Sharp HealthCare CEO to Chair CalChamber Board

Michael W. Murphy, president and chief executive officer of Sharp HealthCare, an integrated health system in San Diego County, has been elected as 2016 chair of the California Chamber of Commerce Board of Directors.

“I am very honored to be the 2016 Board Chair and look forward to working with the board and the Chamber’s leadership team to carry on the 125-year history that has been dedicated to our state’s economic vitality by meeting the needs of California’s employers and their employees,” said Murphy.

“Through our many public policy and business services efforts, the CalChamber is committed to enhancing the business environment for the more than 13,000 diverse member companies we represent.”

Murphy succeeds Joseph M. Otting, president and chief executive officer of OneWest Bank N.A., in the CalChamber’s top volunteer position.

2016 Officers

Serving with Murphy as 2016 officers of the CalChamber Board are:

• First Vice Chair Susan Corrales-Diaz, president of Systems Integrated;
• Second Vice Chair Terry MacRae, chief executive officer, president and founder of Hornblower Cruises & Events;
• Third Vice Chair Grace Evans Cherashore, chief executive officer for Evans Hotels.

Oppose CalChamber Opposing Newest Initiative Plan to Hike Tax Burden on Commercial Property

The California Chamber of Commerce Board of Directors has voted to oppose an initiative proposal to impose a “surcharge” of up to 1% on targeted properties.

The measure, the Property Tax Surcharge to Fund Poverty Reduction Programs, has been cleared to seek signatures to qualify for the November 2016 ballot.

If approved by voters, the initiative will fund state tax credits, health programs and education programs with the revenue from the property tax “surcharge.”

Initiative proponents have until March 21, 2016 to submit no fewer than 585,880 signatures.

Inappropriate

“This proposal is a completely inappropriate use of property taxes in California,” said CalChamber President and CEO Allan Zaremberg. “Since its incep-

See Sharp HealthCare: Page 4

President Signs CalChamber-Backed Ex-Im Bank Reauthorization

U.S. President Barack Obama has signed bipartisan legislation to resurrect the Export-Import Bank. This action will extend the bank’s charter by five years until 2019.

Renewal of the 81-year-old institution’s charter was included in a five-year, $305 billion federal transportation measure that passed the U.S. Senate late December 3 on an 83-16 vote, only one day before the latest short-term funding patch was to expire. The U.S. House of Representatives passed the bill earlier in the day on a 359-65 vote.

The California Chamber of Commerce urged the state’s representatives to support reauthorizing the U.S. Export-Import Bank, which expired on June 30.

Record of Success

Ex-Im has a proven record of success, and turns a profit for the American taxpayer. Since 1990, Ex-Im has refunded $7 billion to the U.S. Treasury above all costs and loss reserves, including $674.7 billion in the 2014 fiscal year alone.

The potential impact of a lack of financing for exports for both small and large businesses would have been damag-

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Labor Law Corner

How to Pay Injured Employee for Medical Treatment Time

One of my employees got hurt at work during regular hours, and we sent him to the doctor for treatment. He didn’t finish getting treated by the doctor until a few hours after he would have been scheduled to end his normal work day. Do I have to pay him for the time he spent at the doctor, and if so, how much?

Your situation poses a couple of questions:

- The first question would be whether the employer has any obligation to pay wages for the time spent by the employee traveling to, and being seen by a medical professional as a result of a work-related injury/illness?
- The second question is: if there is any obligation to pay wages, what exactly is that obligation?

Both state and federal law touch on the scenario you’ve outlined for us, and I’ll explain how the two laws interact to address both of your questions.

Day of Injury

The federal regulation interpreting the Fair Labor Standards Act provides that “[t]ime spent by an employee in waiting for and receiving medical attention on the premises or at the direction of the employer during the employee’s normal working hours on days when he is working constitutes hours worked.” (29 Code of Federal Regulations 785.43)

This means that the employer would be responsible for paying the employee wages on the day of the injury, up to the point in time the employee was scheduled to end his normal work day, since you required him to be seen by the medical professional as a result of his work-related injury.

The employer need not pay the employee for time spent at the medical professional’s office beyond what would have been the employee’s normal quitting time.

Follow-Up Appointments

Furthermore, California Labor Code Section 4600(e)(1) makes it clear that the employee shall be compensated for follow-up medical appointments required by the employer or its insurance carrier by payment of a day of temporary disability indemnity from the workers’ compensation insurance carrier, and not the payment of wages by the employer.

To summarize, you would have to pay your employee his/her normal daily wages on the day the employee is injured and first goes to see a medical professional; but you would not be responsible to pay any wages beyond what the employee was scheduled to receive for that day.

Moreover, any other absences from work caused by the injury would be paid for by your workers’ compensation insurance company, and would not come directly from you, the employer.

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.

Business Resources

GO-Biz Tax Credit Workshop Webinar.


International Trade


U.S. Supreme Court Reverses State Court to Reinforce Arbitration to Resolve Disputes

Further emphasizing the federal policy favoring arbitration under the Federal Arbitration Act (FAA), the U.S. Supreme Court this week again reversed a California decision that failed to enforce the terms of an arbitration agreement.

The 6-3 decision on December 14 came in the case of DIRECTV, Inc. v. Imburgia.

Arbitration Provision

In DIRECTV, the service agreement contained an arbitration provision that included a class action waiver. This provision specified that the enforceability of the arbitration clause and class action waiver would be interpreted according to the “law of the state” where the consumer resides. A separate provision of the agreement indicated that the contract would be governed by the FAA.

A consumer in California filed litigation against DIRECTV, which placed the enforceability of the arbitration provision in the service agreement at issue.

California Courts

The California trial court and Court of Appeal denied DIRECTV’s motion to compel arbitration on the basis that the “law of the state” in California was that class action waivers are unconscionable and unenforceable. This statement of law was based upon the California Supreme Court’s holding in Discover Bank v. Superior Court, 36 Cal.4th 148 (2005).

Notably, the U.S. Supreme Court essentially reversed the decision by the California Supreme Court in Discover Bank by ruling in AT&T Mobility, LLC v. Concepcion, 563 U.S. 333 (2011), that states are prohibited from conditioning enforcement of arbitration agreements on the availability of class action procedures.

Basically, Concepcion approved the enforceability of class action waivers in arbitration agreements, and therefore deemed the holding in Discover Bank invalid. Despite this, the California courts relied upon the Discover Bank decision to render the arbitration agreement unenforceable.

U.S. Supreme Court Analysis

Upon review, the U.S. Supreme Court acknowledged that states have the authority to interpret contracts according to state law, even though it expressed “doubt that the Court of Appeal ha[d] correctly interpreted California law” in this case.

With that said, under the FAA, states cannot apply contract principles that have an impact only on arbitration agreements, as opposed to other contracts.

Specifically, the Supreme Court focused on whether the California court decision “place[ed] arbitration contracts ‘on equal footing with other contracts.’”

In its analysis, the Supreme Court found no other example in California of a contract being deemed unenforceable on the basis of an invalid statement of law. The high court stated that there was nothing in the Court of Appeal decision that would suggest the same decision would be reached in any contract other than one for arbitration.

Accordingly, the U.S. Supreme Court determined that California had not given “‘due regard . . . to the federal policy favoring arbitration,’” and therefore the Court of Appeal decision was pre-empted under the FAA.

The DIRECTV decision by the U.S. Supreme Court is another strong indication as to the federal pre-emption in this area and the inability for states to target or discriminate against arbitration agreements.

Staff Contact: Jennifer Barrera

National Editor Comments on Volatile Presidential Campaign Politics

William Kristol, editor of The Weekly Standard and a regular on political commentary shows, shares anecdotes with the CalChamber Board of Directors on the campaign for the U.S. presidency and explains why no party ever wins a mandate because voters change their minds from one election cycle to the next.
Sharp HealthCare CEO to Chair CalChamber Board

From Page 1

Michael W. Murphy

Murphy oversees a workforce of nearly 17,000 employees, 2,600 affiliated physicians and 2,000 volunteers. He was appointed to his position in June 1996.

He began his career at Sharp in 1991 as chief financial officer of Sharp Grossmont Hospital before moving to a systemwide role as Sharp’s vice president of financial accounting and reporting.

Before his appointment as president and CEO, Murphy served as senior vice president of business development and legal affairs. In that capacity, he directed major business transactions and evaluated and implemented business development opportunities through the Sharp system.

Murphy’s career in health care spans more than 30 years. Before joining Sharp, he worked in the public accounting industry specializing in health care, most recently as a partner with Deloitte and Touche, an international accounting and consulting firm.

Murphy grew up in Southern California. He is a graduate of California State University, Long Beach and is a certified public accountant.

He is a past chairman of the board of the Greater San Diego Regional Chamber of Commerce. Murphy is actively involved as a member and supporter of several other community-based health and social service organizations.

Executive Committee

The CalChamber Executive Committee also named its two at-large members. Serving in the rotating position for 2016 will be:

2016 Officers of CalChamber Board of Directors

Susan Corrales-Diaz
Terry MacRae
Grace Evans Cherashore

2016 At-Large Members of CalChamber Executive Committee

Robert MacLean
Diane D. Miller

- Robert MacLean, president, California American Water and Hawaii American Water; and
- Diane D. Miller, president, Wilcox, Miller & Nelson.

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
Task Force Recommends Pilot Program to Test Components of Highway User Fee

Administration Seeking Volunteers to Participate in Pilot Project

One of the few recent initiatives to improve California’s economic base was left undone when the Legislature recessed this fall without addressing transportation finance. The Legislature remains at a standoff over whether the new money should come from increased taxes or revenue surpluses.

But no matter how the special session is resolved, the fundamental structure of transportation finance is unsustainable. Taxation of gasoline is inadequate to meet the needs for system repairs and improvement because gasoline use is becoming disconnected from road use.

In a triumph of technology and market forces, cars have become far more fuel efficient, driving down revenues from the gas tax. Public policy is also lining up against the internal combustion engine, which is the sole consumer of taxed gasoline.

Task Force

Recognizing the long-term inadequacy of taxing gasoline, state leaders commissioned a task force of private citizens to recommend a design and test of the next generation in road finance—a fee based on the actual use of the state transportation network. That group—the California Road Charge Pilot Program Technical Advisory Committee—recently concluded its deliberations and provided recommendations to the Brown administration.

Loren Kaye, president of the California Foundation for Commerce and Education, a nonprofit think tank affiliated with the California Chamber of Commerce, was a member of this committee, representing business and economic interests.

Highway User Fee

Consistent with the authorizing legislation, the committee recommended a road test of a highway user charge that puts a premium on user choice and personal privacy protection. In the spirit of a true user charge, the proposal envisions a broad application of the mileage fee, with no exemptions and no rate differentials—at least in the testing phase. The committee also anticipates the user fee would be set at a rate to offset the gasoline tax. That is, this would be a replacement revenue source, not an additional revenue source.

Ultimately, once the results of the pilot test are in, the Legislature would determine the components of a new road fee—its rate, basis and application.

In the meantime, test participants will enjoy a choice of mileage recording methods, including pre-paid mileage, odometer checks, and automated mileage reporting with or without location data. A time-based permit also was included in the menu of options, although figuring a workable rate that does not encourage abuse will be a challenge.

Seeking Volunteers

The administration is looking for volunteers to participate in the pilot project. It’s free—no out-of-pocket costs. All the volunteer needs is a car. If interested, sign up at http://www.dot.ca.gov/road_charge/pilot/index.html.

A mileage fee scores very high in user equity—it aligns exactly with the amount of use a driver makes of the transportation network. On the other hand, a mileage fee is far more expensive to administer and difficult to enforce than a gasoline tax. Inevitably, the overhead for state collection agencies will be higher and the new tax, at least initially, will be more inconvenient for drivers.

But this is the price of progress. As Californians drive up fuel efficiency and drive out the internal combustion engine, we undermine our historic revenue stream for roads and highways. The mileage fee work-in-progress may be the key to long-term stability to ensure a well-maintained and operated transportation network.

Contact: Loren Kaye, California Foundation for Commerce and Education
British Consul General Speaks at CalChamber International Breakfast

President Signs CalChamber-Backed Ex-Im Bank Reauthorization

From Page 1
California and the United States. Over the last five years, Ex-Im assisted 800 businesses from California, the vast majority being small businesses.

Since 2007, Ex-Im has supported $25 billion in California exports and $3 billion in the 2014 fiscal year alone.

Small businesses account for approximately 89% of Ex-Im’s transactions. These small business transaction figures are in addition to the tens of thousands of small and medium-sized businesses that supply goods and services to large exporters. In the 2014 fiscal year, Ex-Im provided more than $5 billion in financing and insurance for U.S. small businesses.

California is one of the top economies in the world with a gross state product exceeding $2 trillion. In 2014, California exported to approximately 229 foreign markets. Trade offers the opportunity to expand the role of California’s exports.

Key Votes
Voting “aye” on the bill were 48 out of 53 California congressional representatives and both California senators. The California congressional delegation votes were as follows:

U.S. Senators (2 of 83 Ayes)
- Boxer (D-Rancho Mirage), Feinstein (D-San Francisco).

U.S. House of Representatives (48 of 359):
- Bass (D-Los Angeles), Becerra (D-Los Angeles), Bera (D-Elk Grove), Brownley (D-Westlake Village), Calvert (R-Corona), Capps (D-Santa Barbara), Cárdenas (D-San Fernando Valley), Chu (D-Monterey Park), Cook (R-Yucca Valley), Costa (D-Fresno), Davis (D-San Diego), Denham (R-Atwater), DeSaulnier (D-Concord), Eshoo (D-Palo Alto), Farr (D-Carmel), Garamendi (D-Walnut Grove), Hahn (D-San Pedro), Honda (D-San Jose), Huffman (D-Marin), Hunter (R-Alpine), Knight (R-Palmdale), LaMalfa (R-Richvale), Lee (D-Oakland), Lieu (D-Torrance), Lofgren (D-San Jose), Lowenthal (D-Long Beach), Mispel (D-Norwalk), Matsu (D-Sacramento), McCarthy (R-Bakersfield), Mcnerney (D-Pleasanton), Nunes (R-Tulare), Pelosi (D-San Francisco), Peters (D-La Jolla), Roybal-Allard (D-Los Angeles), Royce (R-Fullerton), Ruiz (D-Palm Desert), Sánchez (D-Lakewood), Schiff (D-Burbank), Sherman (D-Sherman Oaks), Speier (D-Hillsborough), Swalwell (D-Dublin), Takano (D-Riverside), Thompson (D-St. Helena), Torres (D-Pomona), Valadao (R-Hanford), Vargas (D-Golden Hill), Walters (R-Irvine), Waters (D-Los Angeles).

Noes (3 of 65): Issa (R-Vista), McClintock (R-Roseville), Rohrabacher (R-Huntington Beach).

Not Voting (2 of 9): Aguilar (D-Redlands), Loretta Sanchez (D-Anaheim).

CalChamber Position
The CalChamber, in keeping with longstanding policy, enthusiastically supports free trade worldwide, expansion of international trade and investment, fair and equitable market access for California products abroad, and elimination of disincentives that impede the international competitiveness of California businesses.

Staff Contact: Susanne T. Stirling
tion, the property tax has been used to fund local government services. By diverting local property taxes to fund state programs to end poverty, the proposed surcharge will hurt police, fire, special districts and other programs that depend on the property tax.

“Moreover, this property tax surcharge would add to California’s status as having the most burdensome tax structure in the nation, including the highest personal income tax, corporate tax, sales tax, and, under this proposed initiative, property tax. It will derail further economic growth, particularly in parts of the state where people continue to struggle.”

CalChamber Leads Opposition

The CalChamber expects to take a leadership role in working to ensure the initiative is defeated. The CalChamber position on the initiative is consistent with its previous opposition to all proposals that would increase the tax burden on commercial properties. In the last five years, the Legislature has introduced three bills that would have created a so-called “split roll” for property taxes. The CalChamber opposed those bills as job killers.

Higher Rents

The CalChamber Board expressed concern that higher taxes on rental properties will likely create higher rents for businesses and rental property residents should the measure pass.

Additional concerns include:

- The initiative will create a targeted tax on high-value property.
- Ambiguities in drafting will likely lead to litigation.
- Uncertainty will be created regarding the application of the surcharge on...
CalChamber Committee Reviews State/Federal Drought Activity

The CalChamber Water Committee takes a closer look during its December 3 meeting at state regulatory actions related to the drought, courtesy of Rami Kahion (left), director of the water division at the California Public Utilities Commission (CPUC). Kahion's review covered both CPUC actions for private water companies and State Water Resources Control Board actions for public water districts. Sean Elsbernd (right), deputy state director for U.S. Senator Dianne Feinstein, recaps discussions on federal drought legislation.

CalChamber to Present 2016 Employment Law Updates in January

For clear explanations of employer obligations, take a seat at one of the California Chamber of Commerce 2016 Employment Law Updates seminars in January.

Join CalChamber employment law experts for a comprehensive review and discussion of recent legislation, including changes to California’s gender wage equality laws and employee leave protections, amendments to the paid sick leave law, enhanced enforcement powers for the Labor Commissioner and much more.

Attendees will find a lot of compliance guidance packed into this annual half-day seminar in locations throughout California.

Nola Anderson, human resources manager at Tosoh America, Inc., agrees: “I regularly attend CalChamber’s Employment Law Updates seminar and always learn something new. It’s good information I can trust.”

2016 Employment Law Updates Seminar

- Sacramento: Thursday, January 7, 2016;
- Fresno: Friday, January 8, 2016;
- Newport Beach: Tuesday, January 12, 2016;
- Long Beach: Wednesday, January 13, 2016;
- Los Angeles: Thursday, January 14, 2016;
- San Diego: Friday, January 15, 2016;
- San Francisco: Friday, January 22, 2016;
- San Jose: Wednesday, January 27, 2016.

Live Webinar

Can’t attend a live seminar? An Employment Law Updates live webinar is scheduled for Friday, January 29, 2016.

The webinar is mobile-optimized for viewing on tablets and smartphones. Webinar attendees have access to downloadable webinar slides and the webinar recording.

Registration

For more information or to register for the half-day seminar or the live webinar, call (800) 331-8877 or visit www.calchamberstore.com. The cost is $199 ($159.20 for CalChamber Preferred and Executive members).

The 2016 Employment Law Updates seminar and webinar are approved for recertification credit hours through the Human Resource Certification Institute (HRCI) and professional development credit hours for the Society of Human Resource Management (SHRM).
State Job Growth Outpaces Nation; Inland Lags Behind Tech-Driven Coastal Areas

The Federal Reserve finally moved forward with its plans to begin normalizing interest rates in mid-December by raising the federal funds rate by one-quarter percentage point. The Fed also noted in its policy statement that it intends to gradually raise interest rates over the course of 2016 and 2017, pushing interest rates up by about one percentage point each year.

Rising interest rates typically serve as a brake on economic activity and there is some evidence activity may already be cooling off in anticipation of the Fed’s move. Expectations for higher interest rates have pushed the dollar higher against most major foreign currencies and have pulled commodity prices lower.

Manufacturing activity also has slowed, as evidenced by the recent drop in the ISM Manufacturing Survey below the key 50 break-even level and continued weakness in industrial production. Employment growth has held up relatively well, however, as many of the sectors most directly impacted by the stronger dollar, lower commodity prices and slower growth overseas tend to be capital intensive. More labor-intensive parts of the economy, including health care, professional and technical services, and the leisure and hospitality sector, have been less impacted.

The rise in interest rates and expectations for additional rate hikes in coming years raises risks for the California economy in the coming year. Recently, hiring in the Golden State has risen at a pace one-and-a-half times stronger than the rest of the country.

Overall economic conditions, however, encompass a sizable divide between the stronger-growing metropolitan areas along the coast and the slower-growing inland areas. Every metropolitan area has shown improvement over the past year and gains have been significantly more even than in prior years. The state’s economy continues to be driven by information technology, life sciences and tourism, which tend to be focused in and around the larger metropolitan areas along the coast.

Technology
This comes as no surprise, as employment in professional and business services includes many of the industry groups from the state’s rapidly growing tech and life sciences sectors. Employment in professional, scientific and technical services, which includes software engineering, computer system design, and scientific research and development, rose 6.2% over the year, an addition of 74,300 jobs. The bulk of this gain has been in San Francisco, San Diego and Los Angeles.

Hiring has ramped up considerably in California’s technology sector in recent years. The San Francisco Bay Area continues to benefit from the growth of new innovative enterprises. Ride-hailing service company Uber recently revealed its plan to build its global headquarters in the Bay Area by 2017. The company will have a seven-story office building in Oakland, as well as two offices in San Francisco’s Mission Bay neighborhood. In total, Uber’s three locations will account for more than 800,000 square feet of real estate and is projected to house between 2,000 and 3,000 employees. Uber’s office in Oakland furthers the strong recent momentum in that market.

Additionally, Cupertino-based Apple has been snapping up office space across Silicon Valley to keep up with its rapidly expanding workforce, which now totals about 25,000 in the Santa Clara Valley. Apple’s new campus, “the spaceship,” is projected to house 13,000 workers upon completion.

In addition, cloud storage company Dropbox recently announced plans to centralize its headquarters in San Francisco’s South of Market (SOMA) neighborhood, and will expand into three buildings in the area.

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Tourism
Tourism is another bright spot in California’s economy. Hotel occupancy rates and revenue per available room (RevPAR) have risen across the state.

The San Francisco Bay Area, Santa Rosa, and Napa Valley areas saw the highest occupancy rates in September, reporting rates of 86%, 85.6% and 84.4%, respectively. The state as a whole posted a 77% occupancy rate, much higher than the national average of 67.9%.

RevPAR averaged $119.25 for the state, with the highest room rates in Napa Valley at $289.11. Visitor spending at California hotels totaled $58.2 billion in 2014, and should easily top that figure by 5% to 6% this year.

Visitors continue to flock to California’s major metropolitan areas. Air traffic through Los Angeles International Airport rose solidly this year, with domestic traffic rising 6.1% and international traffic climbing 13.4%. San Francisco International Airport has also seen increased traffic, as domestic deplaned passenger counts rose 6% and international deplaned passengers rose 8.9% over the year. Passenger traffic was also up in San Diego, San Jose and Oakland.

Growth has fueled hiring in the leisure and hospitality sector, which is likely to continue as plans are currently in the works for expansions at several theme parks, as well as a number of new hotels.

Entertainment
Hollywood has performed solidly over the past year. Box office receipts are up 6.1% on a year-to-date basis through September, rising from $7.7 billion in 2014 to $8.2 billion in 2015. Box office receipts reached a new high in 2015 for the third quarter at 4,308 shoot days. TV pilot and TV sitcom had the largest percentage gains, while TV reality experienced the only decline.

In addition, the impact of the film tax credit was apparent in the reported third quarter numbers. Incentive-qualified projects accounted for 20.8% of the on-location shoot days in TV drama, 8.6% for TV sitcoms and 33.6% for TV pilots. The new tax incentive has helped spur a significant amount of work in the California film industry and is likely to continue to help Hollywood remain competitive with other markets heading into 2016.

Housing
Housing remains a significant challenge for California. Home prices have continued to rise much faster than income, creating a large affordability hurdle for many homebuyers. According to the California Association of Realtors, the median single-family home price in California rose 5.6% year over year to $480,630 in October.

There have been signs of slowing price appreciation more recently in the month-to-month data; weaker global economic growth is likely beginning to weigh on foreign demand. California home sales have ramped up over the year, with existing single-family home sales up 5.8% over the year on a three-month moving average basis.

Residential construction also is on the upswing. Single- and multifamily housing permits have made notable gains and are currently at post-recession highs. A significant portion of growth has come from apartments, particularly in the San Francisco Bay Area and Los Angeles.

Agriculture
Four years into the drought, California’s agriculture sector has weathered the situation relatively well. Strong overall demand for California-grown fruits, nuts and vegetables has aided the farm economy through one of the most difficult operating environments in its history.

While farm receipts have held up well
State Job Growth Outpaces Nation; Inland Lags Behind Tech-Driven Areas

Rising crop prices have helped to boost agricultural revenue, allowing California to remain the No. 1 state in the nation for largest total agriculture value in 2014. The USDA reported that California cash farm receipts for total crops peaked in 2014 at $38.2 billion, a slight increase from the $38.1 billion earned in 2013.

Conclusion and Outlook
California’s economy has thrived amid what has otherwise been a somewhat disappointing economic recovery. Job growth has consistently outpaced the nation in recent years and personal income and gross state product are both expanding at some of the fastest rates in the nation.

The state’s economic recovery has been extremely uneven, however, with the strongest growth coming along the coast, particularly in areas benefitting from the state’s leading position in the rapidly growing information technology and life sciences sectors. Tourism and international trade also are growing solidly. These industries, however, do not tend to generate anywhere near as many high-paying jobs as the tech sector does. Moreover, growth in the interior of the state, which is more dependent on agriculture, has tended to lag.

With so much growth concentrated in the state’s larger metropolitan areas, housing costs have skyrocketed. There also have been persistent efforts underway to raise the minimum wage and several local communities have already done so. Businesses also have left the state in fairly large numbers, seeking both lower operating costs and less regulatory burden.

That said, California has not only held up relatively well, but somehow managed to thrive, at least on an overall basis. The council expects California’s good fortune to hold for at least another year. Employment gains may moderate somewhat, however, as access to capital begins to tighten a bit amid rising interest rates.

Some of the most recent initial public offerings for tech companies have come in well below the implied values in the private-equity market, a development that should ripple back through the funding pipeline. Slower growth overseas also might present a bit of challenge, as exports slow further. Home sales and new home construction, which have seen only a modest recovery so far, also may see activity improve a bit more slowly, as higher mortgage rates further crimp housing affordability.

Despite all these challenges, the state’s economic growth should still easily outpace the national average in 2016 and the unemployment rate should approach the national rate toward the end of the year.

Staff Contact: Dave Kilby

The California Chamber of Commerce Economic Advisory Council, made up of leading economists from the private and public sectors, presents a report each quarter to the CalChamber Board of Directors. This report was prepared by council chair Mark Vitner, managing director and senior economist at Wells Fargo Securities, LLC.

Publication of this report is a project of the California Foundation for Commerce and Education.
Simplify your training requirement and reward supervisors with free coffee.

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

Get a $5 Starbucks eGift Card for every California Harassment Prevention training seat you purchase by 12/31/15. Use priority code CHTA. Preferred and Executive members receive their 20% discount in addition to this offer.

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