ALERT

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CalChamber®
CALIFORNIA CHAMBER OF COMMERCE

CalChamber Supports Propositions 1 and 2

Yes to Water Supply/Storage, Rainy Day Reserve

The California Chamber of Commerce is **supporting** Proposition 1 and Proposition 2 on the November general election ballot.

Proposition 1, a $7.5 billion water bond with significant funding for needed water storage projects, is the result of a historic bipartisan agreement.

Proposition 2 is a plan to stabilize the state budget by requiring lawmakers to pay down debt and put money in a rainy day reserve fund during good economic times to avert drastic budget cuts in bad times.

"Water storage projects in Proposition 1 help the state store water in wet years to draw upon during drier ones," said CalChamber President and CEO Allan Zaremberg. "Similarly, Proposition 2 forces the state to save money in good economic times to prevent severe cutbacks to schools, public safety and other essential services when revenues drop."

Prop. 1: Water Bond

Although scaled down from a previous bond package that critics said was too large, Proposition 1 includes $2.7 billion, including continuous appropriation, in funding for water storage projects (compared to $3 billion in the previous proposal).

Funding is allocated for water reservoirs, water use efficiency and recycling,

See CalChamber Supports: Page 4

CalChamber Opposes Propositions 45, 46, 47

The California Chamber of Commerce is **opposing** Proposition 45, Proposition 46 and Proposition 47 on the upcoming November election ballot.

Proposition 45 gives the state Insurance Commissioner authority to approve individual and small group health insurance rates.

Proposition 46 increases and links to inflation the longstanding pain and suffering cap in medical malpractice lawsuits.

Proposition 47 hampers retailers' ability to prosecute theft and encourages theft by reducing penalties.

Prop. 45: Health Care Insurance

CalChamber President and CEO Allan Zaremberg has joined the president of the American Nurses Association of California and the chair of the Latino Physicians of California in signing the ballot arguments against Proposition 45.

Under Proposition 45, a single elected politician—the insurance commissioner— could control what benefits and treatment options insurance covers, with virtually no checks and balances to ensure decisions are made to benefit patients and consumers instead of special interests in Sacramento.

Proposition 45 is a duplicative measure that creates more costly bureaucracy. Already there are two other bureaucracies

See CalChamber Opposes: Page 4

Inside

Cal/OSHA Corner

Bookmark Standards Board Website for Updates on Rulemaking

Mel Davis
Cal/OSHA Adviser

Being a small manufacturing company with limited resources, how can I determine if and when the Occupational Safety and Health (Cal/OSHA) Standards Board is considering regulations that will affect my business?

The Standards Board continues to adopt regulations designed to provide for the health and safety of California workers. The board's current tabulation includes 39 new and revised regulations, with effective dates going back to September 6, 2012.

Some changes were the result of federal rulemaking, such as the Globally Harmonized System, revised Hazard Communication regulation, updates to the references of national consensus publications such as the National Fire Protection Association standards, CalOSHA requests, petitions and self-initiated board review of existing regulations.

Many Industries Affected

Because of the scope of rulemaking that has been done, it is very likely many industries are affected by at least one of these new or revised regulations. The following is a broad-brush summary of the adopted regulations.

- The Globally Harmonized System/ Hazard Communication. Too numerous to list; four separate rulemakings (5/6/14, 11/6/13, 10/4/12). See July 11 "Cal/OSHA Corner" for brief recap of 5/6/14 rulemaking.
- Sections 1512, 2310, and 2940.10: First Aid for Electrical Workers—Application and Scope (10/5/12).
- Sections 1520 and 3384: Hand Protection (7/1/14).
- Section 1533: Internal Combustion Engine-Driven Equipment (Technical Amendments) (10/1/13).
- Section 3314: Group Lockout/ Tagout (10/1/14).
- Section 3329: Dismantling Pressurized Pipe (10/1/13).
- Section 3381: Head Protection (7/1/13).
- Section 3650: Powered Industrial Trucks—Excessive Loads (7/1/14).
- Section 4297: Definitions for Woodworking Machines and Equipment (11/1/12 and 4/1/14).
- Section 4309: Radial Arm Saw Guarding (4/1/13).
- Section 4355: Operating Rules for Compaction Equipment (7/1/14).
- Section 4542: Guarding of Vertical Food Mixers (10/1/14).
- Section 5120: Safe Patient Handling (10/1/14).
- Section 5155: Airborne Contaminants (4/1/14, 10/1/14).
- Section 5199(g)(3)(B): Aerosol Transmissible Diseases Respirator Exception (10/1/13).

Complete List

A complete listing of the regulations can be found at ***www.dir.ca.gov/oshsb/apprvd.html***. The rulemaking package can be seen by clicking on the regulation that affects your company/employees.

Advisory Committee: Cranes

The board did adopt a federal construction crane rulemaking on 10/2/12 and, like the federal rulemaking, placed the regulations in the Construction Safety Orders.

California, however, has traditionally placed all the crane regulations in the General Industry Safety Orders (GISO). The conversion has not been successful and as a result the board is revisiting the rulemaking with the assistance of an advisory committee, as some of the regulations will apply to both construction and industrial applications.

Contact Conrad Tolson at the Standards Board for additional information regarding this process.

Readers interested in the advisory committee process can go to **www.dir.ca.gov**, click on "Boards," then "Occupational Safety and Health Standards Board," and then "Advisory committees."

The Labor Law Helpline is a service to California Chamber of Commerce preferred and executive members. For expert explanations of labor laws and Cal/OSHA regulations, not legal counsel for specific situations, call (800) 348-2262 or submit your question at www.hrcalifornia.com.

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Next Alert: October 3

Governor Signs Two Job Creator Bills

Governor Edmund G. Brown Jr. has signed two California Chamber of Commerce-**supported** job creator bills.

On September 18, the Governor signed **AB 1839 (Gatto; D-Los Angeles)**, which encourages film and television productions to locate or remain in California by extending and expanding the film and television tax credit

A day earlier, the Governor signed **AB 1560 (Quirk-Silva; D-Fullerton)**, which ensures California is a competitive environment for employer investment by restoring full funding to the California Competes Tax Credit Program.

Both bills passed the Legislature with overwhelming bipartisan support.

AB 1839: Film/TV Tax Credit

AB 1839 ensures that California remains a competitive environment for the entertainment industry by restructuring and extending the film and television tax credit. It takes effect immediately.

During the first three years of the film and television tax credit program, it supported 23,000 jobs and generated $1.9 billion in total spending. Failure to extend this incentive would create uncertainty for businesses and harm the prospects of employment and production in the entertainment industry at a time when California continues its economic recovery.

As other states continue to provide additional meaningful incentives to attract film and television producers, California should implement policies that ensure economic competitiveness. This targeted capped tax credit will provide the motion picture and television industry with incentives to remain, invest, and create jobs in California. This legislation is consistent with the goals of the *CalChamber 2014 Solutions for a Strong California*.

California has long been known as the center of the entertainment industry. This industry provides thousands of high-paying middle class jobs and millions of dollars in tax revenue. Additionally, it supports thousands of small businesses that service the industry. Recently, however, the number of film and television productions shot in California has been on the decline due to competition from other states that seek to grab a share of this industry; 44 states currently offer some film and television tax incentive program.

AB 1560: California Competes

An urgency measure, AB 1560 takes effect immediately.

Last year, the Governor signed legislation that created a new tax credit program administered by the Governor's Office of Business and Economic Development (GO-Biz). This program enables GO-Biz to negotiate agreements and provide economic incentives to employers in exchange for investment and employment expansion in California.

Employers must apply for this program and, before awarding any incentives, GO-Biz evaluates each application based on a number of factors, including the number of jobs created, the amount of wages and benefits provided to employees, the duration of the investment, and the overall size of the investment in the state.

In addition 25% of the funds awarded must be provided to small business.

The program proved to be very successful in its first year—the fund was oversubscribed by $470 million. The awards that were approved by GO-Biz are projected to create nearly 6,000 jobs and generate more than $2 billion in investments.

Unfortunately, recently enacted legislation reduces the amount of funding in future years, weakening a valuable economic tool that has contributed to a more competitive environment in the state.

AB 1560 authorizes the Department of Finance to restore funding to the program and, in doing so, sends a strong message to employers that California favors economic policies that make the state more investment-friendly.

Apply for California Competes Tax Credit

For more information or to apply, visit the GO-Biz website, ***www.business.ca.gov***.

GO-Biz will accept applications for the California Competes Tax Credit during the following periods:

- September 29, 2014, through October 27, 2014 ($45 million available);
- January 5, 2015, through February 2, 2015 ($75 million available);
- March 9, 2015, through April 6, 2015 ($31.1 million available plus any unallocated amounts from the previous application periods).

Staff Contact: Jeremy Merz

CalChamber-Sponsored Seminars/Trade Shows

More information: calchamber.com/events.

Business Resources

New Era of Cyber Risk: From Legal Headaches to Business Killers. CalChamber. September 25, Free Webinar. (800) 331-8877.

Labor Law

Leaves of Absence: Making Sense of It All. CalChamber. October 9, Sacramento. (800) 331-8877.

International Trade

K-TECH Silicon Valley 2014 Conference/Expo. Korea Trade-Investment Promotion Agency (KOTRA) and National IT Industry Promotion Agency (NIPA). September 24–25, Santa Clara. (408) 432-5044.

U.S.-Canadian Regulatory Cooperation. U.S. International Trade Administration. October 7–8, Washington, D.C.

Trade Expo Indonesia. Ministry of Trade of the Republic of Indonesia. October 8–12, Jakarta, Indonesia.

Tissue Middle East Show. Nile Trade Fairs. October 22–24, Cairo, Egypt.

Small Business and Export Seminar. Congresswoman Napolitano. October 23, La Verne. (626) 350-0150.

Hong Kong-Guangdong-Macao Joint Business Conference. Hong Kong, Guangdong province and Macao. November 6, San Francisco. (415) 835-9326.

CalChamber Opposes Propositions 45, 46, 47

From Page 1

that oversee health insurance rates. The addition of another bureaucracy will cause costly confusion with other regulations and add more red tape to the health care system.

Furthermore, California just established a new independent commission responsible for negotiating health plan rates on behalf of consumers and rejecting health plans if they're too expensive.

The nonpartisan Legislative Analyst's Office projects that Proposition 45 could increase state administrative costs tens of millions of dollars per year. These costs ultimately will be paid by consumers.

A provision in Proposition 45 is like one in a 1988 initiative (also opposed by the CalChamber) that news reports say enabled the lawyers sponsoring the measure to make millions of dollars from costly health care lawsuits.

More information is available at ***www.stophighercosts.org***.

Prop. 46: Medical Negligence Lawsuits

Proposition 46 increases the current noneconomic damages cap under the Medical Injury Compensation Reform Act (MICRA). It also imposes new random drug testing requirements on physicians and requires that health care providers review an electronic database of patient prescriptions before issuing new prescriptions.

By quadrupling the limit on medical malpractice awards in California, Proposition 46 will cost consumers and taxpayers hundreds of millions of dollars each year, and cause many doctors and other medical care professionals to quit their practice or move to places with lower medical malpractice insurance premiums.

If medical malpractice awards go up, health insurance companies will raise their rates to cover their increased costs. When health care insurance companies raise their rates, Californians pay more in health care premiums.

The massive expansion of use of the personal prescription drug database threatens Californians' privacy. The database is controlled by state government. Government websites, including the Department of Motor Vehicles and the Pentagon have been hacked before. No one can assure that the prescription drug database will be secure.

More information is available at ***www.NoOn46.com***.

Prop. 47: Criminal Sentences

Proposition 47 reduces penalties for certain drug and property offenses by requiring they be treated as misdemeanors rather than felonies. It potentially will lead to the release of 10,000 felons from state prison. The measure is opposed by prosecutors, law enforcement and the business community.

California has many laws and programs that allow judges and prosecutors to keep first-time, low-level offenders out of jail if it is appropriate. Proposition 47 would strip judges and prosecutors of that discretion.

Removing this discretion is especially dangerous for California businesses because shoplifting, theft, forgery and fraud—where the value of the stolen goods or forged documents is less than $950—would be misdemeanors.

The language of the measure suggests that even if a person forges multiple documents whose total value exceeds $950, the person could be charged only with a misdemeanor. As a result, reducing penalties for theft, receiving stolen property and forgery could cost businesses and consumers millions of dollars.

San Mateo County District Attorney Steve Wagstaffe put it succinctly when he told the *San Jose Mercury-News*, "Someone can commit petty theft 10,000 times and we'd still have to always charge it as a misdemeanor."

More information is available at ***www.californiapolicechiefs.org/proposition-47***.

CalChamber Supports Propositions 1 and 2

From Page 1

groundwater management, safe drinking water (particularly in disadvantaged communities), watershed restoration and increasing water flows in key rivers and streams.

"A reliable water supply is critical to numerous sectors of the state's economy," said Zaremberg. "Passing Proposition 1 is an important step toward making sure more areas of California have improved access to the water they need."

Prop. 2: Rainy Day Fund

CalChamber's Zaremberg has joined Governor Edmund G. Brown Jr. and Assembly Speaker Emeritus John A. Pérez in signing the ballot arguments in support of Proposition 2.

Placed on the ballot with bipartisan support, Proposition 2 places in the State Constitution the requirement to create a rainy day fund, saving money and paying down state debts when times are good.

The constitutionally protected reserve can be used to protect schools, public safety and other vital services in bad times.

Preventing politicians from spending temporary revenue spikes for ongoing spending will keep the state from spending more than it can afford.

The ballot argument points out that just three years ago, California faced a $26 billion budget deficit "that required the Legislature to make painful cuts and voters to approve temporary tax increases.

"Proposition 2 will make sure that we don't repeat this cycle of boom and bust budgeting."

Campaign Website

Ongoing information about the campaign in support of Propositions 1 and 2 is available on the campaign website, ***www.yesonprops1and2.com***.

Economic Activity Will Continue to Build Momentum into Next Year

The annual revisions to the gross domestic product (GDP) data revealed that the U.S. economy has gained momentum over the last year and now more closely corresponds with the employment data, which showed clear improvement during the first half of this year.

Real GDP has risen 2.4% over the past year, which is modestly better than the 2.1% pace averaged during the first four years of the recovery. The unemployment rate has fallen to 6.2%.

Consumer confidence, small business confidence and job openings have all improved in recent months, while homebuilding and commercial construction continue to slowly come back on track.

Europe

While economic conditions have improved, uncertainty has increased. The Federal Reserve has nearly completed its gradual reduction in bond purchases and is poised to begin to raise short-term interest rates in 2015.

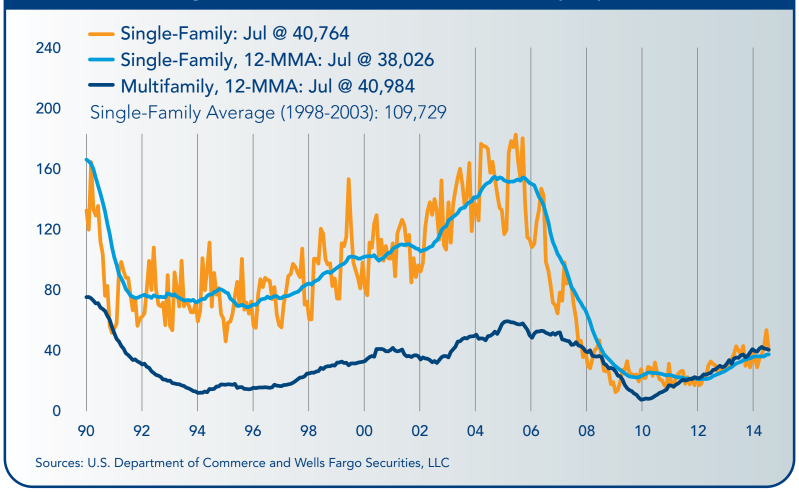
Fiscal policy largely remains on hold, with deals on the budget and debt ceiling agreed to earlier this year pushing hard decisions past the November elections. Geopolitical concerns have increased in a way unseen for quite some time, with conflicts in the Ukraine and the Middle East significantly raising the risks for European and global economic growth.

Europe's economy appears to be on the precipice of another recession, but is widely expected to improve during the second half of the year. That improvement likely hinges on a favorable resolution to the Ukraine crisis and an easing in the trade tensions with Russia. Without such, global economic growth likely faces some additional downside risks which will likely weigh on U.S. exports and commodity prices in general.

United States

The general consensus of the Economic Advisory Council calls for economic activity to improve further during the second half of 2014 and in the coming year. The recovery in housing, commercial real estate and business fixed investment is expected to gain momentum, while improved public finances are expected to reduce the drag from government spending cuts.

California Housing Permits *Thousands of Permits, Seasonally Adjusted Annual Rate*



Sources: U.S. Department of Commerce and Wells Fargo Securities, LLC

Real GDP is expected to average between a 2.5% and 3% pace over the next several quarters. Such a pace would be sufficient to further reduce the unemployment rate, but not be so strong as to stoke inflationary pressures.

Interest rates should rise modestly, with the Fed expected to begin to hike the federal funds rate around the middle of next year. The pace of rate hikes is widely expected to lag behind previous tightening cycles, with the Fed moving more cautiously and ultimately less forcefully than it has in the past.

Long-term interest rates will also rise more modestly than in the past, held back by sluggish economic conditions around the globe, continued low inflation and increased demand for fixed income instruments from an aging population in much of the developed world.

California

California's economy continues to grow at a slightly faster pace than the rest of the nation but appears to have moderated slightly during the first half of this year.

Growth has been driven primarily by the technology boom, most evident in the Bay Area. The rapid growth of new information technologies, most notably social media, cloud computing and mobile devices, has driven employment growth up at its strongest pace since the dot-com boom.

Rebounding home prices, the resurgence in international trade and strong growth in tourism have also driven gains in recent years, with most of the improvement occurring in California's coastal areas. All three have shown signs of cooling in recent months, however, possibly reflecting the impact of the Fed's tapering of securities purchases as well as slower economic growth in Japan, China and much of Europe.

The winding down of the Fed's asset purchase program is helping cool off some of the more speculative aspects of California's recovery. The rapid rebound in home prices has cooled off in recent months and run-up in equity valuations for technology and life sciences companies has subsided somewhat.

Home sales struggled during the first half of the year, with traditional buyers having more difficulty affording the higher home prices resulting from the influx of investor buyers or qualifying for mortgages under more stringent underwriting and income standards.

See Next Page

Economic Activity Will Continue to Build Momentum into Next Year

From Previous Page

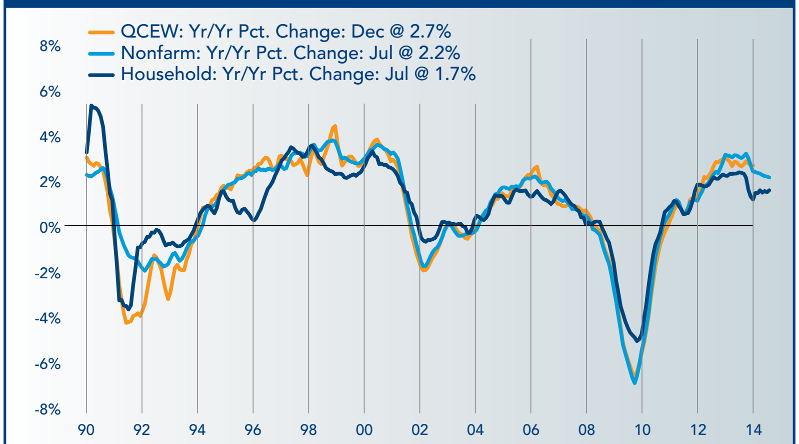
The tech sector also appears to be cooling off, with several hardware manufacturers announcing job cuts in recent months and the IPO market for new technology firms becoming more selective.

Forecasts for California remain generally upbeat. Nonfarm employment estimates have been revised higher in recent years and the latest forecasts from members of the Economic Advisory Council are on balance slightly higher than the most recent year-to-year growth.

California's unemployment rate is expected to drop further over coming months, but the pace of the decline is expected to slow. The jobless rate should end the year at around 7% and end 2015 at 6.5% or less. Homebuilding is expected to increase further this year, with single-family starts rising 25% to 30% this year and multi-family starts rising 15% to 20%.

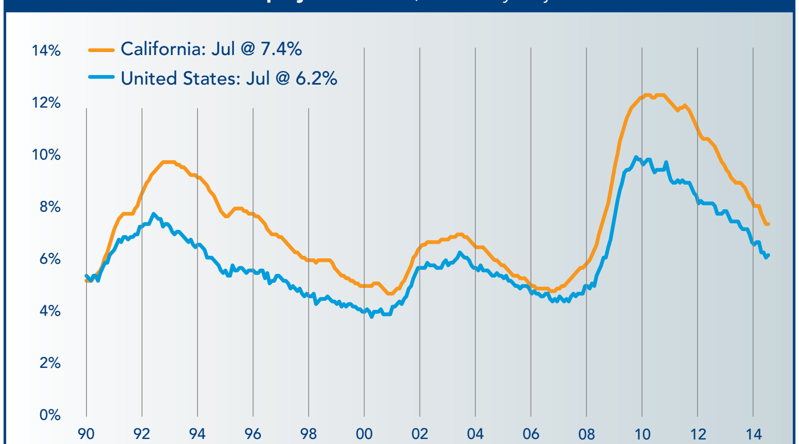
Home prices have moderated considerably over the past year and are expected to rise even more modestly during the coming year, with the 6.7% gain in median home prices reported by the California Association of Realtors over the last year moderating to less than 5% a year from now.

California Nonfarm Employment *(3-Month Moving Averages)*



Sources: U.S. Department of Labor and Wells Fargo Securities, LLC

California vs. U.S. Unemployment Rate *(Seasonally Adjusted*



Sources: U.S. Department of Labor and Wells Fargo Securities, LLC

Water Issues

California's drought continues to take a heavy toll on the state's agriculture sector and threatens to impact the state's economy more broadly if it extends into the coming year. Fallowed acreage now exceeds 400,000 acres, mostly in the San Joaquin Valley.

Livestock feeders are paying more for hay and 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 has risen to as much as 10 times normal. This will continue to push up the cost for some growers and provide others additional income, if they have water to sell. There is little water for sale because deliveries to senior water rights holders also have been reduced.

Many growers also are concerned about water supplies for 2015 if precipitation is only normal or less next year, since there is no water to carry over and groundwater basins are being depleted.

Despite the devastating impacts of the drought, commodity prices have continued to decline due to record or near-record harvest in the Midwest and slower economic growth around the world.

Employment Growth Shows Signs of Moderating

Nonfarm employment increased 0.2% in July, as California added 27,700 net new jobs. Health care and social assistance, professional and technical services, and the leisure and hospitality sector accounted for the bulk of July's job gains. Most other major categories also added jobs during the month, including manufacturing and local government.

While employment gains remain fairly broad-based across most major industry categories, there are also signs that growth is moderating in some areas. Construction employment fell 1% in July, as builders cut 6,400 positions. The drop followed an 8,000-job loss during the prior month. Hiring has also slowed in wholesale trade and in transportation and warehousing.

California's unemployment rate was unchanged in July at 7.4%, as both civilian employment and the civilian labor force declined by the same proportion during the month. The California unemployment rate has fallen by 0.9 percentage points since the end of last year and is down 1.6 percentage points over the last 12 months.

The drop in the unemployment rate

See Next Page

Economic Activity Will Continue to Build Momentum into Next Year

From Previous Page

over the past year has primarily come from stronger job growth. Civilian employment has risen 1.7% over the last year, while the labor force has fallen 0.1%. The drop in the labor force pulled California's labor force participation rate down to 61.9%, which is a full percentage point below the comparable national rate.

The continued slide in California's labor force participation rate reflects the rise in retirements associated with the aging of the state's large baby boom population, stubbornly high long-term unemployment, and a greater hesitance by younger persons to join the workforce.

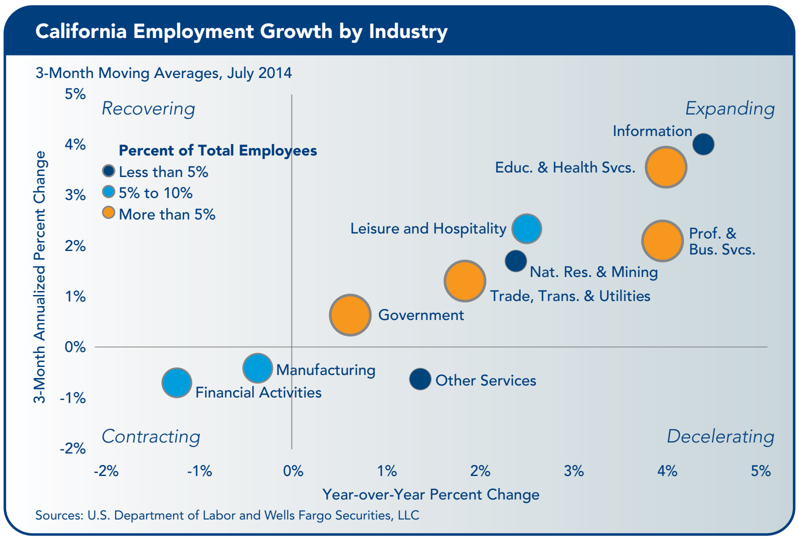
California faces greater challenges on all three fronts, with the state's larger and slightly older workforce retiring at a faster rate than the nation. Long-term unemployment is also a greater problem in the Golden State, with many longtime major employers and industries restructuring or leaving the state.

Is Job Growth Slowing in Silicon Valley?

Following four years of steady and nearly uninterrupted monthly job gains, employment in the San Jose-Sunnyvale-Santa Clara metropolitan division has hit a bit of a wall recently. Nonfarm employment has fallen modestly during each of the past three months on a seasonally adjusted basis and has increased just once in the past five months.

The culprit appears to be cutbacks in the region's factory sector, which is home to numerous tech hardware manufacturers. Manufacturing employment, which accounts for 16% of nonfarm jobs in the San Jose metropolitan area, has fallen 1.9% over the last three months, reflecting the loss of 3,000 jobs.

Employment in professional and business services, which also includes a number of technology professions, also has struggled as of late, with employment falling 1.3% over the past three months, producing a net loss of 2,600 jobs. Government payrolls have also declined over this period as has employment in construction and wholesale trade.



Just how significant the recent slide in San Jose's employment growth actually is remains to be seen. The monthly employment numbers are similar to the early returns in an election; sometimes they provide important early clues of the outcome and sometimes they are just noise.

There is some supporting evidence of a slowdown. The recent weakness in reported nonfarm employment growth follows a string of major layoff announcements by high-profile firms, including Cisco, Hewlett-Packard and Intel.

In addition, several major construction projects have recently been completed, including Levi's Stadium in Santa Clara. There has also been a significant shift in job growth, with many more tech jobs being created along the San Francisco Peninsula or in downtown San Francisco. Some of the slowdown may simply reflect a shift of jobs into the San Francisco-San Mateo-Redwood City metro division.

There is no question that the influx of technology jobs has been a major factor driving San Francisco's economic recovery. Nonfarm employment in the San Francisco metropolitan division has increased 3.3% over the past year, with the fastest growth coming from the tech sector.

Nonfarm employment now slightly exceeds its previous peak level hit at the height of the dot-com boom in December 2000. By contrast, employment in the San Jose metropolitan division remains 86,100 jobs below its earlier peak, despite years of strong job growth. Employment in the Oakland-Fremont-Hayward metropolitan division is still 15,500 jobs shy of its March 2001 peak.

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 prepared by council chair Mark Vitner, managing director and senior economist at Wells Fargo Securities, LLC.

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CFCE California Foundation for Commerce & Education

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