

ALERT

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 **CalChamber**
CALIFORNIA CHAMBER OF COMMERCE

Legislators Keep Job Killers Alive for Further Debate



Over the **strong objections** of the California Chamber of Commerce, legislative majorities in both houses of the Legislature have passed seven “job

killer” bills along for consideration in the second house.

The Senate has passed three “job killer” bills and stopped two. The Assembly has approved all four “job killer” bills that survived the committee process.

A record of legislators’ votes on the “job killer” bills appears on [Pages 5–6](#).

From Senate to Assembly

Receiving Senate approval and due to be considered next in the Assembly are:

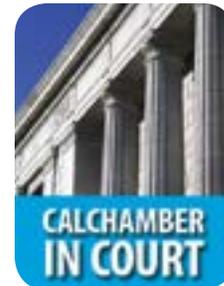
- [SB 935 \(Leno; D-San Francisco\) Minimum Wage](#). The bill unfairly

increases employer costs by increasing the minimum wage to \$13 by 2017 and then increased thereafter according to the Consumer Price Index.

Automatically indexing the minimum wage to inflation, as SB 935 proposes, has always been troubling to the business community because it fails to take into consideration other economic factors or cumulative costs to which employers may be subjected. Employers are already facing significant cost increases over the next several years, including higher taxes under Proposition 30, increased workers’ compensation rates, loss of the federal unemployment insurance credit, increased energy costs, and increased health care costs associated with the implementation of the Affordable Care Act. There will undoubtedly be other costs employers are struggling with in 2018 when SB 935 seeks to tie the minimum wage increase to inflation. These

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State High Court Issues Employer-Friendly Ruling on Class Action Lawsuits



In a much-anticipated decision, the California Supreme Court has ruled that a class-action trial must allow the employer the opportunity to present affirmative defenses

even when the defenses touch upon individual issues.

The California Chamber of Commerce filed a [friend-of-the-court brief](#) in favor of the employer in the case, *Duran v. U.S. Bank National Association*. The brief was prepared by D. Gregory Valenza of Shaw Valenza LLP, San Francisco.

The case involved loan officers for U.S. Bank National Association (USB) who filed a class-action lawsuit for unpaid overtime, claiming they were misclassified as exempt employees under the outside salesperson exemption. This exemption applies to employees who spend more than 50% of the workday engaged in sales activities outside the office.

The trial court certified a class of 260 plaintiffs and then began a two-phase approach to determine: 1) liability and 2) damages.

See State High Court: Page 8

Business Groups Score Victories in Primary

**ELECTION
2014**



“Some gotta win, some gotta lose,” as the song and elections go, and the 2014 June primary election had its share of winners and losers.

JobsPAC, a bipartisan political action committee co-chaired by the California Chamber of Commerce, and various allied business organizations scored some major victories on Tuesday night.

- In Assembly District 4, Democrat Bill

Dodd, a Napa County supervisor, appears to be heading toward a runoff against a Republican in a safe Democratic seat.

This race saw almost \$300,000 spent against Dodd by public sector unions, but despite their withering attacks, Dodd proved himself a more-than-able match through his ability to win the majority of endorsements from local elected officials in the six Northern California counties that make up the district.

Dodd also benefited greatly from the support of local business leaders throughout the district.

- In Assembly District 62, Democrat

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Inside

- [‘Job Killer’ Vote Record: Pages 5-6](#)
- [Economic Report: Pages 11-15](#)

Labor Law Corner

Saliva Drug Tests Convenient, But Raise Other Issues for Employers



Dana Leisinger
HR Adviser

We've been hearing more about companies administering saliva drug tests. Are such tests becoming more widely used and are there any legal issues if we have our employees take a saliva drug test at our worksite? We do post-accident and reasonable-suspicion drug testing. What if we confirm the results through a professional laboratory if the saliva test is positive?

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Due to cost and a number of concerns, saliva testing (taken from mouth swabs) has become increasingly popular in the workplace.

The reliability of these tests has not been shown to be consistent, but they do reveal trace amounts of drugs and their ensuing “metabolites” (a product of metabolism) for a period of 24–36 hours.

If the test shows a positive, however, and it is then sent to a lab for affirmation, there should be no legal concerns.

Another advantage of saliva testing is that it is considered less invasive of privacy than urine testing. This, coupled with convenience and quick results, make saliva testing an attractive choice for employers.

Advantages

Saliva tests can be performed in any location, and don't require a professional (nurse or lab technician) to conduct the test and/or read the results. Typically, results appear within 5 minutes.

Saliva tests also are virtually impossible to trick if conducted in a timely fashion. The best way to pass a saliva test is simply time—if an employee takes the test long enough after using a drug, the saliva test will not show up as positive.

In addition, an employee/applicant, if given knowledge of an upcoming drug test, can detoxify by using a medicated detox mouthwash for 2–3 days before the drug test.

Drawback

Although convenient and quick, saliva tests do come with one big drawback: The employer, not an impartial outsider,

is doing the testing. That lack of impartiality could have a major impact should the testing be challenged.

The independence of the testing facility is a serious issue to take into consideration before an employer adopts a policy to use saliva testing. Furthermore, there are strict California and federal rules surrounding employment-related drug testing.

Privacy Considerations

California is one of seven states that specifically protects its citizens' right to privacy via the California Constitution. That protection results in additional protections related to drug and alcohol testing.

The privacy laws place significant limits on employers' otherwise-unfettered authority to test, and give employees the power to resist unwarranted invasions of privacy. Indeed, challenges to (random) drug testing in 2009 resulted in rulings in favor of employees who resisted drug testing, which demonstrates how carefully employers must operate.

If an employer is going to conduct saliva drug tests, it is advisable to consult with an attorney first. Any drug testing is a particularly delicate matter in California and must be conducted with the ultimate discretion and awareness of the current state of the law on the topic.

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 (802) 348-2262 or submit your question at www.hrcalifornia.com.

CalChamber-Sponsored Seminars/Trade Shows

More information: calchamber.com/events.

Labor Law

HR Boot Camp. CalChamber. August 19, Santa Rosa; September 3, Anaheim. (800) 331-8877.

Business Resources

Olix Awards. Olix Global. September 1–2, Hollywood. (949) 679-6066.

International Trade

Indonesian Trade and Investment Seminar. Indonesian Trade Promotion Center Los Angeles. June 12–13, South

Sulawesi, Indonesia. (213) 387-7041.

U.S.-Israel Business Mission. U.S.

Chamber of Commerce. June 15–16. (202) 659-6000.

Network and Funding Opportunities. The Founder. June 13, Sunnyvale. (626) 808-5558.

The 15th Malaysia International Food and Beverage Trade Fair. Sphere Exhibits Malaysia Sdn Berhad and Mutiara Sigma (M) Sdn Bhd. June

See CalChamber-Sponsored: Page 3



Improving Fuel Economy Raises Road/Highway Funding Challenges



Loren Kaye

The primary tax source to maintain and improve our state's transportation infrastructure has been eroding for many years. The excise tax paid on each gallon of

gasoline does not keep up with inflation, and steadily improving vehicle mileage means fewer taxable gallons of gasoline are purchased for the thousands of miles each car and truck travel on the road.

The challenge to our transportation financing model from improved fuel economy is about to get much worse. Californians are buying thousands of vehicles that use little or no gasoline but still travel the highways as much as gas guzzling taxpayers.

The eroding tax base for road and highway upkeep is nearly unsustainable.

Options

Like it or not, policy makers will need to address this funding mismatch, and face the usual menu of unpalatable options: raising the gasoline tax or vehicle license fee, seeking voter approval of more state bonds, diverting general tax revenues for transportation, or simply hoping that local agencies will meet the need.

Another option to fill the gap is to charge drivers for the actual miles they use the roads and highways. Called a vehicle miles traveled (VMT) fee or mileage-based fee (MBF), this option is only now being contemplated in California. The novelty of this new

revenue source and the stakes in solving the transportation finance dilemma mean that every alternative should be carefully considered.

Report

The California Foundation for Commerce and Education was fortunate to be able to join forces with the Graduate Practicum at the University of Southern California Sol Price School of Public Policy to develop a report on this potential new revenue source.

Guest Commentary By Loren Kaye

Transitioning from the Gasoline Tax to a Fee on Vehicle Miles Traveled is an informative and thoughtful review of this issue, authored by Jeff Khau, Stephen Michael II, Lili Sun and Peilin Yuan.

Their report synthesizes academic research and survey data collected regarding transportation funding and specifically analyzes how a VMT system would work in California. Though several studies have shown the technical and fiscal feasibility of using a mileage-based fee, few studies have examined the idea of implementing a VMT program in California.

Key Findings

- Their key findings include:
- A 2.1 cents-per-mile VMT fee would raise enough revenue to replace the current gasoline tax.
 - The fleet of California cars is rapidly changing. The authors found that, as old cars phase out of service and new cars become more fuel-efficient, a VMT fee

would generate more income compared to the fuel tax. As fuel economy improves, a VMT fee set at the rate equivalent to today's gasoline tax could raise \$3.65 billion to \$5.7 billion more than the current gasoline tax.

- The public response to a VMT fee should be a key consideration. The public prioritizes education and health care funding over transportation funding and there is a lack of understanding of what a VMT fee is and how it might be implemented. Individuals who are younger and those with less education are more concerned with the VMT costs. Finally, drivers have a higher preference for less invasive technology that does not track location.

Implementation

The authors highlighted these key implementation factors:

- The state must ensure that the public fully understands the problem with the current funding structure.
- The process by which the state collects VMT fees must be transparent and easily understood by the public.
- Privacy concerns must be addressed, costs of implementation fully estimated, and mileage rates known and explained.

Rebuilding the financing for the state's transportation system will be contentious, but we really have no choice. Given the evolution of vehicle efficiency and the public policy choices already made by state leaders, the pros and cons of mileage-based fees should be part of any policy discussion.

Loren Kaye is president of the California Foundation for Commerce and Education, a nonprofit think tank affiliated with the California Chamber of Commerce.

CalChamber-Sponsored Seminars/Trade Shows

From Page 2

- 19–21, Kuala Lumpur, Malaysia.
- Mongolian Business Summit. U.S. Chamber of Commerce. June 19–21, Ulaanbaatar, Mongolia. (202) 659-6000.
- Trade and Investment Opportunities in

- East Africa. GO-Biz and the Aga Khan Development Network. June 26, Los Angeles. (213) 580-7500.
- Governor's Mexico Mission Accepting Applications. CalChamber. July 27–30, Mexico City, Mexico. (916) 444-6670.

- Ethiopia Business and Investment Forum. Consulate General of Ethiopia in Los Angeles. August 1, Los Angeles. (310) 616-6910.

Legislators Keep Job Killers Alive for Further Debate

From Page 1

unknown costs, coupled with an unknown economy at that time or thereafter, create concern and uncertainty for businesses.

Moreover, placing the increase in minimum wage on auto-pilot is inappropriate when California has a full-time Legislature available and responsible for reviewing whether any adjustment in wages is proper given the state of the economy at that point.

SB 935 passed the Senate, 21-12, on May 29.

- **SB 1021 (Wolk; D-Davis) Split Roll.** SB 1021 discriminates against commercial property through split roll by allowing a school district to impose a higher parcel tax against commercial property as opposed to 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.

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 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).

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.

SB 1021 passed the Senate, 21-15, on May 5.

- **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.

The expansion of liability promoted by SB 1188 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, resulting in higher prices for con-

sumer products. In addition, by expanding product defect litigation, SB 1188 would overwhelm the judicial branch, which already is struggling to maintain services due to three years of severe budget cuts.

SB 1188 passed the Senate, 21-14, on May 28.

From Assembly to Senate

The four “job killer” bills that passed the Assembly and will be considered next in the Senate are:

- **AB 1522 (Gonzalez; D-San Diego)** increases employer mandates by requiring all employers, large and small, to provide all employees in California with paid sick leave. AB 1522 also threatens employers with statutory penalties, as well as litigation for alleged violations.

In opposing AB 1522, the CalChamber notes that although many employers voluntarily offer sick leave for full-time employees, expanding that benefit to mandate paid sick leave for temporary, seasonal and part-time employees will create a huge burden on employers. The bill also creates a private right of action for employees and unions, thereby dramatically increasing an employer’s risk for legal fees and costs. The CalChamber has raised other concerns as well.

Given the cumulative costs and existing protected leaves of absence with which California employers already are struggling, California should refrain from implementing new mandates such as AB 1522. Rather, California should incentivize employers to offer these additional benefits by reducing costs in other areas—such as providing an exemption from daily overtime or a tax credit—so employers have the capacity to offer paid sick leave.

AB 1522 passed the Assembly, 52-23, on May 29.

- **AB 1897 (Hernandez; D-West Covina) Contractor Liability.** AB 1897 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.

The CalChamber has pointed out that the bill would unfairly hold liable the overwhelming majority of employers in California for the wage-and-hour violations of another employer that they could

neither control nor prevent.

Under AB 1897, a business which contracts with a delivery company for packages to be picked up and dropped off could be held liable for the delivery company’s wage-and-hour violations or lack of workers’ compensation coverage while on the third party’s property, despite the fact that the business interacted with the delivery person for only a limited time each day, and neither knew nor had the opportunity to engage and prevent any violations from actually occurring. Unbeknownst to the third party business, the employee picking up or dropping off the packages could be working past his/her required 30-minute meal period, or could be working over his/her eight hours, neither of which the third party business knew or controlled. Under AB 1897, however, the third party business would unfairly be held liable for these violations. Such an expansion of liability to innocent parties is simply unreasonable and unprecedented.

AB 1897 passed the Assembly, 51-23, on May 29.

- **AB 2416 (Stone; D-Scotts Valley) Unproven Wage Liens.** The bill 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.

The CalChamber pointed out that AB 2416 will cripple California businesses by allowing any employee, governmental agency, or anyone “authorized by the employee to act on the employee’s behalf” to record liens on an employer’s real property or any property where an employee “performed work” for an alleged, yet unproven, wage claim. This bill would also severely disrupt commercial and personal real estate markets in this state.

AB 2416 passed the Assembly, 43-27, on May 28.

- **AB 2617 (Weber; D-San Diego) Interference with Arbitration Agreements and Settlement Agreements.** AB 2617 unfairly prohibits the enforcement of arbitration agreements or pre-litigation settlement agreements that require the individual to waive their right to pursue a civil action for the alleged violation of civil rights.

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2014 Senate Vote Record on ‘Job Killers’

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The CalChamber argued that AB 2617 interferes with state and federal arbitration laws and likely is preempted. Moreover, courts already provide adequate protection for arbitration agreements, which are an effective and efficient means to resolve claims.

AB 2617 passed the Assembly, 49-25, on May 28.

‘Job Killers’ Stopped

The two “job killer” bills that failed to pass the Senate are:

- **SB 1132 (Mitchell; D-Los Angeles)** would have significantly limited in-state energy development by imposing 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.

SB 1132 fell short of votes needed to pass the Senate, 16-16, on May 29.

- **SB 1372 (DeSaulnier; D-Concord)** threatened to significantly increase the corporate tax rate on publicly held corporations and financial institutions up to 15% according to the wages paid to employees in the United States, and threatened to increase that rate by 50% thereafter, if the corporation or institution reduced its workforce in the United States and simultaneously increased its contractors.

As a tax measure, SB 1372 required support from two-thirds of the Senate. It failed, 19-17, on May 28.

| | Costly Workplace Mandates | Economic Development Barriers | | | | | In Accord with CalChamber | Not in Accord with CalChamber |
|--|----------------------------------|--------------------------------------|--------------------------------|---------------------------|----------------------------|--|----------------------------------|--------------------------------------|
| | SB 935 Minimum Wage | SB 1021 Split Roll | SB 1132 Limits In-State Energy | SB 1188 Product Liability | SB 1372 Increased Tax Rate | | | |

| | | | | | | | | |
|--------------------------|---|---|---|---|---|--|---|---|
| Anderson, Joel (R) | N | N | N | N | N | | 5 | 0 |
| Beall, Jim (D) | Y | Y | Y | Y | Y | | 0 | 5 |
| Berryhill, Tom (R) | N | N | N | N | N | | 5 | 0 |
| Block, Marty (D) | Y | Y | ● | Y | N | | 2 | 3 |
| Cannella, Anthony (R) | N | N | N | N | N | | 5 | 0 |
| Corbett, Ellen (D) | Y | Y | Y | Y | Y | | 0 | 5 |
| Correa, Lou (D) | ● | N | N | N | N | | 5 | 0 |
| de León, Kevin (D) | Y | Y | Y | Y | Y | | 0 | 5 |
| DeSaulnier, Mark (D) | Y | Y | Y | Y | Y | | 0 | 5 |
| Evans, Noreen (D) | Y | Y | Y | Y | Y | | 0 | 5 |
| Fuller, Jean (R) | N | N | N | N | N | | 5 | 0 |
| Gaines, Ted (R) | N | N | N | N | N | | 5 | 0 |
| Galgiani, Cathleen (D) | ● | N | N | N | N | | 5 | 0 |
| Hancock, Loni (D) | Y | Y | Y | Y | Y | | 0 | 5 |
| Hernandez, Ed (D) | Y | Y | N | Y | Y | | 1 | 4 |
| Hill, Jerry (D) | Y | Y | ● | Y | N | | 2 | 3 |
| Hueso, Ben (D) | ● | Y | ● | ● | Y | | 3 | 2 |
| Huff, Bob (R) | N | N | N | N | N | | 5 | 0 |
| Jackson, Hannah-Beth (D) | Y | Y | Y | Y | Y | | 0 | 5 |
| Knight, Steve (R) | N | N | N | N | N | | 5 | 0 |
| Lara, Ricardo (D) | Y | Y | ● | Y | Y | | 1 | 4 |
| Leno, Mark (D) | Y | Y | Y | Y | Y | | 0 | 5 |
| Lieu, Ted (D) | Y | Y | Y | Y | Y | | 0 | 5 |
| Liu, Carol (D) | Y | Y | Y | Y | Y | | 0 | 5 |
| Mitchell, Holly J. (D) | Y | Y | Y | Y | Y | | 0 | 5 |
| Monning, Bill (D) | Y | Y | Y | Y | Y | | 0 | 5 |
| Morrell, Mike (R) | N | N | N | N | N | | 5 | 0 |
| Nielsen, Jim (R) | N | N | N | N | N | | 5 | 0 |
| Padilla, Alex (D) | Y | Y | Y | Y | Y | | 0 | 5 |
| Pavley, Fran (D) | Y | Y | Y | Y | Y | | 0 | 5 |
| Roth, Richard (D) | ● | ● | ● | Y | N | | 4 | 1 |
| Steinberg, Darrell (D) | Y | Y | Y | Y | Y | | 0 | 5 |
| Torres, Norma (D) | Y | N | N | ● | ● | | 4 | 1 |
| Vidak, Andy (R) | N | N | N | N | N | | 5 | 0 |
| Walters, Mimi (R) | N | N | N | N | N | | 5 | 0 |
| Wolk, Lois (D) | Y | Y | Y | Y | Y | | 0 | 5 |
| Wyland, Mark (R) | N | N | N | N | N | | 5 | 0 |

Key to Using This Section

- Y means voted for bill.
- N means voted against bill.
- means not voting “aye” on a CalChamber-opposed bill.

Boldface type indicates votes in accord with CalChamber position.

The last two columns are a tabulation of votes in accord with the CalChamber position and not in accord with the CalChamber.

2014 Assembly Vote Record on ‘Job Killers’

| | Costly Workplace Mandates | Economic Development Barriers | Economic Development Barriers | Economic Development Barriers | In Accord with CalChamber | Not in Accord with CalChamber | Costly Workplace Mandates | Economic Development Barriers | Economic Development Barriers | Economic Development Barriers | In Accord with CalChamber | Not in Accord with CalChamber |
|------------------------------|----------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|----------------------------------|--------------------------------------|----------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|----------------------------------|--------------------------------------|
| | AB 1522 Paid Sick Leave | AB 1897 Contractor Liability | AB 2416 Wage Liens | AB 2617 Arbitration | | | AB 1522 Paid Sick Leave | AB 1897 Contractor Liability | AB 2416 Wage Liens | AB 2617 Arbitration | | |
| Achadjian, Katcho (R) | N | N | N | N | 4 | 0 | N | ● | N | N | 4 | 0 |
| Alejo, Luis (D) | Y | Y | Y | Y | 0 | 4 | Y | Y | Y | Y | 0 | 4 |
| Allen, Travis (R) | N | N | N | N | 4 | 0 | Y | Y | Y | Y | 0 | 4 |
| Ammiano, Tom (D) | Y | Y | Y | Y | 0 | 4 | N | N | N | N | 4 | 0 |
| Atkins, Toni (D) | Y | Y | Y | Y | 0 | 4 | Y | Y | Y | Y | 0 | 4 |
| Bigelow, Frank (R) | N | N | N | N | 4 | 0 | Y | Y | Y | Y | 0 | 4 |
| Bloom, Richard (D) | Y | Y | Y | Y | 0 | 4 | N | N | N | N | 4 | 0 |
| Bocanegra, Raul (D) | Y | Y | Y | Y | 0 | 4 | N | N | N | N | 4 | 0 |
| Bonilla, Susan (D) | Y | Y | Y | Y | 0 | 4 | Y | Y | Y | Y | 0 | 4 |
| Bonta, Rob (D) | Y | Y | Y | Y | 0 | 4 | N | N | N | N | 4 | 0 |
| Bradford, Steven C. (D) | Y | Y | Y | Y | 0 | 4 | N | N | N | N | 4 | 0 |
| Brown, Cheryl (D) | Y | ● | ● | ● | 3 | 1 | Y | Y | ● | Y | 1 | 3 |
| Buchanan, Joan (D) | Y | ● | ● | Y | 2 | 2 | N | N | N | N | 4 | 0 |
| Calderon, Ian (D) | Y | Y | Y | Y | 0 | 4 | Y | Y | Y | Y | 0 | 4 |
| Campos, Nora (D) | Y | Y | Y | Y | 0 | 4 | ● | Y | ● | Y | 2 | 2 |
| Chau, Ed (D) | Y | Y | Y | Y | 0 | 4 | Y | Y | Y | Y | 0 | 4 |
| Chávez, Rocky (R) | N | N | N | N | 4 | 0 | N | N | N | N | 4 | 0 |
| Chesbro, Wesley (D) | Y | Y | Y | Y | 0 | 4 | ● | N | N | N | 4 | 0 |
| Conway, Connie (R) | N | N | N | N | 4 | 0 | Y | Y | Y | ● | 1 | 3 |
| Cooley, Ken (D) | ● | ● | N | Y | 3 | 1 | N | N | N | N | 4 | 0 |
| Dababneh, Matt (D) | Y | Y | Y | ● | 1 | 3 | Y | ● | ● | Y | 2 | 2 |
| Dahle, Brian (R) | N | N | N | N | 4 | 0 | Y | Y | Y | Y | 0 | 4 |
| Daly, Tom (D) | Y | Y | ● | ● | 2 | 2 | Y | Y | Y | Y | 0 | 4 |
| Dickinson, Roger (D) | Y | Y | Y | Y | 0 | 4 | Y | Y | Y | Y | 0 | 4 |
| Donnelly, Tim (R) | N | N | N | N | 4 | 0 | Y | Y | ● | N | 2 | 2 |
| Eggman, Susan | Y | Y | Y | Y | 0 | 4 | Y | Y | Y | Y | 0 | 4 |
| Talamantes (D) | Y | Y | Y | Y | 0 | 4 | Y | Y | Y | Y | 0 | 4 |
| Fong, Paul (D) | Y | Y | Y | Y | 0 | 4 | Y | Y | N | Y | 1 | 3 |
| Fox, Steve (D) | Y | Y | N | Y | 1 | 3 | Y | Y | Y | Y | 0 | 4 |
| Frazier, Jim (D) | ● | Y | ● | Y | 2 | 2 | Y | Y | N | Y | 1 | 3 |
| Gaines, Beth (R) | N | N | N | N | 4 | 0 | Y | Y | Y | Y | 0 | 4 |
| Garcia, Cristina (D) | Y | Y | Y | Y | 0 | 4 | Y | Y | Y | Y | 0 | 4 |
| Gatto, Mike (D) | Y | Y | Y | Y | 0 | 4 | Y | Y | Y | Y | 0 | 4 |
| Gomez, Jimmy (D) | Y | Y | Y | Y | 0 | 4 | N | N | N | N | 4 | 0 |
| Gonzalez, Lorena (D) | Y | Y | Y | Y | 0 | 4 | N | N | N | N | 4 | 0 |
| Gordon, Rich (D) | Y | Y | Y | Y | 0 | 4 | Y | Y | Y | Y | 0 | 4 |
| Gorell, Jeff (R) | N | N | N | N | 4 | 0 | Y | Y | Y | Y | 0 | 4 |
| Gray, Adam (D) | Y | Y | ● | ● | 2 | 2 | N | N | N | N | 4 | 0 |
| Grove, Shannon (R) | N | N | N | N | 4 | 0 | Y | Y | Y | Y | 0 | 4 |
| Hagman, Curt (R) | N | N | N | N | 4 | 0 | Y | Y | Y | Y | 0 | 4 |
| Hall, Isadore (D) | Y | Y | Y | Y | 0 | 4 | Y | Y | Y | Y | 0 | 4 |
| Harkey, Diane (R) | N | N | N | N | 4 | 0 | Y | Y | Y | Y | 0 | 4 |
| Hernández, Roger (D) | Y | Y | Y | Y | 0 | 4 | Y | Y | Y | Y | 0 | 4 |
| Holden, Chris (D) | Y | Y | Y | Y | 0 | 4 | N | N | N | N | 4 | 0 |
| Jones, Brian (R) | N | N | N | N | 4 | 0 | Y | Y | Y | Y | 0 | 4 |
| Jones-Sawyer, Reggie (D) | Y | Y | Y | Y | 0 | 4 | Y | Y | Y | Y | 0 | 4 |
| Levine, Marc (D) | Y | Y | Y | Y | 0 | 4 | N | N | N | N | 4 | 0 |
| Linder, Eric (R) | N | N | N | N | 4 | 0 | N | N | N | N | 4 | 0 |
| Logue, Dan (R) | N | N | N | N | 4 | 0 | Y | Y | Y | Y | 0 | 4 |
| Lowenthal, Bonnie (D) | Y | Y | Y | Y | 0 | 4 | N | N | N | N | 4 | 0 |
| Maienschein, Brian (R) | N | N | N | N | 4 | 0 | N | N | N | N | 4 | 0 |
| Mansoor, Allan (R) | N | N | N | N | 4 | 0 | Y | ● | Y | Y | 1 | 3 |
| Medina, Jose (D) | Y | Y | ● | Y | 1 | 3 | N | N | N | N | 4 | 0 |
| Melendez, Melissa (R) | N | N | N | N | 4 | 0 | Y | Y | Y | Y | 0 | 4 |
| Mullin, Kevin (D) | Y | Y | Y | Y | 0 | 4 | ● | Y | ● | Y | 2 | 2 |
| Muratsuchi, Al (D) | ● | Y | ● | Y | 2 | 2 | Y | Y | Y | Y | 0 | 4 |
| Nazarian, Adrin (D) | Y | Y | Y | Y | 0 | 4 | N | N | N | N | 4 | 0 |
| Nestande, Brian (R) | N | N | N | N | 4 | 0 | ● | N | N | N | 4 | 0 |
| Olsen, Kristin (R) | ● | N | N | N | 4 | 0 | Y | Y | Y | ● | 1 | 3 |
| Pan, Richard (D) | Y | Y | Y | ● | 1 | 3 | N | N | N | N | 4 | 0 |
| Patterson, Jim (R) | N | N | N | N | 4 | 0 | Y | ● | ● | Y | 2 | 2 |
| Perea, Henry T. (D) | Y | ● | ● | Y | 2 | 2 | Y | Y | Y | Y | 0 | 4 |
| Pérez, John A. (D) | Y | Y | Y | Y | 0 | 4 | Y | Y | Y | Y | 0 | 4 |
| Pérez, V. Manuel (D) | Y | Y | Y | Y | 0 | 4 | Y | Y | Y | Y | 0 | 4 |
| Quirk, Bill (D) | Y | Y | Y | Y | 0 | 4 | Y | Y | ● | N | 2 | 2 |
| Quirk-Silva, Sharon (D) | Y | Y | ● | N | 2 | 2 | Y | Y | Y | Y | 0 | 4 |
| Rendon, Anthony (D) | Y | Y | Y | Y | 0 | 4 | Y | Y | Y | Y | 0 | 4 |
| Ridley-Thomas, Sebastian (D) | Y | Y | Y | Y | 0 | 4 | Y | Y | Y | Y | 0 | 4 |
| Rodriguez, Freddie (D) | Y | Y | Y | Y | 0 | 4 | Y | Y | N | Y | 1 | 3 |
| Salas, Rudy (D) | Y | Y | N | Y | 1 | 3 | Y | Y | Y | Y | 0 | 4 |
| Skinner, Nancy (D) | Y | Y | Y | Y | 0 | 4 | Y | Y | Y | Y | 0 | 4 |
| Stone, Mark (D) | Y | Y | Y | Y | 0 | 4 | Y | Y | Y | Y | 0 | 4 |
| Ting, Phil (D) | Y | Y | Y | Y | 0 | 4 | N | N | N | N | 4 | 0 |
| Wagner, Donald P. (R) | N | N | N | N | 4 | 0 | N | N | N | N | 4 | 0 |
| Waldron, Marie (R) | N | N | N | N | 4 | 0 | Y | Y | Y | Y | 0 | 4 |
| Weber, Shirley (D) | Y | Y | Y | Y | 0 | 4 | Y | Y | Y | Y | 0 | 4 |
| Wieckowski, Bob (D) | Y | Y | Y | Y | 0 | 4 | N | N | N | N | 4 | 0 |
| Wilk, Scott (R) | N | N | N | N | 4 | 0 | Y | Y | Y | Y | 0 | 4 |
| Williams, Das (D) | Y | Y | Y | Y | 0 | 4 | Y | Y | Y | Y | 0 | 4 |
| Yamada, Mariko (D) | Y | Y | Y | Y | 0 | 4 | Y | Y | Y | Y | 0 | 4 |

Small Business Advocate of Year Award

Simi Valley Leader Emphasizes Dialogue with Lawmakers

"I just see you everywhere," is a phrase Jim Vigdor, operations/environment, health and safety manager for Alcoa Fastening Systems, is accustomed to hearing.

He heads a support group for parents of youth at risk for drug use and attending Residential Treatment Facilities; is chair of the Simi Valley Alcoa Foundation Grant Distribution; is involved in the Simi Valley Community Foundation; and lobbied the city council to donate more than \$200,000 toward the Under One Roof project, a project that will house 15 social and human service agencies in one building to ease the cost, and burden of accessing supportive services from various locations around the community via public transportation.

Given his enjoyment of being actively involved in the community, it is no surprise that community work is what brought Vigdor and the Simi Valley Chamber of Commerce together.

Where It Started

About 10 years ago, Vigdor under the auspices of the Alcoa Foundation worked with the Simi Valley Chamber and others to determine possible candidates for Alcoa Foundation Community Financial Grants. It was only a matter of time before Vigdor, as a representative of Alcoa, began to attend Simi Valley Chamber meetings.

His first lobbying efforts on behalf of business came when he realized the negative impact workers' compensation costs were having on his own business. Upon getting involved with the chamber, Vigdor realized it was a place where his voice could be heard.

Today, Vigdor is vice chairman of the board of the Legislative Advocacy Forum for the Simi Valley Chamber of Commerce. He serves as an ambassador for Assemblyman Jeff Gorell (R-Camarillo), and an appointed delegate for Congressman Buck McKeon (R-Santa Clarita).

Problems Facing Business

Having worked in Simi Valley for the last 14 years, Vigdor sees workforce development as the most pressing issue facing small business in the region today. One of the ways the Simi Valley Chamber Economic Development Team is tackling

that problem is through a program that helps schools prepare local high school students with in-demand skills, and align those students with businesses.



Photo by Steve Yeater

Jim Vigdor (Video interview at calchamber.com/smallbusiness.)

"In Simi Valley, there's a definite need for a skilled workforce," Vigdor said. "We are reaching out to students who are not on the college track to expose them to a variety of different industries to pique their interest."

Like Simi Valley, California also has a problem with workforce development, Vigdor said. That's why improving the state's education system is important—because that's the system that's putting together the future of business, he said.

"We need to educate our youth so they can segue into a variety of different industries," he stressed.

What is also troubling in the state is the "business-unfriendly environment," Vigdor said. The myriad of fees, taxes and regulations inhibits growth and innovation, especially with small businesses, he said.

Of concern is the amount of new legislation being put forth that is not business friendly.

"A lot of legislators don't get how difficult it is for businesses to work in California," Vigdor said. "That sensitivity needs to rise because we see a lot of businesses that are leaving or wanting to leave [the state]."

To improve the economy, Vigdor believes the dialogue needs to improve.

"Some of this legislation needs to be looked at to see the economic end and business perspective so we can improve the economy in California and locally," he said.

A Small Business Advocate

Last year, the California Chamber of Commerce presented Vigdor with the "2013 Small Business Advocate of the Year Award" before more than 200 attendees at the CalChamber Legislative Briefing for his tireless advocacy work on behalf of businesses.

In 2012, Vigdor lobbied against Regulation Z, which threatened to have a severe impact on mortgage brokers and associated businesses; was instrumental in the Simi Valley Chamber's support of AB 1982 (Gorell; R-Camarillo), a CalChamber job creator bill that would have extended the time required for businesses to comply with new regulations; and helped Assemblyman Gorrell's office with AB 1326 (Gorell; R-Camarillo), a CalChamber job creator bill that would have attracted manufacturing jobs to the state.

Importance of Advocacy

Although Vigdor believes that advocacy, communication and the flow of information between the decision makers and people affected by those decisions are critical, Vigdor sees that there is a lack of knowledge when it comes to using legislators as resources. Nevertheless, legislators need to be advised on the concerns of business.

"Many of our legislators reach out to the constituents to garner information, but I think that's a small percentage, and it would be more beneficial if it were a larger percentage," he said.

Vigdor has worked with both Assemblyman Gorell and Assemblyman Wilk, providing information on how legislation affects business. Recently, Gorell asked Vigdor to participate in California Gold Team efforts to retain and attract businesses to Ventura County and California.

Vigdor's access to legislators is what he says drives him to volunteer with the Simi Valley Chamber on top of his workload.

"I feel a responsibility to communicate issues I hear about and think are important for legislators to know of," he said. "Not everyone has the access that I've been able to have. Good representatives want to hear that information and need to hear that information to make things better in the long run."

State High Court Issues Employer-Friendly Ruling on Class Action Lawsuits

From Page 1

Liability

In phase one, the trial court devised a plan to determine the extent of USB's liability to all class members by extrapolating from a random sample. During this first phase, the court heard testimony about the work habits of 21 plaintiffs, including the named plaintiffs. USB was not permitted to introduce evidence about the work habits of any bank officers outside this sample.

Based on testimony from the small sample group, the trial court found that the *entire class* of 260 workers had been misclassified.

Damages

The second phase of trial, determining the amount of overtime owed, focused on testimony from statisticians.

The trial court extrapolated the average amount of overtime reported by the sample group to the class as a whole, resulting in a verdict of approximately \$15 million and an average recovery of more than \$57,000 per person. The relative margin of error for the overtime estimate was plus or minus 43%.

'Flawed' Decision Reversed

A court of appeal reversed the trial court's decision, but the loan officers then petitioned the California Supreme Court for review.

The California Supreme Court also rejected the trial court's approach, finding it "profoundly flawed":

"As even the plaintiffs recognize, this result cannot stand. The judgment must be reversed because the trial court's flawed implementation of sampling prevented USB from showing that some class members were exempt and entitled to no recovery. A trial plan that relies on statistical sampling must be developed with expert input and must afford the defendant an opportunity to impeach the model or otherwise show its liability is reduced. Statistical sampling may provide an appropriate means of proving liability and damages in some wage and hour class actions. However... the trial court's particular approach to sampling here was profoundly flawed."

Analysis of Job Duties

Noting that California's outside sales exemption requires an analysis of the individual's actual job duties and use of time, the California Supreme Court said

that classwide litigation might be unworkable in many instances:

"Depending on the nature of the claimed exemption and the facts of a particular case, a misclassification claim has the potential to raise numerous individual questions that may be difficult or even impossible to litigate on a classwide basis," the court said. "Class certification is appropriate only if these individual questions can be managed with an appropriate trial plan."

According to the court, a class-action trial must allow the employer the opportunity to present and have decided any relevant affirmative defense, such as a claim that employees were in fact exempt.

"The [trial] court's decision to extrapolate classwide liability from a small sample, and its refusal to permit any inquiries or evidence about the work habits of [banking officers] outside the sample group, deprived USB of the ability to litigate its exemption defense," the state Supreme Court noted.

CalChamber Argument

In its friend-of-the-court brief, the CalChamber argued that "allowing sampling or other statistical proof to establish classwide liability tips the playing field too far in favor of class action plaintiffs."

Liability based on such a sampling will coerce virtually all businesses to settle

before the court determines any wrongdoing, the CalChamber pointed out.

The unfair leverage of the statistical sampling would be "magnified further by the financial consequences of an adverse verdict," the CalChamber noted. The *Duran* case involved a relatively small class for a wage-hour dispute, but the \$15 million in unpaid overtime and pre-judgment interest awarded by the trial court amounted to more than \$50,000 per class member without considering possible penalties, costs and attorney fees.

In a case involving a larger group, even a per member award of just \$1,000 could total tens of millions of dollars, the CalChamber said in its brief.

In addition, the CalChamber argued that when statistical sampling proof is allowed, "the defendant should still be afforded a chance to contest liability as to individuals included within a class..." Defendants have a right to litigate any individual affirmative defense they may have. This applies not only to damages, but also to liability.

The case will be sent back for a new trial on both liability and restitution, and the California Supreme Court indicated that the trial court also may entertain a new class certification motion.

Staff Contacts: Erika Frank, Heather Wallace

Business Groups Score Victories in Primary

From Page 1

Autumn Burke advances to the fall ballot where she also will face a Republican in another heavily Democratic seat located in Los Angeles County.

Burke withstood attacks from the trial lawyers, who were heavily backing a plaintiff attorney who ended up finishing fourth in a field of eight candidates.

Burke, who received support from most of the state's business organizations

in her campaign, received more than 40% of the vote.

A lot of ballots remain to be counted, and a more thorough assessment of the June results, as well as a look at the November election, will be presented in a subsequent edition of the *Alert*.

Staff Contact: Martin Wilson

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Trade Nearly Quadruples in 10 Years After Signing of U.S.-Chile Agreement



Lovell Jarvis (left), chair of the Chile-California Council, moderates a conversation with Ambassador Michael Hammer (center), U.S. ambassador to Chile, and Ambassador Juan Gabriel Valdés, Chilean ambassador to the United States, during the council's recent celebration of its 4th anniversary.

Ten years after the implementation of the U.S. Chile Free Trade Agreement (FTA), bilateral trade between Chile and the United States has more than quadrupled and both trade and investment opportunities abound.

Under the FTA, which was signed January 1, 2004, 80% of U.S. consumer and industrial goods exports to Chile immediately became duty free. Tariffs on the remaining products have been nearly phased out, with 100% of products set to be duty-free by 2015.

Chile-California Council

California trade with Chile also has increased exponentially, a fact noted at the recent gathering of the Chile-California Council, a nonprofit organization that promotes mutually beneficial relationships and knowledge sharing between Chile and California in both the private and public sectors.

The council connects individuals, legal entities and other institutions in Chile and California, and supports and engages in activities that promote education, cultural exchange, human capital and technology development and environmental protection in Chile and California.

Susanne Stirling, California Chamber of Commerce vice president of international affairs, is a member of the Chile-California Council, and attended the council's 4th Anniversary Celebration, May 22–23 in San Francisco.

The council was pleased to welcome two distinguished guests: Ambassador Juan Gabriel Valdés, the Chilean ambassador to the United States, and Ambassador Michael Hammer, the U.S. ambassador to Chile.

The meeting focused on the challenges Chile and California face, as well as strategic areas for long-term collaboration.

Moderating the discussion by the ambassadors was council Chair Lovell Jarvis, a professor at the University of California, Davis, and director of the Richard Blum Center for Developing Economies at UC Davis.

U.S.-Chile FTA Negotiations

The terms of the bilateral U.S.-Chile FTA concluded in December 2002 after more than a decade of waiting for an agreement between Chile and the United States, which was promised at the Summit of the Americas. The U.S.-Chile FTA was meant to become a template for

a host of future free trade agreements.

The United States and Chile concluded the comprehensive (800-page) bilateral free trade agreement on December 11, 2002. The FTA builds on the progress made by the U.S.-Chile Joint Commission on Trade and Investment that was established during President Bill Clinton's state visit to Chile in April 1998.

The U.S.-Chile FTA was signed in Miami on June 6, 2003 by then-U.S. Trade Representative Robert Zoellick and Chilean Foreign Minister Soledad Alvear. It is the first free trade agreement between the United States and a South American country.

The U.S. House of Representatives and Senate passed the FTA in July 2003 by votes of 270-156 and 66-31 respectively. The vote was held under the Trade Promotion Authority, which allows for an up or down vote with an expedited time frame or "fast track." Chile also approved the agreement.

U.S.-Chile Trade Today

U.S. goods exports to Chile have increased 548% in the 10 years since the FTA went into effect, from \$2.7 billion in 2003 to \$17.6 billion in 2013, according to the U.S. Department of Commerce.

Exports to Chile of petroleum, machinery and fertilizer from the United States have experienced a marked increase since 2003.

Chile-California Trade

Since the FTA was signed, California exports to Chile have increased more than ten-fold, from \$212.4 million in 2003 to \$2.3 billion in 2013.

Top U.S. exports to Chile include petroleum and coal products, computer and electronic products, machinery, and chemicals.

California imports the following from Chile: fresh fruits, forestry products, wines and seafood.

More Information

For more information, visit www.calchamber.com/Chile and www.calchamber.com/USChileFTA.

Staff Contact: Susanne Stirling

Legislative Outlook

An update on the status of key legislation affecting businesses. Visit www.calchambervotes.com for more information, sample letters and updates on other legislation. Staff contacts listed below can be reached at (916) 444-6670. Address correspondence to legislators at the State Capitol, Sacramento, CA 95814. Be sure to include your company name and location on all correspondence.

Food Labeling Law Stopped in Senate



OPPOSE

Legislation that would have increased food production costs by imposing a California-only labeling requirement on genetically engineered foods was stopped in the Senate last week.

The California Chamber of Commerce-**opposed** bill, **SB 1381 (Evans; D-Santa Rosa)**, would have increased cost of food production and increased frivolous litigation by forcing farmers and food companies to implement costly new labeling, packaging, distribution and recordkeeping for products sold in California.

The bill originally included a private right of action that would have led to increased litigation on all entities in the supply chain if a product was not properly labeled. That provision was amended out of the legislation.

In a letter to the Senate members, the CalChamber pointed out there is no scientific reason to label products with genetically engineered ingredients. Federal law has determined there is no scientific difference between a genetically modified product and one that is not. Passage of SB 1381 would have increased the cost of food to consumers without providing any further health or nutrition benefits.

Furthermore, the citizens of California already decided this issue when they voted in 2012 to reject Proposition 37, which was very similar in content and intent to SB 1381.

SB 1381 failed to pass the Senate on May 29, 19-16.

Staff Contact: Valerie Nera

Governor's Mexico Mission Accepting Delegate Applications



Applications are available now for companies and organizations wishing to be part of the trade and investment mission to Mexico this July led by Governor Edmund G. Brown Jr. and organized by the California Chamber of Commerce.

The mission will strengthen ties with California's neighbor and largest export market, building on the momentum of last year's mission to China.

Joining the Governor on the mission will be senior members of the administration and a diverse delegation of California

government, business, economic development, investment and policy leaders.

Given the border relationship and long-standing historical, cultural and economic ties, Mexico is a natural partner to further expand two-way trade and investment, and strengthen cooperation on global climate change.

Delegates will visit with high-ranking officials in Mexico City, tour California companies and projects in Mexico, and lead events to promote California to potential Mexican investors.

Download the delegate application at www.calchamber.com/July2014MexicoMission.

The Los Angeles Area Chamber of Commerce and the San Diego Regional Chamber of Commerce will work together with the CalChamber to reach out to and

recommend businesses for the delegation, and to develop trade mission activities.

The Los Angeles Area Chamber of Commerce represents the interests of business in the Los Angeles region. The chamber works to advance global trade in the region and help local businesses build international relationships and expand global reach. For more information, visit www.lachamber.com.

The San Diego Regional Chamber of Commerce represents the business community in the San Diego-Baja region. Its nonprofit Mexico Business Center is dedicated to promoting business between Mexico and San Diego, raising San Diego's business profile and strengthening its competitiveness globally. For more information, visit www.sdchamber.org.
Staff Contact: Susanne Stirling

Sluggish First Quarter Below Expectations, But Weakness May Prove Short-Lived

First Quarter Growth Falls Short of Even Our Most Diminished Expectations

We noted in the March economic brief that first quarter real gross domestic product (GDP) growth activity would likely come in at a surprisingly sluggish pace. The Commerce Department's initial estimate came in even below those expectations, with real GDP expanding at a miniscule 0.1% annual rate during the first quarter.

The unusually harsh winter weather in the East and Midwest accounts for part of the weakness. There also was less inventory building during the quarter, which subtracted 0.6 percentage points from growth.

In addition, a quirky swing in trade subtracted nearly 0.8 percentage points off of first quarter output. The swing resulted from the earlier timing of the Chinese New Year, which fell in February this year as opposed to March of 2013.

The earlier New Year apparently led to a surge in exports during the fourth quarter, which boosted GDP during that period as well as export activity at California's major container ports.

The first quarter of this year saw a payback for that boost. In addition to the swings in inventories and international trade, data on business fixed investment and consumer spending on goods generally were weaker than expected.

As additional data for the first quarter have been reported, it has become clear that real GDP growth will likely be revised down into negative territory. We suspect that this weakness will be short-lived, however. Real final sales to private domestic purchasers rose at a 1.6% pace during the first quarter and early indications for the current quarter suggest that growth has picked up at least modestly from that pace.

Trade through the Port of Los Angeles

rebounded in March, with loaded containers increasing some 33.6% from their year-ago levels. Imports outpaced exports, however, so trade will likely be an even bigger drag on first quarter growth than initially reported.

We expect real GDP to rise at a 3% annual rate in the fourth quarter of this year and look for growth to average between a 2.5% to 3% pace during the second half of this year.

pace of job gains slowed significantly during the first quarter. California's unemployment rate continues to trend lower, but remains well above the national rate at 8.1%.

Employment by Industry

Employment has increased across most major industries during the past year.

Construction employment has posted the strongest year-to-year gain, with payrolls surging 6.3%. The improvement is evident in both residential and commercial construction.

Employment in heavy and civil engineering has slowed, however, possibly reflecting the completion of several large infrastructure projects. The large percentage gain in overall construction employment reflects the continuing bounce back from incredibly depressed levels in recent years. In terms of jobs, construction posted the fifth largest gain, with 37,100 jobs.

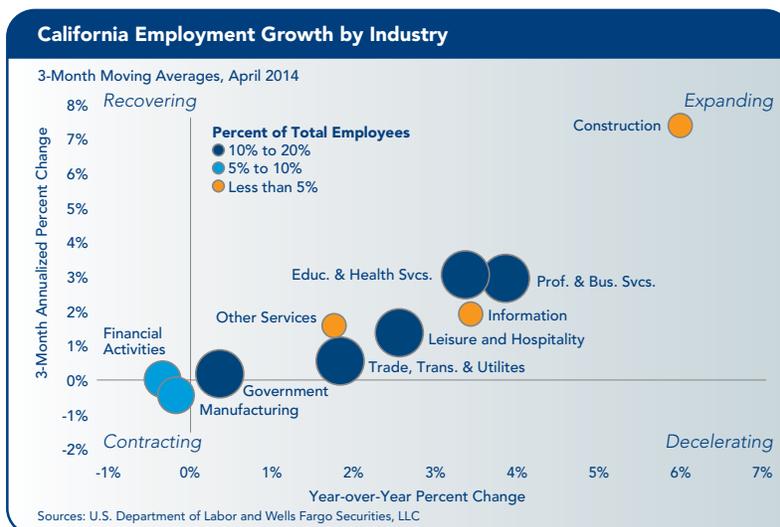
Professional and business services continue to

produce the largest number of new jobs in California, with 94,000 net new jobs added over the past year. This broad industry category captures much of the growth in the technology sector, which has been growing rapidly. Employment in professional, scientific and technical services has risen 3.8% over the past year, accounting for just under half of the entire sector's growth.

Employment in education and health series produced the second largest gain in employment over the past year, with 78,000 net new jobs added over the past year. About one-third of that gain was in health care services, reflecting modest gains at doctors' offices and outpatient facilities.

Employment at hospitals has declined slightly over the past year, reflecting margin pressures at many large hospital

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The improvement will be driven by an increase in capital spending, homebuilding and commercial construction. Government spending will also produce less of a drag than it has in the past few years and exports should also increase.

California

The weather remains a big concern in California, with the lack of precipitation this winter worsening the state's drought. The drought has not prevented the state from continuing to rack up big job gains, however. Technology, tourism, construction and retail trade continue to lead the recovery in job growth, which has helped trim the unemployment rate and revive demand for housing and commercial real estate.

Data through the first quarter of this year show nonfarm employment rising 2.4% from the prior year, although the

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chains. The bulk of the growth occurred in the social assistance category, which saw employment surge 6.6% over the past year and added 40,300 jobs.

The split in health sector jobs is concerning in that employment is declining in most higher-paying parts of this industry category and growth the fastest in the lower-paying sectors.

Trade, transportation and utilities and the leisure and hospitality sectors round out the top four employment categories, based on absolute growth.

Retail trade employment is growing steadily but at a fairly subdued 1.9% over the past year. Traditional retailers continue to face an onslaught of competition from the online merchants. Sluggish wage and salary growth is an even more formidable hurdle for the industry.

Employment at online and catalog retailers was a rare bright spot, with payrolls climbing 5.7% over the past year. Employment also rose sharply at home improvement centers and garden equipment stores.

The strength in online retailing and continued growth in international trade have been strong drivers for wholesale trade, where employment has risen 2.6% over the past year.

Unemployment

California's unemployment rate continues to trend lower and remained at 8.1% in March. The state's labor force is rising considerably faster than the nation's, reflecting the state's recent strong employment growth.

Much of the drop in unemployment during the past year has come from those who have been unemployed for 27 weeks or more.

We look for the unemployment rate to continue to drop another half percentage point this year, as construction activity strengthens and manufacturing improves. Both sectors were hit hard during the recession and have been slow to recover, which means many former workers are

either marginally attached to the workforce or out of the workforce entirely.

The return of these workers is lifting both employment and labor force growth, which means that further improvement in the unemployment rate will likely be somewhat slower than what has occurred the past two years.

ment rising 4.3%, as the region has added 40,700 jobs. Growth in the region's tech sector, which accounted for 27.8% of nonfarm employment in September and was up 4.7% over the past year, produced a net gain of 8,235 new jobs.

Technology firms employ about 270,000 workers in the San Jose metropolitan area, which includes Santa Clara and San Benito counties. Total tech employment in the San Jose metropolitan area is 73.4% higher than the number employed in the San Francisco metropolitan division.

Household employment growth has risen more slowly in South Bay, however, climbing just 3.3% over the past year, which implies a significant number of workers are commuting into Silicon Valley from San Francisco, Oakland and other neighboring areas.

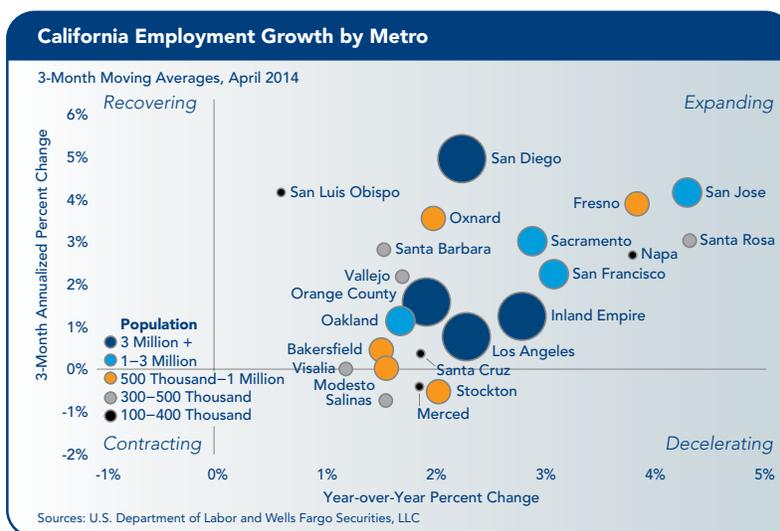
San Francisco

Overall office employment in the San Francisco metro division has risen 3.4% over the past year, netting nearly 12,500 new jobs. The tech sector has accounted for the bulk of the gain, and in September, tech-related employment was up 6.9% from a year earlier.

The rapid growth of the tech sector appears to be crowding out growth in some other areas. Employment in San Francisco's financial and legal sectors declined 0.7% over the past year. The trend is only slightly more positive when looking at the past three years, which saw employment in San Francisco's financial and legal sectors rise just 3%.

In terms of jobs, San Francisco's financial and legal sectors will likely be hard pressed for some time. Several large financial institutions have reduced their downtown footprint, with the freed up space going to rapidly growing tech companies. More reductions are on the way. San Francisco-based Charles Schwab & Company announced that it would relocate 1,000 positions out of San Francisco to other areas of the country, including Colorado and Texas, where the

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Leisure/Hospitality

Hiring in the leisure and hospitality sector rose a solid 2.5% over the past year, producing a net gain of 40,700 jobs. Most of that increase was at restaurants. Employment at amusement attractions rose 3.3%.

Employment in California's motion picture and sound recording industries rose 6% over the past year. This important category has been extremely volatile during recent years, however, even as the number of on-location production days has steadily increased.

Nearly all the growth this past year has been in motion picture and video production, which saw employment jump 12.7% and added 13,800 jobs on a year-to-year basis.

Northern California

The improvement in California's labor market is also evident across most major metropolitan areas.

San Jose-Sunnyvale-Santa Clara

The San Jose-Sunnyvale-Santa Clara metro area has seen the strongest growth over the past year, with nonfarm employ-

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firm maintains sizable operations.

Oakland

Oakland has followed a more measured pace. Nonfarm employment has increased by a solid 1.9% over the past year, producing a net gain of around 20,000 jobs. Office employment is rising much more slowly, climbing just 0.9% over the past year. Despite the modest employment gains, the region's unemployment rate has come down sharply, reflecting stronger job growth in adjoining areas.

Southern California

Job growth has also remained solid in Southern California.

Inland Empire

Nonfarm employment in the Inland Empire has risen 2.7% over the past year, with improvement evident across the board. Higher home prices in coastal areas have led to increased population gains in the Inland Empire, which is helping revive residential and commercial construction. Activity has also picked up in the region's important wholesale trade and distribution sector.

In addition, stronger population growth is fueling hiring at retailers, restaurants and in professional services. The region's unemployment rate has fallen 1.1 percentage points over the past year to 9.4%.

Los Angeles

Employment has risen 2.1% in Los Angeles over the past year, producing a net gain of 87,500 jobs. As in other parts of the state, gains are broad based. Construction employment has jumped 8.8% over the past year, reflecting strong gains in both residential and commercial building. Industrial activity has been relatively sluggish, however, with employment in manufacturing declining 2.9%, reflecting losses in textiles and apparel, as well as aerospace and electronic equipment. Employment in wholesale trade and distribution is posting only modest gains.

The largest job gains continue to be in professional and business services, which

saw employment jump 4.7% over the past year, as the sector added 27,700 jobs. About one-third of that gain has come in management, scientific and technical consulting. This high-paying category includes a number of tech professions. Employment has also increased in the region's important motion pictures indus-

boost the top line employment figure. Construction employment has surged 9.9% over the past year and manufacturing employment inched up 1.3%.

Life sciences, communications technology and health care continue to be the major drivers of San Diego's economy. Employment in professional, scientific and technical services has increased 5.4% over the past year, with some of the strongest growth coming in research and development. Hiring in health care and social assistance has risen 2.8%.

San Diego's important tourist trade is also enjoying another strong year, helping drive employment higher at amusement attractions, hotels and restaurants.

Central Valley

The strong improvement along the coast is beginning to spread to the state's interior. Hiring has picked up substantially in the parts

of the Central Valley, particularly Fresno. Other areas are still struggling, however, most notably Modesto and Stockton.

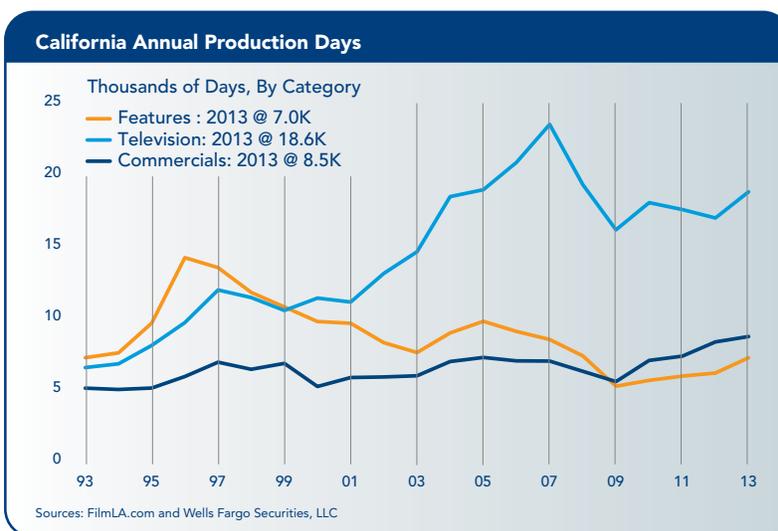
Housing

California's housing market continues to improve, even though recent sales data show activity moderating in recent months. The California Association of Realtors reports that sales of existing homes through the first quarter of this year are running 12.3% below their year-ago pace. The drop largely reflects the drawdown of foreclosure inventory across the state.

The median price of an existing home increased 14.9% over the past year to \$435,470. Sales and price appreciation both slowed in recent months. Sales fell during each of the past five months and price appreciation has eased off a bit.

Supplies of detached single-family existing homes remain tight at just four months in March, which is up from 2.9 months one year ago. Homes are also taking slightly longer to sell than they did a year ago, remaining on the markets 35

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try, which added 9,300 jobs over the past year.

Orange County

Orange County continues to see strong gains as well. Nonfarm employment has increased 2.2% over the past year, with some of the strongest gains coming from construction, where payrolls have surged 12.2% over the past year, albeit from a very low level.

Hiring in business and professional services has also picked up, rising 3.8% over the past year, with some of the strongest gains coming in technology-related areas. Education and health services are another key growth area, with employment rising 3.4% over the past year. Hiring also increased in the region's important leisure and hospitality industry. Financial services continue to struggle, however, with employment falling 2.9% over the past year.

San Diego

San Diego has seen employment increase 2.5% over the past year, with improvement evident across virtually every major industry category. A big bounce back in construction has helped

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days, as opposed to 29.4 days a year earlier.

These trends, however, reflect more of a normalization of the housing market. Inventories are still extremely tight and with fewer distressed sales, the market is now more closely reflecting the underlying fundamentals, which continue to improve gradually.

More Households Opting to Rent

There are also some important changes taking place in California's housing market. Qualifying for a mortgage is much more difficult than it was at the height of the housing boom and more households are opting to rent. Moreover, more of those that are choosing to rent are doing so in areas closer to major employment centers, which means housing markets in the major metropolitan areas have improved much more than markets in the state's interior.

Younger households in particular are showing a greater desire for urban living, which is driving demand for rental units near mass transit. Housing costs in these areas are rising much faster than they are statewide.

The affordability migration, which typically takes place when housing prices rise in the Bay Area and Los Angeles, has been slower to materialize. Sales and apartment leasing are picking up in the Inland Empire, however, and parts of the Central Valley are also beginning to see home buyers return.

Residential Construction

Residential construction also has been slow to recover. Activity has improved, but much of the action has been in apartments, which helped multi-family permits rise 9.5% over the past year. Demand for apartments remains exceptionally strong, particularly in the Bay Area, where vacancy rates have fallen to just 2.9%.

Construction of new single-family homes has been more restrained, with permits through March rising 8.3% on a

year-over-year basis. That increase, however, comes off an exceptionally low level and still leaves single-family permits well below the average pace seen before this past decade's housing boom.

Commercial Real Estate

Commercial construction activity has

Salesforce Tower.

Other notable projects include 181 Fremont, a 51-story mixed-use tower, which broke ground late last year, and the second tower of One Rincon, a 50-story tower that should be completed by year-end, both in the SoMa district.

Los Angeles

Los Angeles has also seen a flurry of new construction. In the City of Angels, Korean Airlines is building the tallest building west of the Mississippi River, the New Wilshire Grand tower, which is expected to cost about \$1 billion and earned the world record for the largest single concrete pour. The building should have office space, retail space and a hotel.

Although the high speed rail continues to face more hurdles before the project can move forward, other rail projects are in the works. Los Angeles is expanding its light rail

network. Construction of the Metro Gold Line extension, which costs about a half-billion dollars, should be completed by the fall of 2015. In addition, crews broke ground on the new Crenshaw Line this year, which is expected to cost a little over \$2 billion.

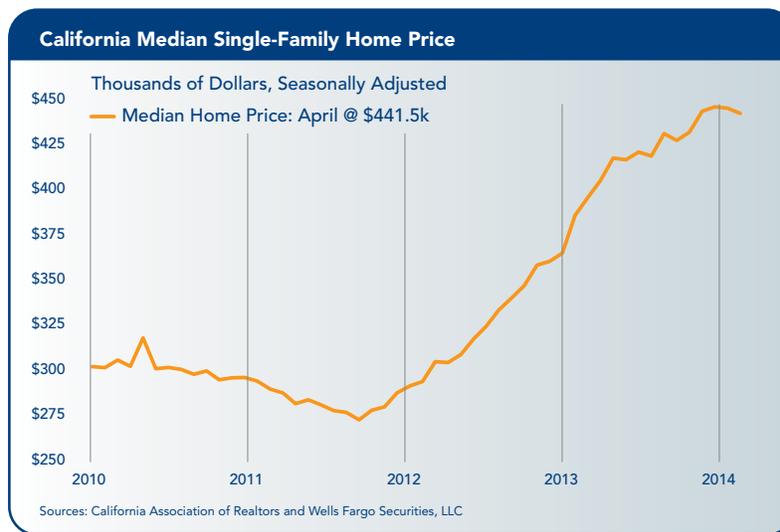
Tourism

Leisure and hospitality payrolls increased 4.5% in the year, with much of that growth seen in the food service industry. Airport traffic is increasing, with steady gains coming from domestic travel and a surge in international passengers.

John Wayne International Airport, San Diego International, and the Norman Y. Mineta San Jose International airport all posted double-digit gains of international passenger traffic. The rise in international traffic was more subdued in San Francisco and Los Angeles, but remains solidly positive.

Although business travel to the state continues to grow, leisure travel appears to be rising at a faster clip. Employment at the state's amusement parks and

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increased significantly over the past year, with most of the improvement occurring in the Bay Area and Los Angeles. Demand is being drive by the explosive growth in the tech sector.

Bay Area

Some 3.3 million square feet of office space are currently under development in downtown San Francisco and another 3.4 million is being built in South Bay, largely in huge new corporate campuses for Apple, Facebook, Samsung, Google and others.

The most recent REIS survey shows a total of almost 3.3 million square feet of office space currently underway in San Francisco County, with around 2.6 million square feet underway in the South Financial district.

The Transbay Tower accounts for the bulk of that space. The 61-story, 1.4-million-square-foot tower is currently slated to be completed in early 2017. Salesforce.com recently signed a lease for the lower 30 floors of the building, as well as the 61st floor at the top. The building, which will be the tallest on the West Coast, has recently been renamed the

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arcades is 12.3% higher than a year ago on a three-month moving average basis.

The hotel industry is also faring well. Employment growth at accommodations has accelerated to its highest year-over-year rate since the year 2000, though the total number of workers employed in the industry still remains below its prerecession peak. The improvement has been fairly broad based, with occupancy rates increasing in every reported metro area except Tulare-Visalia and Redding-Chico.

In addition, the occupancy rate in California was already considerably higher than the national average. Revenue per available room, RevPAR, has jumped a sizable 10.6% over the past year, compared to the nation's 7.2% growth. Santa Rosa posted the largest gains, with San Francisco, Oakland and Napa Valley close behind.

Agriculture

The drought continues to weigh on the state's important agriculture sector. Short water supplies are challenging many farmers with substantially higher costs and increased operating uncertainty.

California has had a record dry year and is expected to experience a third year of dry conditions, despite the late precipitation falling on the state late in the season. This will again force acreage to be fallowed and increased the cost for many farmers to pump and/or buy more supplemental water. Livestock feeders expect to pay more for roughage this year.

Most operators are increasingly concerned about the performance of their wells and the possible impact of lower-quality water on some orchards and vineyards.

The open market price for supplemental water in 2014 is already three times normal and is expected to increase as the season progresses. This has and will continue to push up the cost for most growers and the income for the few which have water to sell.

Since there is no water to carry over and groundwater basins are being depleted, many growers are also con-

cerned about water supplies for 2015, if precipitation is only normal or less next year.

Dairies

Milk prices for California dairies have strengthened and have reached record levels in recent months. This reflects strong export demand for the milk powder, which is benefitting from lower production in China and rising consumption there.

California dairy producers are also benefiting from lower corn prices, which are nearly 40% below their highs last year. Hay prices have held up, however.

Other Livestock

Prices for feeder and fed cattle are at record levels as producers continue to rebuild their herds. Feeders are also enjoying the low cost of corn, but cow/calf operators are paying more for hay, because of poor grazing conditions.

Fruits, Nuts and Vegetables

Freezing temperatures in December damaged as much as 40% of the citrus crop, increasing prices for quality fruit. Raisin prices fell as the California harvest came in 12% higher than the previous year and world production improved. Slightly lower production levels for almonds, walnuts and pistachios increased prices, as export demand remains strong.

Good weather has increased vegetable production, reducing prices. These producers are worried about the cost and availability of water this year, especially the quality of water for almonds.

Wine and Wine Grapes

Most California wine grape producers enjoyed good prices in 2013, as wine sales improve, but prices paid to growers on the spot market were not as good as 2012, especially in the Central Valley. The large crop last year moderated the higher prices received in 2012, but they will stay favorable, as long as the weak dollar continues to impede competition from imports. Plantings of new vineyards in California continue to increase. Wineries report significant reductions in their finished inventories, and consumers are showing signs they will pay slightly higher retail prices.

Field Crops

Field crop production will decline further this year, as more acreage is fallowed, due to the drought. Cotton prices are slightly stronger, but probably not high enough to offset the higher cost of water. Tomato prices are good, because processors need the product for their through-put. Rice plantings will decline sharply, as northern producers have lost water and may sell water to southern farmers.

Such reduction will have an adverse impact on processors and other third party interests, such as fertilizer/chemical sales/applifiers.

Labor

Many producers reported shortages of labor in California last year. Fruit and vegetable producers have slightly increased their wages paid. They are apprehensive about future labor availability due to the improving economy in Mexico and possible federal regulatory changes requiring stricter worker documentation.

They are worried about Congress' inability to pass immigration reform legislation, designed in part to provide a more stable labor force for California ag producers. They will also experience higher costs resulting from the state's higher minimum wage and new health coverage requirements.

Staff Contact: Dave Kilby



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 Directors](#). This report was

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CALIFORNIA CHAMBER OF COMMERCE

P.O. BOX 1736 SACRAMENTO, CA 95812-1736
(916) 444-6670 FACSIMILE (916) 444-6685
www.calchamber.com

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July 1 Compliance Alert

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If you aren't displaying a required employment notices poster that includes the \$9.00 state minimum wage for July 1, 2014, act now. Mandatory changes to required Workers' Compensation and Paid Family Leave pamphlets also take effect on that date.

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