ALERT

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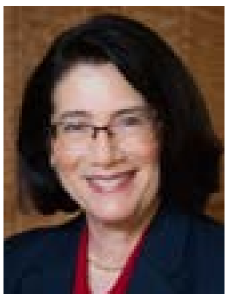
CalChamber
CALIFORNIA CHAMBER OF COMMERCE

Systems Integrated CEO to Chair CalChamber Board



Susan Corrales-Diaz

Susan Corrales-Diaz, president and chief executive officer of Systems Integrated, an Orange County-based technology firm, has been elected as 2017 chair of the California Chamber of Commerce Board of Directors.

"These are interesting times for the state, nation and world. I am delighted to step up to chair the board of the California Chamber of Commerce," said Corrales-Diaz. "My fellow board members and the dedicated staff at CalChamber have a wealth of experience in developing practical answers to the many issues facing businesses.

"That knowledge will be useful as we work with interested parties to find common ground on matters ranging from balancing employer and employee concerns in the workplace to fixing the state's chronic water shortage and making sure California firms stay competitive in global trade and investment."

2017 Officers

Serving with Corrales-Diaz as 2017 officers of the CalChamber Board are:

- **First Vice Chair Terry MacRae,**

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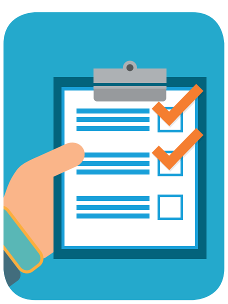
CalChamber Survey: California Voters Cite Roads, Jobs, Housing as Top Concerns



The Second Annual CalChamber Survey, released last week, indicates that the state's voters believe there are some homegrown issues that deserve the attention of California legislators.

Among the top priorities for voters are fixing transportation systems, improving job creation, and addressing high housing costs.

Given a choice among about 20 issues, nearly 9 in 10 voters believe that Sacramento officials are not spending enough time on fixing roads, highways and bridges in California.

Eight in 10 voters believe state leaders should be working harder to encourage economic development to attract new businesses to California, and about three-quarters of voters want to see more attention paid to addressing high housing costs.

On the other hand, a majority of voters believe state elected officials are spending too much time providing tax credits to purchase electric cars (53%) and completing high speed rail (64%).

Transportation/Housing

Voters continue to give low marks to transportation infrastructure. Fully 42% believe the repair and maintenance of roads, highways and bridges is poor, and another 37% believe their condition is

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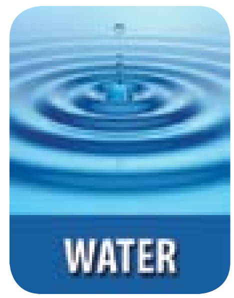
CalChamber Urges President to Sign Landmark Water Bill



The California Chamber of Commerce is urging President Barack Obama to sign landmark federal water legislation that passed Congress last week.

S. 612, the Water Infrastructure Improvements for the Nation Act (WINN), contains much-needed funding for water projects that will greatly improve California's ability to thrive in future years. It will allow water regulators to make the best use of water to benefit all parts of the state.

The legislation is the result of months of hard work involving California representatives in Congress: House Majority Leader Kevin McCarthy (R-Bakersfield) and his fellow Congress members, and U.S. Senator Dianne Feinstein (D-San Francisco).

"This bill provides an important framework for improving California's water reliability while balancing the environmental requirements of our state," said CalChamber President and CEO Allan Zaremberg. "This legislation represents an important compromise that will go a long way toward improving California's ever-present challenges."

S. 612 cleared the U.S. House of Representatives on December 7 with a

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Inside

ALERT
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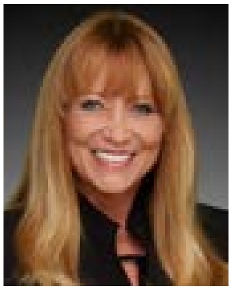
Labor Law Corner

Obtaining Information on Minors Subject to Special Restrictions



Sunny Lee
HR Adviser

Can we do a background check on a minor?

A background check may involve different issues, so it is important to know who you are performing the background check on and the protections that apply to minors.

Protections

The typical areas that employers want to obtain information on are pre-employment drug testing, credit checks, and criminal history. When using a third party provider, all applicants have consumer protection laws that apply to them under the Fair Credit Reporting Act (federal and state), which requires disclosure and written consent. In addition, there are unique protections that apply to minors.

These protections exist because minors (persons under the age of 18) are not legally able to consent to contracts or medical testing. Therefore, to satisfy Fair Credit Reporting Act requirements, when a minor is involved, an employer must obtain written parental consent.

In addition, AB 1843 (M. Stone; D-Scotts Valley), a new law that goes into effect January 1, 2017, will prevent most employers from obtaining adjudication records made by a juvenile court involving minors.

Drug Testing, Credit Checks

A drug test is a medical test, so an employer must obtain parental consent before having a minor drug tested.

While credit checks in California already are restricted, a minor may not have a credit history. Because a minor is not legally able to enter into binding legal agreements, the minor may not be able to obtain credit or get a credit card before he/she is 18 years old. Therefore, a credit check performed on a minor may not turn up any information.

Criminal History Records

As of January 1, 2017 no employer, whether a public agency or private individual or corporation, is permitted to ask an applicant for employment to disclose verbally or in writing any information concerning an arrest, detention, processing, diversion, supervision, adjudication, or court disposition that occurred while the person was subject to the process and jurisdiction of juvenile court law. Minors are tried in juvenile courts for criminal offenses and adjudication is the decision made by the court.

This law applies to most employers, with the exception of health care, which can obtain relevant felony and misdemeanor sexual offenses or drug possession records within the prior 5 years.

Although companies may want to treat applicants equally and require the same standards, they should remember that minors have additional protections that apply to them. If you have questions in this area, consult your legal counsel.

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

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Home page: www.calchamber.com.

CalChamber-Sponsored Seminars/Trade Shows

More at ***www.calchamber.com/events***.

Labor Law

2017 Employment Law Update. CalChamber. January 5, 2017, Sacramento; January 6, Modesto; January 9, San Diego; January 10, Costa Mesa; January 11, Long Beach; January 12, Los Angeles; January 13, Glendale; January 19, San Francisco; January 26, San Jose; January 27, Oakland; January 31, webinar. (800) 331-8877.

HR Boot Camp. CalChamber. February 7, 2017, Modesto; March 1, Burlingame; March 23, Pasadena; May 11, Sacramento; May 25, San Diego; June 6, Santa Clara; August 24, Thousand Oaks; September 6, Beverly Hills. (800) 331-8877.

Leaves of Absence. CalChamber. April 6, 2017, Sacramento; April 25, Oakland; June 22, Huntington Beach. (800) 331-8877.

International Trade

Steps to College Fair. Cien Amigos, Mexican Cultural Center of Northern California, Consulate General of Mexico in Sacramento. February 4, 2017, Sacramento. (916) 329-3500.

Connect to Thrive—Impact of Digital Data and Commerce Across the Global Supply Chain. California Centers for International Trade Development. March 23-24, 2017, San Bruno. (650) 738-7117.

Next Alert: January 13

CalChamber 2016 Public Affairs Conference

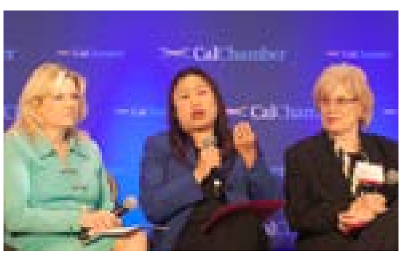
Attendees Gain Insights on Tax Reform, Learn About Legislative Caucuses, Battles

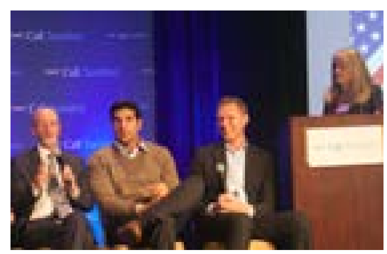
Below are a sampling of photos from Day 2 of the 2016 CalChamber Public Affairs Conference, which was held November 29–30 in Huntington Beach.

To view more photos of the conference see the **December 2 *Alert*** issue or visit ***www.calchamber.com/publicaffairs***.

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.

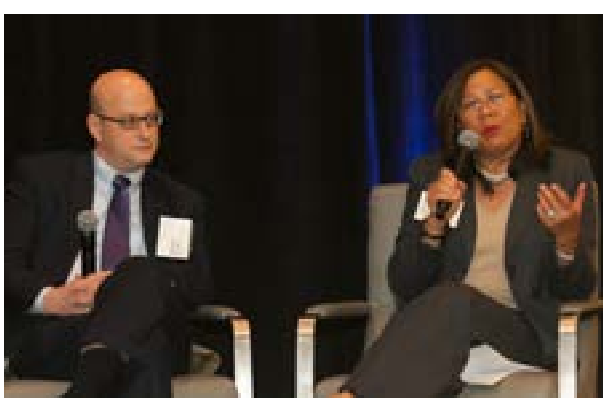
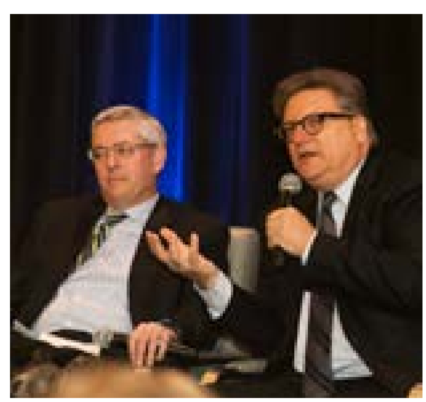

Assemblymembers Rob Bonta (D-Oakland), Chris Holden (D-Pasadena), Frank Bigelow (R-O'Neals), Cristina Garcia (D-Bell Gardens), and Jim Cooper (D-Elk Grove) share personal anecdotes and touch on the upcoming priorities of their respective caucuses.

Revisiting key victories and big battles from the 2015–2016 legislative session are (from left) Assemblymembers Catharine Baker (R-San Ramon) and Jacqui Irwin (D-Thousand Oaks); Senators Cathleen Galgiani (D-Stockton), Janet Nguyen (R-Garden Grove) and Jean Fuller (R-Bakersfield); Senator-Elect Scott Wilk (R-Santa Clarita) and Assemblymember Tom Daly (D-Anaheim); Senator Steve Glazer (D-Contra Costa), and Assemblymembers Matt Dababneh (D-Encino) and Chad Mayes (R-Yucca Valley). Panel moderated by CalChamber Executive Vice President, Policy Jeanne Cain (far right).

Photos by Sara Espinosa

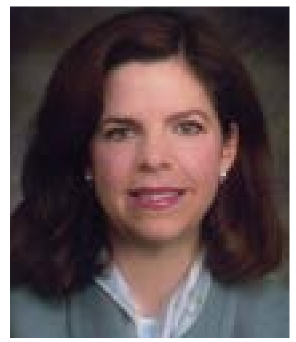




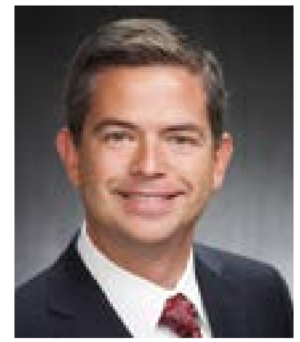
Anne Buettner (left), The Walt Disney Company, moderates as California Director of Finance Michael Cohen, California State Controller Betty Yee, PricewaterhouseCoopers LLP Partner Brian Meighan, and Senator Bob Hertzberg (D-Van Nuys) discuss challenges facing the state's tax system and the potential for tax reform at both the state and federal levels.

Systems Integrated CEO to Chair CalChamber Board

2017 Officers of CalChamber Board of Directors


Terry MacRae


Grace Evans Cherashore


Mark Jansen

2017 At-Large Members of CalChamber Executive Committee


Rodney F. Banks


Donna L. Lucas

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chief executive officer, president and founder of Hornblower Cruises & Events;

• **Second Vice Chair Grace Evans Cherashore**, chief executive officer for Evans Hotels.

• **Third Vice Chair Mark Jansen**, president and chief executive officer of Blue Diamond Growers.

Susan Corrales-Diaz

Corrales-Diaz has been president and CEO of Systems Integrated since 1988. Under her guidance, Systems Integrated transitioned from a specialty government contractor to a provider of leading-edge technology solutions to government, municipal entities and private industry.

Systems Integrated also manufactures specialized communications equipment, and display and control software. From providing the largest wireless traffic control infrastructure in California, to controlling the water for most of Southern California, the company has grown to provide solutions worldwide for automating infrastructure.

Systems Integrated has applied technology to solve operation challenges confronting industry and government: wireless networks for one-person control of subways; distributed control for major water and wastewater systems; and hydroelectric plant automation. Keeping in step with technology yet ensuring that its designs are built using published standards means that a Systems Integrated solution can evolve with technology.

Corrales-Diaz's company goal is to invest continually in new technology and applications. Her company's newest development is with Dedicated, Short Range, Communications (DSRC) — this technology is at the forefront of inter-car communications and bus prioritization transportation.

Over the years, Corrales-Diaz has served on a variety of public and private boards. She was appointed to the President's Export Council (1995–2000), which provided the President business input about national export policies.

In 1996, President Bill Clinton appointed Corrales-Diaz to serve as one of three U.S. business representatives to the Asia-Pacific Economic Cooperation (APEC) Business Advisory Council (ABAC). ABAC members from the then-18 member economies of APEC provided the business sector's input to the leaders of the APEC member economies regarding the objective of finance and trade liberalization in the APEC region.

In 1997, she co-chaired ABAC's Cross-Border committee, which addressed issues such as intellectual property, standards and conformance, business mobility, and the sectorial approach to liberalization. She also chaired the Small & Medium Enterprise (SME) committee in 1998. She has continued her involvement with the U.S. Department of Commerce through the District Export Council for Southern California.

Corrales-Diaz has served as a board member with the Automobile Club of Southern California; National Small Business Association; Small Business Exporter Association; and Board of Governors of Chapman University.

For more than 20 years, she has been an active member of the CalChamber Board, serving as the chair of the CalChamber Council for International Trade and participating on various committees.

Corrales-Diaz received her bachelor's degree from California State University, Long Beach.

Executive Committee

The CalChamber Executive Committee also named its two at-large members. Serving in the rotating position for 2017 will be:

• **Rodney F. Banks**, executive vice president, commercial banking services, City National Bank; and

• **Donna L. Lucas**, chief executive officer and president, Lucas Public Affairs.

In addition to the at-large members and current officers, the Executive Committee includes the last three chairs of the CalChamber Board. The Executive Committee works with top CalChamber management to determine policy, financial and program direction, including, when necessary, providing policy guidance between the regular quarterly meetings of the CalChamber Board.

Staff Contact: Dave Kilby

Appeals Court Rules: Project Consistency with GHG Plan Sufficient Under CEQA

A recent appeals court decision provides further guidance on what qualifies as an adequate greenhouse gas (GHG) impact analysis under the California Environmental Quality Act (CEQA).

The decision in *Mission Bay Alliance v. Office of Community Investment and Infrastructure et al.* is one of the first published cases addressing the sufficiency of a GHG impacts analysis under CEQA since the state Supreme Court decision in the ***Center for Biological Diversity et al. v. California Department of Fish and Wildlife and The Newhall Ranch and Farming Company***.

Warriors Arena Challenge

The *Mission Bay Alliance* case involved a challenge to the San Francisco Office of Community Investment and Infrastructure's (OCII) November 3, 2015 approval of the new Golden State Warriors arena, two office and retail structures, parking facilities and open space in San Francisco.

The case may provide some guidance for lead agencies that choose to rely solely on existing GHG reduction plans to demonstrate a less-than-significant impact, but relying on a plan in and of itself is not enough. Lead agencies must demonstrate, through substantial evidence in the record, that relying on the plan will, in fact, result in a less-than-significant GHG emissions impact.

Unfortunately, CEQA is a fact-intensive law, and predicting with certainty whether a GHG analysis will be deemed adequate by the courts will remain difficult, if not impossible, to predict.

Background

Governor Edmund G. Brown Jr. had certified the Warriors arena as an "environmental leadership development project" under AB 900 (Buchanan; D-Alamo, 2011). AB 900 provided expedited judicial review for projects under CEQA that meet certain criteria, including that the project does not result in any net GHG emissions.

The Air Resources Board (ARB) staff conducted a technical evaluation of the GHG estimates and voluntary mitigation contained in the AB 900 application, and concluded that the proposed project would not result in any net additional GHG emissions.

Despite the ARB determination, the parties agreed that the Governor's AB 900 certification did not constitute a substitute for a CEQA determination on the significance of GHG emissions and therefore was irrelevant for purposes of the case.

Ultimately, the case turned on the adequacy of the GHG analysis in the Final Supplemental Environmental Impact Report (FSEIR) relied upon by the San Francisco OCII in approving the project.

The City's GHG Analysis

At a basic level, the FSEIR concluded that the Warriors arena and associated structures would not result in significant GHG emissions because the project would comply with San Francisco's GHG Reduction Strategy. In relying solely on the consistency with the GHG Reduction Strategy, the FSEIR did not include an individual project-specific analysis of GHG emissions.

The Mission Bay Alliance challenged the adequacy of the GHG analysis, arguing that the city's exclusive reliance on performance-based standards such as consistency with the GHG Reduction Strategy is inadequate. Rather, the alliance asserted that the GHG analysis must include a quantification of the project's GHG emissions and calculate the remaining GHG emissions after implementation of the identified mitigation measures.

The trial court ruled in favor of the OCII on July 18, 2016.

Court of Appeal Decision

The California Court of Appeal rejected the petitioner's claims and upheld the OCII's GHG analysis, holding that the *CEQA Guidelines* allow reliance on performance-based standards such as the GHG Reduction Strategy; the *Newhall* case allows GHG analysis using performance-based standards; and substantial evidence demonstrated that the GHG Reduction Strategy would achieve reductions consistent with state and local targets.

Citing the *CEQA Guidelines* governing GHG emission analyses, the court noted that the *CEQA Guidelines* expressly grant lead agencies the discretion to use a model or methodology to quantify GHG emissions and which model to use, and/or rely on a qualitative analysis or performance-based standards.

The Natural Resources Agency, in adopting these guidelines, stated that "CEQA does not require quantification of emissions in every instance . . . . If the lead agency determines that quantification is not possible, would not yield information that would assist in analyzing the project's impacts and determining the significance of [GHG] emissions, or is not appropriate in the context of the particular project, [the Guidelines] would allow the lead agency to consider qualitative factors or performance standards."

With this basic framework in mind, the court turned to a different provision in the *CEQA Guidelines* that authorizes lead agencies to adopt an area-wide plan to reduce GHG emissions and determine that a project's incremental contribution to climate change is not significant if the project complies with the requirements of the previously adopted plan. That is precisely what the OCII did in this case.

Next, in response to the petitioner's argument that the *Newhall* case requires a lead agency to first quantify a project's GHG emission before analyzing consistency with a reduction plan such as the GHG Reduction Strategy, the court noted that *Newhall* did not hold that quantifying GHG emissions was required in order to satisfy a party's CEQA obligations.

Instead, the *Newhall* decision provided a menu of options for lead agencies in making their GHG significance determinations, including a performance-based methodology in which the lead agency evaluates the significance of a project's GHG impacts by "looking to compliance with regulatory programs designed to reduce greenhouse gas emissions." Accordingly, the court rejected petitioners' reliance on the *Newhall* case.

Having concluded that the OCII

See Appeals Court: Page 7

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Convention to Explore Work-Based Learning Opportunities

Employers interested in learning more about work-based learning opportunities should attend the 2017 Linked Learning Convention, which will take place January 23–25, 2017 in Oakland.

The convention provides the workforce and business sector a unique opportunity to learn how to be intentional in working within education, create and grow meaningful work-based learning opportunities for students, and develop strategies to communicate the business case for investing in the next generation.

Attendees will hear from dynamic speakers, participate in breakout sessions, learn through experiential site visits, and interact with Linked Learning students.

Last year's Linked Learning Convention sold out quickly, with more than 900 attendees from across California and eight other states. If you have an interest in preparing all students for college, career and life—don't miss out!

For more information or to register, please visit ***www.linkedlearning.org/convention-2017/***.

When registering, please select "Employer."

LINKED LEARNING®

CalChamber Survey: Voters Cite Roads, Jobs, Housing as Top Concerns

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only fair. Only 1 in 5 voters rate transportation conditions as good (15%) or excellent (5%).

But even considering their poor perception of road and highway conditions, only 20% of voters believe additional funds are needed to address road maintenance issues, while 80% believe current funds need to be managed better.

Housing issues also preoccupy California voters.

Among voters with children living at home, two-thirds believe their kids' generation will have a harder time purchasing their first home in California compared to their parents' generation. Only a third of parents thought home purchase would be easier.

And while a majority of voters agree that state leaders should be addressing global warming, a strong majority (56%) opposes new greenhouse gas reduction standards on new housing developments that would add significant costs to the price of housing.

Though approaching its 40th anniversary, Proposition 13 remains remarkably popular. Voters have a favorable view of Proposition 13 by a 4 to 1 margin, regardless of voters' age, location, gender or income. Even the least supportive group—Democrats—favor Proposition 13 by a 3 to 1 margin.

Environmental

California voters maintain their historic strong allegiance to environmental protection.

In ranking resource and environmental issues, more than 4 in 10 voters chose drought relief and prevention as the top priority for the California Legislature. Ensuring safe drinking water ranked second with 18% of voters, followed by encouraging green energy sources (13%), improving air quality (8%), protecting parks and wildlife (5%), limiting fracking (5%), and reducing greenhouse gas emissions (4%).

Drought concerns are top of mind for California voters. Three out of 4 voters believe the Legislature is not spending enough time dealing with the drought. By a similar margin (77%), voters say the drought represents "a new reality for California," as opposed to only a "short-term problem." This concern has only increased over the past year.

Economic Future

Californians are still insecure about California's economic future. Of voters with children living at home, nearly 6 in 10 agree that "my children will have a better future if they leave California."

Californians are also strongly worried that middle class lifestyle is becoming almost impossible. Voters consistently and overwhelmingly agree that "earning enough income to enjoy a middle class lifestyle is becoming almost impossible in my part of California." Statewide, 87% of voters agreed with that statement, as did voters in the San Francisco Bay Area (86%), Los Angeles (87%), Orange/San Diego (78%), Central Valley (88%), and Inland Empire (87%).

Job Creation

And while the San Francisco Bay Area enjoys new job creation, much of the rest of the state views a different reality.

Asked to describe job creation in their part of the state, 69% of voters in the Bay Area and 54% in Los Angeles thought "a lot" or "some" new jobs were being created, while voters thought "not many" or "almost no" jobs were being created in Orange/San Diego (58%), Inland Empire (63%) or the Central Valley (68%).

A similar geographic profile is evident when drilling down into this issue. For those voters who agreed that "a lot" or "some new" jobs were being created in their part of California, regional differences arose on the nature of those jobs.

Voters statewide were evenly split as to whether the new jobs created were "dead end and not middle class" or "higher pay and middle class."

But in the Bay Area, twice as many voters thought these jobs were high pay/middle class as thought they were dead end. Voters agreed that new jobs were dead end and not middle class in Orange/San Diego (53%), Central Valley (72%) and the Inland Empire (75%). By a slight majority (52%), Los Angeles voters thought new jobs were higher pay and middle class.

The CalChamber poll was conducted by Penn Schoen Berland with online interviews from November 15–17, 2016 among 1,000 definite California 2018 general election voters. The margin of error for this study is +/- 3.09% at the 95% confidence level, and larger for subgroups.

Contact: Loren Kaye

CalChamber Group Looks at Australia-U.S./Trans-Pacific Trade Relations

Australian Consul General Chris Oldfield gives an overview of trans-Pacific trade issues and the longstanding close ties between the United States and Australia at a December 9 CalChamber international breakfast meeting sponsored by CalChamber Board member Diane Miller. Breakfast attendees also heard from Brian Peck (right), deputy director of international affairs and business development at the Governor's Office of Business and Economic Development (GO-Biz).

CalChamber Urges President to Sign Landmark Water Bill

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360-61 vote, then passed the U.S. Senate on December 9 on a vote of 78-21.

Feinstein said the water legislation is critical as "California is now entering into our sixth year of drought…and the effects of the drought have been devastating."

Key Provisions

Of key importance to California are the provisions that balance the state's ability to move water at certain times of the year to benefit downstream users such as farmers, businesses and cities, and still protect endangered species.

The movement of water is critically important to combat drought conditions existing in the state and to alleviate cuts to allocations from the federal and state water projects. Those allocations will be much more reliable with the water supply management flexibility the legislation will provide.

Stability and predictability are crucial for businesses throughout the state.

California is chronically short of water even in wet years. The funding provided in S. 612 will promote local water supply development, water recycling and reuse, desalination and water storage projects.

Expanding water storage is a top priority for the CalChamber. It is essential that the state has the ability to capture water in wet years or big storms, store it, and move it to areas in need, especially in dry years.

The additional funding for loans and grants will help communities struggling with aging water infrastructure, dry wells and poor water quality. Expanding the Water Infrastructure Finance and Innovation Act to include drought mitigation projects will expedite much-needed infrastructure, especially in low-income communities.

More Water

It is estimated the legislation will bring an additional 200,000 acre-feet of water on average each year to the Central Valley and Southern California. That's enough to supply the annual needs of about 446,000 households of 4.

The legislation authorizes $335 million to support development of surface water storage projects, such as five in the CalFed program that could provide 1 million to 1.5 million acre-feet of additional storage (through reservoirs at Shasta, Site, Los Vaqueros, Temperance Flat and San Luis).

In addition, it updates the federal Water Desalination Act ($30 million), authorizes a new Title XVI water recycling and reuse grant program ($50 million) and increases the WaterSMART authorization ($100 million) focusing on water conservation, reclamation, efficiency and recycling projects.

Other provisions in the legislation aim to help rebuild endangered species and remove predator fish that prey on those species.

Staff Contact: Valerie Nera

Appeals Court: Project Consistency with GHG Plan Sufficient Under CEQA

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appropriately relied on compliance with the GHG Reduction Strategy, the court then looked at the GHG Reduction Strategy itself to determine whether substantial evidence existed demonstrating a less-than-significant impact.

The strategy includes quantifying baseline levels of GHG emissions and planned reductions from the baseline 1990 level of 25% less emissions by 2020, 40% less by 2025 and 80% less by 2050.

The strategy also includes project-specific measures that achieve citywide emissions reductions. The project was shown to be consistent with those previously quantified thresholds, and the city demonstrated that the reductions would help San Francisco attain (and exceed) local and state GHG reduction targets.

Accordingly, even though the FSEIR itself did not quantify reductions, the court nonetheless supported the FSEIR's conclusion that the project complies with the GHG Reduction Strategy.

Contact: Anthony Samson

ARRIVING IN 2017

BILL NUMBER	ARRIVES	REMARKS
WAGE AND HOUR		
SB 3: Minimum Wage Increase	January 1, 2017	Scheduled increases begin for employers with 26 or more employees
AB 2535: Itemized Wage Statements	January 1, 2017	Pay stub requirements for exempt employees
AB 1066: Agricultural Exemption Change	January 1, 2017	Agricultural employers required to provide one day's rest in 7 worked
AB 1847: Payroll/California Earned Tax Credit	January 1, 2017	Updated notice
AB 2899: Challenges to Minimum Wage Violations	January 1, 2017	Bond requirements
SB 1342: Local Wage Enforcement	January 1, 2017	Subpoenas issued for noncompliance
AB 1978: Janitorial Workers	January 1, 2017	New recordkeeping requirements for covered janitorial employers
SB 1015: Domestic Workers	January 1, 2017	Extends Domestic Worker Bill of Rights
AB 2230: Overtime/Private School Teachers	July 1, 2017	Minimum earnings requirement for exempt employees
AB 2437, AB 2025: Licensure Requirements for Nail/Hair Salons	July 1, 2017	Required poster
DISCRIMINATION AND RETALIATION		
SB 1063, AB 1676: Fair Pay Act Amendments	January 1, 2017	Expand wage equality laws
AB 1661: Harassment Prevention Training for Local Officials	January 1, 2017	New training requirements
SB 1001: Immigration-Related Protections	January 1, 2017	Penalties for document abuse
AB 488: Revised Definition of Employee	January 1, 2017	Under California's Fair Employment and Housing Act (FEHA)
AB 1684: Human Trafficking	January 1, 2017	Enforced by the California Department of Fair Employment and Housing (DFEH)
AB 2844: State Contracts and Anti-Discrimination Certification	January 1, 2017	Compliance with anti-discrimination laws
SB 1442: Discrimination Regulations and Enforcement	January 1, 2017	Expands DFEH authority
AB 1732: All-Gender Restrooms	March 1, 2017	Single-user facilities
LEAVES OF ABSENCE AND BENEFITS		
AB 2393: Paid Sick Leave and Parental Leave	January 1, 2017	School district employees/sick and parental leaves
AB 2337: Domestic Violence, Sexual Assault and Stalking Protections	July 1, 2017	Required form for new employees
BACKGROUND CHECKS		
AB 1843: Juvenile Criminal History Information	January 1, 2017	Prohibits employers from asking for or using juvenile criminal history information
AB 1289: Criminal Background Check/Ride Sharing Services	January 1, 2017	Requires background checks for drivers
WORKERS' COMPENSATION		
SB 1160, AB 2503: Liens and Physician Requirements	January 1, 2017	Changes to liens filed after 1/1/17, and amended requirements for physician reporting and authorization requests
AB 1244: Medi-Cal and Medicare Fraud/Abuses	January 1, 2017	Prompt suspension of providers
AB 2883: Business Owner/Officer Exclusions	January 1, 2017	Instances when business owners or officers are excluded from coverage
SB 1175: Provider Bill Submissions to Employers	January 1, 2017	Bill submissions within 1 year
MISCELLANEOUS		
AB 1785: Driver Safety	January 1, 2017	Use of electronic devices while driving
SB 1241: Choice of Forum/Choice of Law Litigation	January 1, 2017	Employment contracts

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CALIFORNIA

NEW EMPLOY

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MOST OF THE NEW LAWS FROM THE 2016 CALIFORNIA LEGISLATIVE SESSION ARE SCHEDULED FOR 2017.

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EMPLOYERS

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017 AND BEYOND

COMPLIANCE

OTHER BILLS SIGNED BY THE GOVERNOR ARE ON A 2018 OR 2019 TIMETABLE.

TRACK B
THE STATE OF CALIFORNIA
2018-2019 BULLETIN

ARRIVING IN 2018 AND 2019

BILL NUMBER	ARRIVES	REMARKS
WAGE AND HOUR		
SB 3: Minimum Wage Increase	January 1, 2018	Scheduled increases begin for employers with 25 or fewer employees
AB 1978: Janitorial Workers	July 1, 2018	Registration requirements for covered janitorial employers
AB 1066: Agricultural Overtime	January 1, 2019	Phased-in overtime requirements begin for agricultural employees
DISCRIMINATION AND RETALIATION		
AB 1978: Janitorial Workers	July 1, 2018	Harassment prevention pamphlet requirement
AB 1978: Janitorial Workers/Harassment Prevention Training	January 1, 2019	Division of Labor Standards Enforcement (DLSE) in-person course for employees and employers
LEAVES OF ABSENCE AND BENEFITS		
AB 908: Paid Family Leave	January 1, 2018	Increase in amount of paid family leave benefits; elimination of 7-day waiting period
AB 2886: Disability Benefits	March 1, 2018	Extends appeal time
SB 3: Paid Sick Leave Extension	July 1, 2018	In-home supportive services workers
SB 1234: Private Retirement Savings Plans	Future Implementation	Approves the California Secure Choice Retirement Savings Program
WORKERS' COMPENSATION		
SB 1160, AB 2503: Changes to Utilization Review Process/Employee Notice Regulations	January 1, 2018	Change utilization review process for injuries
WORKPLACE SAFETY		
SB 1167: Indoor Heat Illness Prevention Standard	January 1, 2019	Standard to be developed by Cal/OSHA

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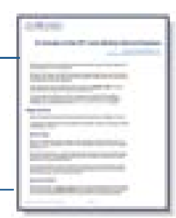

"AN OVERVIEW OF NEW 2017 LAWS AFFECTING CALIFORNIA EMPLOYERS"
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National Political Scene Gets Closeup at CalChamber Board Gathering

Steven Law (left), president and CEO of American Crossroads, gives an anecdote-laden recap of the 2016 election campaigns at the CalChamber Board of Directors dinner on December 8 in San Francisco.

David Drucker (right), senior congressional correspondent for the Washington Examiner, reviews for the CalChamber Board on December 9 the early Cabinet appointments by President-Elect Donald Trump and their potential impact on Trump's plans to repeal/modify the Affordable Care Act, boost transportation infrastructure projects and overhaul the tax structure.

Climate Change Specialist Assesses Program Challenges for California

Jim Sweeney, director of the Precourt Energy Efficiency Center at Stanford University, explains to the CalChamber Board of Directors how state implementation of its landmark emissions reduction law, AB 32, and the follow-up legislation will lead to higher costs for California consumers and business.

Irish Ambassador Salutes 2016 CalChamber Chair Mike Murphy

Irish Vice Consul General Colum Hatchell (left) greets 2016 CalChamber Chair Mike Murphy after reading a congratulatory letter to Murphy from Irish Ambassador Anne Anderson at the CalChamber Board dinner on December 8.

Secondary Asbestos Exposure: Court Says Employers Should Exercise Care to Prevent

Employers or landowners owe a duty of care to prevent secondary exposure to asbestos, the California Supreme Court has ruled in a unanimous decision.

"The duty of employers and premises owners to exercise ordinary care in their use of asbestos includes preventing exposure to asbestos carried by the bodies and clothing of on-site workers," the court said.

Secondary exposure occurs when a worker who is exposed to a toxin carries it home on his or her person or clothing, and a household member is exposed through physical proximity or contact with that worker or worker's clothing.

The question arose in two separate cases with similar allegations, *Kesner v. Pneumo Abex, LLC* and *Haver v. BNSF Railway Co.*, which were consolidated for purposes of the **Supreme Court opinion**, issued on December 1.

Take-Home Asbestos

In *Kesner*, Johnny Kesner, Jr. was diagnosed with perotineal mesothelioma in February 2011. He filed suit against a number of defendants, including his uncle's employer, Pneumo Abex LLC. His uncle, while working for Pneumo Abex, was exposed to asbestos fibers released in the manufacture of brake shoes. For a period of six years (1973 to 1979), Mr. Kesner spent a significant amount of time at his uncle's house where he would sometimes sleep near his uncle or roughhouse with him while his uncle was wearing his work clothes. Mr. Kesner alleged that he was exposed to asbestos dust carried home on his uncle's clothes.

In *Haver*, it was alleged that Lynne Haver, who had been diagnosed with mesothelioma in 2008, was exposed to asbestos fibers through contact with her husband and his clothing beginning in 1973. Her husband was employed by the Atchison, Topeka, and Santa Fe Railroad, a predecessor of BNSF Railway Co., during this time, where he was exposed to asbestos from pipe insulation and other products.

Exposure Foreseeable

The Supreme Court justices noted that they were not deciding whether the plaintiffs had proven that asbestos from the defendants actually and foreseeably reached the plaintiffs, or whether the defendants' asbestos contributed to the disease that the plaintiffs suffered or whether defendants had adequate procedures in place to prevent take-home exposure.

"Our task is to determine whether household exposure is categorically unforeseeable and, if not, whether allowing the possibility of liability would result in such significant social burdens that the law should not recognize such claims." The court concluded that "the exposure of household members to take-home asbestos is generally foreseeable and that BNSF and Abex have not shown that categorically barring take-home claims is justified by clear considerations of policy."

Pointing to Occupational Safety and Health Administration (OSHA) regulations at the time that identified the potential health risks of asbestos traveling outside a worksite, the court found that a reasonably thoughtful person making industrial use of asbestos during the mid-1970s would take into account the possibility that asbestos fibers could become attached to an employee's clothing or person, travel to that employee's home, and thereby reach other persons who lived in the home.

Duty of 'Ordinary Care'

In response to concerns raised by the defendants regarding the unmanageability of claims premised upon secondary exposure, the court specifically identified a limitation on the scope of the duty.

"We are mindful that recognizing a duty to all persons who experienced secondary exposure could invite a mass of litigation that imposes uncertain and potentially massive and uninsurable burdens on defendants, the courts, and society.... Accordingly, we hold that defendants owed the members of their employees' households a duty of ordinary care to prevent take-home exposure and that this duty extends no further. By drawing the line at members of a household, we limit potential plaintiffs to an identifiable category of persons who, as a class, are most likely to have suffered a legitimate, compensable harm. This rule strikes a workable balance between ensuring that reasonably foreseeable injuries are compensated and protecting courts and defendants from the costs associated with litigation of disproportionately meritless claims."

Thus, where it is reasonably foreseeable that workers, their clothing, or personal effects will act as vectors carrying asbestos from the premises to household members, employers have a duty to take reasonable care to prevent this means of transmission. This duty also applies to premises owners who use asbestos on their property, subject to any exceptions and affirmative defenses generally applicable to premises owners.

Staff Contact: Heather Wallace

U.S. Outlook About to Get Bumpy; State Initiatives Have Tax Implications

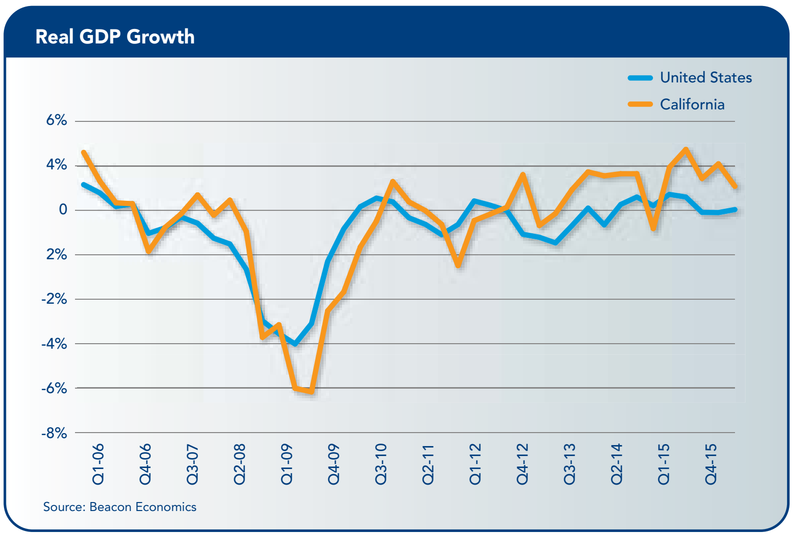
The election that put Donald Trump in the White House in 2017 was a shock to the vast majority of pollsters who were predicting a win for Hillary Clinton. The outcome also is a shock to the staff at Beacon Economics whose economic outlook over the last year has implicitly been based on the (incorrectly) predicted outcome of a Clinton win. Our view assumed that her administration would largely continue current White House policies and that, combined with continued political gridlock in Washington, D.C., would reduce the chances of any major policy change.

The outcome of the election changes our outlook, albeit "how" is still an unknown. This will depend greatly on what happens in the first few months of the Trump administration. What we do know is that the potential upsides are limited, and the potential downsides are enormous—to the point that there is now a very real probability of a recession over the next two years.

U.S. Economy

Donald Trump's victory clearly stems from the frustration, and ultimately the rejection of the status quo by many Americans. Trump fed this discontent with a steady stream of dystopian views about a U.S. economy in decline, driven by bad regulations, bad trade deals, and bad tax policies. But this was a triumph of rhetoric over reality, rather than the other way around, as many Trump supporters believe.

In reality, the United States still offers its citizens one of the best standards of living in the world, and continues to be in the midst of a steady, if mediocre, economic expansion. Yes, the U.S. economy has been growing at a below-average pace—particularly over the last few quarters when the economy was barely averaging 1% growth—but the nation also is in the midst of its seventh year of economic expansion. Given our current economic fundamentals, there had been little reason to think that would end anytime soon. Labor markets are at full employment, wages are starting to rise, and asset prices are at or near record high levels. And there was no October surprise—the initial read on gross domestic product (GDP) growth in the third quarter came in at a steady 3% after a weak first half of the year.



Consumer spending, despite a slower third quarter, remains one of the bright spots and sources of momentum in the U.S. economy. This may seem out of step with the rhetoric leading up to the election (Americans hurt by trade, families with no raise in 15 years, etc.), but this is because that rhetoric has been based on bad data, and even worse theories about the true state of the U.S. economy.

When properly and thoroughly accounting for sources of income, the data shows that Americans have seen solid gains in the standard of living over the last two decades, and we still remain at the top of the global consumption heap—consuming per capita 4 times more than the global average. There has been a modest slowing in job growth, but this is not due to a lack of demand for workers—the U.S. Bureau of Labor Statistics has estimated that the job openings rate remains at an all-time high level. Rather, the tight labor market is making it more difficult for employers to find the right employee.

The U.S. work participation rate has stopped falling—a very good sign since the aging of the nation's workforce suggests it should continue to fall. People are being drawn back into the labor market in a significant way for the first time in a decade.

Business Investment

The recent drag in business investment stems largely from the commodity glut and the sharp declines in oil and natural gas exploration. Direct spending in the oil and gas industry dropped by more than $100 billion. The supply chain effects are long in this very capital-intensive industry, and once multiplier effects are included, the industry's price collapse shaved almost a full percentage point off overall GDP growth in the last two years despite causing job growth to slow only imperceptibly.

And the oil and gas glut is still with us. Oil production in the United States is still greater than 8.5 million barrels per day, and there are record stocks of oil inventories, not to mention drilled, but uncompleted wells. Far from being dragged down by excessive regulations, the energy sector is largely a victim of its own success.

Residential Investment

The one surprising shift in the economy over the last few quarters is on the residential investment side—specifically as it relates to single family homes where spending has fallen since the peak in the fourth quarter of 2015, reducing the overall pace of GDP growth by a small amount over the year. This is the first time this has happened since the housing market collapse that began before the Great Recession.

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But that is where any similarity between today's housing market and the one that led up to the recession ends. This seeming contradiction can be traced back to mortgage credit problems that continue to negatively influence the housing recovery.

Prior to Dodd-Frank, families with credit scores below 720 still had opportunities to buy homes through a variety of higher interest rate mortgage products. Dodd-Frank sought to push the liability of a foreclosure from the borrower to the lender and the net result has been a sharp reduction in credit accessibility to these lower credit score households. This has held down the pace of new building, home ownership, and house sales—a problem that explains the overall softness of the market.

Despite these positive trends, throughout his campaign, Donald Trump has promised to enact numerous policies to "fix" the economy. And this is where the danger starts—as his populist agenda is full of dangerously simplistic ideas rather than sober assessments of feasible policy choices. Recessions are caused by real shocks to the economy that have three characteristics—they have to be large, rapid, and sustained. Here are three policy options voiced by Trump in his campaign that could create just such a situation.

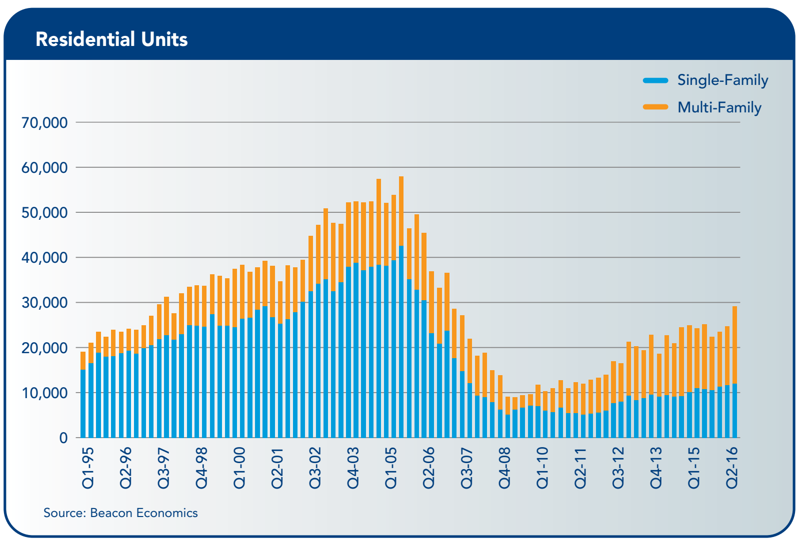
Trump's Proposals

• Slashing taxes will create a small modest positive impact on short-run growth, but only by blowing out the federal budget deficit and widening the trade deficit. These could lead to sharply rising interest rates and a devaluing dollar.

• If the United States under Donald Trump ends its commitment to free trade, backs out of the North American Free Trade Agreement (NAFTA) or the World Trade Organization (WTO), and starts a trade war with China, the result will be sharply falling imports AND exports, huge disruptions of supply chains, and a sharp rise in consumer prices.

• Trump also has threatened to find and deport millions of undocumented residents in the United States. Aside from the sheer scale of potential human tragedy here, this too would cause massive disruptions in supply chains and consumer spending.

Any of these three issues, if pursued vigorously, has the potential to cause a recession. This ignores the obvious long-term damage to the economy driven by his claims to unwind major policy advances in health care, environmental protections, education, and even basic economic data collection and the threat to put the Federal Reserve under congressional control.



In short, the election of Donald Trump represents a serious threat to the current health of the U.S. economy. How serious is unknown and depends on how well he gets along with Congress, how well Senate Democrats move to block changes in rules (expect the filibuster to be used a record number of times in coming months) and whether he appoints a cabinet with reasonable policy experts rather than firebrands.

What this means is that we just don't know—and that is the scariest feeling of all.

California Outlook

California has stayed on course with a solid economic performance through the first three quarters of 2016 despite slower growth nationally. The state outdistanced the nation in terms of economic growth and job creation, although the pace of growth in both California and the United States has been somewhat slower than last year.

Virtually every industry in the state continues to add jobs and the unemployment rate is lower than a year ago. All in all, the statewide economy is poised for continued growth over the next several quarters, outpacing most other states in the nation.

California's job market has been impressive over the last four years, with wage and salary (nonfarm) job growth that has exceeded the nation's each year since 2012. In 2015, the state's 3% growth rate placed it among the top 10 states in the nation. Through September of this year, nonfarm jobs grew at 2.6%, compared to 1.8% nationally. The state unemployment rate dropped below 6% late last year, moving sideways in the mid-5% range for much of the year as sustained job growth and wage gains have drawn more people into the labor force.

Virtually every industry in the state continues to add jobs in yearly terms. Health care and social assistance have led the way with the largest absolute job gains in the state. Significant contributions have also come from leisure and hospitality; professional, scientific and technical services; and construction, illustrating the breadth of job gains throughout the private sector of the economy.

Every private sector industry in the state added jobs with the exception of manufacturing, which lost 17,500 jobs on a base of 16.6 million.

Government also was among those industries seeing large absolute gains, with most of the increase occurring in state and local government.

Many of these same industries led the state in terms of percentage gains, although private education services outpaced all other sectors with a 6.7% year-to-year gain. Last, but not least, California's farm employment is on track to hit its highest level in over a dozen years, despite the state's prolonged drought.

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Taxable Sales

In addition to steady job gains, spending activity statewide, as measured by taxable sales, has been growing steadily over the last few years. Following an increase of more than 4% last year, taxable sales were up by over 2% through the first half of 2016, with the busy holiday season still ahead.

Not unlike the nation, the consumer sector accounts for most of the spending activity in the state. Taxable receipts on consumer goods accounted for 60% of total taxable receipts last year, and saw a modest 1% gain in the first half of this year. Taxable receipts by businesses registered a 3.6% increase over the same period, providing further evidence of the strength of the state's industries.

Regional economies across the state have grown over the last several quarters, with job gains that have varied from location to location. Over the past two years, economic growth has spread inland from coastal counties. Many parts of the state have hit new records for employment, and unemployment rates have declined to their lowest in several years.

Smaller regions may lead the state in terms of percentage job gains, but Los Angeles County routinely adds by far the largest absolute number of jobs from one month to the next, followed by the Inland Empire, Orange County, and San Diego County in the south. The Silicon Valley (San Jose-Santa Clara), San Francisco, and Sacramento routinely post the largest gains among metro areas in the northern part of the state.

Housing

The housing sector is important in its own right as a driver of the state economy, but it also serves as a gauge of the state's economic health. The picture for housing has been mixed since the recession, with prices advancing modestly despite many hurdles that have limited sales activity.

Outside of the San Francisco Bay Area, home prices have yet to surpass their pre-recession peaks. Demand for homes has been sustained by continued low interest rates, but at the same time has been impeded by limited inventories, high underwriting standards, and large down payment requirements.

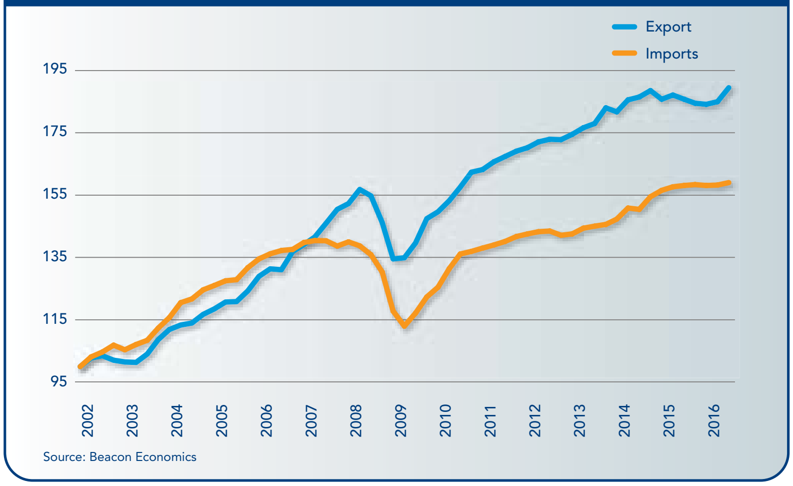
On the supply side, current homeowners have seen little reason to move and list their homes for sale, resulting in existing home supply that is well below long-run norms. Meanwhile, new home construction has struggled to advance since the recession, with permit levels that remain well below the long-run average, mainly because of a very slow rebound in single-family home construction. Through the first half of 2016 in California, total housing permits were 2% behind last year, with a 10.6% decline in multi-family activity nearly offset by a much-welcome 9% increase in single family activity.

If there is any part of the residential market that is bursting at the seams, it is the market for rentals. Throughout many metro areas of the state, high demand for apartments has driven vacancy rates down and rents up. Rents continue to head north despite a significant increase in multi-family construction over the last three years, the implication being that new supply has barely put a dent in the state's chronic and long-standing shortage of units.

Demand for rentals has been strong in part because the market for owner-occupied homes has faced impediments (mentioned above). The homeownership rate was 53.2% in the third quarter of this year, the lowest in more than 30 years. This seems counterintuitive, given that the monthly payment for a typical home is well below its peak, owing to below-peak prices and historically low mortgage rates.

Would-be buyers in California, however, face significant hurdles in the form of high down payments and underwriting requirements that are very tight by historic standards.

Real Imports and Exports (Index 2002=100)



Source: Beacon Economics

On the nonresidential side of real estate, market conditions reflect the improvement seen across the sectors and regions of the statewide economy. For both office and retail, vacancy rates have edged down quarter by quarter in the metro areas of the state, while lease rates have risen.

Office lease rates in the San Francisco Bay Area, Los Angeles County, and Orange County have led the way in terms of increases. At the same time, industrial vacancy rates in Los Angeles County are among the lowest in the nation, having declined steadily in recent quarters, while lease rates have been climbing by low single-digit yearly percentages.

Looking out over the rest of 2016 and into 2017, the state's economic engine will chug along. While growth may occur at a somewhat slower pace than in recent years, it should be noted that the U.S. economic expansion is approaching seven-and-a-half years in length, making it one of the longest on record. Businesses and households exercised greater caution in this expansion compared to previous cycles, but California's economy has consistently outperformed all but a few states around the nation.

The technology sector continues to

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U.S. Outlook About to Get Bumpy; State Initiatives Have Tax Implications

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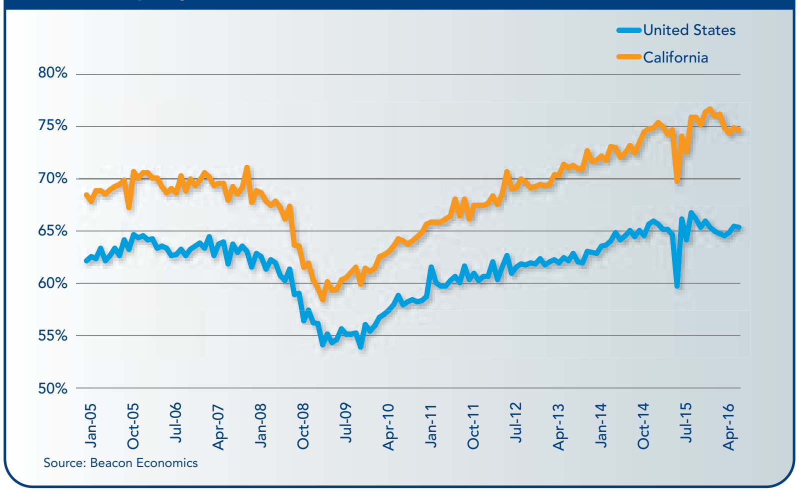
impress, not just in the Silicon Valley/San Francisco Bay Area, but also elsewhere in the state. Economic growth nationally will continue to drive the state's tourism and goods movement industries, while health care and retail activity will see further gains as households across the state benefit from job growth and wage gains.

California continues to face nagging policy problems, not the least of which is housing. Rising home prices and rents mean that the state is not producing enough housing. This is not exclusively a low-income problem, but one that extends to middle-income households as well.

In many parts of the state, rent as a share of income exceeds the 30% threshold that is considered to be the norm. Meanwhile, in the market for owner-occupied homes, a household must earn at least $100,000 annually in order to afford the payment on a median-priced home in California. This has ramifications for employers who find it increasingly difficult to hire and retain qualified employees.

Hotel Occupancy Rates



Solutions will be hard to come by, but must include reducing the permitting and regulatory burdens associated with construction costs, and possibly, tax reform.

Initiatives Assessment

This report assesses the results of three of California's statewide ballot initiatives, each of which underscore the need for tax reform. And while a comprehensive reform of the state's tax code is genuinely needed, spot reforms to parts of California's tax structure could improve some fiscal outcomes.

• **Proposition 51** passed, authorizing the state to borrow $9 billion in general obligation bonds for modernization and new construction of K-12 public school and community college facilities. This is just the latest school facilities bond measure, with voters approving a total of $102 billion in school facilities bonds since 1998, $36 billion at the state level, and $66 billion locally.

While few would argue against investing in public education facilities in particular, there is a broader concern about the extent to which California has encumbered itself with debt.

As of October 1, the state has $74.1 billion in outstanding general obligation long-term debt. Given the volatility of California's finances in recent decades (see Proposition 55 discussion), servicing California's debt obligations may come at the expense of other programs under normal circumstances and may be jeopardized when the state plunges into a budget crisis.

• **Proposition 55** passed and extends by 12 years the tax increases passed in 2012 on California's highest income earners. While the goal may have been to stabilize the state's fiscal situation, passage of this measure may actually do the opposite.

California's top-heavy income tax brackets already ensure that the state's top 1% of taxpayers accounts for 40% or more of the state's total income tax collections. Because the incomes of these taxpayers are quite volatile, however, the state's revenue stream is subject to wide swings that tend to be pro-cyclical, wreaking havoc on government programs from K-12 education to prisons.

This pattern is well-known, with past budget crises occurring nearly every decade. Rather than stabilizing the state's budget, this measure locks in volatility and ensures that the state will hurdle from one tax crisis to another. This underscores the need for comprehensive reform of state and local taxes, from income taxes to property taxes and beyond.

• **Proposition 64**'s passage legalizes marijuana for recreational use in California. The state is by no means the first to do so, but legalizing recreational use of marijuana will have many implications for residents. The measure is expected to reduce public safety and criminal justice costs by several million dollars annually, while creating a new source of tax revenues at the state and local level.

How big of a revenue source? It depends. Simply legalizing recreational marijuana may lead to increased consumption, but consumption will rise further as the price of marijuana falls in response to production and supply increases.

California may learn from Colorado's experience: In 2015, state and local government collected $135 million in tax revenues on the sale of nearly $1 billion in marijuana, up from $700 million in 2014. Wholesale marijuana prices, however, have fallen by nearly half over the past year, so tax collections are likely to fall below expectations in 2016.

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. The U.S. forecast in this report was prepared by council chair Christopher Thornberg, Ph.D., founding partner of Beacon Economics, LLC. The California forecast was prepared by Robert Kleinhenz, Ph.D., director of economic research at Beacon Economics.

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