CalChamber Outlines Plan to Speed Economic Rebound

Since the beginning of the economic downturn, the California Chamber of Commerce has been actively discussing and publishing California-specific proposals that will improve the state’s competitiveness and lead to new jobs and enhanced investment.

This week, the CalChamber released a new compilation of these proposals, called “Renew California: CalChamber Economic Recovery and Job Creation Action Plan.”

**Action Plan Online**

The Action Plan, which appears on Pages 5–6 of this Alert, and also can be viewed online at www.calchamber.com/renew, is a comprehensive listing of proposals that, individually and together, should help state leaders make critical changes that are needed to improve both the perception and reality about California’s hostile jobs and investment climate.

At this critical point in California’s history, the state must demonstrate its receptivity to economic investment and jobs by eliminating uncertainty and welcoming growth.

**Poor Perception to Overcome**

The latest evidence of the need for improvement was California’s ranking as the worst state to do business in a *Chief Executive* survey of more than 600 CEOs. California came in 51st of the 50 states and Washington, D.C.

*Chief Executive*’s online report of survey results, posted April 29 at www.chiefexecutive.net, quoted one CEO as saying, “California is terrible. Even when we’ve paid their high taxes in full, they still treat every conversation as adversarial. It’s the most difficult state in the nation. We have actually walked away from business rather than deal with the government in Sacramento.”

**Roadmap to Recovery**

While the first signs of a national economic recovery are beginning to appear, it is the opinion of most economists that California will lag behind the rest of the nation. CalChamber’s Action Plan is being provided to state leaders as a roadmap for a stronger, earlier rebound for California.

Recently, the Governor announced the creation of a Governor’s Office of Economic Development to assist businesses that wish to expand and locate in California. This development resulted from a proposal contained in a report from the Little Hoover Commission, whose recommendation echoed suggestions put forward by the CalChamber over the last two years.

In the coming weeks and months, the CalChamber will continue to update the Action Plan by identifying barriers to economic growth and proposed solutions to increase investment in California. The CalChamber also will assess the progress of California policymakers in addressing these issues.

**Former Governor Wilson to Discuss State’s Governability**

Former California Governor Pete Wilson will comment on California governance in a candid discussion at the California Chamber of Commerce Business Summit on May 17 in Sacramento.

Joining Wilson to address the question “Is California Ungovernable?” will be Russell Gould, who served as director of finance in the Wilson administration and now is president of Gould Financial Consulting and chairman of the University of California Board of Regents.

CalChamber President and CEO Allan Zaremberg will moderate the session, which will follow a panel discussion at which three of California’s top political strategists will discuss the same question.

Panelists at the earlier session will be Jim Brulte, a longtime Republican and...

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Labor Law Corner

Several Vacation Benefit Options for Outside Non-Salary Sales Staff

For example, you can have a policy where an outside salesperson can have two weeks off per year without pay other than commissions that are due to be paid during the vacation time off period.

- Another option is to set a fixed dollar amount to be paid during the vacation period.

For example, you can offer your outside sales staff a set amount such as $500 per week. Your employee would then receive $1,000 for his/her two-week vacation period, plus any earned commissions falling due during that period.

- A third option is to offer vacation benefits based upon an average of past earnings.

For instance, use a base such as the prior year and divide by 52. Use this figure for the weekly vacation benefit. Suppose an employee earns $60,000 the prior year; divide that by 52 and that leaves $1,153.85 per week.

Your employee would then be paid $2,307.70 plus what commission is due in that period. You can certainly use a different base than the prior year; divide by 52 and that leaves $1,153.85 per week.

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Pay Obligations

You need to consider that in the first option, there is no cash-out obligation under Labor Code Section 227.3 because only time off is promised. The only pay obligation is the promise to pay earned commissions.

The second and third options are different in that time off with pay is in the employment agreement. This is vacation wages and vests on a daily basis. You are obligated to cash out on termination all unused accrued vacation.

The third option is potentially troubling because of the payout provisions of Labor Code Section 227.3. What if the outside salesperson is in his/her second year, is earning more than the first year and is terminated? What does that do to the final rate and fairness and equity that is in Labor Code 227.3? You should consult with your labor and employment attorney before going with this option.

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

More information at www.calchamber.com/events.

Business Resources


Mountain View. (415) 564-2600.


International Trade


Consular Corps Luncheon. NorCal World Trade Center. May 18, Davis. (916) 447-9827.


7th World Chambers of Commerce. See CalChamber-Sponsored: Next Page
Policy Committee Passes Job Creator Bill to Protect Employee Training Dollars

A California Chamber of Commerce-supported job creator bill that protects and maximizes the amount of training dollars that stay in the Employment Training Panel (ETP) fund recently passed an Assembly policy committee.

**AB 1804 (Hagman; R-Chino Hills)** helps California stay competitive by ensuring that employer-generated dollars for the ETP fund are not permanently diverted by the state to other programs.

The measure requires funds borrowed from the ETP to be paid back within three years. This ensures that the funds remain available to train employees of businesses that are locating or expanding in California, as well as retraining employees to make California operations more viable.

The bill will be considered next by the Assembly Appropriations Committee; no hearing date has been set.

A similar job creator bill from 2009, AB 816 (Hagman; R-Chino Hills), failed to pass the Assembly Insurance Committee last year.

**ETP Successes**

For more than 20 years, the ETP has been a partner with California companies to help develop advanced skills for their workers.

Recently, over the last 11 years, the ETP funds have been diverted to the Department of Social Services. The diverted amounts range from 26 percent to as high as 68 percent of the ETP fund. Over the last three years alone, more than $190 million has been diverted from the fund.

It is especially critical to stop continued diversion of these dollars now, since ETP fund revenue has decreased dramatically. Employers with numerous layoffs tend to fall into negative reserve and no longer have to pay the Employment Training Tax. Significant job losses in the economic downturn have resulted in almost a 50 percent decrease of the fund.

Although difficult choices must be made to balance the state’s budget, the backbone of California’s economy is a skilled workforce. Undercutting programs that help business prosper, create high-wage jobs and generate tax revenue will only exacerbate California’s budget problem.

**Key Vote**

AB 1804 passed the Assembly Insurance Committee 11-1 on April 21.

**Ayes:** Anderson (R-El Cajon), Blakeslee (R-San Luis Obispo), Caballero (D-Salinas), C. Calderon (D-Montebello), Carter (D-Rialto), Hagman (R-Chino Hills), Hayashi (D-Hayward), Niello (D-Fair Oaks), Salas (D-Chula Vista), Solorio (D-Anaheim), Torres (D-Pomona).

**Noes:** Feuer (D-Los Angeles)

**Action Needed**

Contact members of Assembly Appropriations and your Assembly representative. Urge them to support AB 1804.

For a sample letter, visit [www.calchambervotes.com](http://www.calchambervotes.com).

Staff Contact: Kyla Christoffersen

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**CalChamber-Sponsored Seminars/Trade Shows**

- **From Previous Page**
  - International Chamber of Commerce. June 8–10, Mexico City. (212) 703-5065.
  - Indo Aquaculture 2010. Indonesia Directorate General of Livestock Services, Department of Agriculture. July 8–10, Jakarta, Indonesia. [kontakt@merebo.de](mailto:kontakt@merebo.de).
  - Indo Livestock 2010. Indonesia Directorate General of Livestock Services, Department of Agriculture. July 8–10, Jakarta, Indonesia. [kontakt@merebo.de](mailto:kontakt@merebo.de).
  - Africa’s Big Seven. Exhibition Management Services. July 18–20, Johannesburg, South Africa. [admin@exhibitionsafrica.com](mailto:admin@exhibitionsafrica.com).

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**CalChamber Calendar**

- **Business Summit/Host Breakfast:** May 17–18, Sacramento
- **Council for International Trade:** May 17, Sacramento
- **Water Resources Committee:** May 17, Sacramento
- **Environmental Regulation Committee:** May 17, Sacramento
- **Board of Directors:** May 17–18, Sacramento
- **Fundraising Committee:** May 18, Sacramento
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party strategist; Gale Kaufman, a leading Democratic campaign consultant; and Garry South, another leading Democratic strategist.

The CalChamber Business Summit offers business owners, CEOs, public affairs staff, board members, committee members and many more a look at top issues facing California businesses.

Pete Wilson

Wilson, director of The Irvine Company, is a member of the CalChamber Board of Directors.

His career encompasses more than 30 years of public service as Governor of California, U.S. senator, mayor of San Diego and California state Assembly member.

He is a principal in Bingham Consulting Group, based in the firm’s Los Angeles office. He also is of counsel to Bingham McCutchen.

As Governor of California from 1991 to 1999, he is credited with leading California from the depths of recession to prosperous economic recovery. Insisting on strict budget discipline and rehabilitation of the state’s then-hostile environment toward investment and job creation, Wilson provided for market-based unsubsidized health coverage for employees of small businesses and obtained anti-fraud measures that drove down workers’ compensation premiums by 40 percent. Under his leadership, California also enacted sweeping welfare reforms and historic education reforms.

After leaving office, he spent two years as a managing director of Pacific Capital Group, a merchant bank based in Los Angeles. He serves as a director of U.S. Telepacific Corporation, Inc., National Information Consortium Inc. and IDT Entertainment. He is a member of the board of advisors of Thomas Weisel Partners, a San Francisco merchant bank. He also served as chairman of the Japan Task Force of the Pacific Council on International Policy, which produced an analysis of Japanese economic and national security prospects over the next decade titled “Can Japan Come Back?”

Russell Gould

Gould is a member of the CalChamber Board and served as chair in 2007.

As president of Gould Financial Consulting, he serves as a fiscal policy advisor to executive leaders of corporations, government and not-for-profit entities on issues related to the state budget, investment and tax policy.

As chairman of the UC Board of Regents, he presides as an officer of a system that consists of 10 campuses, five hospital centers, national laboratories and research centers throughout California with a total budget of nearly $20 billion.

Gould previously served as senior vice president for Wachovia Bank, providing leadership in the development of the bank’s investment management and public finance services in California from 2004 until he retired in 2009.

He currently serves on The Irvine Company Board, the College Access Foundation of California Board and the Sierra Health Foundation Board. He has served as a member of the Governor’s Council of Economic Advisors and the Constitution Revision Commission.

Registration

Online registration and more information are available at www.calchamber.com/Summit10.

United Healthcare and Pacific Gas and Electric Company are major sponsors of this year’s Summit.

Staff Contact: Alicia Smith

Obama Appointees to Speak at CalChamber International Forum

The California Chamber of Commerce Council for International Trade will host an International Forum featuring two trade officials from the Obama administration on May 17 in Sacramento.

Featured Speakers

Featured speakers at the forum, which also is a breakout session for the CalChamber Business Summit, will be:

● Demetrios Marantis, deputy U.S. trade representative Asia and Africa Division, Office of the U.S. Trade Representative; and

● Suresh Kumar, assistant secretary for trade promotion, director-general of U.S. and Foreign Commercial Service, U.S. Department of Commerce.

● Joel Ayala will be introduced as the executive director of the newly created Governor’s Office of Economic Development (GoED).

Asia Pacific

Marantis will discuss Asia Pacific Economic Cooperation (APEC) issues and the U.S.-hosted APEC meetings scheduled for 2011. Marantis is responsible for U.S. trade negotiations and enforcement in Asia and Africa. He also leads U.S. Trade Representative global initiatives on trade and development, labor, and the environment.

Marantis recently served as chief international trade counsel (majority) for the U.S. Senate Finance Committee.

National Export Initiative

Kumar will be discussing President Barack Obama’s National Export Initiative.

In his current position, Kumar helps U.S. firms and workers navigate the often-complicated and unpredictable waters of foreign trade so that sales abroad help support U.S. jobs. He most recently was president and managing partner of KaiZen Innovation, a management advisory firm dedicated to improving local communities and global markets.

Kumar served as special advisor to the Clinton Foundation, working with governments in Sub-Saharan Africa and corporate CEOs to establish private-public partnerships to stimulate economic development in the region.

Kumar led Johnson & Johnson’s Worldwide Consumer Pharmaceuticals business and served on its Group Operating Committee.

Registration

To register for the International Forum, call (916) 444-6670, ext. 233, or e-mail intl.events@calchamber.com.

Staff Contact: Susanne T. Stirling
Renew California: CalChamber Economic Recovery and Job Creation Action Plan

The California Chamber of Commerce is at the forefront of a broad, non-partisan effort to rehabilitate the state’s image and improve the climate for investment and job creation. California will eventually enjoy an economic recovery, but the strength and depth of our rebound—and the fiscal health of state and local governments—will depend upon making the state more competitive for job creation, new business formation and new capital investment.

The five pillars of economic recovery are:

1. Reducing the regulatory and litigation costs of hiring new employees and keeping them on the job;
2. Ensuring certainty and stability of private investments in plants, equipment and technology, including a fair and predictable tax structure;
3. Investing in public works that provide the backbone for economic growth;
4. Providing a world-class education to prepare high school students for work or college, and supporting public colleges and universities in their student preparation and technology innovation missions; and
5. Ensuring transparency and accountability at all levels of government, and fostering private enterprise and markets.

* * *

1. Reduce the regulatory and litigation costs of hiring new employees and keeping them on the job, and provide more flexibility in the law for both employers and workers.
   - Simplify meal and rest period rules — Clarify meal period rules regarding timing of the meal period, on-duty meals, providing meal periods and employer liability.
   - Adopt flexible work schedules — Return to a 40-hour weekly overtime rule to bring the state back in line with the rest of the nation. Create more options for employees who wish to work more hours and fewer days.
   - Protect and expand workers’ compensation insurance reforms — Bolster historic cost-saving reforms by offsetting increased costs with additional changes to the system.

2. Ensure certainty and stability of private investments in plants, equipment and technology, including a fair and predictable tax structure.
   - Stop tax increases masquerading as “fees” — Overturn case law to ensure that fees are limited to payments for government services or direct regulatory programs, and are not a smokescreen for new and higher spending programs.

3. Protect the right to use arbitration — Oppose efforts to prohibit or unnecessarily limit employers from use of arbitration and other means of alternative dispute resolution.

4. Ensure certainty and stability of class action lawsuits — Set appropriate limits on punitive damages similar to those adopted by other states and curb frivolous class action lawsuits to make the state less inviting to forum shoppers.

5. Protect Proposition 64 reforms — Support expeditious scoping plan prior to adoption of the AB 32.

6. Reform independent contractor definitions — Clarify, simplify and safeguard independent contractor tax status. Make it easier for new businesses to form and prosper.

7. Reform excessive litigation by reforming laws on punitive damages and class action lawsuits — Set appropriate limits on punitive damages similar to those adopted by other states and curb frivolous class action lawsuits to make the state less inviting to forum shoppers.

8. Protect California Environmental Quality Act (CEQA) — Alleviate unnecessary expenses, delays, uncertainty and litigation traps of the California Environmental Quality Act. Ensure that CEQA does not exacerbate businesses’ burdens under AB 32.

9. Minimize compliance costs of climate change law — Require a peer-reviewed analysis of the economic costs by industry sector and region to implement the elements of the AB 32 and develop a program that is harmonized with any federal cap-and-trade legislation.

10. Oppose punitive taxation that undermines economic development and stability of investments, such as:
   - Undermining or limiting net operating loss deductions, research and development credits, and the elective single sales factor, as contemplated by a proposed ballot initiative.
   - Discriminatory taxation of targeted industries or groups, such as e-commerce, services industries or high-income workers or investors.
   - Imposition of a split roll property tax.
   - Repeal 20% penalty for understatement on corporate income tax returns.

11. Increase manufacturing jobs — Provide a sales tax credit for investment in manufacturing equipment. California is one of only a few states that taxes manufacturers on job-creating investments in plants and equipment.

12. Protect enterprise zones — Defend and strengthen these important economic and community development incentives.

13. Reform California Environmental Quality Act (CEQA) — Alleviate unnecessary expenses, delays, uncertainty and litigation traps of the California Environmental Quality Act. Ensure that CEQA does not exacerbate businesses’ burdens under AB 32.

14. Minimize compliance costs of climate change law — Require a peer-reviewed analysis of the economic costs by industry sector and region to implement the elements of the AB 32 and develop a program that is harmonized with any federal cap-and-trade legislation.

15. Reform the Endangered Species Act — Revise state and federal laws to achieve a balanced approach between environmental protection and socioeconomic progress.

16. Invest in public works that provide the backbone for economic growth.

17. Adopt a comprehensive water policy — Support expeditious
Renew California: CalChamber Economic Recovery/Job Creation Action Plan

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implementation of 2009 water policy compromise, including financing and development of additional water supplies, storage and conveyance facilities.

● Reauthorize the Federal Surface Transportation Act — Support our congressional delegation to ensure that California receives its fair share of federal transportation dollars.

● Expand the state’s energy infrastructure to improve energy reliability and affordability — Ease barriers to building new electrical transmission lines, liquid natural gas regasification plants, and natural gas pipelines. Invest in research and development of new fuel technologies.

● Expand the use of public-private partnerships for infrastructure projects — Provide additional and broader authority for public entities to partner with private entities to finance, design, build and maintain infrastructure projects.

● Create business-friendly port policies — Implement policies that restore port trade volumes to previous levels and incentivize economic growth and job creation.

● Improve goods movement infrastructure — Enhance and construct corridors to ensure goods move quickly to markets and minimize congestion.

4. Provide a world-class education to prepare high school students for work or college, and support public colleges and universities in their student preparation and technology innovation missions.

● Defend the current accountability system — Oppose rolling back the state’s accountability measures and hold schools accountable for attaining a minimum of grade-level proficiency for all students and improve assessment systems.

● Align workforce and college readiness — Require all 11th grade students to take the Early Assessment Program and aggressively remediate students in the 12th grade, to reduce college and workplace remediation.

● Define “teacher quality” as the ability to improve and maintain student academic achievement — This measure should be used to implement a performance pay system for outstanding teachers and administrators, and as a tool for evaluating, remediating or terminating school professionals who do not perform adequately.

● Improve fiscal transparency and effectiveness — Improve disclosure of the costs of education and hold schools and districts accountable for their use of taxpayer funds.

● Maintain a long-term financial and policy commitment to higher education — California’s university and college systems are the envy of the world and a clear competitive advantage for the state. Investments in these institutions will continue to pay dividends to California’s economy, and should be at the top of the public policy and financial priorities.

5. Ensure transparency and accountability at all levels of government, and foster private enterprise and markets.

● Improve accountability of elections for state office — Change primary elections for statewide and legislative offices so top two vote getters advance to general election.

● Require economic analysis of regulations — Establish a formal administrative process to develop economic impact analysis prior to implementation of new regulations and review certain current regulations for their economic impacts.

● Require economic analysis of legislation — Establish a comprehensive and dynamic economic impact analysis in the Legislature and the Executive Branch that analyzes policies before they are passed or adopted. Create dedicated committees in both the Senate and Assembly to review all legislation for their effects on the state’s economy and jobs.

● Increase free trade — Support free trade worldwide, expand international trade and investment, fair and equitable market access for California products abroad, and eliminate disincentives that impede the international competitiveness of California business.

CalChamber Positions on June Ballot Propositions

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Legislative Outlook

An update on the status of key legislation affecting businesses. Visit www.calchambervotes.com for more information, sample letters and updates on other legislation. Staff contacts listed below can be reached at (916) 444-6670. Address correspondence to legislators at the State Capitol, Sacramento, CA 95814. Be sure to include your company name and location on all correspondence.

CalChamber-Supported Bill Provides Taxpayer Fairness

**CalChamber-supported** legislation that would improve taxpayer fairness is making its way through the Senate.

**SB 1028 (Correa; D-Santa Ana)** provides taxpayer fairness by allowing the Board of Equalization (BOE) to compute interest due on a monthly basis when equitable.

Under the legislation, the BOE is permitted to calculate late interest penalties at a daily rather than monthly rate when it deems that it is equitable to do so, based upon all the facts and circumstances.

Under current law, a taxpayer with a late payment is assessed a 10 percent penalty on top of a 7 percent interest penalty for the entire month in which the late payment occurred. As a result, a small business owner who is inadvertently 10 minutes late with an electronic payment can still get hammered with a full month’s interest penalty. In some cases, the interest penalty can exceed the amount of the payment.

SB 1028 is very narrow in scope. It is limited to taxpayers who have been relieved of all other penalties that applied to the late payment, essentially meaning the BOE found the taxpayer was innocent. SB 1028 takes California a step in the right direction by providing innocent taxpayers with limited equitable relief.

SB 1028 awaits action by the full Senate.

**Staff Contact:** Kyla Christoffersen

CalChamber Opposes Bill Undermining Taxpayer Rights

The California Chamber of Commerce is **opposing** a bill that undermines taxpayer rights by making it substantially more costly and difficult to fight meritorious disputes with the state Franchise Tax Board (FTB).

**SB 1113 (Wolk; D-Davis)** gives the FTB the upper hand in disputes by allowing the state taxing authority to request an appeal in court of tax cases it lost on appeal at the administrative level before the Board of Equalization (BOE).

Moreover, SB 1113 would give FTB a “de novo” trial, which means the taxpayer has the burden of proof and the court does not look at the administrative record, but the entire case must be retried. Thus, FTB gets a second bite at the apple, and the taxpayer is on the hook for the cost of a full court trial of a case it just won.

Under existing law, FTB can appeal a case it has lost to the court, but it must do so through a writ of mandate process where the burden of proof rests on FTB.

By allowing the FTB to appeal BOE decisions to the county superior court, SB 1113 could result in the following:

- limiting taxpayer rights. Low-income taxpayers would not have an effective way to challenge an FTB position as they would not have the resources to continue their challenge beyond the BOE level.
- forcing many taxpayers to settle meritorious claims. Even taxpayers with sufficient resources to fight the FTB’s position beyond the BOE are likely to settle meritorious claims where the amount in dispute does not justify moving forward with litigation.
- eviscerating an important check on FTB action. SB 1113 creates an incentive for FTB to pursue non-meritorious appeals because the agency can use the appeal as leverage for taxpayers to settle, knowing that the costs of challenging FTB are a deterrent to the taxpayer’s fighting an appeal.

**Action Needed**

SB 1113 is awaiting action in the Senate Appropriations Committee. Contact committee members and your senators and urge them to **oppose SB 1113**.

**Staff Contact:** Kyla Christoffersen
Avoid fines of up to $17K with one affordable purchase.

As you may know, 2010 will put new demands on California companies. Here’s a way to get the legal notices you’re required to post and distribute. Whether you have one employee or more than 1,000 employees, you’re required to post 16 state and federal notices and provide literature on employee benefits and responsibilities.

Our Required Notices Kit contains it all: one poster (laminated or non-laminated, English or Spanish) and 20 copies each of the Workers’ Compensation, State Disability Insurance, Paid Family Leave, Unemployment Insurance and Sexual Harassment Information pamphlets.

Get a $10 Starbucks® Card* when you purchase our 2010 Required Notices Kit by 6/4/10. Use priority code RSU. “CalChamber Preferred and Executive Members get their 20% discount as well.

Order online at www.calbizcentral.com or call 1-800-331-8877