

# ALERT

VOLUME 42, NUMBER 7 • MARCH 11, 2016



## CalChamber Takes Positions on Upcoming Initiatives



The California Chamber of Commerce Board of Directors recently took positions on the following initiatives proposed for the November 2016 ballot.

### Drug Pricing

#### **Oppose: California Drug Price Relief Act**

If approved by voters, the California Drug Price Relief Act would prohibit the state and all programs where any state entity is the ultimate payer, from agreeing to pay more for a prescription drug than the lowest price paid by the U.S. Department of Veterans Affairs (USDVA).

The CalChamber Board voted to oppose this measure because it will increase what most Californians must pay for health care premiums and out-of-pocket health care costs by shifting the cost of prescription drugs from government purchasers to private payers, including employers.

The initiative ignores why the USDVA is able to negotiate lower drug prices and instead uses the discounts to establish an artificial market cap for one group of purchasers. The approach will simply shift costs to other payers in the system, the Board said.

**Status:** The initiative is eligible for the November ballot.

The initiative is sponsored by Michael Weinstein, president of the AIDS Health-care Foundation.

*See CalChamber: Page 6*

## Chief Justice Touts High Court's Planning for Future



A "Futures Commission" headed by two associate justices is looking at ways to meet the state's judicial needs, California Chief Justice Tani Cantil-Sakauye said this week.

Information the justices are gathering includes how to meet the needs of litigants who choose to represent themselves, the Chief Justice said at a joint legislative session in her annual **State the Judiciary** address on March 8.

### Leading Nation

She pointed out that the high court is already ahead of the curve in dealing with difficult topics, such as implicit bias. When she joined a national board on community engagement in the courts, she was pleased to learn that California was using one recommended tool with its education and training of judges.

Although the recession led to downsizing in all levels of the judiciary in California, the Chief Justice said, the courts haven't relinquished their dedication to access, fairness and diversity.

### Livestreaming Sessions

In addition to providing live Web streaming of meetings of the Judicial Council, the Supreme Court will soon

*See Chief Justice: Page 6*

## San Diego Mayor, UC President Speak



San Diego Mayor **Kevin Faulconer** and University of California President **Janet Napolitano** present updates on the state of their respective communities at the recent meeting of the CalChamber Board of Directors. More inside.

### Inside

**Economic Report: Pages 9-11**

## Labor Law Corner

# How to Handle Unpaid Wages for Unmarried Deceased Employee



**David Leporiere**  
HR Adviser

*I recently had an unmarried employee pass away. Can I just send his unpaid wages and vacation wages to his son?*

If your employee was married, or had a registered domestic partner at the time of his passing, you could utilize the forms on *HRCalifornia* (Deceased Employee Compensation Collection Form and Employer Proof of Identity and Disbursement of Final Pay—Deceased Employee)

and disburse the monies to the surviving spouse or registered domestic partner.

### Wait for Contact

However, when you have a deceased employee who is not married and who has no registered domestic partner, you cannot disburse the monies until you are contacted by either the executor of the employee's estate, or by the potential beneficiaries of the estate.

If the deceased employee had a will and/or trust, you will be contacted by the executor of the deceased employee's estate. You are lawfully entitled to disburse the monies as directed by the executor of the estate.

If the deceased employee died without a will or trust, you can disburse the funds only if you receive an affidavit (no sooner than 40 days after the death of the employee) signed by all the potential beneficiaries of the estate pursuant to Probate Code Sections 13100, et seq.,

attesting to the fact that they are the only possible beneficiaries of the estate and directing you to whom to make the payment of monies. Receipt of such an affidavit acts as a bar to any claims by other individuals.

### If No Contact

In a situation where you are not contacted as described above, you would contact the Office of the Labor Commissioner of the State of California, and you would make payment to that office for future disbursement should a lawful heir make a claim on the monies at a later point in time.

---

*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](http://www.hrcalifornia.com).*

#### California Chamber Officers

**Michael W. Murphy**  
Chair

**Susan Corrales-Diaz**  
First Vice Chair

**Terry MacRae**  
Second Vice Chair

**Grace Evans Cherashore**  
Third Vice Chair

**Joseph M. Otting**  
Immediate Past Chair

**Allan Zarembeg**  
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 Zarembeg. 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](mailto:alert@calchamber.com).  
Home page: [www.calchamber.com](http://www.calchamber.com).*

## CalChamber-Sponsored Seminars/Trade Shows

More at [www.calchamber.com/events](http://www.calchamber.com/events).

### Labor Law

HR Boot Camp. CalChamber. May 10, Sacramento; June 9, Santa Clara; September 7, San Diego; September 22, Sacramento. (800) 331-8877.

Leaves of Absence. CalChamber. April 14, Sacramento; June 23, Huntington Beach; August 16, Sacramento. (800) 331-8877.

### International Trade

Doing Business in India 2016. Consulate General of India. March 16, Stanford. (415) 668-0662, Ext. 162.

Luncheon Forum Celebrating Ireland's Centenary. CalChamber. March 16, Sacramento. (916) 930-1233.

Demystifying Exports and Imports. Port of Oakland. March 17, Oakland. (510) 273-6611.

TradeX-Trade Connect. Port of Los Angeles. March 17, Sylmar. (310) 732-7765.

International Trade Luncheon with Consul General of Mexico. Hayward Chamber. March 18, Hayward. (510) 537-2424.

12th Annual Global California Conference—The Pacific Rim Countries.

Monterey Bay International Trade Association. March 24, Monterey. (831) 335-4780.

The Trans-Pacific Partnership: Impact on the U.S. Economy. University of Southern California Sol Price School of Public Policy. March 29, Sacramento.

Danish American Frontier Award Dinner. Danish American Chamber of Commerce of Northern California. April 3, San Francisco. (925) 253-0785.

Asia/Pacific Business Outlook Conference. U.S. Commercial Service. April 18–19, Los Angeles. (213) 200-7172.

South Africa Energy Storage Business Briefing. Business Council for International Understanding. April 21, Long Beach. (212) 997-3584.

Hannover Messe 2016. SelectUSA. April 25–29, Hannover, Germany.

## CalChamber Calendar

*Capitol Summit/Host Breakfast:  
May 17–18, Sacramento*



## CalChamber Webinar to Fill in Blanks on Form I-9 Requirements

The California Chamber of Commerce is hosting a live webinar that will fill in the blanks to help employers avoid costly missteps when completing the Form I-9 and verifying a person's identity and eligibility to work.

Take the right steps to verify that employees are eligible for employment in the United States by attending the March 17 live webinar.

Employers must verify that every new hire is either a U.S. citizen or authorized to work in the U.S. by completing the Form I-9.

U.S. Citizenship and Immigration Services (USCIS) is responsible for issuing rules relating to Form I-9, and worksite enforcement is a high priority.

To ensure full compliance with USCIS requirements and to avoid penalties and liability, employers should be careful to complete the form accurately and secure proper documentation. Although the form is only two pages, it comes with seven pages of instructions.

### Topics

Webinar topics include:

- Verifying authorization to work;
- Timing for Form I-9 process;
- Properly completing Form I-9;

- Acceptable documentation;
- Pending changes by USCIS;
- Using E-Verify;
- Avoiding discrimination in the hiring process; and
- Ongoing enforcement/liability for noncompliance.



### CalChamber Presenters

CalChamber hosts for the live webinar are:

- **Erika Frank**, Vice President, Legal Affairs, and General Counsel. She joined CalChamber in April 2004 as a policy advocate and general counsel, leveraging her 10 years of legal, governmental and legislative experience. Named vice presi-

dent of legal affairs in 2009, she is CalChamber's subject matter expert on California and federal employment law. Frank oversees and contributes to CalChamber's labor law and human resources compliance publications; co-produces and presents webinars and seminars; and heads the Labor Law Helpline. J.D., McGeorge School of Law.

- **Jessica Hawthorne**, Senior Employment Law Counsel and Helpline Manager. She rejoined CalChamber in January 2014, where she previously served as employment law counsel from 2006 to 2009. In addition to managing and serving as a consultant for the Labor Law Helpline, Hawthorne uses her employment law knowledge and expertise to produce and conduct webinars and seminars, as well as contribute to CalChamber publications. She returned to CalChamber

from the California Correctional Peace Officers Association (CCPOA), where she was internal counsel for four years. J.D., Widener University School of Law.

For more information or to register for this webinar, call (800) 331-8877 or visit [www.calchamberstore.com](http://www.calchamberstore.com). The cost is \$199 (\$159.20 for CalChamber Preferred and Executive members).

## San Diego Mayor Recaps City Activities Illustrating Power of 'Yes'



San Diego Mayor Kevin Faulconer describes for the CalChamber Board of Directors on March 4 how the city has come back from "the brink of financial ruin" due to bipartisan, citywide agreement on reforms such as adding an independent city auditor and voter approval of a plan to replace the underfunded pension system with a 401(k)-style system. To foster a skilled workforce, the city is investing in after school programs in underserved areas, expanding a public-private partnership to expose more students to science, technology, engineering and mathematics education, and offering an online high school degree program.



## Pregnancy Disability Leave Amendments Bring Poster Change for April 1



### Pregnancy Leave

Amendments to California's Fair Employment and Housing Act (FEHA) regulations have been approved and will take effect on April 1, 2016.

The amended regulations include clarifications regarding pregnancy disability leave, as well as changes to the mandatory pregnancy disability leave poster requirement—"Your Rights and Obligations as a Pregnant Employee."

California's pregnancy disability leave laws apply to any employer with five or more full-time or part-time employees and

to all California public sector employers.

### Required Notice

Covered employers are required to post a specific notice to employees explaining their rights and obligations regarding pregnancy, childbirth or related medical conditions. The notice includes information about:

- An employee's right to request reasonable accommodation, transfer or pregnancy disability leave.
- An employee's obligations to provide adequate advance notice.
- The employer's requirement, if any, that the employee provide medical certification of the need for pregnancy disability leave, reasonable accommodation or transfer.

**The revised notice will be required for covered California employers beginning April 1, 2016.**

Visit the Fair Employment and Housing Council's website, [dfeh.ca.gov/FEHCouncil.htm](http://dfeh.ca.gov/FEHCouncil.htm), for the text of the amendments, along with the Council's statement of reasons for proposing the amendments.

The California Chamber of Commerce **2016 California and Federal Employment Notices Poster** and **2016 Required Notices Kit** will be updated with the revised mandatory pregnancy disability leave notice for April 1, 2016. Customers who have purchased and paid for Poster Protect® will automatically receive the updated poster.

**Staff Contact: Gail Cecchettini Whaley**

## Media Strategists Dissect Presidential Politics for CalChamber Board



Rob Stutzman (left), Stutzman Public Affairs, moderates as Stephanie Cutter of Precision Strategies and Kevin Madden of Hamilton Place Strategies share comments, analysis and anecdotes about the politics of this year's presidential campaign at the CalChamber Board of Directors dinner on March 3.

## IRS Offers 'Resources @ Your Fingertips'

Resources to help businesses deal with tax questions are being offered by the Internal Revenue Service (IRS) Stakeholder Liaison Western Area.

The series of electronic files and links, dubbed "IRS Resources @ Your Fingertips," covers topics such as online tax calendars, information on education and tax credits, and more. The PDF files will be posted as they become available

through the filing season at [www.calchamber.com/irsinfo](http://www.calchamber.com/irsinfo).

Readers with questions about IRS policies, practices and procedures can contact Marc Zine, [marc.zine@irs.gov](mailto:marc.zine@irs.gov), or call the Business and Specialty Tax Line at (800) 829-4933.

The IRS asks that persons making contact by email not send any personally identifiable information.



## UC President Spotlights System's Unique Role in California Economy



University of California President Janet Napolitano presents to fellow members of the CalChamber Board of Directors on March 4 an overview of the UC system's role as an economic engine and innovation center for the state. In addition to increasing enrollment of California undergraduates by 10,000 students over the next three years (5,000 this fall and 2,500 in each of the next two years), the university aims to increase the number of community college transfer students and is adding 11 more majors to the current 10 in the [UC Transfer Pathway Program](#). The university also is highlighting the importance of graduate students to its teaching and research missions through the [UC Grad Slam](#) competition. One element involves students presenting a 2-minute elevator pitch about their research.

## Teacher Shortage, Solutions Subject of Education Committee Meeting

The shortage of teachers in California was the focus of a panel discussion at the recent meeting of the California Chamber of Commerce Education Committee.

Panelists examined the teacher shortage and possible solutions from the perspectives of teachers, administrators, and teacher educators.

The speakers were:

- Dr. Judy Mantle, dean, Sanford College of Education, National University. The college is among the top 10 schools nationwide providing training and professional development to teachers.

- Dr. John Davis, dean, College of Education, California State University (CSU), Dominguez Hills. Like other CSU campuses, Dominguez Hills offers a teacher credentialing program.

- Chris Adams, assistant executive director of educational services, Association of California School Administrators.

- Evan Stone, co-founder and co-CEO, Educators 4 Excellence, a teacher-led organization that seeks to



From left are Evan Stone, Mike Stryer, Chris Adams, Dr. Judy Mantle, Dr. John Davis and Mira Morton, CalChamber policy advocate for education issues.

ensure that teachers' voices are meaningfully included in the policy decisions that have an impact on classrooms and careers.

- Mike Stryer, California senior executive director, Teach Plus, a national non-profit teacher voice organization.

**Staff Contact:** [Mira Morton](#)

## CalChamber Takes Positions on Upcoming Initiatives

From Page 1

### Minimum Wage/Sick Leave

**Oppose: Minimum Wage. Increases and Future Adjustments. Additional Paid Sick Leave Mandate**

The CalChamber Board voted to oppose two proposed initiatives that would increase the minimum wage. In opposing the measures, the Board pointed out that increasing the minimum wage will add to the cumulative costs already experienced by California employers, including high personal income taxes, high sales tax rates, medical costs, workers' compensation costs, litigation costs, energy costs, and water costs/restrictions.

- One of the measures proposes to increase the minimum wage by \$1 a year starting on January 1, 2017, until the minimum wage reaches \$15 an hour in 2021.

Starting in 2022, the minimum wage will adjust each year according to the Consumer Price Index (CPI), or a successor index, rounded to the nearest cent. Each increase would take effect on the following January 1.

According to the CalChamber Board, placing the minimum wage on auto-pilot by tying it to inflation creates a significant risk of the minimum wage going up even when the economy is in a recession. Even though the economy may be experiencing high inflation, revenues could be down for both private and public sector employers, creating significant cost pressures.

In Governor Edmund G. Brown Jr.'s proposed 2016–17 budget, he indicated that a \$15 minimum wage would have a major impact on the state. According to the budget, the General Fund “would face major increased costs, estimated at more than \$4 billion annually by 2021. Based on current projections, such a change would return the state budget to annual

deficits—even assuming a continued economic expansion.”

*Status:* The measure is pending signature verification by the Secretary of State. A random sample on March 1 projected supporters would have just 79% of the required number of signatures.

The initiative is sponsored by the State Council of Service Employees (SEIU)-United Healthcare Workers.

- The second minimum wage proposal calls for increasing the minimum wage at a rate that depends on the size of the employer and adding more paid sick days for employees, which is an especially significant burden on small employers.

The initiative also specifically includes In-Home Supportive Services employees under the paid sick leave mandate.

In opposing the measure, the Board noted that in addition to concerns over cumulative costs, employers still are struggling with implementing the current paid sick leave mandate adopted with AB 1522 (2014). The Board also expressed concerns over increasing state costs under the measure.

*Status:* Proponents have until July 5 to submit no fewer than 365,880 signatures to place the measure on the November ballot. The initiative has reached the 25% signature threshold.

The initiative is sponsored by the California State Council of Service Employees.

### Legislature Transparency

**Support: California Legislature Transparency Act**

The initiative aims to ensure legislative proceedings are conducted fairly and openly, and enable the public to observe and share what is happening in the Legislature so citizens may more fully participate in the political process.

The measure makes the following changes to legislative rules and responsibilities:

- Requires the Legislature to ensure audiovisual recording of all public proceedings are publicly accessible on the Internet within 24 hours and archived for at least 20 years thereafter.

- Requires the cost of complying with the initiative to be funded within the Legislature's existing budget.

- Allows the recording of public proceedings to be used for any legitimate purpose.

- Prohibits the Legislature from voting on a bill until it has been published online in its final form for at least 72 hours. This prohibition includes exceptions for emergencies, such as natural disasters.

The CalChamber Board supports the California Legislature Transparency Act because requiring the Legislature to post each bill online, in its final form, for at least 72 hours before voting on it would give the legislators time to review the legislation, hear from their constituents, and be held accountable for the laws they pass.

In addition, requiring the Legislature to post online a complete video record of every legislative meeting that is supposed to be open to the public would allow citizens to watch legislative proceedings and keep informed.

By ensuring the video records would be kept online, freely available for public viewing, for at least 20 years, the act will provide a valuable resource for the public, the press, and the academic community.

*Status:* Supporters have gathered 25% of the 585,407 signatures required for an initiative constitutional amendment. The deadline for submitting signatures is June 13. The initiative is sponsored by Charles T. Munger Jr.

## Chief Justice Touts High Court's Planning for Future

From Page 1

begin livestreaming oral arguments, she said.

Cantil-Sakauye voiced concern about the morphing of the court system from one of accountability to one that raises revenues for essential government services. Of the \$1.7 billion in fines and fees collected each year, 60% goes to fund local government services, with the remainder supporting the courts, she said.

She continued that it is time to ask if

bail serves its intended purposes of ensuring public safety and making sure people appear in court, or merely penalizes the poor. Studies by the Judicial Council and others found that pre-trial detention increases recidivism, she said, while supervised release can be as effective as money bail in some cases.

California must create more pre-trial release programs, the Chief Justice said, because “we must not penalize the poor for being poor.”

More funding also is needed to provide adequate representation in dependency cases, as those children need specially trained attorneys, the Chief Justice said.

In closing, the Chief Justice highlighted again the importance of teaching and modeling civics. “Our sense of justice and fairness comes from an understanding of how government works, why it works and what it does for us,” she said. That knowledge, she noted, contributes to the belief “that justice is in fact for all of us.”



# Doing Business in Latin America: Ambassador Explains Challenges

Observations on conditions affecting companies doing business in Latin America were presented at a recent California Chamber of Commerce breakfast gathering by Ambassador Jamal Khokhar, president and CEO of the Institute of the Americas.

The March 4 talk and question-and-answer session covered topics ranging from the economy of Brazil, to the importance of trade to the three North American Free Trade Agreement markets and the dynamic potential that Argentina represents under the new government of President Mauricio Macri.

The Ambassador also shared his experience as part of the stakeholders delegation with the recent U.S.-Mexico High Level Economic Dialogue on goals for bilateral trade and economic collaboration. The dialogue was led by U.S. Vice President Joe Biden and Mexico Secretary of Finance Luis Videgaray Caso.

Fresh from five years as Canada's ambassador to Brazil, and drawing from his posting to Brazil 25 years ago as a Canadian trade commissioner, Khokhar put into historical perspective the gains Brazil made over that period against recent economic and political declines.

## Governance Matters

Brazil's story, the Ambassador said, illustrates the importance of having pragmatic policy frameworks buttressed by sound governance.

While still the seventh largest economic power in the world, Brazil's growth rate fell into negative territory just the previous day, the Ambassador pointed out. On the morning of the CalChamber discussion, the iconic former president of Brazil, Lula, was arrested amidst charges of corruption.

## Good Long-Term Prospects

The Ambassador said he remains "a fan of Brazil." Businesses that invest and have the capacity to engage for the long-

term supported by good local partners can do very well there, he said.

Brazil is among the largest protein producers in the world, a top 5 auto manufacturer and the fourth largest aircraft producer. The country has both massive deep water offshore oil and gas resources and the know-how to take them out.

Other positives he identified include a "hugely dynamic consumer-based market," a large manufacturing sector "with lots of uptick possibilities," a

changed expectations, he said. Going to the streets more than a year ago, the youth demanded things like better education, better public transportation and less corruption in government. One slogan, Khokhar said, illustrated the youth mindset: "A developed country is not one where all the poor people can drive cars, but it's where all the rich people take public transportation."

## Infrastructure Challenges

A deterrent to growth is the "hard infrastructure" problem facing Brazil, with the lack of roads, ports and airports "choking the life veins and breaking down the economy," Khokhar said.

Internal tension has arisen from the Brazilian government choosing to invest in building World Cup stadiums and Olympics facilities, rather than maintaining or upgrading existing infrastructure, he said.

The government made good "soft infrastructure" investments, Khokhar said, by funding such education programs as the "Science without Borders," which paid for 100,000 of the nation's best and brightest students to

go abroad for instruction in science, technology, engineering and mathematics. The U.S. and Canada were among the principal partners for the program, whose funding fell victim to the sharp economic declines, according to Khokhar.

Nevertheless, he said, Brazil is making a great effort to build up its hard and soft infrastructure, which can represent collaborative and commercial opportunities for the international community.

## More Information

For more information on the Institute of Americas, see [www.iamericas.org](http://www.iamericas.org).

More information on trade with Brazil is available at [www.calchamber.com/Brazil](http://www.calchamber.com/Brazil).

Staff Contact: **Susanne T. Stirling**



CalChamber First Vice Chair Susan Corrales-Diaz, Systems Integrated, and Ambassador Jamal Khokhar, Institute of the Americas.

globally competitive agro-industrial base, and a large population of educated youth entering the workforce and moving up to the middle class.

Brazilian consumers are very sophisticated, and among the highest consumers of tablets, cell phones, high-definition television, and top users of Instagram, Facebook and Twitter, he said. Moreover, many international fashion designers try their ideas in Brazil first.

## National Ethic

In meeting its economic challenges, the Ambassador said, Brazil is not going back to the military dictatorship that ran the country for 25 years. Brazilians are settled on democracy, and they will not tolerate backsliding, he said.

Young people in Brazil also have

## IRS Warns Payroll and HR to Watch Out for W-2 Scams



The Internal Revenue Service (IRS) has alerted payroll and human resources professionals to beware of an emerging phishing email scheme that purports to be from company

executives and requests personal information on employees.

This scheme has already caught several in its trap, as payroll and human resources offices mistakenly email payroll data including Forms W-2 that contain Social Security numbers and other personally identifiable information to cybercriminals posing as company executives. Criminal investigations are underway.

### New Twist

“This is a new twist on an old scheme using the cover of the tax season and W-2 filings to try tricking people into sharing personal data. Now the criminals are focusing their schemes on company payroll departments,” said IRS Commissioner John Koskinen. “If your CEO appears to be emailing you for a list of company employees, check it out before

you respond. Everyone has a responsibility to remain diligent about confirming the identity of people requesting personal information about employees.”

Criminals use stolen personal information and data such as Social Security numbers to try to obtain money, including filing fraudulent tax returns for refunds.

The criminals create a fake email pretending to be from a real high-level person within the company, for example, the chief executive officer (CEO). The “CEO” sends an email to a company payroll office employee and requests a list of employees and information including SSNs.

### Sample Requests

The following are some of the actual requests contained in the emails:

- Kindly send me the individual 2015 W-2 (PDF) and earnings summary of all W-2 of our company staff for a quick review.
- Can you send me the updated list of employees with full details (Name, Social Security Number, Date of Birth, Home Address, Salary) as at 2/2/2016?
- I want you to send me the list of W-2 copy of employees wage and tax statement for 2015 [sic], I need them in PDF file type, you can send it as an attachment. Kindly prepare the lists and email them to me asap.

### Phishing/Malware Surge

The IRS has sent out a number of warnings this tax season after seeing an approximate 400 percent surge in phishing and malware incidents and other reports of scams.

The emails are designed to trick taxpayers into thinking these are official communications from the IRS or others in the tax industry, including tax software companies. The phishing schemes can ask taxpayers about a wide range of topics. Emails can seek information related to refunds, filing status, confirming personal information, ordering transcripts and verifying PIN information.

To get assistance with reporting phishing and other online scams, visit the [IRS website](#).

For more information on protecting personal, financial and tax data, see [IRS.gov/taxessecuritytogether](#) for additional steps businesses and individuals can take.

Businesses that retain sensitive financial data also are encouraged to review and update their security plan. *Publication 4557, Safeguarding Taxpayer Data*, provides a starting point and recommendations from the IRS.

**Staff Contact: Gail Cecchetti Whaley**

## CalChamber Seeks Nominations for Small Business Advocate Award



The California Chamber of Commerce is seeking nominations for its annual Small Business

Advocate of the Year Award.

The award recognizes small business owners who have done an exceptional job with their local, state and national advocacy efforts on behalf of small businesses.

“Every year the award winners demonstrate how one person speaking out can make a difference,” said Dave Kilby, CalChamber executive vice president, corporate affairs. “Nominating that outstanding spokesperson from your com-

munity helps bring statewide recognition to the importance of small business advocacy.”

### Application

The **application** should include information regarding how the nominee has significantly contributed as an outstanding advocate for small business in any of the following ways:

- Held leadership role or worked on statewide ballot measures;
- Testified before state Legislature;
- Held leadership role or worked on local ballot measures;
- Represented chamber before local government;
- Active in federal legislation.

The application also should identify

specific issues the nominee has worked on or advocated during the year.

Additional required materials:

- Describe in approximately 300 words why nominee should be selected.

- News articles or other supporting materials.

- Letter of recommendation from local chamber of commerce president or chairman of the board of directors.

### Deadline: April 18

Nominations are due by April 18. The nomination form is available at [www.calchamber.com/smallbusiness](#) or may be requested from the Local Chamber Department at (916) 444-6670.



# Positive Indicators for U.S. Economy; California Growth Outpaces Nation

## U.S.: Glass Still Half Full

Worries about the U.S. economy have dominated news headlines since the start of 2016. There was weak headline growth in the 4th quarter of 2015, industrial production is falling, the global economy—particularly the BRIC nations (Brazil, Russia, India, China)—seems to be floundering, and commodity prices keep dropping.

These worries appear to have spooked the financial markets leading to a broad selloff in the stock market—the market is off 10% from where it was at the end of last year.

High-yield credit markets also are taking a beating and even bank sentiment is turning somewhat. Taken together, it may look like an economy that has lost the momentum it started to build early in 2015.

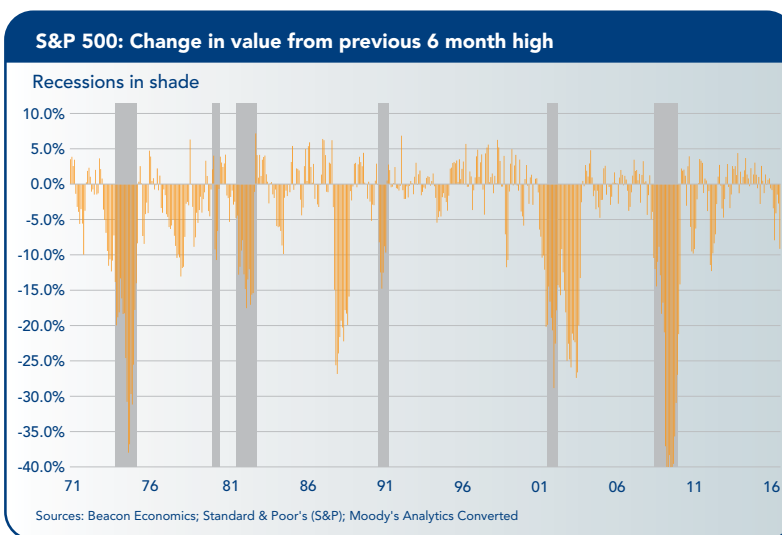
However, if you put the screaming headlines to one side and take a closer look at the data, it turns out that things are really no worse now than they were one year ago. While there are clearly issues that continue to interfere with the U.S. economy's ability to get past a 3% pace of growth, on the other side of the equation, there are plenty of positive indicators suggesting that, at worst, 2016 will see growth remain in the 2% to 2.5% range.

The stock market selloff seems to fly in the face of the idea that the markets are forward looking—whereas many other indicators of economic growth, such as employment, are inherently backwards looking.

But the idea that the markets are forward looking couldn't be farther from the truth. The chart above shows the history of stock market selloffs, as measured by the difference in the current

value of the market relative to the high of the previous 12 months.

The last 50 years are littered with equity selloffs of larger magnitudes than this current episode—and without any



broad economic impact. As economist Paul Samuelson famously quipped, the markets have correctly predicted 9 of the last 5 downturns.

If we look at the fundamentals of the U.S. economy, they continue to improve at a steady pace despite turmoil in the commodity markets and issues in the global economy. With the notable exception of mining and minerals, there is no part of the economy that is seeing any substantial slowing of activity—and there is little sign that there are any dangerous imbalances forming in the system that could cause a future slowing.

### Quarterly Growth

The 2015 4th quarter advanced estimate of growth came in at a weak 0.7%, driven by weak numbers for business investment, trade, and inventories. We expect the estimate to be revised up modestly in the next revision.

Average quarterly growth for the year was 1.8%, down from last year's 2.5%. But growth in gross output isn't the best

indicator of the economy's health—growth in final demand is. And, as it turns out, businesses, consumers, and the government increased their spending in 2015 by close to 3% per quarter—on par with 2014 and better than 2013 by a good margin. Overall, final demand grew at an average pace of 2.5% in 2015—down only slightly from 3% in 2014, but quite a bit above 2013's pace of 1.5%.

### Consumer Spending

Consumer spending is a particularly bright spot, being given a lift by a strong labor market, slightly easier access to credit, weak inflation figures, and improved balance sheets as a result of the real estate recovery. While the nominal retail sales figures grew at a weak 1% year-on-year

pace in the last quarter of 2015, this was a price rather than quantity phenomena.

Real spending on goods was growing at close to a 4% year-on-year pace at the end of the year with the domestic auto sector seeing a record number of sales.

Growth in spending on services did slow at the end of the year, but this was driven largely by utilities (due to the mild fall weather) and health care spending. What wasn't spent was added to consumer savings—that rate rose to 5.4% by the end of 2015, up from 4.6% at the end of 2014.

### Job Markets

Despite issues surrounding commodities and exports, the job markets are chugging forward with almost 900,000 new positions added in the last three months of the year in a variety of sectors. The retail industry overall saw solid numbers despite ongoing pressure on traditional brick-and-mortar stores (online and nontraditional retail more than made up the difference).

*See Next Page*

## Positive Indicators for U.S. Economy; California Growth Outpaces Nation

*From Previous Page*

Even manufacturing saw positive (if small) employment gains despite the glum outlook. Headline unemployment is below 5% and the broader measure of unemployment, the U6 [includes workers who are part-time for economic reasons], is at 9.9% as of January. This is down from 11.3% last January.

### **Industrial Economy**

On the industrial side of the economy, things are doing fairly well despite weak numbers out of the ISM (Institute of Supply Management) index. Overall manufacturing output is up 1% from last year—weak but still in positive territory.

Most of the turmoil and the decline in industrial production has been based on a sharp slowing in the mining sector. Most other sectors are fine or even thriving—such as autos, airplanes, and electronics.

As for mining itself, the sector represents less than 2% of the U.S. economy and less than one-half a percent of employment. This can cause turmoil in some areas, but simply isn't broad-based enough to do more than create modest headwinds for the economy.

History backs up this mild view: A similar collapse occurred in the mid-1980s and late-1990s and it neither sank the U.S. economic expansion nor created any sort of major manufacturing retraction.

### **Housing**

The housing market continues to move slowly forward. Single-family construction starts rose to close to an 800,000 annualized pace at the end of 2016—still weak from a long-term standpoint but the best since 2007.

And the outlook for 2016 is much improved. Mortgage debt is finally expanding, household formation is pick-

ing up, and overall housing vacancies are down. With home affordability still relatively good, 2016 should see rising home ownership levels, more construction activity, and steady price appreciation.

### **International Trade**

The trade deficit widened through 2015—although this is not because of

have stayed low despite the Fed raising the Funds Rate in December.

And in the end, the global savings glut will continue to put profound downward pressure on rates regardless of Fed policy.

### **State Still Outpacing Nation**

Given all the negative rhetoric aimed at the state over the past decade, California has a lot to crow about. In the last four years, the state has accelerated to become one of the fastest growing in the nation. Consider the recent data:

### **Jobs**

California has added almost 900,000 jobs in the last two years—almost twice as many as the slowing, oil-dependent Texas economy. The last quarter of 2015 did not disappoint with more than 108,000 jobs added in the state.

Top sectors for growth included hospitality (23,000), administrative (19,000), construction

(18,500), retail (16,000) and professional (13,000). Unemployment is below 6%—rapidly re-converging with national levels.

### **Regional Patterns**

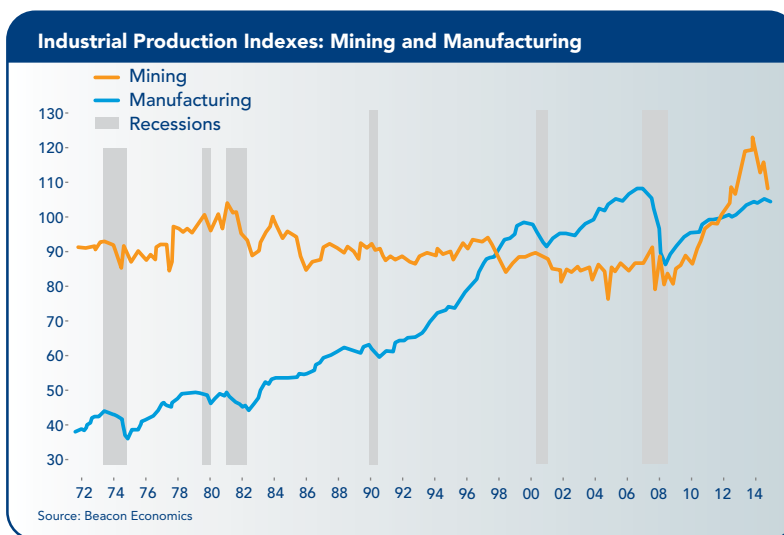
The regional patterns of job growth shifted a bit toward the end of the year—although we caution against reading too much into late year estimates given the sometimes sharp revisions that occur when new benchmarks are released in March.

- Los Angeles added the most jobs (22,000), but was running at a slower pace than the state overall at 2.1%.

- San Jose and San Francisco both continued to grow faster than the state as a whole, with San Jose adding more than 10,000 jobs at the end of the year, a 4% pace.

- San Diego and Orange counties

*See Next Page*



falling exports. Overall export volumes stayed steady through the year in real terms despite the high value of the dollar. This is because U.S. producers tend to price in local currencies rather than in U.S. dollars given the highly competitive nature of international trade. The impact is not jobs but profits.

Imports have been growing sharply through the year, driven by strong domestic consumer demand.

### **Financial**

And despite recent wobbles in the equity markets, in reality, the financial state of the U.S. economy is solid. Debt levels are steady and asset prices remain reasonable, given low interest rates.

While Wall Street worries about some downward pressures on corporate profits, the financial fundamentals (debt to equity ratios for example) for most sectors of the economy look very good. Interest rates

## Positive Indicators for U.S. Economy; California Growth Outpaces Nation

*From Previous Page*

slowed toward the end of the year, adding 7,900 and 6,100 jobs, respectively.

- Inland areas also have shown some solid growth rates. The Inland Empire added more than 14,000 jobs in the last three months—a faster growth rate than San Jose.

- The East Bay added close to 10,000 jobs as more firms look to the other side of the Bay for more affordable real estate.

- Kern County also posted some solid gains after a weak year, driven by the oil situation.

- Stockton and Sacramento both grew rapidly at the end of the year, posting 4.3% and 2.6% annualized growth rates, respectively.

**Output**

California also has been outpacing the nation on the basis of output. Through the first half of 2015 (the latest data available), California grew its gross output at half again the rate of the United States overall, 4.3% compared to 2.7%.

The most rapidly growing sectors from an output perspective included agriculture (28%), management (10%), information (9.4%), and professional services (9.4%).

Sectors that contracted included nondurable manufacturing (-3.9%), private education (-3.4%), and perhaps surprisingly, logistics (-1%).

**Exports**

California-produced exports slowed toward the end of the year in nominal and real terms—although the losses are smaller once prices are accounted for.

The biggest slowdowns occurred in exports to China. Most categories were down, including Computer & Electronic Products (-4.1%), Agricultural Products (-13.4%), and Non-Electrical Machinery

(-13.4%). On the plus side, Transportation Equipment exports rose 1.4%.

**Travel/Tourism**

Despite the slowdown in trade, the state’s airports remain busy with record numbers of international visitors moving through both Los Angeles and San Francisco international airports. Tourism is

**Housing**

California’s housing market continues its strong recovery. The mortgage delinquency rate is lower in the state than in the nation overall, and home price appreciation is higher than the national average by a good margin. At the state level, median prices have reached \$400,000 for the first time since 2007.

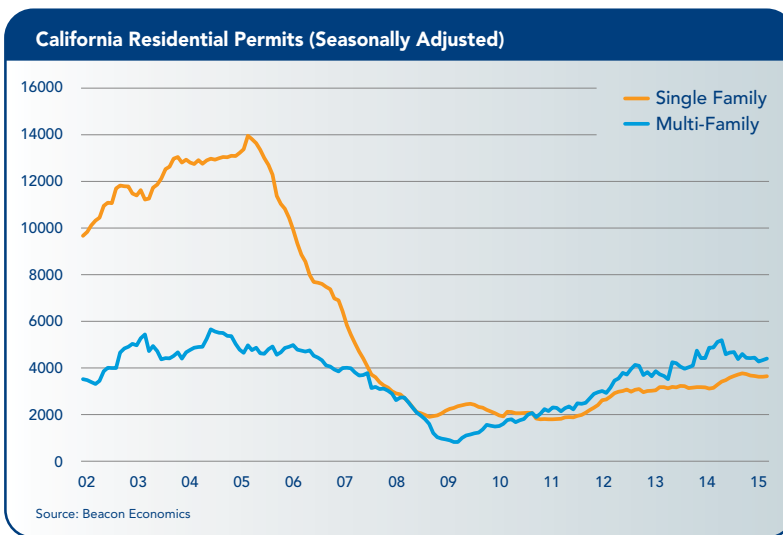
The San Francisco Bay Area leads the way in price appreciation, but Fresno and San Bernardino counties have both seen median prices grow at a double-digit pace in the past year. Home sales are still slow relative to the last peak, but tight inventories and low interest rates have contributed to the ongoing rise in prices.

New building permits remain quite weak. Monthly permits ran 3,600 per month in the last few months of the year—compared to 12,000 to 14,000 per month in the middle part of the last decade.

Multi-family permits have recovered and ran more than 4,000 for most of the year—on par with past levels.

California has been adding more than 4 new people to its population base for each new building permit—making the current shortage even worse.

**Staff Contact: Dave Kilby**



hot again and hotels across California are packed. With almost an 80% occupancy rate, it is understandable why new hotels are being built across the state.

**Taxes**

Taxable sales are above their previous peak by a solid margin, and continue to grow rapidly. The sources of growth are construction, business spending, and hotels/restaurants. Traditional consumer goods are adding little to the pot with inflation at such a low pace.

The state also has been running a substantial budget surplus—driven primarily by personal income taxes. January’s numbers came in well below expectations, however—likely a consequence of the market selloff. If the markets continue to contract this year, or even stay flat, the state may well find itself back in a modest deficit position.



*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 Christopher Thornberg, founding partner of Beacon Economics, LLC.*



# ALERT

CALIFORNIA CHAMBER OF COMMERCE

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

HR Expert & Business Advocate™

Periodicals  
Postage  
PAID  
Sacramento, CA

ADDRESS SERVICE REQUESTED

# ALERT

WWW.CALCHAMBER.COM

CALIFORNIA CHAMBER OF COMMERCE

MARCH 11, 2016 • PAGE 12

## April 1 Compliance Alert

 **CalChamber**  
HR Expert & Business Advocate™



**California Employers:** Are you a private-sector employer with five or more full- or part-time employees, or a public-sector employer? If so, you're required to post the **updated Pregnancy Disability Leave notice effective April 1, 2016**, in each business location.

CalChamber's all-in-one poster makes your compliance easy, without costing a lot. **Save 20% through March 31** (with Preferred/Executive members saving an extra 20% after their member discount), and don't forget to add Poster Protect® to your order in case other pending required updates happen this year. So next time, you'll automatically receive a new poster at no additional charge.

**PURCHASE** at [calchamber.com/staycurrent](http://calchamber.com/staycurrent) or call (800) 331-8877 with priority code PDLA.