Governor Names Becerra as State Attorney General

Governor Edmund G. Brown Jr. this week named California Congressman Xavier Becerra (D-Los Angeles) to succeed Attorney General Kamala D. Harris, who was elected to the U.S. Senate last month. The nomination is subject to confirmation by the California State Assembly and Senate, and will be officially submitted after Attorney General Harris resigns, according to the Governor’s office. The new session of Congress begins on January 3, 2017.

Becerra has served in the U.S. House of Representatives since 1992, most recently as the first Latino member of the House Ways and Means Committee, ranking member of its Subcommittee on Social Security, and chairman of the House Democratic Caucus.

Before being elected to Congress, Becerra represented the 59th California Assembly District from 1990 to 1992. He served as a deputy attorney general in the California Department of Justice, Office of the Attorney General from 1987 to 1990. He began his legal career in 1984, advocating for and representing individuals with mental illness.

He earned his J.D. from Stanford Law School in 1984 and B.A. in economics from Stanford University in 1980.

New Faces Head for Sacramento Assembly

Incoming freshman Assembly members introduce themselves to attendees at the CalChamber Public Affairs Conference on November 29 in Huntington Beach. From left are Assemblymembers-Elect Cecilia Aguiar-Curry (D-Winters), Vince Fong (R-Bakersfield), Blanca Rubio (D-Baldwin Park) and Kevin Kiley (R-Granite Bay). The four are among 18 new Assembly members to be sworn in next week. See Pictorial Roster insert for all legislators.

Court Blocks Federal Overtime Rule; Administration Appeals

Last week, a federal court in Texas issued a nationwide preliminary injunction blocking the U.S. Department of Labor (DOL) from enforcing the new federal overtime rule, which was set to take effect on December 1.

In response, DOL and its co-defendants filed a notice of appeal in the same federal court in Texas. The federal overtime rule has been controversial, as it more than doubled the current federal salary level that must be met before an employee can be classified as exempt from overtime under one of the so-called white-collar exemptions (the executive, administrative and professional exemptions).

The federal overtime rule required a minimum salary of $913 per week, which also is higher than California’s minimum salary threshold.

A group of states joined forces in September on a lawsuit challenging the overtime rule, followed up with an October request to the federal court to stop the overtime rule before its December 1 effective date. The lawsuit claimed that the DOL overstepped its authority in enacting the rule.

Business groups also brought a law-
I have two employees who are unmarried, but who have had a child together. Both employees have been with my company (which has more than 50 employees) for more than a year and have always worked full-time, so they have more than 1,250 hours worked in the last 12 months. These employees want to take time off to bond with their newborn child. How much time off are they entitled to take to bond with their child?

Normally, under the federal Family and Medical Leave Act (FMLA) and the California Family Rights Act (CFRA), a parent is entitled to take up to 12 weeks of time off to bond with a newly born or placed child, within 12 months of the birth or placement of the child.

Under the FMLA, however, where both parents are married and work for the same company, the employer is allowed to restrict the leave to a combined total of 12 weeks.

In your situation, the restriction under the FMLA would not apply because the parents are unmarried. Conversely, CFRA allows an employer to restrict the usage where both parents work for the same employer (regardless of marital status) to a combined total of 12 weeks.

As a general rule, where state and federal statutes are in conflict, an employer must provide the protections to the employee of the statute that offers the employee the greater protection.

If the mother used her 12 weeks of FMLA time off during her pregnancy disability leave, she still would have 12 weeks of baby-bonding time available under CFRA.

In that the FMLA grants greater protection to the father, he could decline to use CFRA time off, and still would have 12 weeks of time off for baby bonding under the FMLA.

The bottom line is that in this particular situation, where the parents work for the same employer, they would be entitled to the same amount of time off as parents who work for two different employers with each parent receiving up to 12 weeks of protected time off within the year after the birth of the child.

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.

CalChamber-Sponsored Seminars/Trade Shows

More at www.calchamber.com/events.

Labor Law


Business Resources


International Trade

Mexico Alimentaria 2016 Food Show. Centro Citibanamex. December 8–11, Mexico City.


CalChamber Calendar

Education Committee:

December 8, San Francisco

Water Committee:

December 8, San Francisco

Fundraising Committee:

December 8, San Francisco

Board of Directors:

December 8–9, San Francisco

International Trade Breakfast:

December 9, San Francisco

Annual Meeting:

December 9, San Francisco

Next Alert: December 16
Public Affairs Conference Features Multiple Views of November Election

Below are a sampling of photos from the 2016 CalChamber Public Affairs Conference this week.

More photos and coverage will appear in the next Alert and at www.calchamber.com/publicaffairs.

See #PAConference16 for tweets posted during the November 29–30 gathering in Huntington Beach.

Special thanks to major sponsors Google and Phillips 66; gold sponsors BNSF Railway Company, Kaiser Permanente and The Walt Disney Company; and silver sponsor The Boeing Company.

Robert Green of Penn, Schoen & Berland Associates presents highlights of the CalChamber annual survey on California voter attitudes at the opening session of the CalChamber Public Affairs Conference.

Sharing tales from the 2016 California campaign trail are (from left) Kevin Spillane, The Stonecreek Group; Steve O’Mara, EdVoice; Christy Wilson, Wilson Public Affairs; Rich Schlackman, RMS Associates; and Richard Temple, McNally Temple & Associates.

Presenting tales from the federal election trail on the second day of the conference are (from left) Trent Wisecup, FP1 Strategies; Maura Dougherty, Prism Communications; and moderator Rob Stutzman, Stutzman Public Affairs.

Luncheon speaker Mark McKinnon, co-creator of the Showtime hit series on the 2016 presidential campaign, shares insights from the making of the program.
Retirement Savings Plan: Questions Remain
Sign-Ups Not Expected Until Rules Done in 2019

Numerous questions remain about how the new state-run retirement savings program will be implemented, but it is critical that everyone be educated about their roles to make the program successful, said California Chamber of Commerce Policy Advocate Marti Fisher during a panel discussion in Sacramento on November 17.

The discussion about what the California Secure Choice Retirement Savings Investment Program means for employers was part of an expert convening hosted by The Pew Charitable Trusts and the California Budget & Policy Center.

Joining Fisher on the panel moderated by KQED reporter Marisa Lagos were Nancy Berlin, policy director of the California Association of Nonprofits, and Mark Herbert, California director of Small Business Majority.

Signed by Governor Edmund G. Brown Jr. this year, SB 1234 (de León; D-Los Angeles; Chapter 737), creates a framework for the California Secure Choice Retirement Savings Investment Program.

The program will not begin enrolling participants until regulations have been developed, a process that is not expected to be completed for about two years.

Program Under Development

The Secure Choice program is a state-run retirement savings plan mandated for private employees that includes automatic enrollment with an opt-out provision for an estimated 6.3 million California workers whose employers do not currently offer an eligible retirement savings program.

Private employers with five or more employees will be required to automatically enroll their employees in and make payroll deductions for the Secure Choice retirement accounts, unless the employee opts out. Employers that do not offer a retirement plan or auto-enroll their employees in Secure Choice would be subject to a penalty; otherwise the program is intended to impose no risk or liability to the employer or to the state. It is intended that employers’ responsibility is simply a pass-through—to deduct and submit contributions from employee wages.

“If everyone has to understand their roles and responsibilities, especially the employers, who need to understand what they can and can’t do,” said Fisher. “Although the program is designed to simply be a pass-through of the money, there are so many issues and questions around that. Therefore, we really need to do a good job educating everyone about how this is going to operate, and the sooner and the earlier, the better.”

The program will be funded by an automatic 3% to 5% payroll deduction; the specific default contribution will be determined by the Secure Choice Investment Board. The employer makes no contribution into the retirement account. The 2016–2017 state budget authorized $1.9 million to the program for start-up costs. As projected by the feasibility study completed in 2016, the estimated cost to fully fund the program and its infrastructure will be $134 million.

Once Secure Choice opens its doors—in about two years—it will be phased in: eligible employers with more than 100 employees will be mandated to enroll employees within 12 months after the program is open for enrollment; employers with more than 50 employees will be mandated to participate within 24 months after the program is open for enrollment; and within 36 months, all other eligible employers will be required to participate.

Business Expresses Concerns

During the legislative progress of SB 1234 in 2012 and in 2016, a large coalition of employer organizations across many industries expressed significant concerns with the proposed plan. Although CalChamber and the coalition ultimately removed opposition, they did so because concerns regarding employer liability were addressed to the extent possible and as proposed by the coalition.

To address employer concerns regarding liability and administrative burdens for employers, the author agreed to coalition-proposed amendments to SB 1234, which establishes the Secure Choice Retirement Savings Program:

- Clarifying Applicability of Federal Law. A concern of employers from the beginning was that if the program was found to be subject to the federal Employee Retirement Income Security Act of 1974 (ERISA), employers could be subject to significant liability, and the entire program could be at risk. Final language in the bill states that the program will not be implemented until the program board reports to the Legislature that the program conforms to federal Department of Labor criteria for the safe harbor under ERISA, and the Individual Retirement Account (IRA) arrangements offered by the Secure Choice program qualify for the same favorable income tax treatment as other IRAs.

- Limiting Employer Liability. Amendments clarified the intent of the Legislature that the employer is not a sponsor of the retirement plan if the program is subsequently found to be preempted by any federal law or regulation.
Panama Free Trade Commission Reports

U.S.-Panama Trade Agreement Implementation Moving Smoothly

Implementation of the trade agreement between the United States and Panama is going smoothly, trade officials for both nations reported after a recent meeting to review the trade and economic impacts of the agreement.

The meeting between Diana Salazar, vice minister of international trade negotiations of the Panama Ministry of Commerce and Industry, and John Melle, assistant U.S. trade representative for the Western Hemisphere, was the second of the commission responsible for overseeing implementation and further elaboration of the U.S.-Panama Trade Promotion Agreement. The U.S.-Panama Free Trade Commission gathering was held on November 22 in Washington, D.C.

Panama is an emerging Central American economy that is shaping up to be a beneficial trading partner for California. The bilateral relationship between the United States and Panama has continued to strengthen during the four years the agreement has been in force, and that implementation is proceeding well and smoothly, the commission reported.

“We underscored the importance of ensuring the effective implementation of the agreement in both our countries, and the key role the agreement plays in facilitating sustainable, broad-based economic growth and as an important catalyst in facilitating competitiveness,” said Salazar and Melle in a statement.

“We agreed to continue to work together to ensure effective implementation of, and compliance with, the trade in goods and services, customs, intellectual property rights, labor, and environment obligations of the agreement. We want to ensure that the agreement succeeds in fostering job creation and increasing the economic prosperity of all our citizens.”

U.S.-Panama Agreement

The California Chamber of Commerce supported the U.S.-Panama Trade Promotion Agreement, which went into effect on October 31, 2012. The agreement significantly increases the ability of U.S. companies to export their products to one of Latin America’s fastest-growing economies, while dramatically reducing the tariff rates across the range of U.S. industrial and agricultural goods.

The United States and Panama signed the free trade agreement (FTA) in June 2007. The Panamanian government approved the FTA in 2007.

The U.S. House of Representatives passed the FTA with a vote of 300-129 and the U.S. Senate passed the measure with a vote of 77-22 on October 12, 2011.

Trade Overview

With a population of 3.9 million and a GDP of $46.2 billion, Panama has seen consistent yearly growth in the realm of 8%–11% since 2006. Roughly 80% of Panama’s GDP is created within its services sector. Operation of the Panama Canal, the banking industry, container ports, and medical and health are the largest factors of this service economy, according to the U.S. Department of State.

In 2015, the United States exported $7.8 billion to Panama, including petroleum and coal, nonelectrical machinery, computers, and chemicals. Panama is currently the United States’ 33rd largest export partner. The United States imports $408.1 million from Panama, including fish, food, and primary metal, according to the U.S. Department of State.

As California’s 40th largest export partner, Panama imported $380.9 million worth of goods in 2015. According to the U.S. Department of Commerce, the top categories included petroleum and coal products (31%), transportation equipment (12.6%), computer and electronic products (11.7%), and apparel (9.2%). California imports approximately $44.4 million from Panama, including fish and agricultural products.

Implementing Agreement’s Institutional Framework

Recognizing the critical importance of trade in agricultural products and the jobs and workers that are sustained by agriculture in both countries, the commission noted the work of the Committee on Agricultural Trade and the Committee on Sanitary and Phytosanitary Matters. Both committees met in Panama City on December 9, 2014, to discuss issues of mutual concern.

The week of November 22, 2016, the U.S.-Panama Free Trade Commission reviewed a number of agricultural-related measures and instructed these commit-
IRS Issues Reminders of Deadlines for Filing W-2, Health Care Forms

Forms W-2 and Affordable Care Act (ACA) reporting were the subject of recent communications from the Internal Revenue Service (IRS).

The IRS reminded employers and small businesses of a new January 31 filing deadline for Forms W-2. It also extended to March 2, 2017 the due date for employers to provide employees with certain 2016 ACA reporting forms.

W-2 Forms

Under the Protecting Americans from Tax Hikes (PATH) Act, employers are now required to file their copies of Form W-2, submitted to the Social Security Administration, by January 31. The new January 31 filing deadline also applies to certain Forms 1099-MISC reporting nonemployee compensation such as payments to independent contractors.

The accelerated filing date is aimed at making it easier for the IRS to detect and prevent refund fraud.

In the past, employers typically had until the end of February, if filing on paper, or the end of March, if filing electronically, to submit their copies of these forms.

Note: The January 31 deadline has long applied to employers distributing copies of the Form W-2 to employees; that date remains unchanged. Now, in addition to being the deadline to distribute Forms W-2, January 31 is also the deadline to file Forms W-2.

The PATH Act also makes changes related to requesting a W-2 extension:

• Only one 30-day extension to file Form W-2 is available.
• The extension is not automatic.
• If an extension is necessary, a Form 8809 Application for Extension of Time to File Information Returns must be completed as soon as the filer knows an extension is necessary, but the deadline is January 31.

ACA Reporting Extension

The deadline for employers to provide to employees Form 1095-B, Health Coverage or Form 1095-C, Employer-Provided Health Insurance Offer and Coverage is March 2, 2017 (extended from January 31, 2017).

Note: No relief is provided if the employer did not timely file or furnish the reports by the applicable deadlines or did not make a good-faith effort to comply.

CalChamber members can learn more about these reporting requirements in the HR Library on HRCalifornia.

Staff Contact: Gail Cecchettini Whaley

Court Blocks Federal Overtime Rule; Administration Appeals

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suit challenging the rule. The November 22 decision to block enforcement of the rule was a victory for the states and business groups who filed suit.

In granting the preliminary order to halt the rule, the court wrote that the states showed a “likelihood of success on the merits” of the lawsuit “because the Final Rule exceeds the Department’s authority.”

For now, the rule is stopped while the litigation continues.

What This Means for Employers

Because the federal overtime rule currently cannot be enforced, California employers should use the California salary test to determine whether an employee can be classified as exempt under the executive, administrative and professional exemptions.

The current minimum monthly salary test for most exempt executive, administrative and professional employees is no less than two times the state minimum wage for full-time employment—$3,466.67 per month for 2016.

In addition to the salary test, California employees must meet a strict duties test to be classified as exempt.

Staff Contact: Gail Cecchettini Whaley

U.S.-Panama Trade Agreement Implementation Moving Smoothly

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changes in the Harmonized System (HS) in easing customs administration for customs authorities, producers, and exporters, the commission decided to update Annex 4.1, which takes these changes into account. The commission instructed its technical teams to begin work on updating the agreement’s rules of origin to correspond to the 2017 changes to the HS nomenclature.

Bilateral Issues and More

The commission also discussed bilateral issues of concern as well as possible initiatives to facilitate the widespread dispersion of benefits from the agreement. The commission instructed its technical staff to explore activities and programs that could be implemented to achieve this goal.

Commission members gave updates on other bilateral and regional trade agreement negotiations in which members are participating and discussed trade capacity building assistance based on Article 19.4 of the trade promotion agreement as a catalyst to foster trade, economic growth, poverty reduction and adjustment to liberalized trade.

More Information

For further information, see the latest CalChamber portal, www.calchamber.com/panama.

Staff Contact: Susanne T. Stirling
Six CalChamber Members Creating Jobs with Help from Tax Credit

Six California Chamber of Commerce member companies have been selected by the Governor’s Office of Business and Economic Development (GO-Biz) as recipients for the California Competes Tax Credit. The California Competes Tax Credit (CCTC) committee recently approved $60.9 million in tax credits for 74 companies expanding and creating jobs in California.

The awards will help these companies create a projected 6,568 jobs and generate more than $670 million in total investment across California, according to GO-Biz.

CalChamber members being awarded credits in this round include:
- MalwareBytes Corporation; cybersecurity software developer.
- Palecek Imports, Inc; furniture design and manufacturing.
- Borrego Solar Systems, Inc; solar power system design, construction, installation.
- Colusa County Farm Supply, Inc; agricultural supplier and consulting services.
- Techmer PM LLC; polymer materials design and manufacturing.
- Huhtamaki, Inc; food and beverage packaging design and manufacturing.

The complete list of approved companies and award amounts is posted at www.business.ca.gov.

Governor Edmund G. Brown Jr. created the California Competes Tax Credit in 2013 to focus on helping businesses grow and stay in California. This year, GO-Biz is allocating approximately $243 million in total tax credits.

Next Application Round

The next application round for the tax credit opens on January 2, 2017 with $100 million in tax credits available. The application will be available at www.calcompetes.ca.gov.

Workshop Schedule

GO-Biz is hosting workshops throughout the state to help businesses apply. To register, see the links for the individual locations listed below at www.business.ca.gov.

An application guide, frequently asked questions, program regulations, and a video explaining how to create an account also are available.
- December 5: Crescent City, Elk Grove, Yreka
- December 6: Benicia, Fairfield
- December 7: Fremont, Oakland
- December 8: Escondido, National City
- December 9: Poway, Santee
- December 12: Lancaster
- December 13: Bell, Carson, Torrance
- December 14: El Monte, Fullerton, Garden Grove
- December 15: Mission Viejo, Murrieta
- December 19: Moreno Valley, Rialto/San Bernardino County
- December 20: Calexico, Indio

Questions Remain for State-Run Retirement Savings Program

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- Enhancing Disclosure to Employees. SB 1234 requires the Employment Development Department to develop a disclosure packet to be provided to each employee along with a form for employees to acknowledge they received the packet. Additional language proposed by the CalChamber and coalition reiterated that the retirement plan is not sponsored by the employer, so the employer is not responsible for the plan or liable as a plan sponsor, and that the employer does not provide financial advice.
- Establishing Operational Model that Shields Employers from Misplaced Liability and Administrative Burden. As suggested by the CalChamber and coalition, the plan will have a third-party administrator that limits employer interaction and transactions with the employee.

The primary concern is the potential employer exposure to liability, especially in regards to the potential applicability to or pre-emption of the program by ERISA. If ERISA were to apply, employers could be at risk for considerable liability, which is unknown because this type of program has never been done before. The coalition attempted to minimize this risk to the extent possible with proposed amendments which the author accepted and incorporated into the legislation.

Secure Choice enrollment will not begin until certain requirements are met. It is anticipated that enrollment will begin in 2019 or later.

CalChamber Position

The Secure Choice program must comply with the principles embodied in state law and U.S. Department of Labor rules, Fisher explained.

“The regulations must create program guidelines and rules that are fair and maintain the limited liability and limited administrative participation for employers. In addition, the program must be easy for employees and employers to understand, easy to implement and easy to comply with its requirements,” she said.

It is critical, Fisher stressed, that education and outreach take place in a comprehensive manner in advance of the program, and that adequate resources are accessible before enrollment and into the future, and known to employers so they can seek assistance in implementing the program. It also is critical that employers provide input to the rulemaking as significant operational decisions that affect employers will be made though new regulations.

The rulemaking process must be transparent and include adequate and real employer participation to address employer concerns and their operations that will be affected.

It is estimated that more than 6 million employees will be eligible for Secure Choice. That is an enormous number of individuals to educate and enroll; equally huge is the corresponding education and support needed for employers to ensure an orderly, smooth enrollment process, and avoidance of liability and risk for employers.

Employers must be educated regarding their responsibility for withholding and directing contributions, and for opting employees in and out. Administrative provisions must be established and effectively communicated to both employees and employers.

Fisher said CalChamber will continue to actively engage in rulemaking, closely monitor Secure Choice Investment Board activities, and provide input as appropriate about program design and employer risk.

Staff Contact: Marti Fisher
CalChamber Keeps You Posted: New Minimum Wage Notice for January 1

Your business could incur significant fines for not posting the most current California and federal employment notices. Effective January 1, 2017, all California employers must post the new minimum wage notice.

Simplify your compliance with CalChamber’s all-in-one 2017 California and Federal Labor Law poster. Available in English or Spanish, it contains the 17 required state and federal employment notices every California employer must post.

Mandatory midyear changes to required notices were issued twice in 2016 after the January 1 updates. So don’t forget to add Poster Protect®.

PURCHASE NOW at calchamber.com/2017poster or call (800) 331-8877.