reality (see below), forcing many California farms to make hard decisions about which products to produce and which to reduce or eliminate. Trees as well as crops are at risk; a number of older orchards are being cut down in response to the water shortage and low prices.

Indeed, there is great concern about water supply across the state. The recent string of dry years—including 2008–2009—has left storage at very low levels in California's water systems and the Colorado River area. Both the State Water Project and the Central Valley Project restricted deliveries in 2008, and even bigger reductions are coming in 2009.

Water that must transit the Delta faces

even more severe cutbacks. The outcome depends on a new Delta fish plan still being developed by the U.S. Department of Fish and Wildlife, but water allocations to parts of the Bay Area, Southern California and the San Joaquin Valley are all likely to be reduced significantly. Mandatory reductions in urban water use are highly likely in 2009.

The supply of electricity in California should be adequate in the near term as industrial demand weakens in the recession. However, electricity prices will be sharply higher in 2009,

reflecting the utilities' higher costs associated with mandated investments to reduce their environmental footprint and to improve their distribution networks.

Real Estate and Construction

Increasingly, the California housing market is operating on two different tracks. Here are some interesting statistics for the state's re-sale home market:

- Existing single-family home sales in California increased by nearly +64 percent over the year to March 2009, while condo sales were up by almost +52 percent.

- Prices continued to fall, with the median price of single-family homes sold in March 2009 (at \$252,040) down by -39 percent compared to March 2008.

- The number of homes available for sale represented just five months supply (at March's sales rate) compared to 12.2 months a year earlier.

Existing home sales have been quite healthy for the past six months. A number of fundamental geographical and market changes have occurred in the "mix" of homes sold. In particular, sales have soared in the inland areas of California that experienced high foreclosure rates and where large numbers of lender-owned REO (real estate-owned) homes are on the market. "Distressed" sales, i.e., at low, "distressed" prices, have accounted for

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well over half of home sales, which has pushed down the state's median price. Creditworthy home buyers are able to take advantage of low fixed mortgage rates. Further, the plunge in transaction prices means many home sales will fall inside this year's conforming loan limits (up to \$625,500 now and \$729,750 soon). As a final inducement, the federal government is offering a tax credit of up to \$8,000 to first-time buyers.

The outlook for home sales is uncertain. The state's median price has hovered in the \$250,000 range for the past three months, which may—or may not—mean stabilization. Mortgage defaults have grown, so the supply of foreclosed homes probably won't shrink in the near-term. On the demand side, the housing market environment seems favorable, while the economic situation is not. Significant further improvements in the pace of sales seem unlikely until the economy—and buyers' confidence—begins to improve.

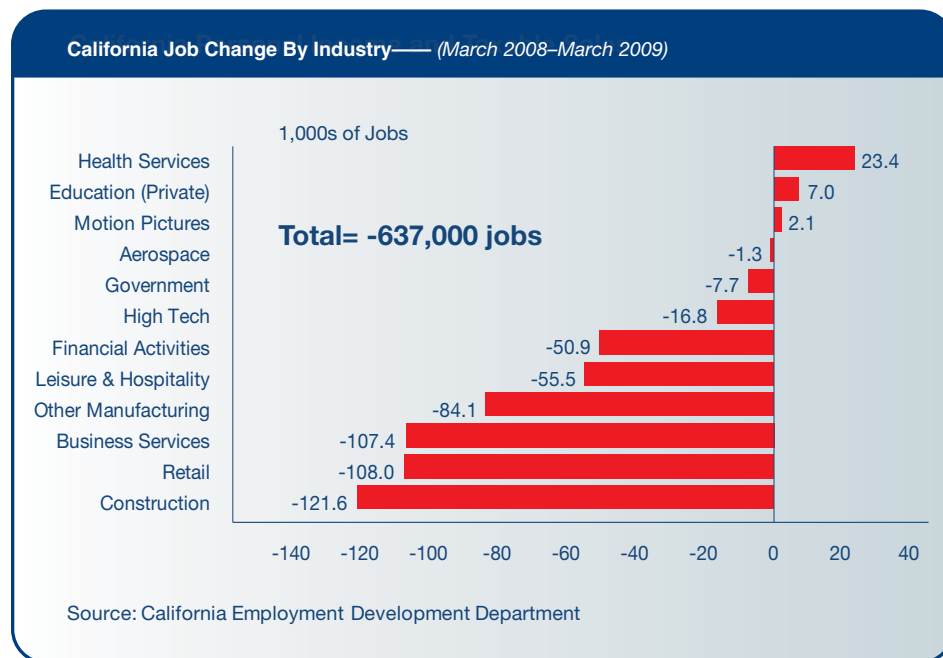
Residential construction activity continued at very low levels across the state during the first quarter, setting new lows for this down-cycle. Total housing permits were issued at an annual rate of just 29,000 units during first-quarter 2009, down from 68,000 in first-quarter 2008, and a drastic decline of -86 percent from the peak construction level of 2004. Single-family homes were down by -88 percent, while multi-family permits were off by -82 percent.

New home builders still have sizable inventories of unsold homes and lots. However, construction of new homes has dropped significantly and effective selling prices are falling, so the unsold inventories are beginning to decline, especially single-family units. Still, inventories of attached housing units (condominiums and apartments) continue to swell. Finding buyers for the condominium units likely will take a while.

Despite the favorable buying incentives—including state and federal tax credits—industry observers do not expect any significant improvement in new home construction before 2010, with some areas not reaching bottom until a year later.

Commercial Real Estate

Fissures are also showing in California's commercial real estate mar-



kets. Specifically, availability rates have risen markedly over the past year, and virtually all external development funding has disappeared. The situation is most problematic for retail, office and industrial space. Retail sales are declining, and retailers' access to financing has been limited by the credit crunch. Several chains have declared bankruptcy or closed down altogether, and this trend is expected to continue in the near term.

With most lenders unwilling to commit new funds for commercial real estate development, construction of new retail space is plunging. Even so, vacancies are surging and rents are dropping because so many stores are closing down.

Most areas in California are experiencing higher retail vacancies. The biggest problems appear to be in Riverside-San Bernardino and areas where large amounts of retail construction took place in recent years.

Demand for office space has fallen, reflecting weaker employment trends in most office-based industries, especially finance and insurance. Many firms are reducing headcount and vacating or sub-leasing space.

Vacancies are highest and rising in the Inland Empire (23.3 percent), Sacramento (18.7 percent) and Orange County (18 percent). Close behind are San Diego

(16.8 percent vacancy rate), the San Francisco Peninsula (16.7 percent), Silicon Valley (16.3 percent) and the East Bay (15.9 percent). Considerable new product is coming into Sacramento and several other markets, suggesting rents will be weaker there than elsewhere.

Statewide, the value of new office construction permits plunged by -85 percent in first quarter 2009 compared with first quarter 2008. Thus, the office construction pipeline will shrink eventually, though not before vacancies rise further.

Industrial vacancy rates are also on the rise, though new construction is slowing sharply. Demand for warehouse and distribution space has slackened, reflecting the more somber outlook for retail sales across the United States as well as the plunge in international trade. Demand for high tech and biotech space also appears weaker since the financial crisis last fall and the downturn in the high tech industry.

The lowest vacancy rate is in Los Angeles County, at 2.7 percent, followed by the East Bay, at 3.3 percent. Vacancy rates are highest in the Inland Empire (11.8 percent), San Jose (also 11.8 percent) and Sacramento (11.1 percent). Vacancies are surging in the Riverside-San Bernardino area, where substantial new construction is under way even

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though demand for distribution space has fallen.

The total value of non-residential building permits declined by -48 percent in California during the first quarter of 2009 compared with the first quarter of 2008. Permits for new buildings dropped by -66 percent, while the value of alterations and additions (which more often are owner-financed) fell by -26 percent.

During the first quarter, total non-residential permit activity increased only in Kern County (+21 percent), Merced County (+25 percent) and San Luis Obispo (+132 percent). The biggest declines in permit activity occurred in San Francisco (down by -74 percent), Riverside-San Bernardino (down by -69 percent) and Alameda County (-50 percent).

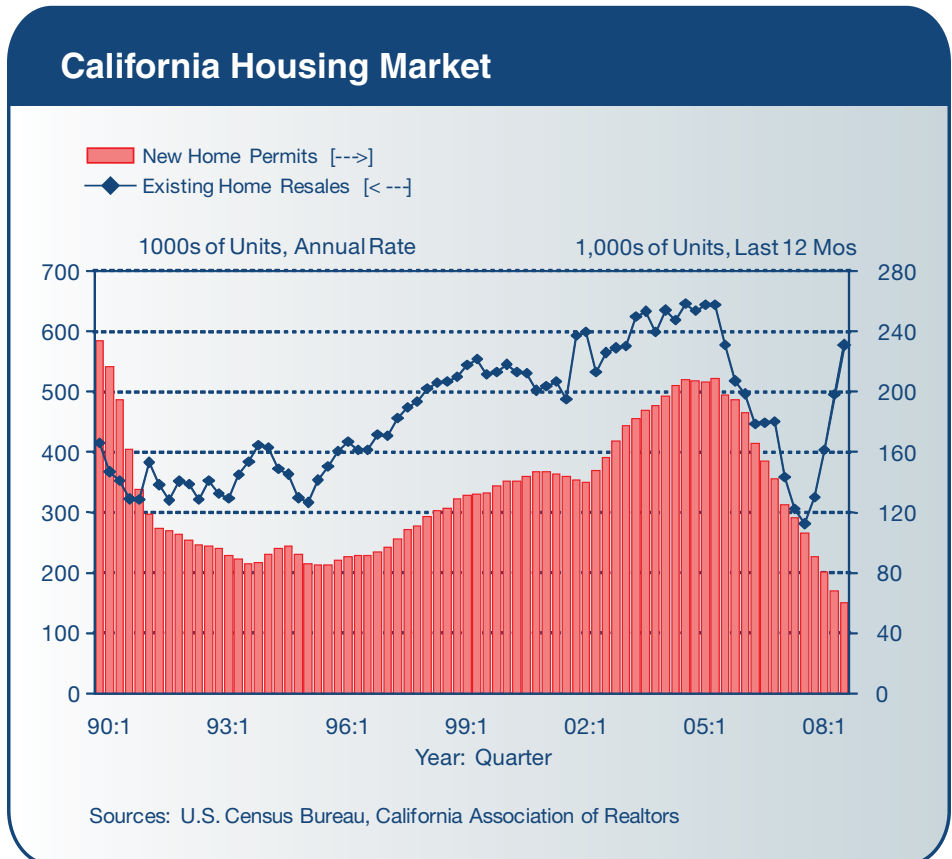
Financing has become extremely difficult to obtain for most types of new commercial real estate projects, so permit values are expected to continue at low levels throughout 2009. As projects currently under construction are completed, the construction pipeline will empty out, a good thing as market fundamentals are deteriorating.

Risks

Risks are mostly to the downside in this environment. The economy is in the midst of a serious, lengthy recession. Uncertainty is high, and we do not know how deep the recession will be nor how long.

One key risk is the continued volatility in global capital markets. Central banks and governments around the world are pouring trillions of dollars into their financial sectors. There are tentative signs of easing, but the financial industry's problems are complex and likely to worsen along with the general economy.

Considerable time and still more public support likely will be required before the most important issues can be resolved. If nothing else, capital market volatility limits financial institutions' ability and willingness to take on more debt and to engage in ordinary business and consumer



lending, thereby exacerbating the current credit crunch. The result: business and household spending could slow even more than now seems likely.

A second, related risk is that rising joblessness and a renewed tightening of credit conditions could worsen the current troubles in the state's housing markets, taking sales volumes back down again.

California's housing markets can't begin to approach normal until unsold inventories are reduced significantly. That process has been unfolding over the past six months. However, the progress made so far could be derailed if the credit crunch were to relapse.

On the other hand, several large banks and the federal government have started up special programs to work with borrowers to limit future delinquencies and foreclosures. If the new programs succeed, the decline in home prices

caused by excess supply of foreclosed homes could be slowed.

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 chief economist for the Los Angeles Economic Development Corporation.

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

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Summer heat is fast approaching! Help protect your employees with Heat Illness Prevention Training



Worksite heat-related injuries and illnesses result in approximately 27 U.S. deaths per year. If your company employs outdoor workers, you must meet Cal/OSHA requirements for heat illness prevention. To avoid serious fines, employers need to provide shade, access to clean, cool drinking water and proper training on heat illness.

CalBizCentral provides these heat illness prevention solutions in English and Spanish* to help you meet the Cal/OSHA requirements:

- **Heat Illness Prevention** mini-books: Five books per package; pictorial instruction, educating workers on how to prevent and treat symptoms.
- **Heat Illness Safety and Prevention** poster: Illustrations and easy-to-understand instructions.
- **Cal/OSHA Heat Stress**: 30-minute online training course teaches workers the basics of heat stress awareness and prevention (available for pre-order now).

*Heat Stress Online training available in Spanish August 1, 2009.

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