Split Roll Parcel Tax Passes from Senate to Assembly

The Senate this week passed a California Chamber of Commerce-opposed “job killer” bill that creates a split roll parcel tax at the local level.

**SB 1021 (Wolk; D-Davis),** passed by the Senate on May 5, authorizes school districts to impose a higher parcel tax on commercial property than residential property.

**SB 1021** seeks to redefine the term “special taxes that apply uniformly” to mean special taxes that may be applied discriminatorily and unfairly.

**Layers of Taxes**

Notably, there is nothing in **SB 1021** that would prevent the school district from imposing both a parcel tax based upon use as well as a parcel tax based upon square footage, thereby allowing a district to impose layers of taxes against commercial versus residential property.

The likelihood of a school district imposing discriminatory parcel taxes is

See Split Roll: Page 4

North American Trade Pact: 20 Years Later

The California Chamber of Commerce together with the Consulate General of Mexico in Sacramento hosted an International Luncheon Forum on May 6 to review the North American Free Trade Agreement (NAFTA) on the 20th anniversary of its going into effect. From left are Duncan Wood, Ph.D., director of the Mexico Institute at the Woodrow Wilson Center for Scholars in Washington, D.C.; Allan Zaremberg, CalChamber president and CEO; Jaana Remes, Ph.D., partner at the McKinsey Global Institute; and J. Edward Taylor, Ph.D., professor of agricultural and resource economics, University of California, Davis. Story at calchamber.com.

Senate to Consider Expansion of Product Defect Litigation

“Job killer” legislation allowing an unwarranted expansion of product defect litigation awaits consideration by the Senate after passing a policy committee this week on a party-line vote.

**SB 1188 (Jackson; D-Santa Barbara)** significantly increases product defect litigation and associated claims by allowing consumers to pursue claims after the warranty has expired for “material” omissions regarding the product that are unrelated to any health and safety concerns.

**Current Law**

Currently, when a product performs as promised through an express warranty, there generally is no liability.

As noted in a 2006 court case, “The law governing warranties is clear. A warranty is a contractual promise from the seller that the goods conform to the promise. If they do not, the buyer is entitled to recover the difference between the value of the goods accepted by the buyer and the value of the goods had they been as warranted.” *Daugherty v. American Honda Motor Co., Inc.*, 144 Cal.App.4th 824, 830 (2006).

Liability also exists if a seller fraudulently omits information about the product or fails to disclose an alleged defect that poses a risk to health and safety.

Absent proof of a health or safety risk, courts have been unwilling to expand

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**Exports Key to Economic Growth: Page 5**
Cal/OSHA Corner

Heat Illness Prevention Information Readily Available on Web, in Classes

With hot weather around the corner, where can I find information on heat illness?

The Division of Occupational Safety and Health (Cal/OSHA) has developed and presents free seminars annually relating to heat illness prevention. Typically, these seminars are available beginning in March and run through early summer.

Information on the seminars can be found on the Cal/OSHA website at www.dir.ca.gov. Also available is information about affected industries, definitions, the regulation and training, etc.

Outdoor Workplaces

All outdoor places of employment are subject to the heat illness prevention regulation, Title 8 of the California Code of Regulations, Section 3395 Heat Illness Prevention in Outdoor Places of Employment.

The industries subject to all provisions of the regulation, including the “High Heat Procedures,” include:

- Agriculture;
- Construction;
- Landscaping;
- Oil and gas extraction; and
- Transportation and delivery of agricultural products, construction materials or other heavy materials.

In an exemption for employees who are not performing loading or unloading duties, but who are operating an air-conditioned vehicle.

Shade Requirements

Shade is very important. Specific requirements are necessary at temperatures above 85 degrees. In addition, other requirements become effective where the temperature reaches 95 degrees. These requirements are considered “high heat” procedures. The information is addressed in detail on the Cal/OSHA website.

If the temperature is 85 degrees, the shade must accommodate at least 25% of the employees. Additionally, if the temperature is less than 85 degrees, shade must be provided initially, or upon request from an employee.

The employees must be allowed and encouraged to take a break in the shade for at least five minutes, when they feel the need to do so to protect themselves from overheating.

Supervisor Training

Before being assigned to supervise outdoor workers, the supervisors must receive training about:

- Procedures the supervisor is to follow to implement the applicable provisions in this section.
- Procedures the supervisor is to follow when an employee exhibits symptoms consistent with possible heat illness, including emergency response procedures.
- How to monitor weather reports and how to respond to hot weather advisories.

More Information

Additional information on heat illness, including forms for developing a heat illness prevention plan for outdoor workers in English and Spanish, is available in the HR Library under “Workplace Safety” at HRCalifornia.com.

Compliance posters are available through CalChamberStore.com.

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: calchamber.com/events.

Labor Law


Business Resources


International Trade


China International Trade Mission and See Seminars/Trade Shows: Page 6
Anti-Arbitration Proposal Pending

A California Chamber of Commerce—opposed “job killer” bill that interferes with arbitration and settlement agreements is awaiting action by the full Assembly.

The bill, AB 2617 (Weber; D-San Diego), unfairly prohibits the enforcement of arbitration agreements or pre-litigation settlement agreements that require the individual to waive his/her right to pursue a civil action for the alleged violation of civil rights.

Numerous employer groups have joined the CalChamber in opposing AB 2617 because:
• It interferes with the California and federal arbitration acts and likely is preempted by those laws;
• Courts already provide adequate protection for arbitration agreements;
• Arbitration provides an effective and efficient means to resolve claims; and
• AB 2617 potentially prohibits pre-litigation settlement agreements.

State/Federal Law

Both the Federal Arbitration Act (FAA) and the California Arbitration Act (CAA) evidence a strong preference for enforcing arbitration agreements, as long as the underlying contract is fair.

Despite consistent rulings from both the U.S. Supreme Court and the California Supreme Court regarding the inclination to promote arbitration and limit any statutes or common law that interferes with arbitration, AB 2617 seeks to do just that.

Specifically, AB 2617 prohibits any contract that requires a waiver of the right to pursue a civil action for the violation of any alleged civil rights under the Civil Code.

Given that all valid arbitration agreements for goods and services require both parties to waive their rights to pursue a civil action, AB 2617 interferes directly with the FAA and CAA.

Arbitration Agreements

California courts have imposed certain safety requirements that arbitration agreements must include to be enforceable.

In one case, for example, the California Supreme Court said that the following protections must be included for employment arbitration agreements that encompass unwaivable statutory rights:
• provide for a neutral arbitrator;
• no limitation of remedies;
• adequate opportunity to conduct discovery;
• written arbitration award and judicial review of award;
• no requirement for the employee to pay unreasonable costs that he/she would not incur in litigation or arbitration fees.

Arbitration Effective

Existing evidence proves arbitration is as effective as and more efficient than the judiciary system to resolve claims.

In 2012, there were 278,442 civil cases filed, approximately 3% lower than the previous year, according to the U.S. District Court Judicial Caseload Profiler. More than 30,000 of those cases were filed in California. As of September 2012, California had more than 25,000 civil cases pending, approximately 8,000 of which had been pending for more than a year. Of those 8,000 cases, approximately 2,000 had been pending for more than three years.

By comparison, a 2007 study by the American Arbitration Association found that the median time for a final resolution was 175 days for cases involving a claim of up to $75,000, 297 days for claims between $75,000 and $499,999, and 356 days for claims between $500,000 and $999,999.

Not only is arbitration more efficient, but also it is less costly for employers/businesses, as well as financially beneficial to consumers/employees. A 2006 study by Mark Fellows, legal counsel at the National Arbitration Forum, concluded that consumers and employees actually fare better in arbitration than in court. Fellows specifically analyzed data from California and found that consumers prevail in arbitration 65.5% of the time, as compared to 61% of the time in court. Additionally, California businesses paid an average of $149.50 in arbitration fees whereas consumers paid only an average of $46.63.

Pre-Litigation Settlement Agreements

In addition to prohibiting arbitration agreements, AB 2617 also appears to ban pre-litigation settlement agreements as well. One section of the bill states that its provisions do not apply “after a legal claim has arisen.”

To the extent this section refers to claims that have actually been filed in civil court, AB 2617 would restrict pre-litigation settlement agreements as well. There are numerous situations where two parties are able to come to a resolution regarding a dispute before litigation is filed. AB 2617 would remove this opportunity and force the parties to actually file a claim in civil court before they could proceed with a settlement agreement that includes a waiver of all claims.

Key Vote

AB 2617 passed the Assembly Judiciary Committee on April 29, 7-2:
Ayes: Alejo (D-Salinas), Chau (D-Monterey Park), Dickinson (D-Sacramento), Garcia (D-Bell Gardens), Muratsuchi (D-Torrance), Stone (D-Scotts Valley), Wieckowski (D-Fremont).
Noes: Gorell (R-Camarillo), Wagner (R-Irvine).

Absent/abstaining/not voting: Maienschein (R-San Diego).

Staff Contact: Jennifer Barrera
Governor’s Mexico Mission Accepting Delegate Applications

Applications are available now for companies wishing to be part of the trade and investment mission to Mexico this July led by the Governor and organized by the California Chamber of Commerce. The application and more information is available at www.calchamber.com/July2014MexicoMission.

Split Roll Parcel Tax Passes from Senate to Assembly

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evidenced by the recent case of Borikas v. Alameda Unified School District, 214 Cal.App.4th 135 (2013), in which the Alameda School District’s Measure H that sought to tax residential and commercial/industrial properties differently was deemed unlawful.

The risk of multiple, nonuniform, targeted taxes against unpopular taxpayers is exacerbated by the provision of SB 1021 that allows the district to treat multiple parcels the same if the parcels are contiguous or owned by the same owner(s). Under this provision, a school district could aggregate multiple, smaller parcels owned by one owner to capture all the properties under a square footage parcel tax. Additionally, a school district could impose a parcel tax based upon the use of one parcel within multiple parcels owned by the same owner, even if those other parcels are not used for the same purpose.

Increases Consumer Costs

The increased cost to commercial property owners that SB 1021 would create will ultimately harm other taxpayers in the district, including residential property owners who are not the direct target of the parcel tax imposed.

As with other split roll types of proposals, these higher parcel taxes will be passed on through higher rent to both large and small businesses, which ultimately will pass those costs on to consumers, if possible. To the extent the market will not allow a business to pass on the cost to consumers through higher prices, businesses will have to adjust in other areas, including reducing labor or hiring.

Key Vote

The May 5 Senate vote on SB 1021 was 21-15:
Ayes: Beall (D-San Jose), Block (D-San Diego), Corbett (D-San Leandro), De León (D-Los Angeles), DeSaulnier (D-Concord), Evans (D-Santa Rosa), Hancock (D-Berkeley), Hernandez (D-West Covina), Hill (D-San Mateo), Hueso (D-Logan Heights), Jackson (D-Santa Barbara), Lara (D-Bell Gardens), Leno (D-San Francisco), Lieu (D-Torrance), Liu (D-La Cañada Flintridge), Mitchell (D-Los Angeles), Monning (D-Carmel), Padilla (D-Pacoima), Pavley (D-Agoura Hills), Steinberg (D-Sacramento), Wolk (D-Davis).

Noes: Anderson (R-Alpine), Berryhill (R-Twain Harte), Cannella (R-Ceres), Correa (D-Santa Ana), Fuller (R-Bakersfield), Gaines (R-Rocklin), Galgiani (D-Stockton), Huff (R-Diamond Bar), Knight (R-Palmdale), Morrell (R-Rancho Cucamonga), Nielsen (R-Gerber), Torres (D-Pomona), Vidak (R-Hanford), Walters (R-Irvine), Wyland (R-Escondido).

No Vote Recorded: Calderon (D-Montebello), Roth (R-Riverside), Wright (D-Ingelwood), Yee (D-San Francisco/San Mateo).

The bill awaits assignment to a committee in the Assembly.
Staff Contact: Jennifer Barrera

Senate to Consider Expansion of Product Defect Litigation

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liability given concerns as to the phenomenon that all defects would result in a “material” omission. Specifically, in hindsight, any failure of a product would always be considered “material” in the eyes of a consumer and would have influenced the decision to purchase the product if the potential defect had been disclosed at that time.

Expanded Liability

SB 1188 essentially does exactly what the courts have thus far been unwilling to do. It expands the Consumer Legal Remedies Act and as such, the Unfair Competition Law, by defining the term “material” for purposes of omissions to include any information that a reasonable person “would attach importance to its existence or nonexistence in determining a choice of action in the transaction in question.” SB 1188 further specifies that materiality is not just limited to health and safety issues, as courts have currently required.

This definition will significantly expand product defect litigation, especially class actions, as any alleged product defect will be deemed “material” once it has occurred, and the buyer will undoubtedly claim knowledge of this defect would have affected the decision to purchase.

Such an expansion of liability would render warranties absolutely meaningless, as all manufacturers and sellers would have to ensure the everlasting lifetime of a product. This guarantee will drive up costs for manufacturers and sellers, which will trickle down the line to higher prices for consumer products.

By expanding product defect litigation, SB 1188 would also overwhelm the judicial branch, which already is struggling to maintain services due to three years of severe budget reductions.

Key Vote

SB 1188 passed the Senate Judiciary Committee on May 6, 5-2.
Ayes: Corbett (D-San Leandro), Jackson (D-Santa Barbara), Lara (D-Bell Gardens), Leno (D-San Francisco), Monning (D-Carmel).
Noes: Anderson (R-Alpine), Vidak (R-Hanford).
Staff Contact: Jennifer Barrera
Exports Key to Economic Growth, Jobs

Perennial Leader California Accounts for More than 10% of U.S. Exports

U.S. Commerce Secretary Penny Pritzker has kicked off World Trade Month 2014 by reiterating the government’s commitment to making international trade an integral part of the DNA of U.S. businesses.

“More and more American companies are seeking to help establish a trade and investment framework that supports job creation, promoting competitiveness, and expanding trade in the dynamic Asia-Pacific region. The United States also is seeking to advance core U.S. values in the agreement, such as transparency, labor rights, and environmental protection.

The TTIP is a key driver of global economic growth, trade and prosperity, and represents the largest, most integrated and longest-standing regional economic relationship in the world. Together, the European Union and the United States are responsible for 11.5% of the world’s population, 45% of global gross domestic product (GDP), 30% of global merchandise trade, and 40% of world trade in services. A trade agreement could increase economic output for both the U.S. and the E.U.

Further, the California Chamber of Commerce is supporting legislation introduced in Congress to renew the authority of the President and/or U.S. Trade Representative to negotiate trade agreements. Passage of trade promotion authority will help Congress and the President to work together to forge new and beneficial trade agreements for the United States.

Global Leader

America’s standing as a world leader depends directly upon our competitive success in the global economy. For more than half a century, the United States has led the world in breaking down barriers to trade and in creating a fairer and freer international trading system based on market economics and the rule of law.

Increased market access achieved through trade agreements has played a major role in our nation’s success as one of the world’s leading exporters.

The CalChamber supports expansion of international trade and investment, fair and equitable market access for California products abroad, and elimination of disincentives that impede the international competitiveness of California business.

Susanne Stirling is vice president of international affairs at the California Chamber of Commerce.
Act Now to Keep ‘Job Killers’ Sidelined

A number of California Chamber of Commerce—opposed “job killer” bills have been referred to the appropriations committees of the Assembly or Senate for a review of the proposals’ fiscal impacts.

Urge your legislators and appropriations committee members to prevent these bills from advancing.

Costly Workplace Mandates

• AB 1522 (Gonzalez; D-San Diego) Paid Sick Leave — Increases employer mandates by requiring all employers, large and small, to provide all employees in California with paid sick leave, and threatens employers with statutory penalties as well as litigation for alleged violations. Assembly Appropriations Suspense File.

• SB 935 (Leno; D-San Francisco) Minimum Wage — Unfairly increases employer costs by increasing the minimum wage to $13 by 2017 and then increased thereafter according to the Consumer Price Index. Senate Appropriations Suspense File.

Economic Development Barriers

• SB 1897 (Hernández; D-West Covina) Contractor Liability — Unfairly imposes liability on any contracting entity for the contractor’s wage and hour violations, lack of workers’ compensation coverage, and/or failure to remit employee contributions, despite the lack of any evidence that the contracting entity controlled the working conditions or wages of the contractor’s employees. Assembly Appropriations Suspense File.

• AB 2416 (Stone; D-Scotts Valley) Unproven Wage Liens — Creates a dangerous and unfair precedent in the wage and hour arena by allowing employees to file liens on an employer’s real or personal property, or property where work was performed, based upon alleged yet unproven wage claims. Assembly Appropriations.

• SB 1017 (Evans; D-Santa Rosa) Oil and Gas Severance Tax — Unfairly targets the oil and gas industry with the burden of a severance tax on the extraction of oil and gas in order to fund higher education, health and human services, as well as the state parks and recreation. Senate Appropriations.

• SB 1132 (Mitchell; D-Los Angeles) Significantly Limits In-State Energy Development — Imposes a statewide moratorium on well stimulation treatments until the completion of a scientific study, thereby placing California businesses at a disadvantage, increasing fuel costs, impeding job growth and suppressing property, income and excise tax revenues. Senate Appropriations.

CalChamber-Sponsored Seminars/Trade Shows

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Hayward Chamber Luncheon for Japan Consul General. Hayward Chamber of Commerce. June 6, Hayward. (510) 537-3737.


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Overview of June Ballot Measures

Following are brief summaries of the two measures that will appear on the June ballot. The California Chamber of Commerce has no position on these proposals. For more information on the ballot measures, see the links listed below or visit the website of the secretary of state at www.sos.ca.gov.

Proposition 41

**Veterans Housing and Homeless Prevention Bond Act of 2014.** Authorizes $600 million in general obligation bonds for affordable multifamily supportive housing to relieve homelessness, affordable transitional housing, affordable rental housing, or related facilities for veterans and their families.

**Placed on Ballot by:** Legislature.

**Ballot Arguments For**

Proposition 41 redirects $600 million of previously approved, unspent bond funds to construct and rehabilitate housing for California’s large population of homeless veterans. The act will construct affordable, supportive and transitional housing for homeless and near homeless veterans without raising taxes.

**More Information:** www.yesonprop41forvets.org.

**Ballot Arguments Against**

Proposition 41 authorizes the state to borrow (by selling bonds) $600 million of $900 million in bonds voters previously approved for use by the CalVet Home and Farm Loan Program. The issue is whether such a diversion of funds is wise.

**More Information:** Email: gary.wesley@yahoo.com.

Proposition 42

**Public Records. Open Meetings. State Reimbursement to Local Agencies. Legislative Constitutional Amendment.** Requires local government compliance with laws providing for public access to local government body meetings and records of government officials. Eliminates reimbursement for costs of compliance.

**Placed on Ballot by:** Legislature.

**Ballot Arguments For**

Proposition 42 will cement in the Constitution the public’s right to know what the government is doing and how it is doing it.

**Ballot Arguments Against**

Local agencies shouldn’t be allowed to deny a request for public information or slam a meeting door shut based on cost.

**More Information:** www.cnpa.com/prop42.

**More Information:** Email: gary.wesley@yahoo.com.
THURSDAY, MAY 15, 2014 | 10:00 - 11:30 A.M. PT

Hiring No-No’s and Know-How Webinar

Recruiting and hiring employees certainly isn’t easy. When handled incorrectly, you can find yourself with a discrimination claim or jeopardize the at-will employment relationship.

At CalChamber’s upcoming Hiring No-No’s and Know-How webinar, you’ll learn practical pointers for avoiding common and potentially costly hiring mistakes. Our employment law experts are ready to identify proper HR procedures, from the importance of accurate job descriptions to confidentiality issues and more.

Cost: $199.00 | Preferred/Executive Members: $159.20

LEARN MORE at calchamber.com/May15 or call (800) 331-8877 and mention priority code REG.