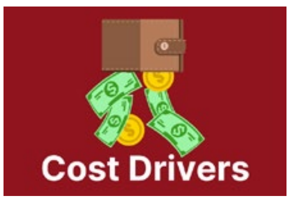
CalChamber

VOLUME 51, NUMBER 12 • MAY 2, 2025

ALERT

Cost Driver Bill Pulled from Committee; Lacks Support



A **Cost Driver** bill imposing retroactive liability on companies for lawful activities dating back to 1990 was not considered as scheduled this week in the Assembly Judiciary Committee and therefore is unlikely to advance this year.

AB 1243 (Addis; D-Morro Bay) is **opposed** by the California Chamber of Commerce because it introduces significant regulatory uncertainty that threatens California's economic stability and competitiveness.

By imposing retroactive financial liability on companies for lawful greenhouse gas emissions dating back to 1990, AB 1243 sends the message that even strict adherence to the state's compliance programs is not enough to avoid retroactive liability down the road.

AB 1243 is a counterproductive policy posing serious economic, legal and practical problems. If enacted, it would increase costs for consumers and small businesses, complicate mergers and lending, and would be unconstitutional.

Friday, May 2 is the deadline for legislation to advance from policy to fiscal committees, making it unlikely that AB 1243 will move forward this year.

Climate Action Funding

In opposing AB 1243, the CalChamber and a coalition of business groups have reminded legislators that the bill's policy goal of funding climate action already is being addressed by the state's cap-and-trade program. To date, the program has raised nearly $30 billion for the state to invest while also driving significant statewide greenhouse gas emissions reductions.

Instead of creating new, retroactive liability to fund climate action, California should focus on extending California's ambitious, yet effective, cap-and-trade program, the coalition declares.

Uncertainty for Planning

To establish a "Climate Superfund," AB 1243 imposes financial liability retroactively on businesses from decades-old activities that complied with state and federal laws and regulations.

By punishing businesses for past activities conducted legally, AB 1243 would discourage investment in and hinder economic growth in California. If it becomes law, businesses must anticipate that their completely legal activities may someday become the basis for substantial liabilities imposed retroactively by the state.

In such a legal and regulatory environment, businesses cannot confidently make long-term investment plans. The uncertainty AB 1243 creates would extend far beyond the specific context of greenhouse gas emissions as businesses wonder what activity the state will impose retroactive liability on next.

Many of the same entities deemed "responsible parties" subject to AB 1243 already have paid the state billions of dollars for greenhouse gas emissions under the cap-and-trade program.

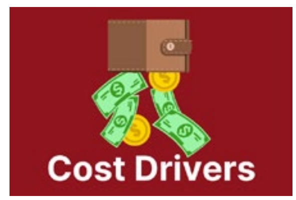
Increased Costs

AB 1243 does not cap the financial liability that can be imposed on responsible parties, meaning their costs of doing business could escalate dramatically.

These increased costs are likely to be

See Cost Driver: Page 3

Health Care Cost Driver Bill Held for Year



This week, the author of a health care bill identified by the California Chamber of Commerce as a **Cost Driver** that will increase premiums for employers and employees said she will delay action until next year.

AB 298 (Bonta; D-Alameda) increases premiums for California's employers and employees by restricting insurers from imposing a deductible, coinsurance, or copayment for in-network health care services provided to an enrollee under 21 years of age.

Although AB 298 aims to alleviate cost burdens for families with children, it overlooks the fundamental economic principle that elimination of cost-sharing mechanisms will be offset by increased monthly premiums. This will have a disproportionate impact on California's middle class families, who already face escalating health care costs that surpass the national average, as documented by the California Health Care Foundation.

The recently released report of the California Health Benefits Review Program (CHBRP) lays out the medical, financial and public health impacts of AB 298. While AB 298 will reduce enrollee cost sharing for some consumers, total premiums would increase by more than

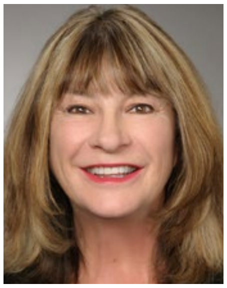
See Health Care: Page 6

Inside

Recognize World Trade Every Month: Page 5

Labor Law Corner

‘Furry’ Query Shows Advisability of Formalized Dress Code Definitions



Dana Leisinger
Employment Law Expert

One of our employees is a “furry” and has asked to come in to the office dressed as a furry. Do we have to accommodate this request?

First, what is a furry? A furry is someone with an interest in anthropomorphized animals — that is, animals who have been given human characteristics, like an ability to talk or walk on their hind legs.

Furries are all kinds of people – old, young, all genders, CEOs, blue-collar workers, singles, couples, parents, students — who celebrate fantasy animal characters with human traits.

Notwithstanding this broad group of people and increasing trend, this is not a protected category as defined by California’s Civil Rights Department or federal law. If you look at your anti-discrimination poster, which lists protected categories, it does not list “Furries.”

Business-Appropriate Attire

Many employers have a dress code, either implicit or in the company handbook. Such policies often will require that employees report to work dressed in a “business-appropriate” manner.

Inappropriate attire usually refers to tank tops, open-toed sandals, etc. — but dressing as an animal most certainly would qualify as “inappropriate” in the workplace setting. This is a reason it is advisable to have a formalized written policy mandating proper business attire.

Nonworking Hours

Nevertheless, California is very protective of employees who engage in “lawful conduct,” and it is illegal to discriminate against employees or applicants on the basis of such conduct that they engage in during nonworking hours away from your premises.

Consequently, an employer may require that employees don’t report to work dressed as an animal, but cannot take action for any “furry” activities that employees participate in during nonworking hours.

Column based on questions asked by callers on the Labor Law Helpline, a service to California Chamber of Commerce preferred members and above. 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.

California Chamber Officers

Maryam S. Brown
Chair

John A. Stowell
First Vice Chair

Frank Washington
Second Vice Chair

Fiona Hutton
Third Vice Chair

Jennifer Barrera
President and Chief Executive Officer

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.

Send email address changes to alert@calchamber.com. Publisher: Jennifer Barrera. Executive Editor: Ann Amioka. Art Director: Neil Ishikawa.

Permission granted to reprint articles if credit is given to the California Chamber of Commerce Alert, citing original publication date of article, and reprint is emailed to Alert at address above.

Email: alert@calchamber.com.
Home page: www.calchamber.com.

CalChamber-Sponsored Seminars/Trade Shows

More information at ***www.calchamber.com***.

Human Resources

Leaves of Absence. CalChamber. May 8–9, August 7–8, Online. (800) 331-8877.

Revisiting Your Workplace Violence Prevention Program for 2025. CalChamber. May 15, Online. (800) 331-8877.

HR Boot Camp. CalChamber. June 5–6, September 11–12, Online. (800) 331-8877.

Supervisor Essentials: Workplace Compliance. CalChamber. July 17, Online. (800) 331-8877.

International Trade

Access Africa Now: Empowering Africa’s Financial Future — Exploring Fintech’s Role in Growth and Opportunity. Webinar Series. U.S. Commercial Service. April 29-June 24, Online. Webinar website.

Annual Export Conference. National Association of District Export Councils. May 19–20, Washington, D.C. Conference website.

14th World Chambers Congress. World Chambers Congress. September 2–September 4, Melbourne, Australia. ***https://wcc.iccwbo.org/***

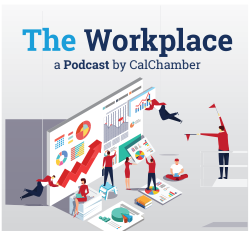
CalChamber Calendar

California Business Outlook and Dinner: June 4, Sacramento

FOLLOW CALCHAMBER ON
facebook.com/calchamber

The Workplace

Tiny Religious Figurines and More Recent Labor Law Helpline Questions



In Episode 222 of The Workplace podcast, CalChamber Associate General Counsel Matthew Roberts, Senior Employment Law Counsel Erika Barbara and Employment Law Subject Matter Expert Vanessa Greene discuss real employer questions from our Labor Law Helpline — including frequently asked questions and a few unusual ones.

On the podcast, they answer questions on missed meal and rest breaks; paying hourly employees for travel time; accommodating an employee's religious beliefs; providing extended leave as a reasonable accommodation; disciplining supervisors; providing copies of employees' personnel file and payroll records; and harassment prevention training.

Listen to the podcast as they discuss recent Helpline questions, such as if employees can sign something to skip their meal break so they can leave 30 minutes early or how to handle a newly hired employee who can't work one day each week for "religious reasons."

Other questions include:

• Do employers have to pay premium pay to an employee who keeps skipping their meal break, even after being talked to about it?

• How do employers pay an hourly employee for travel time, including meals?

• Can employers write up a manager for being rude and disrespectful to their staff?

• Do employers have to respond to a former employee requesting a copy of their personnel file and payroll records?

• Can employees refuse to participate in mandatory harassment prevention training if they feel harassed by it?

The CalChamber podcasters even discuss a recent unusual question about how to handle an employee who was placing tiny Jesus figurines around the office, including on coworkers' desks.

CalChamber's Labor Law Helpline allows our members to discuss a broad range of employment law-related issues with an employment law expert plus gives us insight into the current issues our members are facing to allow us to better serve member needs. Not a member? See how CalChamber can help you.

Cost Driver Bill Pulled from Committee Due to Lack of Support

From Page 1

passed down to consumers in the form of higher prices for gasoline, diesel, natural gas, electricity, and consumer goods.

The broad financial pressures created by AB 1243 would ripple across California's economy, creating affordability challenges that extend beyond energy costs.

Small businesses, which often operate on tight profit margins, would face disproportionately severe consequences. Increased costs of energy and transportation directly raise expenses in day-to-day operations, such as fuel for delivery trucks, electricity for refrigeration, or heating costs for retail spaces.

In addition, small businesses may see indirect cost increases through higher prices for products and raw materials from suppliers who also face elevated energy costs, making it even harder to remain competitive or profitable. Consumers would face higher prices for groceries, transportation, housing, and services.

Other Harmful Impacts

AB 1243's broad definition of "responsible parties" has the potential to affect thousands of stakeholders, including pension funds, university endowments, lending, and merger activity, placing significant burdens on California and interstate commerce.

For example, by using ownership interest as a proxy for responsibility, large institutional investors, pension funds and university endowment funds that have held a majority stake in any entity engaged in fossil fuel extraction or refining since 1990 may be drawn into the bill's requirements.

Lenders may find themselves with significant financial liability simply for having foreclosed on energy assets. Entities that routinely serve as trustees in receivership may likewise find themselves acquiring "responsible party" status. AB 1243 also would introduce significant uncertainty into merger and acquisition activity in the United States.

Legal/Logistical Flaws

AB 1243 presents significant legal and logistical challenges that undermine its viability. The bill violates the structure of the U.S. Constitution and the comprehensive regulatory scheme of the Clean Air Act, which do not permit state law to impose liability for emissions beyond its own borders.

Logistical difficulties arise due to the complexity of accurately identifying and quantifying historical greenhouse gas emissions dating back to 1990. Many of the entities that operated during this period may no longer exist, may have merged, changed ownership, or restructured multiple times. Tracking down accurate and verifiable emissions data spanning more than three decades is an immense administrative challenge and could cost the state millions of dollars — especially considering historical inconsistencies in record-keeping and data reporting standards.

Staff Contact: Jon Kendrick

Business Stops Bill Allowing Private Attorneys Into Tax Enforcement

A broad business coalition had an early victory in the California State Senate on April 23, when the Senate Revenue and Taxation Committee voted down **SB 799 (Allen; D-Santa Monica)**.

SB 799 would have allowed the Attorney General (and, in some cases, private attorneys) to step into tax enforcement by filing individual lawsuits where they alleged tax fraud.

Years-Long Battle

The business community has been fighting this legislation for years, voicing strong concerns that allowing anyone besides California's tax agencies into tax enforcement invites abusive demands and conflicting interpretations of tax obligations.

Attorney General Rob Bonta was the sponsor of the bill — just as his predecessor, Attorney General Xavier Becerra, had supported similar legislation in 2019 and 2020. Notably, Consumer Attorneys of California also supported the bill — which is not surprising, given they would be the private attorneys bringing those cases.

In a lively legislative hearing, both Senate Revenue and Taxation staff's analysis and Senator Tim Grayson (D-Concord) expressed strong questions about the need for the bill in light of how effective California's tax agencies are.

Although the proponents asserted that California had a "tax gap" between expected revenues and tax payments, testimony at the hearing clarified that the so-called "tax gap," to the extent it exists, is caused mostly by non-filers or underpayment from small-time filers — and not the alleged large-scale fraud asserted by the Attorney General's team.

Business groups also raised concerns that similar legislation, when passed in other states, was prone to abuse or did not appear to significantly change tax collection.

Although the bill was technically granted re-hearing, no hearing dates remain this year — so businesses can celebrate for this year, but will need to stay wary that this bill may return in 2026.

Key Vote

SB 799 failed to pass Senate Revenue and Taxation on a vote of 2-1.

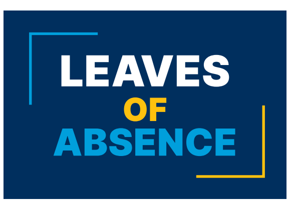
Ayes: Ashby (D-Sacramento), McNerney (D-Pleasanton).

Noes: Valladares (R-Santa Clarita).

Not voting: Grayson (D-Concord), Umberg (D-Santa Ana).

Staff Contact: Robert Moutrie

Virtual Seminar to Cover Understanding, Managing Leaves of Absence



For the third consecutive year, employees' leave of absence requests continue to increase, according to AbsenceSoft's 2025 State of Leave and Accommodations Report, with injury and illness recovery (57%), managing mental health challenges (47%) and caring for an aging parent (37%) being the top reasons employees ask for leave. And California has numerous leave laws that frequently change, requiring employers to stay on top of the latest updates.

CalChamber's upcoming **Leaves of Absence virtual seminar**, on **Thursday, May 8 and Friday, May 9 from 9 a.m. to 12:30 p.m.**, can help attendees make sense of the different types of leaves and any legal requirements that apply to them.

CalChamber employment law experts will discuss:

- Leave interactions;
- Paid and unpaid leaves;
- Eligibility requirements;
- Required notices;
- When employers must continue health benefits; and
- State Disability Insurance (SDI) and Paid Family Leave (PFL) wage replacement programs.

To avoid penalties or costly litigation, employers need to understand all required leaves of absence, plus any overlapping California and federal legal requirements. CalChamber's Leaves of Absence virtual seminar will cover numerous state and federal leave laws, including:

- Pregnancy Disability Leave (PDL);
- California's mandatory paid sick leave;
- Federal Family and Medical Leave Act (FMLA);
- California Family Rights Act (CFRA);
- Leave as a reasonable accommodation for a disability;
- Bereavement leave;
- Reproductive loss leave; and
- Other leaves such as paid time off (PTO), vacation, jury duty and military service leave.

Register Today

[Two Half-Day Virtual Seminars]
Leaves of Absence

- (Part 1) Thursday, May 8, 2025, from 9 a.m. to 12:30 p.m. PT
- (Part 2) Friday, May 9, 2025, from 9 a.m. to 12:30 p.m. PT

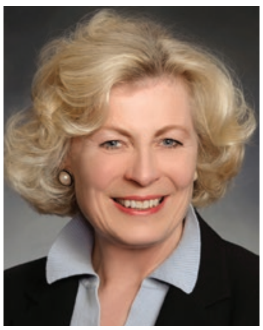
Cost: $349 ($279.20 for CalChamber Preferred Members and higher).

To learn more or to secure your seat for the Leaves of Absence seminar, visit the CalChamber Store or call (800) 331-8877.

Please note: No recording will be associated with this virtual seminar, so be sure to attend the live training.

During the virtual seminar, participants can submit questions via Zoom in addition to receiving downloadable slides and supplemental training materials.

Talk of Tariffs Keeps Global Connections in Spotlight for World Trade Month 2025


Susanne T. Stirling

As World Trade Month begins, the California Chamber of Commerce is emphasizing its long-held support for a national free trade agenda and the significance of international trade in maintaining economic growth.

World Trade Month activities provide opportunities to acknowledge the importance of global trade to the economies of California and the United States and celebrate how international trade unlocks new business opportunities, creates jobs, and strengthens the U.S. and global economy.

Formula for Growth

The CalChamber encourages interest in and understanding of international trade as a vital part of our economy. Too often the positive economic impact of international commerce on our state's economy is taken for granted, without considering that:

- Exports bring in new money;
- Imports bring in more cost-effective materials and resources; and
- Investment provides new economic development in our state.

California is proof positive of that formula. According to the International Monetary Fund's 2024 World Economic Outlook data released April 22, 2025, California's nominal gross domestic product (GDP) reached $4.1 trillion, placing California behind only the United States, China, and Germany in global rankings.

In 2024, California exported $183.34 billion to more than 225 foreign economies. California's top export markets are Mexico, Canada, China, Japan and Taiwan.

That is why, each May, Californians participate in the observance that began as World Trade Week in California in 1926 and was proclaimed a national observance in 1935 by President Franklin D. Roosevelt.

Commentary
By Susanne T. Stirling

Since World War II, the world has been in an era of globalization and trade liberalization. Income and exports have grown, and extreme poverty has decreased. The United States has developed free trade agreements with Australia, Bahrain, Chile, Colombia, Central America, Israel, Jordan, Mexico and Canada, Morocco, Oman, Panama, Peru, Singapore, and South Korea. These free trade agreements translate into the removal of billions of dollars in tariffs and nontariff barriers for U.S. exports.

Since 1944, countries have relied on a set of trade rules, first under the auspices of the General Agreement on Tariffs and Trade and since 1993, on the more updated World Trade Organization (WTO), as the only global international organization dealing with the rules of trade between nations.

But the WTO is faltering and trading partners do not always adhere to the rules — leaving the 166 WTO governments, which together account for 98% of world trade, struggling with uncertainty.

Trump Administration

The new Trump administration promised the most disruptive change in Washington, D.C. ever seen. From the inaugural speech and into the early part of the new administration, there has been much speculation about the extent tariffs may be used in three ways: to protect domestic industries from the unfair practices of foreign companies and foreign markets, to raise revenue for the federal budget, and as leverage in foreign negotiations rather than the use of sanctions.

President Donald Trump stated in his inaugural speech, "I will immediately begin the overhaul of our trade system to protect American workers and families. Instead of taxing our citizens to enrich other countries, we will tariff and tax foreign countries to enrich our citizens."

After an initial flurry of activity of temporarily placing tariffs on Colombia, and also Mexico and Canada, on Wednesday, April 2 — which he called "Liberation Day" — President Trump announced new reciprocal tariffs from the first Rose Garden ceremony, with a number of Cabinet officials and members of Congress in attendance.

According to the White House fact sheet, President Trump imposed responsive tariffs to "strengthen the international economic position of the United States and protect American workers."

As the basis to impose these tariffs, the President invoked his authority under the International Emergency Economic Powers Act of 1977 (IEEPA) to "address the national emergency posed by the large and persistent trade deficit that is driven by the absence of reciprocity in our trade relationships and other harmful policies like currency manipulation and exorbitant value-added taxes (VAT) perpetuated by other countries."

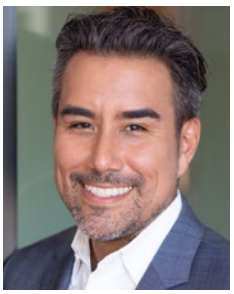
President Trump imposed a 10% tariff on all countries, effective April 5, 2025. He then imposed an individualized reciprocal higher tariff on the countries with which the United States has the largest trade deficits. All other countries will continue to be subject to the original 10% tariff baseline — effective April 9, 2025.

While President Trump's trade policy announcements continued to create uncertainty, as well as affecting consumer prices, the stock market and consumer confidence, the President paused the tariffs for 90 days, substantially lowered reciprocal tariffs during this period to 10%, yet raised the tariff charged to China to a total of 145%.

See Talk of Tariffs: Page 7

Small Business Council Meeting Focuses on Procurement Opportunities

The California Chamber of Commerce
Small Business Policy Council



David Nelson

Procurement opportunities and resources in California were the focus of the second quarter meeting of the CalChamber Small Business Policy Council on April 25.

David Nelson, CEO and founder of Capitol Regions, explained to persons attending the meeting the types of technical assistance available and where to find additional support.

Technical Assistance Providers

Nelson gave a quick overview of the four types of technical assistance providers that offer support to help businesses prepare for and win government contracts:

• **APEX Accelerators**: Provide no-cost support to businesses seeking to sell to government agencies. APEX services include bid matching, contract counseling and navigating federal acquisition regulations.

• **Small Business Development Centers (SBDC)**: The centers offer confidential business advising, training and resources to help small businesses grow and compete, including government procurement.

• **Women's Business Centers (WBC)**: Focus on supporting women entrepreneurs through training, counseling and access to capital. The centers also help with certifications and procurement readiness.

• **Veterans Business Outreach Centers (VBOC)**: Tailored to veteran-owned businesses, these centers provide business plan workshops, mentorship and procurement assistance.

APEX Accelerators

Nelson highlighted the support available from APEX Accelerators, which help businesses identify potential government opportunities, connect with relevant agencies and match firms with potential buyers.

The APEX Accelerators were formerly known as Procurement Technical Assistance Centers (PTACs). Congress authorized the program in 1985 to expand the number of businesses capable of participating in government contracts.

The program began operating with the APEX Accelerators name in the 2023 fiscal year and is part of the Office of Small Business Programs in the U.S. Department of Defense.

The APEX Accelerators act as a resource hub for businesses looking to succeed in government contracting. Accelerator services range from initial guidance to ongoing support. The Accelerator offices help businesses obtain certifications and registrations required for government contracting, including those needed for small, disadvantaged and women-owned firms.

More specifically, APEX Accelerators offer bid matching, help with developing and reviewing proposals, training workshops and compliance guidance.

More Resources

Nelson shared with meeting attendees a number of additional resources:

• **Federal Contracting Assistance**: The U.S. Small Business Administration offers government contracting certifications (including set-asides for the 8(a) business development, HUBZones, women-owned and veteran-owned small business programs). Also available are training programs and tools to help small businesses access federal opportunities.

• **Small Business Centers** – California Office of the Small Business Advocate (CalOSBA): These state-funded centers provide one-on-one technical assistance, support with state certifications, and access to business resources.

• **Small Business Development Centers (SBDC)**: The Find My SBDC page allows searchers to enter their ZIP code to locate the nearest SBDC providing tailored support in business planning, accessing capital, and procurement.

• **Small Business/Disabled Veteran Business**: A Small Business/Disabled Veteran Business Enterprise Advocate Directory page, allowing searches to find contact information and other details for advocates for nearly every agency in California. Included on that page is a direct link to the directory.

The inaugural chair of the CalChamber Small Business Policy Council is Sandra Floyd, president and CEO of OUTSOURCE Consulting Services, Inc.

Staff Contact: Rana Ghadban

Health Care Cost Driver Bill Held for Year

From Page 1

$1.405 billion over various health insurance market segments, including the California Public Employees' Retirement System (CalPERS).

In addition, when monthly premium increases exceed a certain level, CHBRP can estimate that 6,430 Californians could become uninsured because the cost per month became unaffordable.

Historically, legislative attempts to alter the delicate balance between premiums and cost-sharing have resulted in substantial cost increases, and AB 298 is expected to follow this trend.

In the current economic climate, where businesses and individuals are grappling with rising costs across all sectors, a premium increase like that projected from AB 298 will likely lead to employers reconsidering or reducing health benefit offerings, increased employee cost-sharing, and ultimately consumers being unable to afford monthly premiums.

Worth noting is that a comprehensive range of preventive care services for children is provided currently at no cost, even before deductibles are met. These services already are factored into premium calculations, which are subject to approval by the Department of Managed Health Care.

Talk of Tariffs Keeps Global Connections in Spotlight

From Page 5

Since then, as many as 100 governments around the world have indicated an interest in negotiating tariffs with the Trump administration, which has focused on top U.S. trading partners; 17 proposals are on the table.

Uncertainty continues, however, especially in light of the April 30 report that U.S. GDP declined for the first quarter of 2025. The concern is that the economic impact of the tariffs soon will be felt in full force.

CalChamber Position

The CalChamber will continue to focus on lowering and eliminating tariff and nontariff barriers to support the expansion of American exports. While strategic use of tariffs or the threat of tariffs may be a meaningful negotiation tool, the CalChamber supports efforts to reduce taxation and regulatory burden as a means to create jobs and economic growth. Further, a focus on trade agreements instead will ultimately lower both tariff and nontariff barriers and help create long-term, sustainable economic growth.

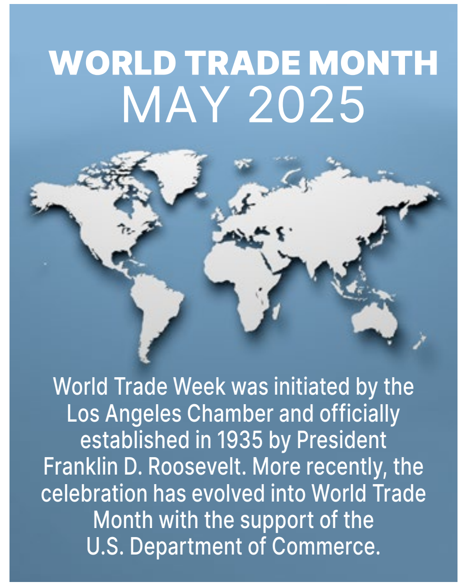
The CalChamber opposes protectionist measures which create uncertainty, disrupt global supply chains, raise consumer prices, limit choices of products for consumers, hinder the competitiveness of California businesses, and invite retaliation.

The CalChamber believes strengthening economic ties and enhancing regulatory cooperation through agreements with our top trading partners that encompass both goods and services, including financial services, is essential to eliminating unnecessary regulatory divergences that may act as a drag on economic growth and job creation.

The CalChamber seeks commercially meaningful outcomes in negotiations with regions around the world and supports bilateral, regional and multilateral trade agreements, which are critical to consumers, workers, businesses, farmers and ranchers, and would allow the United States to compete with other countries that are negotiating agreements with each other.

California's economy is diverse, and the state's prosperity is tied to exports and imports of both goods and services by California-based companies, to exports and imports through California's transportation gateways, and to movement of human and capital resources.

International trade and investment are major parts of our economic engine that broadly benefit businesses, communities, consumers and state government. We need to recognize this not only each May, but every month of the year.



Susanne T. Stirling is senior vice president of international affairs for the California Chamber of Commerce.