

ALERT

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Governor Signs Improvement to Workforce Development



A California Chamber of Commerce-supported job creator bill that improves

workforce development was signed by Governor Edmund G. Brown Jr. on September 17.

SB 1402 (Lieu; D-Torrance) helps improve alignment of the state's workforce needs and education resources by reauthorizing the Economic and Workforce Development Program within the California Community College System.

Workforce Needs

SB 1402 reworks the Economic and Workforce Development Program to help it better meet its objectives in light of significant funding cuts in recent years.

Over the last five years, funding for the program has fallen by more than 40%, making it harder for program managers to meet market needs and coordinate with the various entities working toward the same mission.

SB 1402 establishes a revised program

to operate until January 1, 2018. The revisions improve the program by:

- Making it more nimble and better able to respond to changing economic conditions;
- Making the program more accountable by strengthening the evaluation framework for grants and programs; and
- Encouraging better integration and communication with career technical education programs.

Long-term and short-term programs to be funded include advanced transportation, biotechnology, environmental technologies, health care delivery and international trade.

Reauthorizing the redesigned program will help ensure that students continue to have access to a program targeted toward employable career paths, and that employers have access to a growing pool of qualified workers trained in the subjects in highest demand.

SB 1402 is consistent with the goals of the CalChamber 2012 Renew Agenda and will help position California for economic recovery.

Workers' Comp Reform Bill Gets Governor's Signature



SUPPORT

Governor Edmund G. Brown Jr. this week signed California Chamber of Commerce-supported workers' compensation reform legislation.

SB 863 (De León; D-Los Angeles) offsets necessary increases in permanent disability benefits and potentially lowers system costs for employers by reducing delays and litigation in the system, addressing the lien epidemic, shortening the medical-legal process, implementing an independent medical review system and streamlining the permanent disability schedule.

CalChamber Support

"California businesses support this important reform led by Governor Brown which represents a balanced approach to issues within California's workers' compensation system," said CalChamber President and CEO Allan Zaremborg.

"SB 863 provides employers with cost-saving proposals that will reduce frictional costs while providing injured workers with needed benefit increases," Zaremborg said.

"The reforms also have the potential to reduce costs to the underlying system that

See Workers': Page 4

Disability Access Reform Bill Becomes Law



SUPPORT

(ADA) has been signed into law.

California Chamber of Commerce-supported legislation to limit frivolous litigation connected with the Americans with Disabilities Act

SB 1186 (Steinberg; D-Sacramento/Dutton; R-Rancho Cucamonga) also promotes increased compliance with disability accessibility building codes throughout the state.

SB 1186 was developed over the last four months in discussions by the authors, their staffs and a working group including the CalChamber.

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Labor Law Corner**Dealing with Family Leave Act Rights, Multiple Absences****Sunny Lee**
HR Adviser

● *I have an employee who has been missing a lot of work due to illnesses involving herself and her two children. She is almost out of paid time and is requesting Family Medical Leave Act (FMLA) for her family. She told me that she is entitled to be paid for the time that she misses from work under FMLA. Do I have to give her more time off work and*

do I have to continue to pay her when she is out of paid time?

If your company is covered by the FMLA and the California Family Rights Act (CFRA) and the employee has been with you for one year and worked 1,250 hours within the last 12 calendar months, she may qualify for FMLA/CFRA, depending on whether a medical provider certifies that there is a serious health condition.

A Serious Health Condition Certification may be required under FMLA/CFRA to establish that the medical condition rises to the level protected by federal and state law. Not all illnesses or injuries may rise to that level. It is up to a medical provider to make that determination.

No 'Family' Certification

Even though this protection may include care for an employee's child and the employee may have more than one child who has medical needs that fall

under the FMLA, there is no such thing as a family certification.

The employee is mistaken if she thinks that one certification will protect all absences related to medical conditions within her family, whether the absence is for herself, or her children. One certification does not protect all the employee's absences—just the absence(s) related to the specific certification.

Also note that FMLA/CFRA is limited to 12 weeks within a 12-month period, regardless of the number of children an employee may have. If an employee seeks FMLA/CFRA leave due to the medical condition of a second child, that doesn't start the clock for an additional 12-month period.

Wage Replacement Options

There is no requirement under either federal FMLA or state CFRA that the employee be paid for time that she misses from work due to this leave; therefore,

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CalChamber-Sponsored Seminars/Trade Shows

More information at
www.calchamber.com/events.

Labor Law

FMLA/CFRA Webinar. CalChamber.
October 18. (800) 331-8877.

Conducting Workplace Investigations
Webinar. CalChamber. November 15.
(800) 331-8877.

Business Resources

Small Business Expo-Los Angeles. The
Show Producers. November 8, Los
Angeles. (212) 520-4966.

International Trade

2012 World Alliance Forum. Alliance
Forum Foundation. October 2,
Stanford University. (415) 433-2262.
Chinese Direct Investment in California.
Asia Society Northern California.
October 10, San Francisco.
(415) 421-8707.

Dreaming Chile from California. Chile
Consulate in San Francisco. October 13,
Davis.

Commerce Department Trade Mission
to the UK. U.S. Commercial Service.
October 15-17, London.

Trade Expo Indonesia 2012. Ministry of

Trade of the Republic of Indonesia.
October 17-21, Jakarta, Indonesia.
(415) 441-4320.

Take Your Small Business Global—Free
Seminar. Los Angeles County Fair
Association. October 18, Pomona.
(562) 801-2134.

Gateway California. Northern California
World Trade Center. October 23,
San Francisco. (916) 321-9146.

Eco Expo Asia 2012. El Camino Center
for International Trade Development.
October 26-30, Hong Kong, China.
(310) 973-3132.

Branding Monterey Bay Region to Global
Market. Monterey Bay International
Trade Association. October 30,
Santa Cruz. (831) 335-4780

**Next Alert:
October 5**



CalChamber Urges Governor to Veto Onerous Wage-and-Hour Mandate



OPPOSE

with small children. The bill threatens to place children in the care of a domestic worker in harm's way.

AB 889 (Ammiano; D-San Francisco) will provide the Department of Industrial Relations (DIR) with authority to develop regulations that will place onerous wage-and-hour mandates on working families.

Regulations for Domestic Workers

The bill requires the DIR to adopt regulations no later than January 2014 for "domestic work employees," which the bill generally defines as any individual who performs "domestic work" such as housekeeping, child care, and other "household occupations."

The adopted regulations must include provisions addressing overtime

The California Chamber of Commerce is urging members to ask the Governor to **veto** an unreasonable and nonsensical measure that would overwhelm families

compensation, meal and rest periods, and sleep periods, or simply adopt the regulations set forth in Industrial Welfare Commission Wage Order No. 15. The CalChamber argues that this mandate is unreasonable given the breadth of the definitions for a domestic work employee and domestic work employer, as well as the burden such regulations will create.

For example, a nanny over the age of 18 who cares for children on a daily basis falls within the definition of a "domestic work employee" under AB 889 and would be covered by these regulations. The working parents of the children would be "domestic work employers" and therefore would have to "provide" the nanny with a 10-minute rest period at or before four hours of work and a 30-minute, uninterrupted meal period at or before five hours of work.

Overtime Compensation

A meal or rest period requirement is only one of the potential wage-and-hour burdens this bill would impose on working families of California. AB 889 also requires the DIR to implement regulations regarding the payment of overtime compensation as well as sleep periods for domestic work employees.

As demonstrated by the overwhelming number of employment lawsuits filed on a daily basis in California, sophisticated businesses, with professional human resources staff and employment attorneys, struggle with the proper implementation of these very same onerous California-only wage-and-hour requirements.

The detrimental impact of this potential liability will either discourage any working family from retaining the services of "domestic work employees," thereby increasing the unemployment rate in California; or force such working families to enter into the underground economy, as compliance with these requirements would simply be too costly. Either scenario will serve only to further harm California's economy, and create additional financial hardships to families and domestic employees.

Action Needed

The CalChamber is urging members to contact the Governor and ask him to **veto AB 889**.

A sample veto letter is available at www.calchamber.com.

Staff Contact: Jennifer Barrera

CAJobKillers.com Offers Easy Way to Help Support Pro-Jobs Candidates

In April, CalChamber launched a new website—**CAJobKillers.com**—to highlight job-killing legislation and to encourage individuals and businesses to contribute to ChamberPAC, the political action arm of the California Chamber of Commerce.

Every year, the California Legislature introduces dozens of job killer bills. Behind every single "job killer" bill lurks a powerful Sacramento special interest. Powerful public employee unions, extreme environmentalists, and trial lawyers who grow rich filing fraudulent lawsuits against businesses are all aided by big government politicians who see business as a cash cow for a growing list of social programs.



Contributions to ChamberPAC will help the effort to elect pro-jobs, pro-business representatives to the Legislature who understand the need to support job growth and economic recovery, and defeat those who do not.

As CalChamber President and CEO Allan Zaremberg points out in a video

Updates, news links,
videos, contributions link
CAJobKillers.com

on the website: "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.

Workers' Comp Reform Bill Gets Governor's Signature

From Page 1

will benefit employers. We appreciate the Governor's commitment to an expeditious regulatory process that will help achieve the full extent of projected savings."

Cost Pressures

Cost pressures in the workers' compensation system have eroded much of the savings realized in the last round of reforms. As a result, California employers' premiums are increasing as the over-

all cost of the system continues to rise.

Estimates by Bickmore Risk Services and the Workers' Compensation Insurance Rating Bureau both show a small margin between the projected savings from SB 863 and costs associated with benefit increases.

SB 863 includes many proposals that could not be priced because they are not legislatively self-executing. The savings from these proposals will be a function of an effective regulatory implementation.

Therefore, the CalChamber sought and received a commitment from the administration to timely and effectively implement the regulations critical to achieving the savings in the reform proposal, as well as devoting the necessary resources and people to get the job done. This commitment gave CalChamber and employers the certainty needed to support SB 863.

Staff Contact: Jeremy Merz

Dealing with Family Leave Act Rights, Multiple Absences

From Page 2

once she is out of paid sick leave, vacation or paid time off, there is no further obligation to pay her unless your company has a policy or practice of continuing pay.

The employee may file a claim with the Employment Development Department (EDD) for State Disability Insurance (SDI) if the illness pertains to her. SDI is partial wage replacement that an employee is entitled to claim if a medical provider certifies to the state that an employee cannot work.

The other source of compensation through EDD is Paid Family Leave (PFL), which is available when the employee is needed to provide care/support for a spouse, domestic partner, parent or child. PFL is limited to six weeks within a 12-month period.

Job Protection

Often an employee will assume that because she/he is entitled to file claims for wage replacement under state law or

have a doctor's note that her/his job will be protected. That is not the case.

If the absence is not protected by law, company policy or practice, then you do not have to accommodate the employee with more time off work and you do not need to pay her once she has used all of her paid time.

Be cautious in situations that involve FMLA or Americans with Disabilities Act issues, pregnancy and workers' compensation. Seek legal advice before disciplining or terminating an employee.

Absence for Other Reason

● *What do I do if an employee has an FMLA certification for an illness and now is out for another reason?*

It is possible that an employee may have more than one serious health condition that would require a separate certification. Once a certification is obtained, it is up to the employee to inform you when absences relate to that condition.

If an absence does not relate to the certification, the employee may need

to obtain another certification in order to have FMLA/CFRA protection. One certification does not protect the employee for all absences.

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.

Disability Access Reform Bill Becomes Law

From Page 1

As an urgency measure, SB 1186 took effect immediately upon being signed on September 19.

Among other things, SB 1186:

- Prohibits prelitigation "demands for money" by attorneys.
- Puts into place new provisions to prevent "stacking" of multiple claims to increase statutory damages.
- Reduces statutory damages and provides litigation protections for defendants who correct violations.
- Establishes priorities for the California Commission on Disabled Accessibility that promote and facilitate disability access compliance.

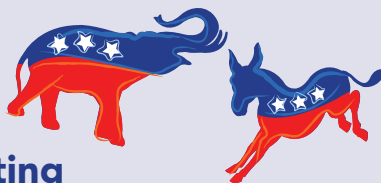
California has 40% of the nation's ADA lawsuits but only 12% of the country's disabled population.

Staff Contact: Jennifer Barrera



CalChamber Post-Election Public Affairs Council Meeting

November 14–15, 2012 | Montage Resort | Laguna Beach, California



Overview of November Ballot Measures

Following are brief summaries of the measures that will appear on the November ballot. When the California Chamber of Commerce has taken a position, the reasons for that position are summarized.

The CalChamber encourages employers to share this information with their employees. Businesses are within

their rights to do so—just remember: NO PAYCHECK STUFFERS, no coercion, no rewarding or punishing employees (or threatening to do so) for their political activities or beliefs.

For more guidelines on political communications to employees, see the brochure at www.calchamber.com/guidelines. Note the distinction between

internal communications (to employees, stockholders, and their families) and communications to *external* audiences (such as non-stockholder retirees, outside vendors, customers and passersby).

For more information on the ballot measures, see the link listed below or visit the website of the secretary of state at www.sos.ca.gov.

Proposition 30

NO POSITION

Temporary Taxes to Fund Education. Guaranteed Local Public Safety Funding. Initiative Constitutional Amendment.

Increases taxes on earnings over \$250,000 for seven years and sales taxes by ¼ cent for four years, to fund schools. Allocates temporary tax revenues 89% to K–12 schools and 11% to community colleges. Bars use of funds for administrative costs, but provides local school governing boards discretion to decide, in open meetings and subject to annual audit, how funds are to be spent. Guarantees public safety realignment funding.

Placed on Ballot by: Petition signatures.

Ballot Arguments For

After years of cuts, California's public schools, universities and public safety services are at the breaking point. It's time to take a stand and get California back on track

Proposition 30 balances the budget and helps pay down California's debt.

Proposition 30 temporarily increases personal income taxes on the highest earners—couples with incomes over \$500,000 a year—and establishes the sales tax at a rate lower than it was last year.

The initiative cannot be modified without a vote of the people. Money goes into a special account the Legislature can't touch. The proposition provides for mandatory audits.

More Information:
YesOnProp30.com

Ballot Arguments Against

Proposition 30 is just a \$50 billion political "shell game" but doesn't guarantee new funds for schools. Instead of providing new funding for schools, politicians can take existing money for schools, use it for other purposes and then replace it with the money from the new taxes.

There are no requirements or assurances that any more money actually gets to the classroom and nothing in Proposition 30 reforms the education system to cut waste, eliminate bureaucracy or cut administrative overhead.

The politicians and special interests behind Proposition 30 want to raise taxes to pay for their out-of-control spending, but refuse to pass meaningful pension or budget reforms.

More Information:
www.StopProp30.com

Register to vote online by October 22

calchambervotes.com

Proposition 31



State Budget. State and Local Government. Initiative Constitutional Amendment and Statute.

Establishes two-year state budget. Prohibits Legislature from creating expenditures of more than \$25 million unless offsetting revenues or spending cuts are identified. Permits Governor to cut budget unilaterally during declared fiscal emergencies if Legislature fails to act. Requires performance reviews of all state programs; performance goals in state and local budgets; and publication of bills at least three days before legislative vote. Allows local governments to alter how laws governing state-funded programs apply, unless Legislature or state agency vetoes change within 60 days.

Placed on Ballot by: Petition signatures.

Reasons for Position

Pay-as-you-go budgeting will serve as a *de facto* government spending limit

and may somewhat reduce pressure to increase taxes.

Policy, program and fiscal decisions by state and local government will be driven by performance data on what is working, what isn't and an awareness of the long-term fiscal impact of alternative approaches.

Californians will have more opportunities to inform decisions affecting their communities, more information about the job performance of their elected representatives and the opportunity to see results where they live.

Two-year budgets and focus on accountability would reduce the perennial uncertainty of the state's current short-term budget-making practices.

Local governments will gain control over local priorities and flexibility to design services that improve results and meet local needs.

More Information:

www.accountableca.org

Proposition 32

NO POSITION

Political Contributions by Payroll Deduction. Contributions to Candidates. Initiative Statute.

Prohibits unions from using payroll-deducted funds for political purposes. Applies same use prohibition to payroll deductions, if any, by corporations or government contractors. Permits voluntary employee contributions to employer-sponsored committee or union if authorized yearly in writing. Prohibits unions and corporations from contributing to candidates and their committees. Other political expenditures remain unrestricted, including corporate expenditures from available resources not limited by payroll deduction prohibition. Prohibits government contractor contributions to elected officers or their committees.

Placed on Ballot by: Petition signatures.

Ballot Arguments For

Proposition 32 cuts the money tie between special interests and politicians to the full extent allowed by the U.S. Constitution.

No exemptions. No loopholes.

The measure bans corporate and union contributions to politicians, and stops contractors from giving to politicians who approve their contracts.

Proposition 32 makes political contributions voluntary and prohibits money for political purposes from being deducted from employees' paychecks.

More Information:

www.yesprop32.com

Ballot Arguments Against

Proposition 32 will not take money out of politics. Business Super PACs and independent expenditure committees are exempt from the proposition's controls.

The measure is not real campaign finance reform. It is unbalanced and unfair. Corporations don't use payroll deductions for political giving and would still be allowed to use their profits to influence elections.

The League of Women Voters opposes Proposition 32.

More Information:

www.VoteNoOn32.com

Proposition 33

NO POSITION

Auto Insurance Companies. Prices Based on Driver's History of Insurance Coverage. Initiative Statute.

Changes current law to allow insurance companies to set prices based on whether the driver previously carried auto insurance with any insurance company. Allows proportional discount for drivers with some prior coverage. Allows increased cost for drivers without history of continuous coverage. Treats lapse as continuous coverage if due to military service or loss of employment, or if less than 90 days.

Placed on Ballot by: Petition signatures.

Ballot Arguments For

Californians who maintain continuous automobile insurance are eligible for a discount, but lose it if they switch insurance companies. Proposition 33 offers the discount for consumers who maintain automobile insurance with any company, allowing them to shop for a better deal.

Proposition 33 encourages uninsured drivers to obtain insurance by making it

easier to earn the continuous coverage discount. The proposition also protects the discount for active military.

Proposition 33 will result in more competition between insurance companies and better insurance rates.

More Information:
www.yesprop33.com

Ballot Arguments Against

Proposition 33 is another deceptive trick to raise auto insurance rates. It is funded largely by an insurance company executive. A similar initiative was defeated in 2010.

Proposition 33 will allow insurers to charge higher rates to customers with perfect driving records just because they did not purchase coverage at some point in the past five years. The continuous coverage discount will result in a surcharge for many California drivers.

The proposition will discourage people from buying insurance, which may add to the number of uninsured motorists and ultimately drive up the cost of coverage.

More Information:
www.StopProp33.org

Proposition 34

NO POSITION

Death Penalty. Initiative Statute.

Repeals death penalty and replaces it with life imprisonment without possibility of parole. Applies retroactively to existing death sentences. States that persons found guilty of murder must work while in prison. Directs \$100 million to law enforcement agencies for investigating homicides and rape cases.

Placed on Ballot by: Petition signatures.

Ballot Arguments For

Evidence shows more than 100 innocent people have been sentenced to death in the U.S. and some have been executed. Proposition 34 means we will never execute an innocent person in California.

California's death penalty is too costly and beyond repair. Proposition 34 saves tax dollars and directs \$100 million for more DNA testing, crime labs and other

tools that help cops solve rapes and murders.

Life without possibility of parole works.

More Information:
www.YesOn34.org

Ballot Arguments Against

Abolishing the death penalty costs taxpayers \$100 million over the next four years and many millions more in the future. Instead of justice, killers get lifetime housing/health care benefits.

Death penalty opponents have disrupted fair implementation of the law with endless delays.

Taxpayers will pay at least \$50,000 annually to care for each convicted killer.

Prosecutors, cops, crime victims and community leaders oppose Proposition 34.

More Information:
www.waitingforjustice.net

Proposition 35

NO POSITION

Human Trafficking. Penalties. Initiative Statute.

Increases prison sentences and fines for human trafficking convictions. Requires convicted human traffickers to register as sex offenders. Requires registered sex offenders to disclose Internet activities and identities they use in online activities. Requires human trafficking training for police officers.

Placed on Ballot by: Petition signatures.

Ballot Arguments For

A national study recently gave California an “F” on its laws dealing with child sex trafficking.

Proposition 35 will increase prison terms for human traffickers to hold these criminals accountable and increase fines from convicted human traffickers and use these funds to pay for victims’ services, so survivors can repair their lives.

Proposition 35 helps stop exploitation

of children that starts online.

California’s largest law enforcement groups, crime victims and their advocates support Proposition 35.

More Information:
www.VoteYesOn35.com

Ballot Arguments Against

The real goal of Proposition 35 is to gain access to asset forfeiture to benefit the law enforcement agencies and nonprofits that support it.

Proposition 35 has no oversight or accountability, opening the door to corrupt practices seen before in drug enforcement.

If Proposition 35 passes, it will likely face legal challenges.

Proposition 35 will cost the state additional unspecified amounts; it will increase the workload for already-overburdened probation departments.

More Information:
<http://esplerp.org>

Proposition 36

NO POSITION

Three Strikes Law. Repeat Felony Offenders. Penalties. Initiative Statute.

Revises law to impose life sentence only when new felony conviction is serious or violent. Authorizes resentencing for offenders currently serving life terms if third strike conviction was not serious or violent and judge determines sentence does not pose unreasonable risk to public safety. Maintains life sentence penalty for nonserious, nonviolent third strike if prior convictions were for rape, murder or child molestation.

Placed on Ballot by: Petition signatures.

Ballot Arguments For

Proposition 36 makes the punishment fit the crime. It will save California more than \$100 million every year and make

room in prison for dangerous felons.

Prosecutors, judges and police officers support Proposition 36 because it helps ensure that prisons can keep dangerous criminals behind bars for life.

More Information:
www.FixThreeStrikes.org

Ballot Arguments Against

Proposition 36 allows dangerous criminals to be released from prison to commit more crimes and ultimately end up back in prison.

Any change in sentencing laws should apply only to future crimes committed.

Proposition 36 is opposed by police, sheriffs, law enforcement, prosecutors and crime victims groups.

More Information:
SaveThreeStrikes.com

Proposition 37



Genetically Engineered Foods.

Labeling. Initiative Statute.

Requires labeling on raw or processed food sold to consumers if made from plants or animals with genetic material changed in specified ways. Prohibits labeling or advertising such food or processed food as “natural.” Exemptions include foods that are certified organic; unintentionally produced with genetically engineered materials; made from animals fed or injected with genetically engineered materials but not genetically engineered themselves; administered for treatment of medical conditions; sold for immediate consumption such as at a restaurant; or alcoholic beverages.

Placed on Ballot by: Petition signatures.

Reasons for Position

Proposition 37 is a deceptive, deeply flawed food labeling scheme that would add more government bureaucracy and taxpayer costs, create new frivolous lawsuits, and increase food costs by billions—without providing any health or safety benefits.

The measure is based on bad science and would place California at a competitive disadvantage to other states.

Biotechnology, also called genetic engineering, has been used for nearly two decades to grow disease-resistant crops. Thousands of common foods are made with ingredients from biotech crops.

Proposition 37 is full of special interest exemptions.

More Information:
www.NoProp37.com

Proposition 38



Tax to Fund Education and Early Childhood Programs. Initiative Statute.

Increases personal income tax rates on annual earnings over \$7,316 using sliding scale from 0.4% for lowest individual earners to 2.2% for individuals earning more than \$2.5 million, for 12 years. For first four years, allocates 60% to K–12 schools, 30% to repay state debt and 10% to early childhood programs; then 85% to K–12 and 15% to early childhood programs. Prohibits state from directing new funds.

Placed on Ballot by: Petition signatures.

Reasons for Position

Proposition 38 is a \$120 billion income tax hike on most Californians,

locked in for the next 12 years, no matter what.

About 3.8 million California small businesses pay individual taxes on their earnings. Consequently, small businesses will be devastated by these higher taxes—even businesses making as little as \$30,000 or \$40,000 a year.

Instead of creating jobs and improving the economy, Proposition 38 will force family businesses to cut jobs, move out of state or even close.

The measure contains no requirements to improve school performance or get rid of bad teachers. It allows no changes, even for fraud or waste, for 12 years without another vote.

Proposition 38 allows the politicians to keep spending, but contains nothing that requires any of the funds to be used specifically for deficit reduction.

Proposition 39



Tax Treatment for Multistate Businesses. Clean Energy and Energy Efficiency Funding. Initiative Statute.

Requires multistate businesses to calculate their California income tax liability based on the percentage of their sales in California. Repeals existing law giving multistate businesses an option to choose a tax liability formula that provides favorable tax treatment for businesses with property and payroll outside California. Dedicates \$550 million annually for five years from anticipated revenue increase to fund clean energy/energy efficiency projects.

Placed on Ballot by: Petition signatures.

Reasons for Position

Proposition 39 is a more than \$1 billion tax increase on some California employers based solely on the structure of their business.

The measure upsets a carefully negotiated compromise in 2009 in which, among other actions, general taxes were increased temporarily while certain tax incentives were created.

More Information:

www.Stop39.com

Proposition 40



Redistricting. State Senate Districts. Referendum.

A “Yes” vote approves, and a “No” vote rejects, new state Senate districts drawn by the Citizens Redistricting Commission. If the new districts are rejected, the state Senate district boundary lines will be adjusted by officials supervised by the California Supreme Court. State Senate districts are revised every 10 years following the federal census.

Placed on Ballot by: Petition signatures.

Reasons for Position

California voters have voted three times in the last four years to have district maps drawn by an independent

commission, not the politicians.

Because of these voter-approved reforms, for the first time in decades, the independent commission drew fair districts for state legislators and Congress, starting with the 2012 elections.

The reforms put an end to political backroom deals by ensuring the process is transparent and open to the public. Politicians are no longer guaranteed re-election, but are held accountable to voters and have to respond to constituent needs.

Yes on Proposition 40 stops politicians from overturning voter-approved election reform.

More Information:

www.HoldPoliticiansAccountable.org

CalChamber Positions on November Ballot Measures

Proposition	Subject	Position
Proposition 30	Temporary Taxes to Fund Education. Guaranteed Local Public Safety Funding	No Position
Proposition 31	State Budget. State and Local Government	Support
Proposition 32	Prohibits Political Contributions by Payroll Deduction	No Position
Proposition 33	Changes Law to Allow Auto Insurers to Set Prices Based on Driver's History of Coverage	No Position
Proposition 34	Death Penalty Repeal	No Position
Proposition 35	Human Trafficking Penalties	No Position
Proposition 36	Revises Three Strikes Law	No Position
Proposition 37	Genetically Engineered Foods: Mandatory Labeling	Oppose
Proposition 38	Tax for Education and Early Childhood Programs	Oppose
Proposition 39	Tax Treatment for Multistate Businesses	Oppose
Proposition 40	Referendum on Redistricting of State Senate Districts	Support

State Economy Subpar But Better Than U.S.; Recovery Spreading to Interior California

The California Chamber of Commerce Economic Advisory Council agreed that U.S. economic growth will be in the 2% plus range for the rest of the year, while world gross domestic product (GDP) is likely to grow at 3% plus in the remaining months of 2012.

As expected, the eurozone fell into a mild recession in the second quarter of 2012, driven by substantial weakness in the Mediterranean countries, while the stronger economic growth in France and Germany could not be sustained and slowed to a crawl.

The economic weakness in the eurozone dampened export growth in Asia and South America. The global economic expansion continued, however, despite the European economic weakness.

California Job Growth

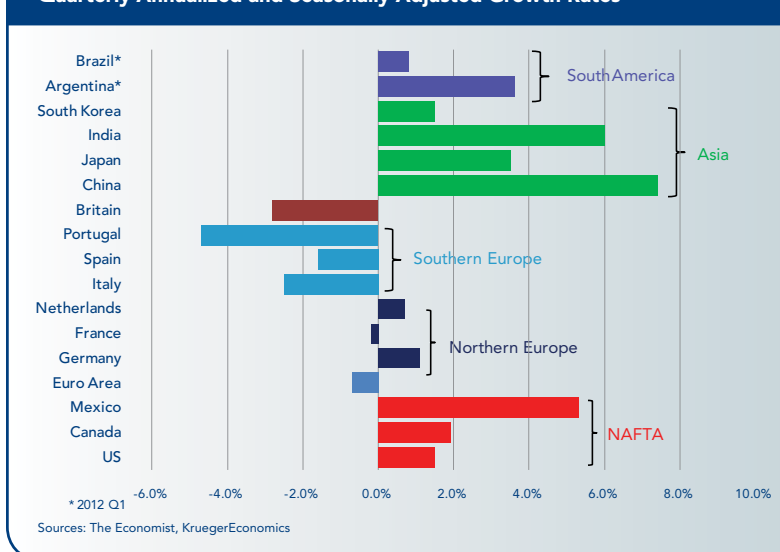
Meanwhile, California saw a small spurt in job growth, which started in May 2012. As a result, California job growth outpaced the nation this summer, while the recovery spread to the interior parts of the state.

Looking forward, the U.S. economy faces “two main sources of risk,” according to Federal Reserve Chairman Ben Bernanke: the eurozone crisis and the so-called U.S. “fiscal cliff,” which consists of about \$600 billion of tax increases and spending cuts that could hammer the U.S. economy by January 2013, unless Congress comes up with a deal to fix it.

The fear is that uncertainty concerning these two risks may already be impacting economic outcomes as businesses postpone hiring and investment plans until the dust settles.

With respect to the crisis in the eurozone, recent Spanish, Portuguese and

2012 Q2 Real GDP Growth by Country
Quarterly Annualized and Seasonally Adjusted Growth Rates



Italian government bonds strengthened as traders bet on the European Central Bank overcoming Bundesbank (German) resistance to its new sovereign bond-buying mission. The motto, therefore, remains that Europe will continue to muddle through the crisis.

With respect to the “fiscal cliff,” the Economic Advisory Council is virtually certain that there will be a last-minute stop-gap deal in Congress.

Also, as a recent Merrill Lynch analysis pointed out: “The U.S. economy has already been living with a fiscal drag of 1%–2% annualized pace since the third quarter 2010.” Furthermore, recent help wanted ads and job opening surveys do not show any telltale sign of a major hiring pause.

Finally, recent short-term economic indicators show that there is enough momentum left in the economy, suggesting that it is too late for a recession to occur before the elections in November.

This report will focus on the current situation and convey forecasts about some key statistics, such as the expected economic and job growth in 2012. Then, it will discourse as always, about crucial

California subsectors, agriculture, tourism, housing, water and electricity issues.

The main notions about the current situation coming out of the discussions of the Council’s distinguished economists are the following.

Foreign Sector

Despite doubts about the health of its trading partners, California exports continued to be good in 2012. In June 2012, California businesses shipped goods valued at \$15.18 billion to foreign countries. The June 2012 number was up nearly 10% from June 2011.

Year-to-date, California exports were running 5% ahead of the previous peak year in 2008 after adjusting the numbers for inflation. Demand for the state’s high-tech manufacturing goods remained strong. While regional exports to Asia and Europe flattened, other countries, particularly Mexico, picked up the slack.

- Europe will continue to “muddle through” its debt crisis. Some new proposed strategies of the European Central Bank (ECB) promise to create some clarity. Particularly noteworthy is the idea that the ECB might set interest rate targets for Euro countries, which it will support by purchasing sovereign debt if these targets are threatened.

- Driven by major declines in its Mediterranean countries, GDP in the eurozone fell 0.7% during the second quarter of 2012. Germany’s GDP growth managed to stay positive.

- Asian countries continued to grow in the second quarter of 2012, but at slower rates. China’s GDP growth slowed to 7.4% due to slowing exports, mainly to Europe, which is its biggest trading partner. India’s growth also slowed to 6%

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State Job Growth Better Than U.S.; California Recovery Spreading

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in the second quarter of 2012.

● The GDP growth performance in South America was mixed. On the one hand, Mexico grew at a strong 5.3% during the second quarter. On the other hand, formerly booming Brazil barely grew 1% in the first quarter of 2012, the most recent available data point.

● As a result, California export growth will slow down in 2012, but exports will continue to grow at decent rates.

The U.S. Situation

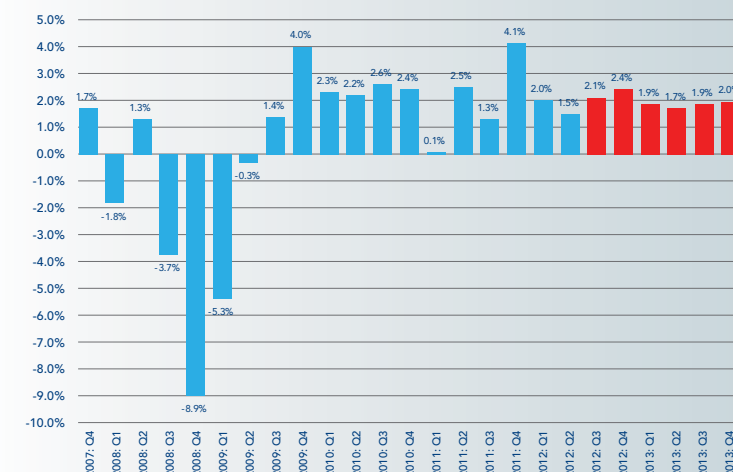
The U.S. economy disappointed in second quarter 2012, but it did not slip back into another downturn. Since the end of the recession, the performance of the U.S. economy has been weak, experiencing the slowest economic recovery since World War II.

Manufacturing, however, continued to grow in the second quarter of 2012, while construction contributed to GDP growth, and consumer spending grew modestly. The fiscal drag, which still poses a problem in the short term, may be easing off.

● Real GDP growth was 1.5% in the second quarter of 2012, down from a growth rate of 2% in the first quarter of 2012. The modest second quarter growth in U.S. real output was driven up by sluggish increases in personal consumption, exports, inventory investment and residential fixed investment. These contributions to growth were partially offset by negative contributions from government and increased import numbers (oil prices).

● Recent trends in U.S. job data exhibited job growth, but it was weak. Just 163,000 payrolls were added in July this year and the unemployment rate stayed stubbornly high at 8.3%. Since the beginning of this year, employment growth has averaged 151,000 jobs per month, about the same as the average monthly gain of 153,000 in 2011. In

Real GDP Growth in the U.S.



Sources: U.S. Bureau of Economic Analysis, KruegerEconomics

July, employment rose in professional and business services, food services and drinking places, and manufacturing. Private sector employment growth, which excludes government, was 172,000 jobs for the month.

● Furthermore, with respect to monetary policy, the council expects that the Federal Reserve Board will hold off on third quarter estimates, i.e. another round of quantitative easing. Some analysts now suggest that Bernanke intends to keep his “powder dry” until there is more clarity about the “fiscal cliff” situation.

● In light of the signs of continued sustainable growth in the private sector, the slowing of the expected fiscal drag, and some ephemeral anecdotal evidence of postponed hiring and investment plans, the economic advisers predict that GDP growth will be around 2% plus this year, while the nation’s unemployment rate could drop just below 8% by the presidential elections this November. Should it materialize, this forecast will help neither President Barack Obama nor Republican presidential candidate Mitt Romney.

California Economy Subpar But Better Than Nation

On the surface it looks like California

is getting its momentum back, at least since May this year. In July 2012, the state registered the fastest year-over-year absolute nonfarm job growth in the nation.

On a seasonally adjusted basis, it added 25,200 jobs, which placed it ahead of Michigan, Virginia and Texas. California also registered the largest yearly increase with 365,000 payrolls added between July 2011 and July 2012. This was followed by Texas (222,500) and New York (113,300). However, the California unemployment rate was 10.7%, the third highest in the nation.

The improved job picture was broad-based in terms of industries and regions. Ten major industry sectors added jobs on a year-over-year basis in July 2012. Manufacturing was the only sector still losing jobs on an annual basis. The California economic recovery continued to broaden, also on a regional basis.

Looking forward, the CalChamber’s economic advisers continue to be concerned about California’s high unemployment rate. They agreed on a forecast in the low to mid-teens by November 2012. The state’s overall job growth will continue to plug along, aided by relatively good income and taxable sales growth, both of which have picked up lately. Also, new home construction seems to be turning the corner and will contribute modestly to the state’s economic activity in 2012, albeit not with the same vigor as in previous economic recoveries.

A California-specific risk is the potential increase in the top California income tax rate to 12.3% if Proposition 30 passes. This would result in the highest marginal income tax rate on record in California.

The sales tax increase poses another risk. The increase in the top bracket income tax rate could curb financial

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support of new enterprises by California's affluent, who are one of the most entrepreneurial groups in the nation.

Also, the sales tax increase is regressive and will hurt the less affluent.

Housing Shows Signs of Recovery

California housing recovered this spring. New housing production was up on an annual running basis (adding up the last 12 months) by 10.7%. This was driven by a sharp rise in multi-family construction, which grew 23.8% during the same time period.

Multi-family construction growth will continue to lead the state's housing market this year as more and more public builders have re-discovered the urban infill market.

However, the housing development action will likely result in more ownership housing construction for the rest of this year and next year.

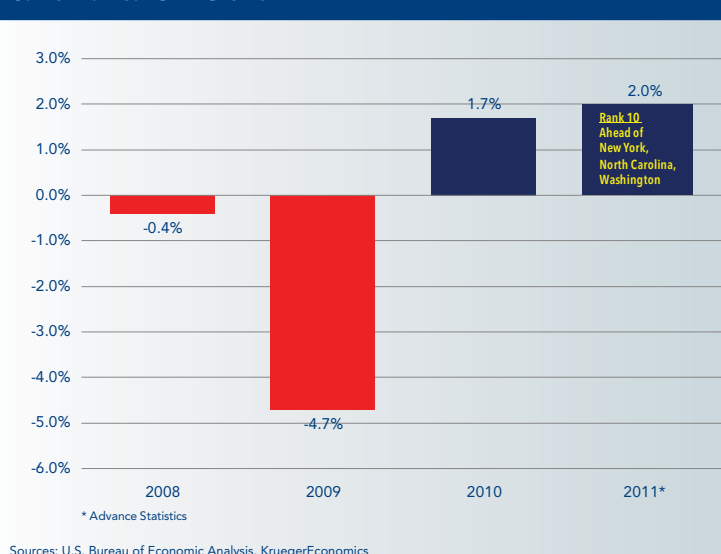
Many builders have totally underestimated the strength of demand for their product this spring and are running out of finished lots. They were overly afraid of the shadow supply, which turned out to be less of a problem than imagined.

The state's home resale market is growing again with heightened activity in the Bay Area. The new trend is that with economic growth, higher resale activity is spreading to all corners of the state.

A major positive is historically high ownership housing affordability plus surprisingly low inventory-to-sales ratios in the state's multiple listings systems, which suggests that the worst of the California housing crisis is over. In some urban areas, we already see good home price appreciation and the emergence of a housing shortage, particularly in rental markets.

Looking forward, the faster trajectory in economic fundamentals plus the higher quality of jobs in coastal areas should begin to trigger modest home price

California Real GDP Growth



appreciation (4% and higher) in the urban areas of Southern California and the San Francisco Bay Area this year.

Home price growth in the interior housing markets of California will resume also. This will be supported by the fact that even in the California interior markets, unsold inventory tends to be low also.

Southern California Economy

The counties in the five-county Los Angeles metro area have seen growth so far this year, but the pattern of growth has varied, with Orange County leading the way. Unemployment rates have leveled out in recent months after showing some improvement in the last half of 2012. Job gains have been as good as or better than the nation as a whole during the first half of the year.

The housing market is showing renewed life with good sales numbers and an uptick in home prices, as more higher-priced homes are being bought and fewer distressed properties figure into the mix.

Los Angeles County lagged its neighbor counties in recovery from the Great Recession over the last two years, but it finally gathered momentum in 2012. The monthly seasonally adjusted unemployment rate fell by two percentage points in less than a year from the cyclical peak of 13.2% in July 2011

to 11.2% in May 2012.

The overall rate of job growth picked up slightly during the first few months of this year, while a number of industries experienced an uptick in activity and more robust job growth.

Orange County has led the region in recovery from the Great Recession over the last two years, and has an unemployment rate that has dropped below the national rate in recent months and stood at 7.9% (not seasonally adjusted) in June. The overall rate of job growth picked up slightly during the first few months of this year with an average year-to-year growth rate of

1.7% over the first six months of the year.

The Inland Empire (Riverside and San Bernardino counties) has struggled in its recovery from the Great Recession over the last two years, and has a volatile unemployment rate that stood at 12.6% (not seasonally adjusted) in June.

The overall rate of job growth picked up slightly during the first few months of this year with an average year-to-year growth rate of 1.4% over the first six months of the year.

California Agriculture Doing OK Despite Drought in Midwest

2012 promises to be a good year for many agricultural businesses, although there are challenges for the largest product sector and some others, because of a rising dollar and the drought conditions in the Midwest.

Overall, the California agricultural sector is very important for the California economy. It is the top exporter of agricultural products in the nation.

In 2010, Canada, Europe and Japan were its top export destinations. According to the University of California, Davis, California farms and processing industries generate 6.7% of the state's private labor force (including multipliers). Its cash

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receipts were nearly \$37.5 billion in 2010 and a \$1 billion increase in the value added from agricultural production and processing resulted in \$2.64 billion of gross state product.

Dairy

Milk prices have declined from their highs, because of softening domestic demand, export demand and increasing inventories. Favorable weather throughout the United States and other major milk production countries made for “happy” cows until weather returned to normal in California late in the spring and turned hot and dry in the Midwest.

Dairy herds in California were already being culled before feed costs skyrocketed with the ongoing Midwest drought. Hay prices have not fallen, as expected, because of the U.S. drought.

Milk prices will rise as production levels fall, but the higher costs of feed will result in dairies operating at below break-even levels, if they do not produce much of their own feed.

Other Livestock

Poultry producers, impacted by high feed costs, reduced production and will be negatively impacted by the higher feed costs again. Beef prices may decline as stockers are sent early to feedlots, but could rise to record levels later this year, as the fed cattle pipeline is cleared. Grazing conditions suffered from lack of precipitation early this year, but pastures have benefited from spring rain.

Fruits, Nuts, Vegetables

Vegetable prices were reduced early this year, because there were good production conditions in all growing regions. Prices have improved this summer as producers reduced local plantings and production in the Midwest due to the drought. There were sufficient chilling hours for dormant trees and vines, though temperatures have been

costly for citrus growers this past winter, especially for Mandarin varieties.

There has been some severe hail damage in the heart of the San Joaquin Valley this spring, resulting in significant losses for stone fruit orchards in the midsection of the San Joaquin Valley. The freeze and hail damage has sharply improved prices for citrus and stone fruit producers not impacted by the unfavorable weather here, and in the other parts of the country.

Wine/Wine Grapes

California wine grape growers will benefit from much higher prices this year, as wine sales improve and the U.S. dollar continues to make imports less competitive. The weather problems in the wine grape crops on the coast last year have sharply reduced inventories. Plantings of new vineyards in California continue to increase.

Wineries report significant reductions in their finished inventories, though consumers are resisting a full return to the higher retail prices wineries enjoyed before the recession.

Field Crops

Hay and cotton producers are enjoying good prices above historical averages, though they are not as high as last year. Corn and other grain crops will do very

well this year, because of the drought in the Midwest.

Weather

Reservoir storage going into this irrigation season was higher than historical averages in most regions, other than the Colorado River reservoirs, though the latter is much improved over 2010.

Many agricultural surface water users benefited from late rain and snow last spring, improving surface water deliveries this year, a result much better than originally feared. Some growers on the west side of the San Joaquin Valley may get only 45% of surface water deliveries.

These short deliveries, combined with alternative supplies, will result in a higher cost of irrigating crops this year.

Labor

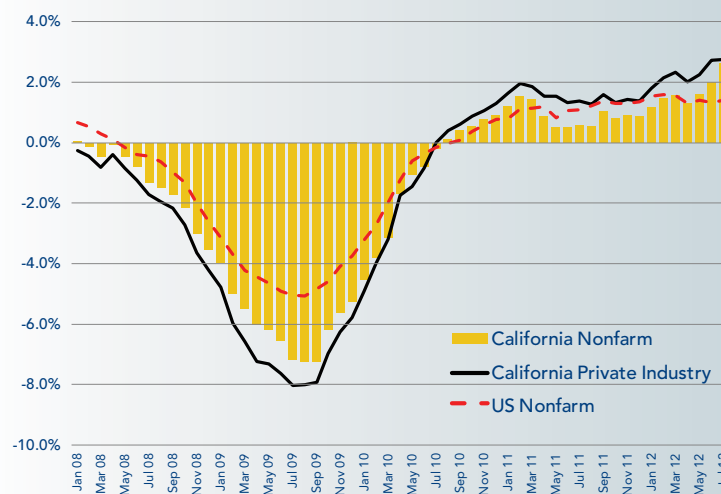
Agricultural labor availability appears presently ample, though difficulties arose during the 2011 late harvest due to poor weather and other U.S. regions competing for the same workers. California fruit and vegetable producers are apprehensive about labor availability, due to the improved economy in Mexico and possible federal regulatory changes requiring stricter worker documentation.

Interest Rates and the U.S. Dollar

Low interest rates continue offsetting input cost increases and support recent agricultural real estate appreciation. Moderate U.S. economic growth and low interest rates will keep the U.S. dollar relatively weak, though stronger than 2011. The U.S. dollar has recently appreciated, as investors seek “safe haven” from the European financial turmoil. Yet, it is not expected to return to historical values until U.S. economic growth and interest rates rise significantly. Accordingly, U.S. agricultural and food products will remain relatively competitive this year for most importers.

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Annual California Job Growth (July 2012)



Sources: Employment Development Department, KruegerEconomics

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California Tourism Doing Well

California tourism continues to recover and is doing well. The year-to-date hotel occupancy increased by 4.1%, the average daily room rate by 5.8%. Regionally, the Bay Area daily room rates are on fire, followed by a good performance in Los Angeles County. Travel numbers are also up year-over-year: 4.8% in domestic travel and 4.7% in international travel. California welcome centers saw a 12.55% increase over the same period.

Water/ Electricity Conditions Fine

No immediate capacity shortages expected.

Electricity

The recent heat wave has caused several “brown outs,” but no “black outs.” Southern California Edison had to deal with the problems at its San Onofre nuclear power plant, which had to be taken off line because of leaks in several pipes. However, it was possible to reactivate temporarily two mothballed gas plants, which is helping with some of the capacity issues.

Water

Current dam storage is still average everywhere except the Colorado River, where it is still below average, but improving. California deliveries from the Colorado River are expected to be maintained.

Planned water deliveries for the State Water Project (SWP) are still below average, but not by a lot. The California Department of Water Resources (DWR) has announced that it will deliver 60% of the requested amounts, which the depart-

ment describes as “not unusually low.”

Wet conditions last year allowed the SWP to deliver 80% of the requested amount. Reliability studies have estimated average-year deliveries to be 63%. In recent years, the delivered amounts were 5% in 2010, 40% in 2009, 35% in 2008, and 60% in 2007. The last 100% allocation was in 2006.

Summation

The crisis in the eurozone remains a risk, the fiscal cliff is a major concern, and possible California tax increases could hinder financial support, especially for new and promising startups. The sales tax increase is regressive and will hurt cash-strapped consumers, who are already struggling.

Nevertheless, the outlook remains unchanged that global economic growth will still run at 3% to 3.5%.

While the California export business will slow down, it will continue to grow at a good rate. Furthermore, the construction industry will finally

become a contributor to economic growth in the Golden State. California housing prices are likely to rise at a good pace for the rest of the year. Tourism and agriculture will also give the state an economic boost in the second half of 2012.

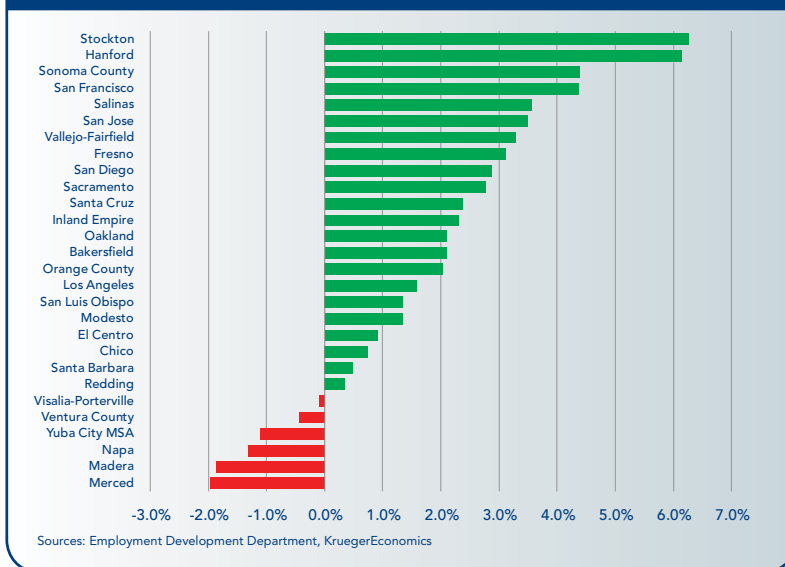
Water and electricity concerns have abated, but the recent dry weather is causing concerns again, particularly in agriculture, and the recent heat wave has pushed electric capacity to its limit. Declining government will be a drag on the economy, but this will be offset by strengthening and sustainable business

activity in the private sector.

Encouraging is that the economic recovery is spreading to the California interior. It is possible that all major California regions will end up in the positive growth column by the end of 2012.

Staff Contact: Dave Kilby

Annual Regional Nonfarm Job Growth in California, July 2012



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

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Your Guide to Trends and Court Decisions Impacting California Employers

Think it's OK to have Aunt Sally run the register a few nights a week? Why not, she's retired and likes to help. Actually, Aunt Sally's willingness to help can land her employer in trouble if she isn't treated like other employees. Using family or friends to perform work may violate state labor codes by not paying minimum wage, for example, or by failing to follow state statutes that require overtime pay.

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