

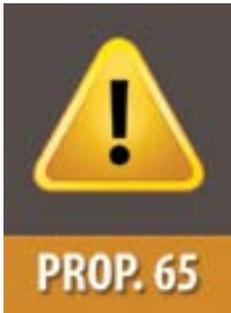
ALERT

VOLUME 40, NUMBER 33 • DECEMBER 5, 2014



CalChamber Capitol Report

Prop. 65 Warning Proposal Merits Business Concern



The latest proposal by the state Office of Environmental Health Hazard Assessment (OEHHA) to revise Proposition 65 warning requirements should be of concern to

business, the California Chamber of Commerce warns in a video report.

The revised regulation would not add more meaningful information regarding how businesses present Proposition 65 warnings and would further increase the risk of litigation.

CalChamber Policy Advocate Anthony Samson says in the latest Cal-

Chamber Capitol Report that there is cause for alarm, first due to the “sheer costs to the business community,” which will be extraordinary. Second, the proposal will do far more to alarm consumers and less to inform them, he says. Finally, the proposal will invite “extraordinary new avenues for increased litigation under Proposition 65.”

CalChamber is urging business to voice concerns to OEHHA on the proposed warning changes. CalChamber comments are posted at www.calchamber.com/environmental.

Governor Calls for Reform

In May 2013, noting that Proposition 65 has been abused by “unscrupulous lawyers driven by profit rather than

See Proposition 65: Page 4

Paid Sick Leave Law: A Look at Employer Compliance Options



With the signing of the legislation mandating that employers provide employees with paid sick leave starting July 1, 2015, many employers are questioning what options they have to

comply with the new law and how existing or newly adopted employer policies will coordinate with this new mandate.

AB 1522 (Gonzalez; D-Sherman Heights; Chapter 317) provides employers with three options by which to satisfy the requirement to provide employees with paid sick leave, thereby offering employers some flexibility to implement a new or existing policy.

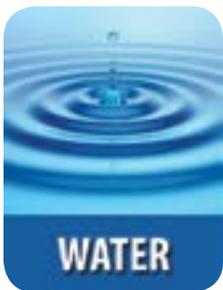
Accrual Method

The first option employers have to provide paid sick leave is the statutory mandated accrual method that requires an employee earn one hour of paid sick leave for every 30 hours worked.

Under this option, an employer will have to track the hours of each employee to determine when the employee has accrued one hour of paid sick leave. An employer may cap an employee’s accrual at six days or 48 hours. Any accrued, unused paid sick leave must be carried over to the following year.

See New Paid Sick Leave: Page 3

Storms a Long Way from Abating Drought; Water Conservation, Allocations Still Down



A strong storm system is rolling through California, prompting mudslide concerns in the Northern and Southern half of the state, particularly in areas that endured the Colby, King,

and Rim fires. With enough rain in burned areas, loose debris can damage roadways and homes.

In some areas, the U.S. Forest Service prepared in advance for the storms with

an aerial mulching effort, dropping a layer of straw over burn areas to stem the flow of water.

Drought Persists

Despite this storm system and recent rains, the Sierra Nevada snowpack, which provides two-thirds of California’s water supply, is only at 24% of normal for this time of year, and Lake Oroville, which delivers water from Northern California south, is at 26% of its capacity.

California would need to have a storm every three to five days for the next three months (150% of the normal seasonal

See Storms: Page 10

Inside

- **[Economic Report: Pages 5-8](#)**
- **[CalChamber Board Member Joe Russ: Page 10](#)**

*Labor Law Corner***New Legal Name/Social Security Number Not Good Cause for Firing**

Sunny Lee
HR Adviser

What do I do about an employee who comes to me with a new name and a new Social Security number? Can I terminate the employee?

Employers need to be careful not to automatically terminate employees who present new legal documents without reviewing the matter with an attorney and considering all the legal issues.

Last year, a new immigration-related retaliation law was passed in California

to, among other things, protect an immigrant from being discriminated against, discharged or retaliated against for updating or attempting to update his or her personal information.

Clarification

This year, legislation was passed and signed into law to clarify what is meant by “personal information”—specifically adding “name” and “Social Security number.” This amendment was added to Labor Code Section 1024.6 and goes into effect January 1, 2015:

“1024.6. An employer may not discharge an employee or in any manner discriminate, retaliate, or take any adverse action against an employee because the employee updates or attempts to update his or her personal information based on a lawful change of name, Social Security number, or federal employment authorization document. An employer’s compliance with this section shall not serve as the basis for a claim of discrimination, including any disparate treatment claim.”

Whereas in the past, employers may have taken the position that an employee who misrepresented key information at the time of hire could be automatically terminated, employers now must exercise caution and seek legal counsel before

terminating an employee who updates his or her personal information. In today’s world, employees may make legal changes to their name or Social Security number and may not be terminated for doing so.

Form I-9

As for the Form I-9, if the employee presented original documents that established identity and work authorization at the time of hire and the employer certified that the documents appeared genuine and the employer had no knowledge that an employee was not authorized to work, there is no I-9 violation.

Going forward, if the employee provides new legal documents, the employer would re-verify employment of that employee based on the new documents presented.

As there are penalties that allow an employee to get damages and attorney fees in a civil case, it is important for employers to be aware of this law and not terminate employees for this issue.

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.

California Chamber Officers

Anne Buettner
Chair

Joseph M. Otting
First Vice Chair

Michael W. Murphy
Second Vice Chair

Susan Corrales-Diaz
Third Vice Chair

Frederick E. Hitchcock
Immediate Past Chair

Allan Zaremborg
President and Chief Executive Officer

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

POSTMASTER: Send address changes to Alert, 1215 K Street, Suite 1400, Sacramento, CA 95814-3918. Publisher: Allan Zaremborg. Executive Editor: Ann Amioka. Associate Editor: Sara Espinosa. Art Director: Neil Ishikawa. Capitol Correspondent: Christine Haddon.

Permission granted to reprint articles if credit is given to the California Chamber of Commerce Alert, and reprint is mailed to Alert at address above.

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

CalChamber-Sponsored Seminars/Tradeshows

More information: calchamber.com/events.

Labor Law

2015 Employment Law Update. CalChamber. January 7, 2015, Sacramento; January 9, 2015, Fresno; January 13, 2015, Los Angeles; January 14, 2015, Long Beach; January 15, 2015, Costa Mesa; January 16, 2015, San Diego; January 21, 2015, Emeryville; January 28, 2015, San Jose. (800) 331-8877.

HR Boot Camp. CalChamber. January 8, 2015, Fresno; January 27, 2015, San Jose; February 26, 2015, Redding; March 4, 2015, Los Angeles. (800) 331-8877.

Business Resources

Visit California’s Outlook Forum 2015. Visit California. February 23–24, 2015, Greater Palm Springs. (916) 444-0410.

Responsible Sourcing Summit 2015. UL.

March 3–4, 2015, West Hollywood. (310) 215-0554.

International Trade

California-Australia Water Conference. Australian Government and the Office of Governor Edmund G. Brown Jr. December 10, Sacramento.

Western United States Agricultural Trade Association (WUSATA) Branded Program. Northern California Center for International Trade Development. December 10, Sacramento. (916) 563-3204.

International Women’s Leadership. Africa Horizon. December 16–18, Washington, D.C.

Next Alert: December 19



New Paid Sick Leave Law Mandate: A Look at Employer Compliance Options

From Page 1

'Front Loading' Policy

The second option for providing paid sick leave is a "front loading" employer policy that provides an employee with at least three days or 24 hours of paid sick leave, paid leave, or paid time off at the beginning of each year.

Under a front loading policy, an employee does not accrue leave during the year, as the employee receives all of the paid sick leave or paid time off on the first day of the year. Under this option, an employer does not have to track the employee's hours for accrual and does not have to carry over any unused paid sick leave.

Employer Policy

The third option is an employer policy that provides an employee with at least three days or 24 hours of paid sick leave in a 12-month period, year of employment, or calendar year.

Under this option, an employer can determine the accrual rate or method, so long as the annual amount provided to all employees is at least three days or 24 hours of paid sick leave, paid time off, or other paid leave.

Specifically, Labor Code Section 246 (e)(2) was amended into the bill at the

end of session to address employers' concern that although they generally provide at least three days of paid time off or paid sick leave each year to their employees, the accrual method may not be on an hourly basis.

A majority of employers allow employees to accrue paid leave on a pay period basis, as it is easier to administer, especially for a large workforce, than tracking each individual employee's hours worked.

Section 246 (e) reflects such employer policies by stating that an employer does not have to provide sick leave in addition to what they already offer if the employer policy either:

- mirrors the accrual, carry over and use requirements set forth in AB 1522; or
- provides employees with at least three days or 24 hours of paid sick leave each year, regardless of the actual accrual rate.

Interpreting this section otherwise would essentially render Section 246 (e)(1) meaningless. Section 246 would not provide two options for an employer policy if the intent and requirement was that any employer policy had to match the specific accrual method set forth in AB 1522.

Moreover, Section 246 (e)(2) is not just limited to "front loading" policies, as such policies are separately recognized in

the bill under Labor Code Section 246 (d). Section 246 (d) references subdivision (e) to acknowledge that an employer must have a policy for front loading, not to limit Section 246 (e)(2) to only a front loading policy.

Nothing in 246(e)(2) requires that an employer provide the three days or 24 hours at the beginning of the year; it just requires that an employer provide an employee with three days or 24 hours of paid time off or paid leave each year.

Flexibility

These three options provide an employer with the necessary flexibility to determine which method of offering paid sick leave fits best with the employer's specific workforce and environment. Employers have until July 1, 2015 to determine which option to utilize.

Under any of the three options, however, the employer must allow an employee to use the accrued paid sick leave or paid time off for the same purposes and under the same conditions as set forth in AB 1522. Any employer policy should reference these purposes and conditions.

Staff Contact: Jennifer Barrera

CalChamber Offering HR Boot Camp Seminars

The California Chamber of Commerce is helping employers build their HR muscle at several topic-packed training sessions around the state that focus on the employment life cycle. CalChamber employment law experts will also give attendees valuable insight into 2015 cases and regulations that may have an impact on workplace policies and practices in 2014.

Seminars will concentrate on an HR workout for these core strengths:

- Hiring, including I-9 verification and criminal background checks;
- Employee access to personnel files;
- Wage and hour; exempt/nonexempt classification;
- Meal and rest break requirements;
- Basics of leaves of absence, preg-

nancy disability leave (PDL), Family and Medical Leave Act (FMLA) and California Family Rights Act (CFRA);

- Discrimination and harassment prevention;
- Discipline and termination;
- Policies and best practices

Locations and Dates

The first HR Boot Camp seminar was held December 3 in San Francisco. Other seminars will follow, 9 a.m.-4 p.m., in 2015:

- Fresno: Thursday, January 8; Piccadilly Inn.
- San Jose: Tuesday, January 27; Hyatt Place San Jose/Downtown.
- Redding: Thursday, February 26; Red Lion Hotel.

- Los Angeles: Wednesday, March 4, Sheraton Gateway LAX.

- San Diego: Thursday, April 23, The Lodge at Torrey Pines.

- Santa Clara: Wednesday, June 10, Hilton Santa Clara.

- Sacramento: Tuesday, August 18, CalChamber.

- Laguna Beach: Wednesday, September 2, Montage Laguna Beach.

Registration

Registration information for the seminars is available at www.calchamberstore.com. CalChamber preferred and executive members receive a 20% discount. For more information or to register, call (800) 331-8877.

Proposition 65 Warning Proposal Merits Business Concern

From Page 1

public health,” Governor Edmund G. Brown Jr. proposed reforms to strengthen and restore the intent of Proposition 65.

Specifically, the Governor proposed to end frivolous, “shakedown” lawsuits; improve how the public is warned about dangerous chemicals; and strengthen the scientific basis for warning levels.

Proposition 65 Requirements

Proposition 65, the Safe Drinking Water and Toxic Enforcement Act of 1986, requires California businesses with 10 or more employees to provide a clear and reasonable warning before knowingly and intentionally exposing individuals to chemicals known to cause cancer and/or reproductive toxicity.

In order to comply with Proposition 65, a business must:

- Assess whether it releases, or its products contain, Proposition 65-listed chemicals;

- Determine whether its consumers may be exposed to a listed

chemical at levels that necessitate a warning (that is, “when” to warn); and

- Determine (if a warning is required) what the warning must say (that is, “how” to warn).

Recent Regulatory Efforts

OEHHA has initiated three significant regulatory undertakings in 2014. Most significantly, OEHHA has proposed a substantial regulatory overhaul of the “clear and reasonable” warning requirements, which address the “how to warn” question.

OEHHA also has asked that stakeholders suggest additional potential regulatory changes that may help to address the “when to warn” question, and

has further developed regulations related to a Labor Code requirement for adding chemicals to the Proposition 65 list.

Warning Regulations

On March 7, 2014, OEHHA proposed a “pre-regulatory” draft regulation overhauling the existing requirements for “clear and reasonable” warnings under Proposition 65.

The proposal, according to OEHHA, is “designed to provide more meaningful information for individuals in Proposition

OEHHA’s proposal actually undermined the Governor’s calls for reform. Specifically, the proposal would:

- substantially exacerbate the already-problematic Proposition 65 litigation climate;

- further increase consumer alarm and confusion about Proposition 65 warnings;

- significantly decrease business certainty; and

- dramatically increase compliance costs and defense costs for businesses of all sizes.

The comment letter addressed virtually every provision of the OEHHA proposal, explained the basis for the coalition’s opposition, and provided recommendations where appropriate.

On September 23, 2014, OEHHA circulated a revised draft of the regulation to several stakeholders, including CalChamber.

In an [informal memorandum](#) dated October 10, 2014, CalChamber noted that the revised draft, while an improvement from the original draft, still contains

significant flaws that undermine the Governor’s calls for reform.

Additional refinements are needed to the improvements identified above, and some of the major flaws, including the requirement to specify one or more of 12 specific chemicals, are still present in the revised regulation.

Next Steps

CalChamber continues to work with OEHHA on a revised regulatory proposal, which OEHHA anticipates will be released for formal rulemaking comment in late 2014 or early 2015.

Staff Contact: Anthony Samson



CalChamber Policy Advocate Anthony Samson summarizes problems with the latest proposed changes to Proposition 65 warning requirements in a CalChamber Capitol Report video at calchamber.com/videos.

65, facilitate the public’s understanding of these warnings and make the warnings more consistent.”

OEHHA also noted that the proposal “is intended to implement the Administration’s vision concerning improving the quality of the warnings being given and providing certainty for businesses subject to the Act.”

On June 12, 2014, CalChamber submitted an extensive [comment letter](#), also signed by nearly 140 California-based and national organizations and businesses of varying sizes that, collectively, represented nearly every major business sector on which OEHHA’s proposal would have an impact.

The coalition explained in detail why

Hiring Gains, Tech Sector Growth Lay Base for Continued Recovery in 2015

Executive Summary

California's recovery continues to be relatively strong in an overall sense, yet many areas have only recently begun to see tangible gains. Real gross domestic product (GDP) growth in the Golden State outpaced the nation in each of the past three years.

Although employment gains have moderated somewhat in 2014, overall job growth is poised to outpace the nation once again, suggesting that real GDP also outpaced the nation in 2014.

Much of the state's strongest gains continue to be concentrated in San Jose and San Francisco, although other metro areas, such as San Diego and Fresno, also have seen conditions improve considerably over the past year.

Growth in the tech sector is spilling over into other parts of the economy and construction activity has ramped up to meet the growing needs of the state's expanding population base and recovering economy. Home prices have rebounded across the state and incomes are rising at the strongest sustained pace since the recovery began.

California continues to attract a great deal of business investment, particularly in the information technology, life sciences and entertainment industries. Tourism also has improved, with both international and domestic visitor counts rising.

California remains an expensive and burdensome place to live and do business, however, which has led to a number of high-profile corporate relocations to areas outside the state. To remain competitive in the future, California will need to do more to keep those employers within its borders and attract new businesses from other areas.

The state has a number of inherent advantages that are difficult for other states to emulate:

- California's ideal climate and clusters of prestigious universities has built a large world class workforce and also sets a relatively high hurdle for competing areas to draw businesses and residents

Taxes

The Tax Foundation has ranked the state as the 10th highest for corporate income tax. Although states and some municipalities have the ability to offer tax credits and breaks to individual firms to attract them to their region, this strategy is inferior to having a more permanent low-tax environment where corporations are not bound by employment and expenditure quotas to qualify for such low tax rates.

Moreover, the state's property tax structure is stacked in favor of existing residents, creating another hurdle to attracting major corporate relocations.

In addition to relatively high taxes, California also is generally an expensive place to live and therefore requires high wages. For businesses that rely on local

demand, the price of their goods or services can incorporate these higher costs and wages, but for other businesses that sell goods outside the region, such as manufacturing and engineering, prices are less flexible.

The median price of a home sold in California was \$380,000, about double the national rate, and the second highest in the nation behind Hawaii.

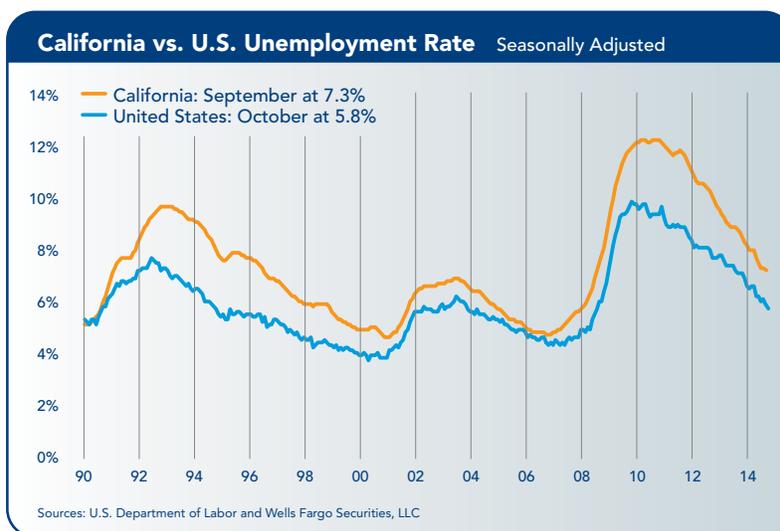
Salary/Wages

Furthermore, the average annual salary for all workers in California was \$56,580 in 2013, while it was only \$49,700 nationwide, a 13.8% wage premium.

For manufacturers, wages are 27.5% higher than the national average. Of course some of this reflects the inherent difference in types of manufacturing that occur in California relative to the rest of the nation, with output tilted toward more high value-added products, but this trend is indicative of just how much more California workers demand in terms of compensation.

While wages and salaries are gener-

See Next Page



away from the state.

- The growing preference for urban lifestyles by younger persons, particularly those engaged in innovative endeavors, also plays to California's advantage and is leading to profound changes in downtown San Francisco and downtown Los Angeles.

Wanted: Low Business Costs

California has lost out to other states on a number of high-profile corporate relocations and expansions, which calls into question whether the state is competitive for business investment. Chevron, Tesla, Toyota, Charles Schwab and Active Network are among the major employers that have chosen to expand elsewhere or relocate altogether.

The cost of doing business in the state is high, with taxes, wages and electricity costs all well above average.

On the positive side of the ledger, California benefits from a well-educated workforce, an extremely favorable climate and geographic proximity to rapidly expanding Asian markets.

Hiring Gains, Tech Sector Growth Lay Base for Continued Recovery in 2015

From Previous Page

ally high in California, they are not necessarily growing faster than the rest of the country. Average hourly earnings for all private industries have grown very slowly in California over the past two years and were up only 0.6% from a year ago on a three-month moving average basis.

In the nation as a whole, they were up 2% and were up 4% in Texas. The slower growth in average hourly earnings in California likely reflects the loss of mid-skilled and low-skilled jobs in manufacturing and professional services, as well as the movement of some higher-skilled, high-paying jobs to neighboring states and Texas.

Energy

Energy costs also are inflated in California. Commercial customers paid about 17.89 cents per kilowatt hour in California in July, while in the nation as a whole they paid 11.16 cents.

Industrial electricity costs in California are nearly twice the national average, and overall, California has the highest electricity costs of any state in the contiguous United States. The high energy costs are a big hurdle for large industrial firms, particularly with lower-cost alternative locations available in neighboring states and much lower energy prices available in Texas and the Southeast U.S.

High-Skilled Workers

California's high costs are not new and were never a secret. One of the amazing long-running conundrums about California is just how much businesses are willing to endure to enjoy the state's ideal climate and other positive attributes. One of California's greatest attractions is its large pool of highly skilled workers.

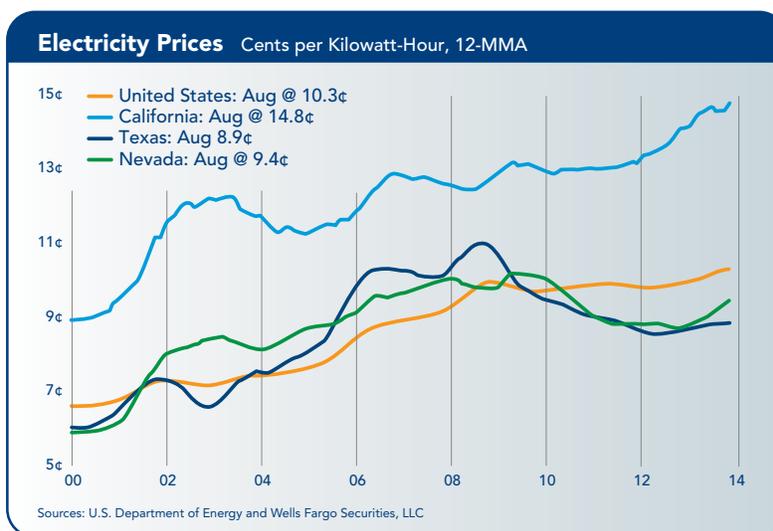
With one of the best-educated populations, businesses requiring workers with the highest skills would be hard pressed to find a higher concentration of them anywhere else. This is why Google, Facebook, Samsung and Apple are all located in the Bay Area and are expanding rapidly there.

Life sciences is another key strength, with hubs in both the Bay Area, home to

Genentech, and San Diego, home to Scripps Laboratories, Isis Pharmaceuticals, and Illumina.

Aerospace

Defense spending has played a large role in California's history and helped build the base for much of the state's tech sector. Employment has been steadily declining since the end of the Cold War,



however, which has hit the state's large aerospace sector particularly hard.

The sector received some good news recently. Boeing announced it is moving engineering jobs from Seattle to Long Beach over the next two years, which should bring 1,000 workers to the area.

Entertainment Industry

Although several other states attempt to lure film production away from California with generous tax breaks, Hollywood remains the epicenter of the motion picture business and recording industry. Agglomeration alone ensures the long-run viability of the industry. The high concentration of workers with expertise in the entertainment industry is a strong motivator for more of those businesses tied to it to locate nearby.

The motion picture and entertainment industry continues to evolve, with digital content and reality programming growing rapidly. After years of slower growth, the industry has seen a burst of activity in recent years and on-location film production days have risen to their highest levels in years.

Regional Growth Perspectives

Real GDP growth in California outpaced the national average for 2013, the latest year available, and the labor market expansion so far in 2014 points to another year of above-average gains. Economic growth as measured by GDP, however, does not always translate into many more jobs or the persistence of growth thereafter.

For example, Madera's economy surged by an astonishing 8% in 2013, but employment gains were below average in 2013 and have since been the lowest in the state. Merced and Visalia also ranked in the top five California metro areas by real GDP growth, but have posted some of the state's weakest employment gains in 2014. Some of this is likely due to the fluctuation in agricultural production in metro areas in the Central Valley.

Although such strong GDP growth should not be deemed a bad thing, the

labor market is a better indicator of the near-term health of a metro economy. At the regional level, GDP is calculated using the income approach, which uses incomes and profits as a measure of output.

In areas that have a high concentration of agriculture or energy in particular, GDP growth can dramatically overshoot or undershoot the true underlying trend during any given period. The profits component of the GDP measure also may not be allocated to residents within the region, and even if it is, can be highly concentrated to a few equity holders who do not then distribute much of it to the broader economy, preventing sustained gains.

Employment Growth

Using employment as a better measure of a region's economy, California still looks to be growing faster than the nation and the unemployment rate, although higher, has been falling faster than the national rate. California's unemployment rate is 1.3 percentage points higher than the nation as a whole.

Nonfarm payrolls in both the state and

See Next Page

Hiring Gains, Tech Sector Growth Lay Base for Continued Recovery in 2015

From Previous Page

nation are about 0.5% higher than their prerecession peaks. Since California's demographics differ from those of the nation, this latter measure may be the better way to compare unemployment in the state to the nation as a whole.

To further support this idea, consider that since 1976, the unemployment rate in California has been more than 1 percentage point higher than the national rate on average. If you shorten that period to the last 20 years, the average differential rises to 1.4 percentage points, which is the same gap that existed in September.

With that in mind, the stronger employment gains are more impressive as they do not appear to be the result of any catch-up that the labor market may be playing.

Metro Areas

The metro areas with payrolls the farthest above their prerecession peaks are Bakersfield, Napa, San Luis Obispo, El Centro and San Diego. With the exception of El Centro, these metro areas are also posting year-over-year employment gains at least equal to the state average.

Redding, Yuba City, San Jose and Hanford all have payrolls still more than 5% below their prerecession peaks. San Jose was badly hit during the dot-com collapse around the turn of the century and has yet to recover all of the jobs from that recession, while employment is soaring above its more recent peak in 2007.

San Jose also stands out in this crowd because it has very strong year-over-year employment growth, while the other three metro areas have all posted job growth below state and national averages. Growth in San Jose is actually the fourth highest of any metro area in the state, just behind Fresno, Riverside and San Francisco.

Growth in Fresno and Riverside has been dominated by construction and professional and business services and, in Fresno in particular, strong gains in education and health services.

Madera, Redding and Merced are posting year-ago gains below 1%, reflecting

sluggish gains in the region's agricultural sector and less residential development.

Keeping It in Tinseltown

The Governor recently signed legislation that allows for more tax credits to be used for the state's film industry. Incentives for the industry are now \$330 million or more than three times the \$100 million

packages. However, a number of those regions have scaled back those efforts, as they were not perceived to have produced the intended economic benefits.

Movie and video production employment has increased by more than 5,000 workers over the past year in California, while in the rest of the United States employment in the industry has fallen by more than 35,000. Although the tax credits will certainly benefit the movie and television producers, they may not bring the number of jobs to the state that some are anticipating, particularly since the number of workers in the industry is falling throughout the nation.

Home Prices Strengthen, Sales Weaken

Although California's housing market bust was one of the worst in the nation, conditions are gradually improving. For one, the delinquency and

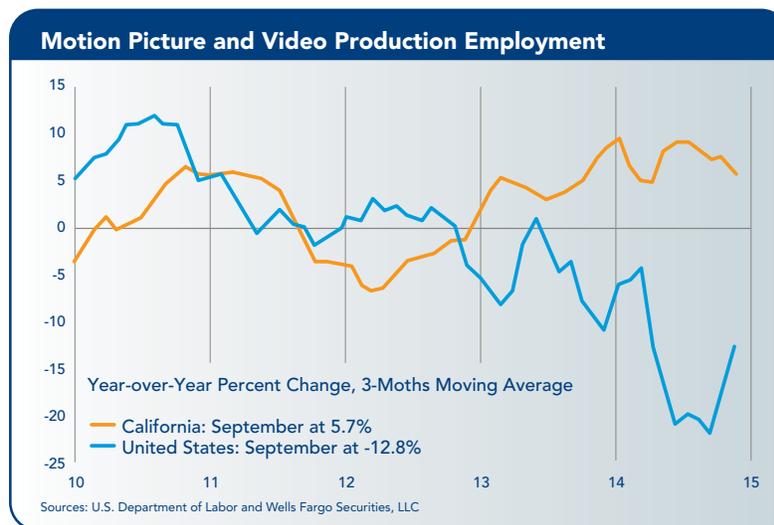
foreclosure rates have declined significantly and are now lower than the national average.

Similarly, the share of homeowners who owe more on their mortgage than their home is worth also has fallen to below-average levels. Home prices are quickly making up lost ground, rising 10.5% from a year ago and closing the 14.5% price gap with its prerecession peak. Strong gains early in the recovery, which were aided by significant investor demand, propelled the housing market recovery forward.

However, some of that momentum appears to be slipping. Home price appreciation is still rather strong but is moderating. Demand for homes also has slipped, with single-family home sales in the state down 9.3% in August from a year earlier and condo and townhome sales down 15.6% over the same period.

Furthermore, the pending home sales index released by the California Association of Realtors is also down 8.7% from a year ago and has been posting year-over-year declines for 19 straight months.

See Next Page



that is currently available. Funding begins in the 2015-2016 fiscal year. The expanded incentives should help prevent some filming from leaving the state.

A report released by the Southern California Association of Governments claims that the state lost out on \$9.6 billion and 47,600 jobs because of rising production outside of the state. These figures, however, are likely overstated. For one, it is unreasonable to expect that all movies filmed in locations outside of the state needed only a tax credit to move production to California.

The authors of the paper point to a list of big budget movies filmed elsewhere, but it seems unlikely that the *Hobbit* movies, which were included on the list, would have been produced anywhere but New Zealand where the terrain is somewhat uniquely suited for the storyline. In addition, should the *Wolf of Wall Street*, which was also included on the list, have been filmed outside of New York?

A number of other states and Canada had effectively lured film production to their regions with their own incentive

Hiring Gains, Tech Sector Growth Lay Base for Continued Recovery in 2015

From Previous Page

Weak housing demand has been seen across the state, with just seven counties posting higher home sales numbers in August relative to a year ago.

As a result, new construction has been slow to rise again with permits only creeping back slowly. A large snapback in residential construction will likely elude the state until more housing demand comes back.

The longer-run outlook is more positive. With relatively young residents, solid population growth and an improving labor market, more housing demand will surely follow.

Agriculture

The effects of the drought have become more evident as the year has progressed. Harvests have been underway for quite some time and many are now virtually complete.

Water issues appear to have cut into the state's almond crop, with estimates now showing a harvest of 1.95 billion pounds, which is 2.5% below the prior year's harvest. The walnut crop has fared better, with yields expected to rise modestly this year and the crop expected to be 11% larger. The state's pistachio crop has not fared as well, however, and will see a significantly smaller harvest.

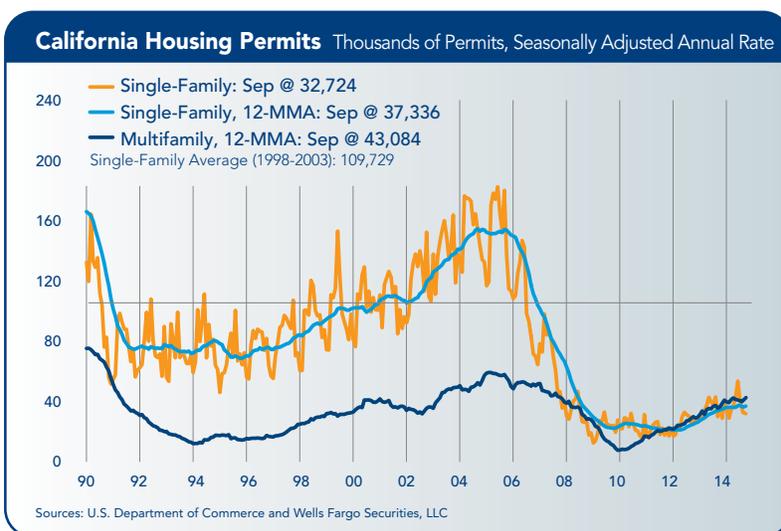
Processing tomato yields have been good in the Sacramento Valley but the total crop is hard to forecast. Harvest came earlier this year and there is considerable variation across regions depending upon water availability.

Fruit

Fruit harvests continue to diminish. California is expected to ship between 35 and 38 million boxes of peaches, plums and nectarines this year. Per-acre yields are running 10% to 15% below the prior year due to extreme weather earlier this winter, with colder weather early and warmer weather in late winter. Growers continue to decrease acreage and replace

fruit groves with nuts, citrus and grapes. Labor availability and cost has been a major concern for growers.

The California Agricultural Statistics Service projects that the 2014 grape crush will be 3.9 million tons, which is down 8% from 2013 but still the third largest crush on record. The crop was harvested early due to dry and hot weather.



Grape market activity has been relatively strong. Pricing on the North Coast has been solid with extended-year contracts for many varieties. The Central Coast market also has been fairly active, while the San Joaquin Valley has seen less activity. Bulk wine values remained relatively stable for most varietals.

Reservoirs Low

Reservoir conditions reflect draw-downs from unusually low levels at the start of the summer. Lake Shasta is currently at 23% of capacity, versus a historical average of 39% at this time. Folsom Lake is at 29% of capacity, compared to a historical average of 59%. Lake Oroville is at 26% of capacity versus a historical average of 42%. The only reservoir anywhere near its historic average is Pyramid Lake in Southern California, which is a relatively small reservoir, used for short-term water needs.

Outlook

The council remains optimistic about the California economy headed into 2015. Hiring has picked up across most major industries and the annual revisions to the employment data are likely to reveal that job growth was modestly stronger in 2014 than initially reported.

Homebuilding and commercial construction are on the mend and should gain momentum over the course of 2015. Industrial activity could slow, however, as weaker global economic growth cuts into manufacturing exports.

Most of the state's marquee industries—information technology, life sciences, entertainment and tourism—continue to perform exceptionally well and should gain momentum in 2014.

While the state continues to struggle with competitiveness issues with other states, employment and population growth are more than keeping pace with the rest of the country, suggesting that plenty of businesses, entrepreneurs and workers still see a compelling value in doing business in the state.

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 Vimer, managing director and senior economist at Wells Fargo Securities, LLC.

Publication of this report is a project of the [California Foundation for Commerce and Education](#).

Assembly Names Committee Leaders

Assembly Speaker Toni G. Atkins (D-San Diego) announced her selection of committee chairs for the 2015–16 Regular Session.

She also named Democrats to serve on the Assembly Rules Committee.

Freshman legislators are marked with an asterisk (*) in the list below.

- Accountability and Administrative Review: Assemblymember Rudy Salas, Jr. (D-Bakersfield).
- Aging and Long-Term Care: Assemblymember Cheryl R. Brown (D-San Bernardino).
- Agriculture: Assemblymember Henry T. Perea (D-Fresno).
- Appropriations: Assemblymember Jimmy Gomez (D-Northeast Los Angeles).
- Arts, Entertainment, Sports, Tourism and Internet Media: Assemblymember Ian C. Calderon (D-Whittier).
- Banking and Finance: Assemblymember Matthew Dababneh (D-Encino).
- Budget: Assemblymember Shirley N. Weber (D-San Diego).
- Budget Subcommittee No. 1 on Health and Human Services: Assemblymember Tony Thurmond* (D-Richmond).
- Budget Subcommittee No. 2 on Education Finance: Assemblymember Kevin McCarty* (D-Sacramento).
- Budget Subcommittee No. 3 on Resources and Transportation: Assemblymember Richard Bloom (D-Santa Monica).
- Budget Subcommittee No. 4 on State Administration: Assemblymember Adrin Nazarian (D-Sherman Oaks).
- Budget Subcommittee No. 5 on Public Safety: Assemblymember Reginald Byron Jones-Sawyer, Sr. (D-Los Angeles).

• Budget Subcommittee No. 6 on Budget Process, Oversight and Program Evaluation: Assemblymember Shirley N. Weber (D-San Diego).

- Business and Professions: Assemblymember Susan A. Bonilla (D-Concord).
- Education: Assemblymember Patrick O'Donnell* (D-Long Beach).
- Elections and Redistricting: Assemblymember Sebastian Ridley-Thomas (D-Culver City).
- Environmental Safety and Toxic Materials: Assemblymember Luis A. Alejo (D-Salinas).
- Governmental Organization: Assemblymember Adam C. Gray (D-Merced).
- Health: Assemblymember Rob Bonta (D-Oakland).
- Higher Education: Assemblymember Jose Medina (D-Riverside).
- Housing and Community Development: Assemblymember Ed Chau (D-Monterey Park).
- Human Services: Assemblymember Kansen Chu* (D-San Jose).
- Insurance: Assemblymember Tom Daly (D-Anaheim).
- Jobs, Economic Development, and the Economy: Assemblymember Eduardo Garcia* (D-Riverside).
- Judiciary: Assemblymember Mark Stone (D-Monterey Bay).
- Labor and Employment: Assemblymember Roger Hernández (D-West Covina).
- Local Government: Assemblymember Brian Maienschein (R-San Diego), chair; Assemblymember Lorena S. Gonzalez (D-San Diego), vice chair.
- Natural Resources: Assemblymember Das Williams (D-Carpinteria).

• Privacy and Consumer Protection: Assemblymember Mike Gatto (D-Glen Dale).

- Public Employees, Retirement and Social Security: Assemblymember Rob Bonta (D-Oakland).
- Public Safety: Assemblymember Bill Quirk (D-Hayward).
- Revenue and Taxation: Assemblymember Philip Y. Ting (D-San Francisco).
- Rules: Assemblymember Richard S. Gordon (D-Menlo Park), chair. Members: Assemblymembers Autumn R. Burke* (D-Inglewood), Nora Campos (D-San Jose), Ken Cooley (D-Rancho Cordova), Bill Dodd* (D-Napa), Freddie Rodriguez (D-Pomona), Jim Wood* (D-North Coast); Patty Lopez* (D-San Fernando), Democratic alternate.
- Transportation: Assemblymember Jim Frazier (D-Oakley).
- Utilities and Commerce: Assemblymember Anthony Rendon (D-Lakewood).
- Veterans Affairs: Assemblymember Jacqui Irwin* (D-Thousand Oaks).
- Water, Parks and Wildlife: Assemblymember Marc Levine (D-San Rafael).
- Joint Legislative Audit: Assemblymember Mike A. Gipson* (D-Carson).
- Joint Legislative Committee on Emergency Management: Assemblymember Freddie Rodriguez (D-Pomona).
- Legislative Ethics: Assemblymember Ken Cooley (D-Rancho Cordova), Co-Chair.

Full membership of the Assembly standing committees will be announced before the end of the year, according to the Assembly Speaker's office.

CalChamber members:

**Are you using your discounts from
FedEx[®], UPS[®], OfficeMax[®] and others?**

Participating members save an average of more than \$500 a year.

See what's available at calchamber.com/discounts or call Mike Steere at (800) 331-8877.

Partner discounts available to CalChamber Online, Preferred and Executive members.

FedEx[®]



OfficeMax[®]

Longest-Serving CalChamber Board Member Retires



Joe Russ

Joe Russ IV, the longest-serving member of the California Chamber Board of Directors, retires from his volunteer position this month, 45 years after joining the Board.

Russ is co-owner of Russ Ranch &

Timber Company in Ferndale, the fourth generation of his family to conduct operations on California's North Coast. He also is the owner of Bunker Hill Ranch and a partner in other family operations that include the Lane-Russ Vineyard and ranches in Modoc County and Red Bluff.

"I care for California and I care for the business climate; those have been the two driving factors of my interest," Russ said. He looks forward to seeing successors who "will keep California strong and moving ahead."

In addition to his long service on the CalChamber Board, he chaired the CalChamber Natural Resources Committee for nine years until being named by Governor George Deukmejian in 1986 to the state Board of Forestry and Fire Prevention, serving there until 1994.

In 1987, Russ was recognized for carrying on the family tradition of involvement and leadership in the agricultural and timber industries by being named by his peers as the CalChamber Livestock Man of the Year. His father, Joseph Russ III, received the same honor in 1964.

Russ attended the University of California, Davis, completing his B.S. in commerce at UC Berkeley, where he was on the Senior Honor Guard and a member of the rugby and wrestling teams. Upon graduating, he served in the U.S. Marine Corps Reserve and was part of a Marine helicopter squadron.

He is a past member of the executive committee and board of the National Wool Growers Association, former president and board member of the California Wool Growers Association and a past director of

the Humboldt County Wool Growers Association. He has served on committees for the National Cattlemen's Association, was a board member of the California Cattlemen's Association, and is past president and director for the Humboldt County Cattlemen's Association.

A sampling of his other extensive past activities includes: director and chairman of the California State Fair and Exposition; president of the California Future Farmers of America; director for the California Farm Bureau Federation and president/director of the Humboldt County Farm Bureau; regional vice president and board member of the Council of California Growers; president and director of the Forest Land Owners of California; member, UC Agricultural Advisory Committee.

Russ was a member of the Humboldt County Planning Commission for 21 years, including a stint as chairman. He also served for many years on the Ukiah District Advisory Council for the Bureau of Land Management, including chairman for two years.

Storms a Long Way from Abating Drought; Water Conservation Still Down

From Page 1

rainfall) to recover from its historic drought, according to Michael Anderson, a climatologist with the California Department of Water Resources.

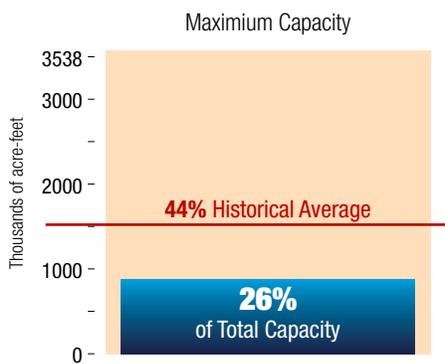
Water Conservation Down

The latest water use report released by the State Water Board indicates that statewide residential water conservation receded further in October to 6.7%, after having dropped in September to 10.3%.

California residents' peak conservation rate was in August, at 11.6%. The report's findings prompted concern that state residents won't be prepared if California faces a fourth year of drought conditions in 2015.

"Recent rains are no reason to let up on our conservation efforts," said Felicia Marcus, chair of the State Water Board. "... This latest report raises questions whether some residents have slowed on water conservation efforts, whether conditions like temperature made a big difference in different areas, or whether it is just time to direct agencies to find

Lake Oroville Capacity as of 12/3/14



Source: California Department of Water Resources

additional conservation opportunities in day-to-day water use."

The South Coast exhibited a decline in monthly water savings, dropping to 1.4% savings in October as compared to 7.5% savings during September. With 56% of all the residential water customers statewide, this decline in conservation had a significant impact on the state average for October residential water savings.

Water Allocation

On December 1, the California Department of Water Resources estimated that it will be able to deliver 10% of the water called for in contracts held by the members of the State Water Project. This projected allocation is an increase over last year when the initial allocation of 5% was reduced to zero due to lack of rain.

Depending upon the volume of rain and snow that reaches California this winter, the allocation may increase or decrease. On average, half of California's precipitation occurs December through February, and three-quarters from November through March.

Workshop Ahead

A half-day Southern California water conservation workshop will be held on December 17 to solicit suggestions on what, if any, additional conservation measures should be adopted in 2015 to increase water conservation statewide.

To view the latest water use report, visit www.waterboards.ca.gov.

Staff Contact: Valerie Nera

Businesses Seek Renewal of Trade Program to Avert Tax Increases, Job Losses



The California Chamber of Commerce is urging Congress to renew a longstanding trade program

to prevent further tax increases and job losses for U.S. companies.

The Generalized System of Preferences (GSP) program eliminates import taxes on designated products from 130 developing countries around the world, but expired 16 months ago—the longest lapse in its nearly four decades of existence.

Job Creation Tool

GSP is an important tool for boosting economic growth and job creation. Many U.S. companies source raw materials and other inputs from GSP countries, and the duty-free treatment of these imports reduces the production costs of these U.S. manufacturers, making them more competitive.

Since GSP expired on July 31, 2013, U.S. companies, including many small

businesses, have been forced to lay off workers, delay new hires, cut worker benefits, and cancel job-creating investments, as well as pay more than \$850 million in increased taxes.

If the GSP program is not renewed before the end of the year, U.S. companies face a tax hike of more than \$1 billion in the coming year.

Retroactive renewal of the program before the end of the year, as urged by CalChamber, the U.S. Chamber and other groups, would refund hundreds of millions of dollars in taxes paid to companies throughout the United States and support future growth.

Letter to Congress

CalChamber is among more than 600 companies and associations that joined the U.S. Chamber in [sending a letter](#) on November 17, 2014 to U.S. House and Senate leaders urging Congress to renew the GSP program before the end of the year.

The letter was sent to House Speaker John Boehner (R-Ohio), Democratic Leader Nancy Pelosi (D-California),

Senate Majority Leader Harry Reid (D-Nevada) and Republican Leader Mitch McConnell (R-Kentucky).

Signatories on the letter represent businesses ranging in size from single-person sole proprietorships to some of the largest corporations in the world. Industries represented include apparel, footwear, food, consumer electronics, fashion jewelry and accessories, wood products, fisheries, retail, recreational vehicles, rug importers, sports and fitness, promotional products and travel goods.

The businesses are headquartered in 45 states and 282 congressional districts, the District of Columbia and Puerto Rico, and operate in every state and congressional district.

GSP was instituted on January 1, 1976, by the Trade Act of 1974 and was designed to promote economic growth in the developing world by providing preferential duty-free entry for products from designated beneficiary countries and territories.

For further information, visit www.calchamber.com/GSP.
Staff Contact: Susanne Stirling

Help Available to Determine Facilities' Accessibility Compliance



Making sure that a business is accessible to all members of the public, including those with disabilities, can be challenging in California.

One way to ensure a business is in compliance with the various construction-related accessibility standards and to minimize the threat of litigation for technical violations is to obtain an inspection from a Certified Access Specialist (CASp).

A CASp is an individual who has been tested and certified by the Division of the State Architect on his or her knowledge of complex, construction-related accessibility standards and how

those standards should be applied. A CASp will know which standards apply to a specific building based upon the age of the facility and its history of improvements. A CASp also can help put together an action plan for any changes needed to bring the building into compliance.

In addition, a CASp inspection can help the business limit its financial liability if it becomes the subject of an accessibility-related lawsuit.

The cost of an inspection can vary. A business can [find a CASp](#) that provides services in a particular area on the Division of the State Architect website, www.dgs.ca.gov/dsa. Those who are available for inspections will have a "Yes" in the "Do Inspections?" column.

Additional information and answers to questions regarding CASp services, inspections, and inspection reports can be found in the "For Business Owners, Property Owners, and Consumers" section of the [Division of the State Architect CASp Web page](#).

Or, a business may contact Ida Clair with the Division of the State Architect at Ida.Clair@dgs.ca.gov, (916) 322-2490.

The Department of Rehabilitation website has additional information on accessibility requirements in a video series titled "[Boost Your Business](#)." The California Commission on Disability Access (www.ccca.ca.gov) also has information on its website regarding how to [protect your business](#).

ALERT

CALIFORNIA CHAMBER OF COMMERCE

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

HR Expert & Business Advocate™

Periodicals
Postage
PAID
Sacramento, CA

ADDRESS SERVICE REQUESTED

ALERT
WWW.CALCHAMBER.COM

CALIFORNIA CHAMBER OF COMMERCE

DECEMBER 5, 2014 • PAGE 12

Simplify your training requirement and reward supervisors with free coffee.

Regardless of company size, CalChamber recommends harassment prevention training for all supervisors and employees. Just ask any employer blindsided by a workplace harassment lawsuit—the costs are enormous. California requires companies with 50 or more employees to provide two hours of sexual harassment prevention training to all supervisors **within six months of hire or promotion**, and every two years thereafter. CalChamber's online training makes it easy to educate employees and meet your compliance requirements.



Get a **\$5 Starbucks eGift Card** for every California Harassment Prevention training seat you purchase by 12/31/14.

Use priority code HTSTA. Preferred and Executive members receive their 20% discount in addition to this offer.

Starbucks, the Starbucks logo and the Starbucks Card design are either trademarks or registered trademarks of Starbucks U.S. Brands, LLC. Starbucks is not a participating partner or sponsor in this offer.

 **CalChamber**
HR Expert & Business Advocate™



CalChamber's two-hour California harassment prevention training course for supervisors meets state requirements. **Now Tablet Ready**

ORDER online at calchamber.com/coffeeperk or call (800) 331-8877. Use priority code HTSTA.