Private Pension Mandate Creates Employer Liability
Small Business at Greatest Risk from SB 1234

Two California Chamber of Commerce-opposed “job killer” bills that will increase food costs for consumers will be heard on August 6, when the Legislature returns from summer recess.

- **AB 1313 (Allen; D-Santa Rosa)** drives up the cost of commodities to consumers by removing the existing overtime exemption allowed for agricultural employers.
- **AB 2346 (Butler; D-Los Angeles)** could increase the price of food and force growers to move their crop production to other states and countries, thereby hurting California exports, by creating excessive, unnecessary new rules regarding heat illness prevention with unreasonable consequences for violations.

**Employee/Small Business Burden**

In effect, the legislation could force low-wage workers to choose between

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Legislators to Weigh ‘Job Killers’ Increasing Food Costs

Video at CAJobKillers.com Highlights Reasons to Contribute to ChamberPAC

**CAJobKillers.com** offers more than updates on “job killer” bills identified by the California Chamber of Commerce. It also provides an easy way to make one-time or ongoing contributions to help the campaign to elect more pro-jobs legislators through ChamberPAC.

As CalChamber President and CEO Allan Zaremberg points out in a video on the website: “We need to have a Legislature that’s responsive to the number one issue in America, and that’s creating jobs and moving our economy forward.

“Before we can be successful on the policy, we have to be successful on the politics. We have to put the right politicians, the right leaders, the right public officials in office.”

More information is available at www.CAJobKillers.com.
Labor Law Corner

Employers Need Not Provide Tools If Paying Double the Minimum Wage

Gary Hermann
HR Adviser

Must mechanics be paid twice the minimum wage if the employer fails to provide necessary tools?

No. The requirement in the Industrial Welfare Commission (IWC) Orders to pay twice the minimum wage is not a wage requirement provision. It creates an exception to the requirement that an employer must provide tools or equipment either required by the employer or that are necessary for the job.

Providing Necessary Tools

The language in Section 9 of the IWC Orders provides: “When tools or equipment are required by the employer or are necessary to the performance of a job, such tools and equipment shall be provided and maintained by the employer, except that an employee whose wages are at least two (2) times the minimum wage provided herein may be required to provide and maintain hand tools and equipment customarily required by the trade or craft.”

If the employee’s rate is less than two times the minimum wage and the employer fails to provide the tools or equipment, such failure would result in the employer being liable for the cost of the tools or equipment under Labor Code Section 2802.

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.

Labor Law


International Trade


Hong Kong Food Expo. Hong Kong Trade Development Council. August 16–20, Hong Kong, China. (310) 973-3175.


Charts Illustrate State’s Budget Challenge

Here’s why California has a hard time getting out of its budget straits.

The ratio of private sector workers in California to Medi-Cal recipients and government employees continues to fall. More non-wealth generators are being supported per wealth generator today than in the past.

The same trend is evident nationally, but it’s worse in California. We can’t right our fiscal vessel (never mind the economy) without acknowledging and addressing this.

We address this by:

- fixing the denominator—fewer welfare recipients and public employees; or
- fixing the numerator—more private sector workers creating wealth.

Guest Commentary
By Loren Kaye

For the sake of our future, over the long term, the public policy debate must move from one that frames policy solutions in terms of squeezing more taxes from productive Californians versus cutting our birthright universities and colleges, and instead focus on encouraging more private investment and wealth creation in California.

Note: California Medicaid and employment populations, and federal Medicaid recipients, are from June of each year. Federal employment is annual. Medicaid recipients (Medi-Cal in California) is a proxy for welfare recipients. California government workers include federal workers in California.

Loren Kaye is president of the California Foundation for Commerce and Education, a nonpartisan, nonprofit corporation that functions as a “think tank” for the business community in California and is affiliated with the California Chamber of Commerce.
Credit Charge Surcharges Already Against Law in California

The much-publicized proposed settlement announced earlier in July between Visa/MasterCard and U.S. retailers will have limited, if any, application in California, which is one of 10 states that prohibit surcharges for credit card transactions.

California’s ban on credit card surcharges applies to private businesses, but not government agencies or public utilities.

The California law prohibiting the surcharges was enacted in 2005, but specifically allows discounts for cash payments.

As stated in Section 1748.1(a) of the California Civil Code: “No retailer in any sales, service, or lease transaction with a consumer may impose a surcharge on a cardholder who elects to use a credit card in lieu of payment by cash, check, or similar means. A retailer may, however, offer discounts for the purpose of inducing payment by cash, check, or other means not involving the use of a credit card, provided that the discount is offered to all prospective buyers.”

Other states that ban credit card surcharges, according to The Electronic Payments Coalition, are Colorado, Connecticut, Florida, Kansas, Maine, Massachusetts, New York, Oklahoma and Texas.

The proposed settlement, which requires court approval, is opposed by some retailers, including Wal-Mart and Target.

Small Business at Greatest Risk from Private Pension Mandate in SB 1234

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being forced to set aside money for retirement and current pressing obligations, including paying the rent and high interest credit debt.

The new risks mandated by SB 1234 (which applies to employers with as few as five workers) could be particularly harmful to small businesses that can’t afford the added liability, including the duty to properly educate employees about the retirement options available so the employees can make an informed decision.

Employer Liability

Retirement plans for private sector employees are regulated by the federal Employee Retirement Income Security Act (ERISA), which subjects participants to significant responsibilities and requires every employer participating in the program to file annual reports and actuarial valuations.

According to a recent legal opinion, employers participating in the program would be subject to these ERISA requirements and would incur significant fiduciary responsibilities.

Citing U.S. Department of Labor advisory opinions, the legal opinion concludes that under SB 1234 “each employer sponsor of a plan that participates in the arrangement will be subject to ERISA’s fiduciary provisions.”

Among other responsibilities, California businesses would be personally liable to make good to the plan any losses resulting from any breach of the new fiduciary responsibilities.

Costs Underestimated

Supporters of the bill contend the entire cost of the California Secure Choice Retirement Savings Program would be supported by the plan’s contributions and investment income.

Other analysts, however, say the supporters have significantly underestimated the costs and the potential shortfalls that will result if investment returns fall short of projections.

For example, the California Department of Finance opposes the legislation, predicting SB 1234 “could create a multibillion-dollar liability for the state if investment returns fail to cover the guaranteed rate of return and administrative overhead.”

Although SB 1234 caps administrative costs for the program at 1% of assets, Milliman, the international actuarial consulting firm, estimates administrative costs would exceed $556 million, or 11.3% of estimated annual contributions, if all 6.3 million eligible employees participate in the program.

By comparison, CalPERS manages retirement benefits for 1.6 million retirees, employees and their families. It has 2.300 employees and has spent an average of $426 million in administrative expenses over the last six years.

Unnecessary Proposal

The CalChamber and a coalition of businesses, insurers and employer groups argue that the effort, liability and expense of SB 1234 are unnecessary given that California already has a highly competitive retirement savings market.

Anyone under age 70 with taxable income and a bank account can open an Individual Retirement Account or another retirement savings plan.

Nevertheless, SB 1234 seeks to create an expensive, risky new government program when the state budget can’t support existing services.

The legislation defers program specifics to an unaccountable commission, leaving unanswered key questions that should be thoroughly vetted and answered before the legislation is adopted.

Moreover, the new state program would compete for business with California financial services firms that directly employ 536,000 California workers.

Action Needed

The CalChamber is urging members to contact legislators and ask them to oppose creating the new retirement program in SB 1234. The mandate is at odds with efforts to make the state more business friendly.

In addition, the state already faces a huge unfunded pension liability for public sector workers. This is no time to create and assume liability for any new plan for private sector employees, much less one that guarantees a set rate of return on investment.

Staff Contact: Marc Burgat

They won’t know unless you tell them. Write your legislator.
CalChamber, Business, Labor Praise Announcement on Bay Delta Plan

Governor Edmund G. Brown Jr and Secretary of the Interior Ken Salazar made a joint announcement this week about the preferred direction of the Bay Delta Conservation Plan (BDCP) and California’s water future.

Major organizations across the state, including business and labor, joined together in praising the July 25 announcement, which represents a significant milestone in this multi-year process that will bring California closer to implementing the infrastructure upgrades and environmental improvements needed to achieve the state’s co-equal goals of restored water reliability and restored ecosystem.

Signal to Businesses

“This announcement outlines how we will reach the finish line on one of California’s most challenging public policy issues,” said Allan Zaremberg, president and CEO of the California Chamber of Commerce. “Securing the long-term reliability of our water supply is a signal to businesses that operate in the state and those who desire to locate here that California intends to invest in the infrastructure that will allow businesses to grow and jobs to be created.”

The BDCP represents a comprehensive and detailed process that will provide a regulatory vehicle to implement habitat restoration measures, Delta stressor reduction activities, and water operations criteria in return for regulatory agency approval of the necessary long-term permits for the various water infrastructure projects and operations.

The BDCP has been underway since 2006 at a cost of more than $150 million. By the time the final Environmental Impact Report/Environmental Impact Statement (EIR/EIS) is released in mid-2013, the federal and state water contractors will have spent $240 million on the planning process alone.

While some groups call for more delay and more studies and more consultants, the business and labor communities argue that enough time and money has been spent in the evaluation phase and it’s time now to move forward with action.

Critical Resource

More than 95% of all Californians get some or all of their water supply from the greater Delta watershed. Improved reliability of this critical resource will sustain communities across the state, and is necessary to meet the demands of population growth and much-needed economic development.

The activities outlined in the BDCP will be paid for by the users that will benefit most directly. It is not an expense to the state’s general fund.

During their news conference, Governor Brown and Secretary Salazar acknowledged the key components needed for completion of the BDCP: a governance structure, decision tree, and dispute resolution process. Together these elements emerged by collaboration and compromise to create the framework for concluding the lengthy process in the most efficient and cost-effective manner possible.

Staff Contact: Valerie Nera

CalChamber Signs Ballot Arguments Opposing Proposition 38

California Chamber of Commerce President and CEO Allan Zaremberg has signed the ballot arguments in opposition to Proposition 38, the Munger initiative on the November 6 General Election ballot.

The CalChamber Board of Directors voted to oppose the measure because of its heavy impacts on small businesses, which are the source of most new jobs, by imposing steep, new taxes.

CalChamber believes that targeting taxes on job creators will hinder job growth in California at a time when unemployment in the state is 10.9%. The Munger initiative is a virtually permanent tax increase that would make California’s top marginal income tax rate the highest in the country. This proposal would further hurt California’s competitiveness and discourage capital formation and business growth.

Joining Zaremberg in signing the anti-Proposition 38 arguments are Ken Williams, a member of the Orange County Board of Education, and Thomas Hudson, executive director of the California Taxpayer Protection Committee.

Following is the closing text of the ballot arguments:

$120 Billion in New Taxes, but Nothing to Reduce Our Deficit

Prop. 38 allows the politicians in Sacramento to keep spending. There is nothing in Prop. 38 that requires any of the funds to be used specifically for deficit reduction and nothing that stops the politicians from getting us back into the same mess we’re in now, even with $120 billion in new taxes.

* 27 pages of fine print and flaws
* $120 billion in higher taxes
* Increases income taxes for taxable incomes above $17,346
* Damages small business and kills jobs
* No requirements to improve school performance
* Can’t be changed for 12 years—even for fraud or waste—without another vote

No on Prop. 38—Another flawed, costly and misleading initiative.
‘Job Killers’ Still Alive for Final Month of Legislative Session

Following are the “job killer” bills that remain alive for consideration in the closing weeks of the legislative session.

**Barriers to Economic Recovery**

- AB 2408 (Skinner; D-Berkeley) Creates Inequity in the Tax Structure—Harms struggling small businesses and start-ups by repealing the Net Operating Loss (NOL) carryback deduction, a lifeline that helps employers stay afloat, retain employees, and continue investing in their businesses in an economic downturn. *In Senate Appropriations Committee, July 3.*

**Costly Workplace Mandates**

- AB 1313 (Allen; D-Santa Rosa) Increased Cost on Agricultural Employers—See story, Page 1.
- AB 1450 (Allen; D-Santa Rosa) Exposure to Costly Discrimination Litigation—Subjects employers to unjustified charges of discrimination for legitimately inquiring into an applicant’s most recent employment history. *Hearing in Senate Appropriations Committee, August 6.*

- AB 1999 (Brownley; D-Santa Monica) Expansion of Discrimination Litigation—Makes it virtually impossible for employers to manage their employees and exposes them to a higher risk of litigation by expanding the Fair Employment and Housing Act to include a protected classification for any person who is, perceived or associated with a family caregiver. *Hearing in Senate Appropriations Committee, August 6.*
- AB 2039 (Swanson; D-Alameda) Expansion of Protected Leave Requirements for California Employers—Creates a burdensome, California-only mandated benefit that significantly expands the category of individuals with serious health conditions for whom an employee can take a leave of absence beyond what is currently included under the federal Family Medical Leave Act. *Hearing in Senate Appropriations Committee, August 6.*
- AB 2346 (Butler; D-Los Angeles) Increased Costs and Unreasonable Requirements—See story, Page 1.

**Expensive, Unnecessary Regulatory Burdens**

- SB 568 (A. Lowenthal; D-Long Beach) Polystyrene Food Container Ban—Threatens thousands of manufacturing jobs within the state by inappropriately banning all food vendors from using polystyrene foam food service containers, ignoring the numerous environmental benefits associated with polystyrene products. *To Assembly Inactive File September 8, 2011.*

**Fuel Price Increases**

- AB 1532 (J. A. Pérez; D-Los Angeles)/ SB 535 (De León; D-Los Angeles)/ SB 1572 (Pavley; D-Agoura Hills) Illegal Tax Increase—Increases energy costs, including fuel prices, on consumers and businesses by allocating funds from an illegal tax to various programs that are not necessary to cost-effectively implement the market-based trading mechanism under AB 32. *AB 1532 in Senate Appropriations, July 2. SB 535 held on Assembly Appropriations Suspense File, August 26, 2011. SB 1572 in Assembly Appropriations, July 3.*

**Inflated Liability Costs**

- SB 1528 (Steinberg; D-Sacramento) Inflates Litigation and Insurance Costs—Artificially inflates medical damage awards in personal injury cases by allowing an injured party to recover expenses never actually incurred, which will ultimately increase legal costs as well as insurance rates. *Assembly Floor, July 5.*

Legislators to Weigh ‘Job Killers’ Increasing Food Costs

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Currently, farmers are required to pay overtime to their employees after 10 hours of work in any workday or after six days of work in any workweek.

AB 1313 would remove this exemption and force farmers to pay overtime rates to agricultural employees after eight hours of work in any workday or 40 hours of work in a workweek. Removal of this exemption will significantly increase farmers’ cost of doing business.

**Complex/Overly Burdensome**

In 2005, California was the first state in the nation to adopt heat illness regulations.

In response to the regulations and the assistance of regulators, employers have stepped up compliance efforts and successfully reduced the incidence of heat-related illness in outdoor workplaces. Cal/OSHA attests to the success of the program in increasing compliance in outdoor places of employment throughout the state.

Agricultural employers made enormous strides in compliance and created unprecedented public-private partnerships. There is no reason for AB 2346.

The enforcement provisions combined with fines and penalties are extraordinarily high and unwarranted. The opportunities for litigation are almost limitless: private rights of action and enormous awards of damages, bounty hunter provisions, joint liabilities and high penalties.

State regulators have effective enforcement authority and statutory provisions for fines, penalties and due process for employers which should be respected as the appropriate authority for heat illness prevention enforcement.

AB 2346 creates such complex and overly burdensome requirements that agricultural employers may not be able to comply. The bill is filled with procedural traps nearly impossible to avoid. As such, the overly punitive fines for violations could be a disincentive for employers to remain in California.

**Action Needed**

AB 1313 and AB 2346 will be heard in the Senate Appropriations Committee on August 6. Contact members of Senate Appropriations and your senator and urge them to oppose both AB 1313 and AB 2346.

**Staff Contacts:** Jennifer Barrera and Marti Fisher
CalChamber President, Chinese Vice Minister Cite Importance of Fostering Strong Ties Between California and China

Fostering business and cultural relationships between the California business community and China was the focus when Chinese Vice Minister of Commerce Wang Chao and his delegation gathered at the California Chamber of Commerce International Luncheon Forum on July 23.

“California and China have a great trading relationship already,” said Allan Zaremberg, CalChamber president and CEO. “China is our third largest trading partner and everything we can do to foster that relationship, make it better, improve the quality of life and the economy for both Californians and people from China would be to everybody’s benefit.”

The vice minister was accompanied by a Chinese government delegation including He Ning of the Chinese Embassy in Washington, D.C., and Ambassador Gao Zhansheng, Chinese Consul General in San Francisco. Also among the 50 luncheon attendees were California government representatives, including Assembly Members Fiona Ma (D-San Francisco) and Bill Berryhill (R-Ceres), and representatives of CalChamber member companies doing business in China.

Trade Relations with China

China has been one of the world’s fastest-growing economies over the last several years, and its efforts to reform and modernize have helped transform China into a large trading economy. China’s total trade exceeded $3 trillion in 2011, making it the second largest trading nation and the country with the second largest economy in the world. This translates into enormous opportunities for U.S./California exporters.

Vice Minister Wang said his office has been working very hard over the last several years to strengthen the cooperation between China and California.

“California is the gateway to China. It has the strategic location; it has the enthusiasm and dedication to working with China,” he said.

U.S.-China trade has risen rapidly over the last several decades. Total trade between the two nations has increased from $4.8 billion in 1980 to slightly more than $503 billion in 2011. U.S. exports to China in 2011 were approximately $103.9 billion, a steady increase from previous years. In 2011, China continued as California’s third largest trading partner, with more than $14.2 billion in exports.

One of the main purposes of Vice Minister Wang’s visit was to follow up on the May visit between California Governor Edmund G. Brown Jr. and Vice Governor of the Jiangsu Province Fu Ziying where they convened the inaugural Joint Economic Committee between California and Jiangsu to discuss increased collaboration, trade and investment between the two regions.

Vice Minister Wang said he hopes that the July 23 CalChamber meeting will help “improve bilateral economic trade relations, enhance our mutual understanding, strengthen our cooperation and find opportunities to work for the benefit for both sides.”

Vice Minister Wang will also be visiting Chicago, New York and Washington, D.C., where he will take a midterm review of the U.S.-China Joint Commission on Commerce and Trade (JCCT). The 22nd session of the JCCT in November 2011 was co-chaired by then-U.S. Secretary of Commerce John Bryson and U.S. Trade Representative Ron Kirk, along with Chinese Vice Premier Wang Qishan.

Vice Minister Wang has been serving China’s Ministry of Commerce in many capacities since 2006. Before that, the Vice Minister served in the Chinese Ministry of Foreign Economy Relations and Trade, as well as several of the country’s embassies. His portfolio includes the Department of Foreign Investment Administration, Department of American and Oceanian Affairs, Investment Promotion Agency, and the China Chambers of Commerce.

China Trading Partner Portal

For more information about California-China and U.S.-China trade, check out the Trading Partner Portal in the international section of the CalChamber website at www.calchamber.com/China.

Staff Contact: Susanne Stirling
An employee handbook is one of the best ways to clearly communicate workplace policies and protect your business from employee lawsuits. CalChamber’s 2012 Employee Handbook Software makes it easy to customize and format policies that comply with California and federal laws. The software’s new and updated policies for 2012 include timekeeping and meal and rest breaks, political activity, job sharing, social media and more.

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