State of the State Address
Governor Keeps Focus on Budget Discipline

Paying for existing state commitments and continuing to add to state budget reserves were the twin highlights of the Governor’s State of the State address last week.

“The challenge is to solve today’s problems without making those of tomorrow even worse,” said Governor Edmund G. Brown Jr. in the January 21 address. “Our job is to clearly face the facts we do know and prepare for the many unknowns as best we can.”

He reminded listeners that since World War II, California has gone through 10 recessions, yet California budgets have been built around forecasts of continuing growth.

If deficits and surpluses between 2000 and 2016 are added up, the Governor noted, the total deficits were seven times as large as the surpluses.

Learning from Past
Recalling the deep cuts in schools, child care, social services and other important state programs that the latest shortfall made necessary, the Governor said, “I don’t want to make those mistakes again.”

California’s progressive tax system relies on the “volatile income tax” that provides 70% of General Fund revenues. “If we are to minimize the zigzag of spend-cut-spend that this tax system inevitably produces, we must build a very large reserve,” the Governor said.

Policy Priorities
Turning to other policy proposals for the legislative session, the Governor:
• Reiterated the importance of a series of actions to deal with the drought and water supply, noting that there is “no

Inside
State’s Uneven Recovery: Page 3

Revised Double-Pay Holiday Bill Passes Assembly

A California Chamber of Commerce-opposed bill that requires double the “regular rate” of pay for work on Thanksgiving passed the Assembly this week.

A previous version of the bill, also opposed by the CalChamber, failed to pass the Assembly last year.

The amended version of AB 67 (Gonzalez; D-San Diego) unfairly targets two classifications of employers, increases their costs, and creates a competitive disadvantage by forcing them to recognize Thanksgiving as a “family holiday” and compensate all employees with double the regular rate of pay for work performed on that day.

Targets Retailers, Grocers
The author of AB 67 has argued the bill is needed to compensate employees who are forced to give up their family time to work on Thanksgiving. The most recent amendments to AB 67 indicate otherwise.

AB 67 now targets only two industries—retail store and grocery store establishments—to force them to pay double the “regular rate” of pay on a “family holiday,” defined as Thanksgiving. Any other employer that opens on Thanksgiving can continue to pay its employees minimum wage.

See Revised Double-Pay: Page 6
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Labor Law Corner
Where to Put Posters When Employees Work in Clients’ Homes

We have a home health business and our employees travel directly from their home to the client’s home. We are unable to post the federal and state required notices in the client’s home. How do we ensure that our employees see the required posters, including the wage order for our industry?

There is not a simple answer to your question. Federal and state agencies require employers to post various notices that provide information to employees regarding laws and regulations relating to wages, safety and working conditions, etc. These poster and notice requirements vary by statute.

No Exemptions
With the exception of the Industrial Welfare Commission (IWC) Wage Orders, there are no exemptions to posting requirements. Unless the statute authorizes electronic or other types of dissemination, it must be posted in a prominent location.

Putting the posters in the place where employees pick up their paychecks or where they go for human resources-related issues may be the only practical solution.

Wage Order Copies
The IWC Wage Orders allow an employer to make a copy of the wage order available to every employee upon request: “Every employer shall keep a copy of this Order posted in an area frequented by employees where it may be easily read during the workday. Where the location of work or other conditions make this impractical, every employer shall keep a copy of this Order and make it available to every employee upon request.”

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.hcalifornia.com.

CalChamber-Sponsored Seminars/Trade Shows
More at www.calchamber.com/events.

Labor Law
HR Boot Camp. CalChamber. February 25, Modesto; March 22, Los Angeles; May 10, Sacramento; June 9, Santa Clara; September 7, San Diego. (800) 331-8877.
Leaves of Absence. CalChamber. April 14, Sacramento; June 23, Huntington Beach; August 16, Sacramento. (800) 331-8877.
International Trade
Milken Institute Global Conference. Milken Institute. May 1, Beverly Hills.

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Alert (ISSN 0882-0929) is published weekly during legislative session with exceptions by California Chamber of Commerce, 1215 K Street, Suite 1400, Sacramento, CA 95814-3918. Subscription price is $50 paid through membership dues. Periodicals Postage Paid at Sacramento, CA.


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California Must Address Uneven Recovery

Governor Jerry Brown has proposed a state budget brimming with new revenues, but carefully socking part of the surplus away for a future economic downturn. He understands the impermanence of recovery. In fact, California has been the source of recent national fluctuations, from the dot-com bubble 15 years ago to the more recent housing bubble.

Many Economies

California is a single state, but many economies. The recovery of the entire state obscures the struggles of many regions and industries.

Geographically, our economic divide has worsened. We have wealthy coastal enclaves and poor inland communities; a booming high technology sector and low-wage service businesses. Nearly a quarter of Californians still live in poverty.

We can agree on some of the long-term solutions, especially increasing educational opportunities for children in at-risk families. More immediate, however, is developing entry-level jobs for adults living in and on the edge of poverty, and higher-wage employment to open the doors to the middle class.

Common Concern: Costs

California’s wide diversity of businesses and industries spawns a broad spectrum of concerns about the business climate. But the common thread is cost.

If a company is labor intensive, it cares about complex labor laws and excessive litigation. A housing developer cares about costly delays from abuse of the California Environmental Quality Act. Energy-intensive manufacturers care about the costs of energy.

The distribution of the California economy is vastly different than it was before the downturn. While all industrial sectors have restored some jobs, construction and manufacturing have lagged, regaining only four-fifths of their previous job levels.

The state’s economy continues to be driven by information technology, life sciences and tourism—industries focused in San Francisco, San Diego and Los Angeles.

Sustaining Recovery

A stable, productive economy for all Californians is good not only for California, but also for the country. To sustain the recovery enjoyed by some industries and regions and broaden economic opportunity across the entire state, policymakers should aim to increase certainty and reduce competitive disadvantages for job creators and investors.

Allan Zaremberg

Allan Zaremberg is president and CEO of the California Chamber of Commerce. This commentary first appeared in The Sacramento Bee.
CalChamber Files Brief on Meal Breaks During 12-Hour Shifts

The California Chamber of Commerce has added its arguments in a case that may help clarify meal and rest period requirements for health care employees who work 12-hour days.

The case, pending before the California Supreme Court, is Jazminza Gerard, Kristiane McElroy and Jeffrey Carl v. Orange Coast Memorial Medical Center.

Waiving Meal Period

The CalChamber and the Civil Justice Association of California (CJAC) are supporting the argument of the medical center that health care workers may voluntarily waive in writing one of two half-hour meal breaks to which they are entitled if they work a shift of more than 12 hours. The waiver can be revoked by the employee at any time with one day’s notice to the employer.

The practice is in keeping with the Industrial Welfare Commission’s (IWC) longstanding and uniformly applied application of Wage Order 5, the plaintiff and CalChamber contend.

A California appellate court ruled to the contrary in the case.

The CJAC/CalChamber brief points out that if the appellate court decision is reversed, it will inflict tremendous financial hardship on the medical center and all health care employers in California.

The errant appellate court decision also will “deprive health care workers of the freedom to choose when they wish to take or waive one of two entitled meal breaks and go home earlier with the same amount of pay as if they chose to take that second half-hour meal break and work longer,” the brief states.

The losers will be the vast majority of health care workers, their employers and the general public who will be forced to pay even more for health care. The winners will be class action lawyers representing plaintiffs who signed waivers and never revoked them.

Legislative Intent

Three bills express the Legislature’s attitude toward meal breaks:

- **AB 60**, the 1999 overtime legislation, permits the IWC to provide for an employee in the health care industry to voluntarily waive one of two meal breaks for shifts that exceed 12 hours.
- **SB 88** of 2000 substituted the phrase “except as provided in Section 512” for the phrase “notwithstanding any other provision of law” in Labor Code Section 516. The appellate court decision relies on this one wording change.
- **Last year, the Legislature enacted and the CalChamber supported an urgency bill to remediate the appellate court interpretation of the law. SB 327 (E. Hernandez; D-West Covina) clarified that voluntary waivers by health care workers of one of two meal periods for a work shift exceeding 12 hours is and was valid from October 1, 2000.**

Harmonizing Changes

The CJAC/CalChamber brief advocates harmonizing the changes to the Labor Code to provide that health care workers can voluntarily waive one of two meal breaks for shifts lasting more than 12 hours.

A “literate reading” of the Labor Code sections and Wage Order 5 warrants this interpretation, the CJAC/CalChamber brief argues. Moreover, forcing health care workers to take two meal breaks for shifts of more than 12 hours doesn’t further the workers’ health, safety and welfare for a number of reasons:

- The decision of whether to waive the second meal break rests entirely with individual workers.
- There is no danger that workers will be overworked or somehow pressured to waive a meal break they would prefer to take.
- There is a financial incentive to assure workers are not overworked by their employers because the Labor Code requires double-time pay if health care employees work more than their scheduled shift of 12 hours.
- As the IWC reported, the vast majority of employees testifying at public hearings supported the freedom of choice provided by the ability to waive one meal period, combined with the protection of at least one meal period on a long shift.

**Staff Contact:** Heather Wallace

Governor Keeps Focus on Budget Discipline

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magic bullet.” He cited the need to “recharge our aquifers, manage the groundwater, recycle, capture stormwater, build storage and reliable conveyance, improve efficiency everywhere, invest in new technologies—including desalination—and all the while recognize that there are some limits.”

He pledged to “listen and work patiently to achieve results that will stand the test of time. Water goes to the heart of what California is and what it has been over centuries. Pitting fish against farmer misses the point and grossly distorts reality.”

- Asked lawmakers “Republicans and Democrats alike, to seriously consider” the newly revised reform proposal for **financing managed care organizations**. The proposal is not a tax increase, and California comes out a “clear winner,” the Governor said.
- Touted the state’s move to switch from “its overly intrusive, test-heavy state control” school system to one of “local accountability.”
- Emphasized the need for further work to restore solid fiscal footing for the state’s **retirement liabilities** for pensions and lifelong health benefits for state and university workers.
- Called for enacting new fees and taxes to provide an expanded and permanent revenue source for **fixing California roads**.
- Praised the agreement from the Paris climate summit he attended as a “breakthrough” with a goal of bringing per capita **greenhouse gases** down to 2 tons per person. Although there are some still “in denial,” the Governor said, the rest of the world has heard the message: “Humankind must change its ways and radically decarbonizes the economy.”

Reaching the goal will “take decades and vast innovation,” the Governor said, “but with SB 350, we’re on our way.”

SB 350 (de Leon; D-Los Angeles) requires the state to double the energy savings in buildings and procure 50% of its energy from qualified renewable resources by 2030.
CalChamber, Coalition Continue to Voice Concerns on Draft Prop. 65 Warning Rules

Although improved since previous iterations, proposed revisions to the Proposition 65 warning regulations by the Office of Environmental Health Hazard Assessment (OEHHA) continue to be a concern to the California Chamber of Commerce and a coalition of more than 200 organizations.

The CalChamber and coalition have outlined their issues in a recent letter to OEHHA.

The letter explains in detail why OEHHA’s proposal makes compliance with Proposition 65 far more difficult, creates new avenues for increased litigation and imposes significant new costs on California businesses.

Proposition 65 Background

Proposition 65, the Safe Drinking Water and Toxic Enforcement Act of 1986, is the most far-reaching consumer “right to know” law in the nation.

Proposition 65 requires California businesses with 10 or more employees to provide clear and reasonable warning before knowingly and intentionally exposing individuals to chemicals known to cause cancer and/or reproductive toxicity.

When to Warn

California allows a business to use a chemical without providing warning as long as exposure does not exceed a specified threshold level. The mere presence of a Proposition 65-listed chemical does not trigger the warning requirement; instead, the threshold question is whether the chemicals would expose persons at levels that would require a warning.

Of the more than 800 substances that are on the list of chemicals known to cause cancer, birth defects or other reproductive harm, OEHHA has developed threshold levels for only 300 chemicals to guide businesses in determining whether a warning is necessary. If the chemical is at or below the levels listed, the business has a “safe harbor” from providing a warning.

How to Warn

The current regulations allow businesses to prove they are providing “clear and reasonable” warnings by any means, but also set criteria to establish when the warnings will be deemed “clear and reasonable” for purposes of Proposition 65.

The regulations also lay out warning language and methods for occupational and environmental exposures, alcoholic beverages, and restaurants. Businesses using these so-called “safe harbor” warnings are protected from the threat of litigation and can carry out business with a sense of certainty.

Alternatively, the regulations allow businesses to provide warnings other than those specified under certain conditions.

Proposed Warning Regulations

After several pre-regulatory iterations and one formal rulemaking proposal, on November 27, 2015, OEHHA released an updated formal proposal overhauling the requirements for “clear and reasonable” warnings under Proposition 65.

OEHHA had released its first formal rulemaking proposal on January 19, 2015 after a year-long pre-regulatory process. Due to significant concerns from both sides, however, including the CalChamber coalition, OEHHA was unable to adopt a final rule within one year as it was required to do under the California Administrative Procedures Act (APA).

Accordingly, the November 27, 2015 proposal represents a new formal rulemaking proposal under the APA but represents a continuation of the previous proposal released January 29, 2015. Under the APA, OEHHA now has until November 27, 2016 to adopt a final rule.

OEHHA’s most recent proposal:

- Requires warning to name at least one of the listed chemicals for which the warning is being provided.

CalChamber: Although the requirement to specify any of the listed chemicals will likely cause undue alarm, the new requirement is more workable than OEHHA’s previous proposal to require warnings to name one or more of 12 chemicals (coined the “Dirty Dozen” requirement), and will likely lead to far less “bad warning” litigation. The new requirement however, suffers from significant drafting flaws that create practical difficulties and confusion, thus undermining OEHHA’s intent. CalChamber’s comment letter proposes drafting suggestions to address these drafting flaws.

- Continues to establish a two-year effective date, but states that a warning for consumer products manufactured prior to the effective date is “clear and reasonable” so long as it complies with the warning regulations in effect as of the date of manufacture.

CalChamber: This change will avoid frivolous litigation targeting products that are manufactured prior to the effective date but which have a longer shelf life and are not purchased until after the effective date.

- Requires most warnings to contain a pictogram of an exclamation point encompassed by an equilateral triangle.

CalChamber: This symbol is associated with more significant or acute hazards than those that fall within Proposition 65’s reach, such as choking or allergic reaction risks. It would be more consistent with the statute to use within a symbol a “P65” or “65” that associates the basis for why the warning is being given.

- Continues to allow warnings to provide supplemental information, but states that the supplemental information cannot “contradict” the warning.

CalChamber: The requirement that supplemental information can’t “contradict” the warning potentially infringes on businesses’ First Amendment right to commercial speech.

- Expressly allows warnings subject to previously court-approved settlements and final judgments to be deemed in compliance with the new regulation.

CalChamber: This change will eliminate any questions or litigation regarding whether warnings subject to previously court-approved settlements and final judgments comply with the new regulation. However, this aspect of the proposal could unintentionally be interpreted as opening the door to third-party enforcement of court-ordered settlements or final judgments.

- Requires warnings to be presented in...
Revised Double-Pay Holiday Bill Passes Assembly

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This discriminatory treatment of only two classifications of employers demonstrates that AB 67 is intended to punish retail and grocery stores, rather than compensate employees for time away from their family on Thanksgiving, as the author has argued.

Competitive Disadvantage

AB 67 unilaterally increases the cost of doing business only for employers that have a “physical store” in California, thereby automatically placing them at a competitive disadvantage with online retailers and out-of-state businesses that would not be subject to this costly mandate.

Already Industry Standard

Many “retail store establishment” employers surveyed confirm they voluntarily pay their employees time-and-a-half for work performed on Thanksgiving.

Despite this general industry standard of higher compensation, AB 67 seeks to increase these employers’ costs even further. If these targeted employers change their behavior and open at 12:01 a.m. on the Friday following Thanksgiving, employees will lose out on the extra compensation they currently are receiving for work performed on this day.

Litigation Threat

AB 67 does not require double payment of the employee’s “regular rate,” but rather double the employee’s “regular rate” of pay. The difference is significant.

Determining the regular rate of pay many employees requires a detailed calculation that goes beyond an employee’s hourly pay. As defined by the Division of Labor Standards Enforcement (DLSE), the “regular rate of pay includes a number of different kinds of remuneration, for example hourly earnings, salary, piecework earnings, commissions, certain bonuses, and the value of meals and lodging,” according to the DLSE enforcement policies manual.

Although this calculation is performed for overtime purposes, it is subject to good faith errors as to what types of “remuneration” should be included in the calculation.

Because AB 67 provisions are included in Section 511.5 of the Labor Code, they are subject to the Private Attorneys General Act (PAGA; Labor Code Section 2698 et seq.). Good faith errors in calculating the regular rate of pay or failing to comply with other AB 67 provisions would subject California employers to another threat of litigation.

PAGA lawsuits in California increased more than 400% between 2005 and 2013, according to the April 16, 2014 Los Angeles Daily Journal article, “An Alternative to Employee Class Actions.”

Key Vote

The 43-32 vote on AB 67 was as follows:

Ayes: Alejo (D-Salinas), Atkins (D-San Diego), Bloom (D-Santa Monica), Bonilla (D-Concord), Bonta (D-Oakland), Brown (D-San Bernardino), Burke (D-Inglewood), Calderon (D-Whittier), Campos (D-San Jose), Chau (D-Monterey Park), Chiu (D-San Francisco), Chu (D-San Jose), Eggman (D-Stockton), C. Garcia (D-Bell Gardens), E. Garcia (D-Couchella), Gatto (D-Glendale), Gipson (D-Carson), Gomez (D-Los Angeles), Gonzalez (D-San Diego), Gordon (D-Menlo Park), Gray (D-Merced), R. Hernandez (D-West Covina), Holden (D-Pasadena), Jones-Sawyer (D-South Los Angeles), Levine (D-San Rafael), Lopez (D-San Fernando), Low (D-Campbell), McCarty (D-Sacramento), Medina (D-Riverside), Mullin (D-South San Francisco), Nazarian (D-Sherman Oaks), O’Donnell (D-Long Beach), Quirk (D-Hayward), Rendon (D-Lakewood), Ridley-Thomas (D-Los Angeles), Rodriguez (D-Pomona), Santiago (D-Los Angeles), M. Stone (D-Scotts Valley), Thurmond (D-Richmond), Ting (D-San Francisco), Weber (D-San Diego), Williams (D-Carpinteria), Wood (D-Healdsburg).

Noes: Achadjian (R-San Luis Obispo), Allen (R-Huntington Beach), Baker (R-San Ramon), Bigelow (R-O’Neals), Brough (R-Dana Point), Chang (R-Diamond Bar), Chavez (R-Oceanside), Cooley (D-Rancho Cordova), Darabneh (D-Encino), Dahle (R-Bieber), Dodd (D-Napa), Frazier (D-Oakley), Gaines (R-El Dorado Hills), Gallagher (R-Yuba City), Groove (R-Bakersfield), Hadley (R-Torrance), Harper (R-Huntington Beach), Irwin (D-Thousand Oaks), Jones (R-Santee), Kim (R-Fullerton), Lackey (R-Palmdale), Maienschein (R-San Diego), Mathis (R-Visalia), Mayes (R-Yuca Valley), Melendez (R-Lake Elsinore), Obernolte (R-Big Bear Lake), Olsen (R-Modesto), Patterson (R-Fresno), Steinorth (R-Rancho Cucamonga), Wagner (R-Irvine), Waldron (R-Elscidido), Wilk (R-Santa Clarita).

Absent/abstaining/not voting: Cooper (D-Elk Grove), Daly (D-Anaheim), Linder (R-Corona), Salas (R-Bakersfield).

AB 67 now goes to the Senate for policy committee hearings.

Staff Contact: Jennifer Barrera

CalChamber Continues to Voice Concerns on Draft Prop. 65 Warning Rules

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additional languages if those languages are used on the products label for any other purpose.

CalChamber: The proposal suffers from vagueness, does not give proper guidance to businesses on how to comply, and thus will directly lead to more lawsuits.

*Permits businesses to warn in any way they please so long as they can defend the warning as “clear and reasonable” if challenged, but eliminates existing regulatory guidance on which businesses have historically relied.

CalChamber: If the current regulation’s language explaining what it means for a warning to be “clear and reasonable” is not retained, businesses will be forced to use the warnings OEHHA has provided or risk being subjected to litigation over whether the alternative warnings the businesses used are “clear and reasonable.”

Next Steps

OEHHA will review public comments over the next several months and is anticipated to release a revised proposal by the middle of the year. At that time, the public will have one more opportunity to comment before OEHHA finalizes a rule by the November 27, 2016 deadline.

Staff Contact: Anthony Samson
CalChamber, Mexican Consulate Share Strategies to Improve Relations

Strategies to improve the close relationship between Mexico and California were the focus when California Chamber of Commerce representatives met recently with the new Consul General of Mexico.

Mexico Consul General Alejandra Garcia-Williams and Consul of Political Affairs Yuriko L. Garcés Lee met on January 21 with CalChamber President and CEO Allan Zaremberg and Vice President of International Affairs Susanne Stirling.

A chief topic of conversation was the hard work of Cien Amigos, the Institute of Mexicans Abroad and the Mexican Cultural Center of Northern California to promote ties between Mexico, California’s top export destination, and California in the local community.

Trade Relations

In the last 20 years, two-way trade in goods between Mexico and the United States increased more than six-fold—from $81.4 billion in 1993 to $534.5 billion in 2014. Mexico has remained the United States’ second largest export market since 1995, with a total value of $240.3 billion in 2014.

Mexico continues to be California’s No. 1 export market, purchasing 14.6% of all California exports. California exports to Mexico amounted to $25.4 billion in 2014.

Cien Amigos

Cien Amigos is a civic action group based in Northern California providing a platform for collective planning and concrete action to encourage the mutual prosperity of Mexico and California. Cien Amigos promotes and cultivates a more accurate, comprehensive and positive image of Mexico in California and California in Mexico.

Institute of Mexicans Abroad

In 1990 the Ministry of Foreign Affairs formed the Institute of Mexicans Abroad (Instituto de los Mexicanos en el Exterior—IME) to promote the involvement of Mexican communities abroad and provide information and services in health, education, culture and community organization.

According to its website, IME’s goal is to promote strategies, integrate programs, collect proposals and recommendations from the communities, their members, their organizations and advisory bodies designed to raise the living standards of Mexican communities abroad as well as executing the directives from the National Council for Mexican Communities Abroad.

For more information on IME or programs within your community, please visit www.ime.gob.mx.

Mexican Cultural Center

The mission of the Mexican Cultural Center of Northern California is to enrich the Sacramento area community through entertainment, education and outreach activities that preserve Mexican heritage by fostering the artistic, cultural and historical legacy of Mexico.

Scholarships

The Consulate General of Mexico in Sacramento, in partnership with Cien Amigos, IME and the Mexican Cultural Center of Northern California, has been providing scholarships to Latinos in the process of applying to college and those already in college.

The purpose is to give young Latinos a jump-start to pursue a higher education degree; to support young adult Latinos as they upgrade their credentials and expand their skills by financing adult education centers; and to mobilize the community for the benefit of Latino students in Northern California.

In 2015, the organization received 912 applications from the 24 participating counties. The Cien Amigos-IME Scholarship Committee unanimously approved support for 100 high school juniors and 154 undergraduates.

For more information on California-Mexico trade and investment, visit www.calchamber.com/Mexico.

Staff Contact: Susanne T. Stirling
Avoiding Discrimination and Harassment in the Workplace

No business wants to be blindsided by the expense and disruption of a discrimination or harassment lawsuit. Do your policies and practices discourage inappropriate workplace behavior and help protect you from liability?

On February 18, CalChamber’s employment law experts will review California’s “protected classes” and present steps for creating a safe work environment that’s free of discrimination and harassment.

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

PURCHASE at calchamber.com/feb18 or call (800) 331-8877.