



An Overview of Proposed Laws in 2015 that will Impact Torrance Employers

By: Torrance Chamber’s Governmental Affairs Policy Group

The Torrance Area Chamber of Commerce (TACC) is a collaborative organization that advocates for a strong local economy. Through its Governmental Affairs Policy (GAP) group, the TACC has identified legislation being considered in the State Legislature that will have significant impacts on Torrance businesses and the local economy. This white paper highlights the most noteworthy policies still being considered heading into the House of Origin deadline (June 5). It also communicates the viewpoints of the Torrance business community on each specific measure. For more information on TACC policy positions contact the TACC’s Government Affairs Coordinator, Brandon Matson, at 310-792-2339 or BrandonMatson@TorranceChamber.com.

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Needed Improvement of the State's Small Business Climate

The major issues impacting Torrance small businesses are: high labor costs and frivolous laws, regulations, and taxes.

High Labor Costs are Impacting Torrance Businesses

High Workers' Compensation Costs a Major Concern for Torrance Employers. According to a recent study released by the Oregon Department of Business and Consumer Services, California employers shell out the highest workers' compensation costs in the country. California nabbed the top spot two years after implementing the state's largest reform to its workers' compensation system in some time. In 2012, the state agreed upon a bipartisan reform of the state's system that was built on a simple premise--increase permanent disability (PD) benefits for permanently disabled workers by reducing system "friction" costs for employers. The TACC supported the 2012 reform; however, we recognize that the reform placed an unbalanced amount of risk on the employer versus the employee. The risk disparity stems from one primary factor of the reform--PD benefits were legislatively enacted whereas system costs were contingent on proper regulatory implementation of the reform. In 2015, two legislative proposals (AB 305 and SB 563) seek to limit the reduction of "frictional" system costs for employers agreed upon in 2012. *The TACC is strongly opposed to both measures.*

AB 305 (Gonzalez) - OPPOSE - Increases Workers' Compensation Costs. Expands workers' compensation coverage beyond industrial injuries by barring apportionment for some pre-existing injuries or conditions.

AB 563 (Pan) - OPPOSE - Significantly Increases Workers' Compensation Costs. Exposes injured workers to potentially inappropriate treatment, undercuts the recent workers' compensation reforms and significantly increases workers' compensation costs by eliminating the Utilization Review and Independent Medical Review process for many treatment requests.

The TACC assesses the 2012 reform to be summarized by the following equation:

$\uparrow \text{PD} + \downarrow \text{Employer Frictional Costs} = \text{Viable cost offset mechanism}$

AB 305 and SB 563 will produce the below change to the aforementioned equation, resulting in an increase in current system costs:

$\uparrow\uparrow \text{PD} + \uparrow \text{Employer Frictional Costs} = \text{"rollback" of cost offset mechanism}$

Prudent Policymaking Hindered by the Demagoguery of Minimum Wage. Increasing the Minimum Wage has once again been proposed in the State Legislature (SB 3) despite the current Minimum Wage increase to \$10/hr not taking place until January 1, 2016.

The TACC Perspective on Minimum Wage. Two viewpoints primarily lead the TACC to currently oppose minimum wage increases:

1. Minimum wage is not the paramount line of effort to lift people out of poverty. Poverty-related policy should primarily focus on providing the framework for increased access to higher education, career technical education, and adult re-education. Such efforts need to be at the

forefront of the policy discussion on low wages. The TACC is committed to being a leader in the workforce development arena to champion initiatives that increase educational opportunities and pathways to quality jobs in our area.

Dedicated Funding for SoCal ROC - the TACC continues to advocate the importance of finding a dedicated funding solution for the Southern California Regional Occupation Center (SoCal ROC). SoCal ROC provides incredible opportunities for the South Bay workforce to elevate its education level. Unfortunately, the center faces the threat of closure each year due to state funding conflicts.

2. How is the cost-benefit assessment of the effectiveness of minimum wage on poverty being appropriately considered if the current minimum wage increase has not yet taken place? At minimum, the agreed upon wage increase should, first, be fully implemented and, second, be painstakingly assessed for its economic benefit. None of this analysis is being done because the economic adjustments to the policy have not fully occurred since the policy has not yet been fully implemented. The demagoguery of minimum wage is hindering the level of prudence needed for this issue.

For these reasons, the TACC opposes the below measure:

SB 3 (Leno) - OPPOSE - Unfairly imposes an automatic \$3.00 increase in minimum wage over the next two and a half years, and thereafter ties it to inflation, that will continue to increase costs on employers of all sizes, regardless of other economic factors or costs that California employers are struggling with to sustain their business.

Note: SB 3 has been placed on Senate Appropriations suspense file

The TACC opposes the below-listed bills and assess their impacts to significantly increase the cost of labor in California:

AB 67 (Gonzalez) - OPPOSE - Increases California Employers' Cost of Doing Business on "Family Holidays". Places brick and mortar stores at a competitive disadvantage to online retailers by requiring employers to pay employees double compensation by designating Christmas and Thanksgiving as family holidays.

Note: AB 67 has been placed on the Assembly Appropriations suspense file

AB 357 (Chiu) - OPPOSE - Predictable Scheduling Mandate/Protected Leave of Absence. Imposes an unfair, one-size fits all, two-week notice scheduling mandate on certain retail and food employers that penalizes these employers with "additional pay" for making changes to the schedule with less than two weeks notice, and additionally imposes new, protected leave of absence from work as well as a broad new protected class of employees who are receiving public assistance or have an identified family member receiving such assistance. *The TACC assesses AB 357 as a foothold for future legislation, similarly-themed, that will apply this law more broadly.*

Frivolous Laws, Regulations, and Taxes a Hindrance for Torrance Businesses. Small business is the foundation of the Torrance community. The TACC supports legislation that promotes job growth, reforms bad regulatory procedures, and protects businesses from an unhealthy business

climate. The TACC assesses the below-listed measures to increase the cost of doing business in the state by implementing frivolous laws, regulations, and/or taxes on Torrance businesses.

AB 359 (Gonzalez) - OPPOSE - Costly Employee Retention Mandate. Inappropriately alters the employment relationship and increases frivolous litigation by allowing a private right of action and by requiring any successor grocery employer to retain employees of the former grocery employer for 90 days and continue to offer continued employment unless the employees' performance during the 90-day period was unsatisfactory. *The TACC assesses AB 359 as a foothold for future legislation, similarly-themed, that will apply this law more broadly.*

AB 465 (Hernandez) - OPPOSE - Increased Litigation. Significantly drives up litigation costs for all California employers as well as increases pressure on the already-overburdened judicial system by precluding mandatory employment arbitration agreements, which is likely preempted by the Federal Arbitration Act.

AB 708 (Jones-Sawyer) - OPPOSE - New Labeling Mandate. Stifles innovation and imposes unnecessary burdens on businesses by requiring manufacturers of specific consumer products to disclose every ingredient contained in the product by posting that information on the product label and on the manufacturer's Internet Web site without providing any confidential business information protections.

SB 684 (Hancock) - OPPOSE - Increased Tax Rate. Threatens to significantly increase the corporate tax rate on publicly held corporations and financial institutions up to 15% according to the wages paid to employees in the United States, and threatens to increase that rate by 50% thereafter, if the corporation or institution reduces its workforce in the United States and simultaneously increases its contractors.

The TACC supports the below-listed efforts and assesses their impact to reduce regulatory burdens on employers as well as promote economic growth in the Torrance area.

ADA Compliance. Torrance businesses have been subjected to a growing and unfortunate trend in ADA lawsuits. The California Chamber of Commerce comments on the trend, "Due to California's current statutory framework for construction-related accessibility claims, small businesses have, unfortunately, been targeted by a limited group of attorneys to leverage extortion-type settlements for technical construction-related standards, which do not actually impede physical access to the facility for disabled patrons...businesses are pressured into paying settlements for these lawsuits instead of focusing their financial resources on improving access at their place of business." Fortunately, there has been solid work undertaken in the Legislature in 2015 to address issues within the ADA arena. The TACC supports the below-listed measures for their positive impacts to promote accessibility for disabled business patrons while also providing clarity and reliability for business owners regarding ADA compliance.

SB 251 (Roth) - SUPPORT - Incentivizing Disability Access and Education. Seeks to limit frivolous litigation and claims regarding construction-related accessibility claims by providing businesses who have proactively sought to become ADA compliant with an opportunity to resolve any identified violations as well as a provide a limited period in which to resolve technical violations that do not actually impede access.

AB 54 (Olsen) - SUPPORT - Disability Access Litigation Reform. Seeks to limit frivolous litigation regarding construction related accessibility standards by incentivizing employers to obtain a Certified Access Specialist inspection by providing a tax credit for such inspections.

Reduction of Regulatory Burdens

AB 12 (Cooley) - SUPPORT - Regulatory Reform. Strengthens the accountability and transparency of the state's regulatory process, which paves the way to effective and least burdensome regulations

Note: AB 12 has been placed on the Assembly Appropriations suspense file

AB 543 (Quirk) - SUPPORT - Reduces Overwarning Under Proposition 65. Provides businesses with greater confidence when conducting scientific exposure assessments by stating that a business does not "knowingly and intentionally" expose individuals to Proposition 65-listed chemicals and thus need not provide a warning if the exposure assessment meets certain requirements.

AB 797 (Steinorth) - SUPPORT - Transparency and Accountability. Strengthens the accountability and transparency of the state's regulatory process, which paves the way to effective and least burdensome regulations by requiring legislative review of major regulations that have an economic impact of \$50 million or more.

Retaining a Vibrant Aerospace and Defense Sector in the State is Critical

Decisive to the retention of a vibrant Aerospace and Defense sector in the South Bay is the retention of the Los Angeles Air Force Base (LA AFB) in the region. Torrance, along with the South Bay community, has proudly called itself home to one of the largest clusters of aerospace industry in North America for over 50 years. The LA AFB is vital to the efficacy of our National Defense as well as to the development of the aerospace industry in California. According to the Financial Management and Comptroller division of the office of the Secretary of the Air Force, the base indirectly creates over 11,000 jobs in the South Bay and in fiscal year 2013, assessed the overall economic impact of the Base in the South Bay to be nearly \$1.7 billion. The TACC is committed to maintain the base's presence in our region and to ensure a high quality of life for the Base's Military members and their families.

AB 306 (Hadley, Burke, Allen) - SUPPORT - This bill will help Military families face the difficult realities of adjusting to new schools each time a family is re-stationed by authorizing a parent, on active Military duty, of a pupil enrolled in a school district of residence to submit an application for the pupil to attend a school in any school district of choice.

The TACC appreciates the fact that the Nation's service men and women sacrifice a great deal of their individual freedoms in order to protect the freedoms enjoyed by the citizens of the United States. The TACC believes our Military service members deserve to have special consideration of where they send their children to school since they have sacrificed much of their freedom to determine where they will live. Furthermore, Military Bases in California are vital to National Defense and are important economic drivers of quality jobs and growth. As a state, it is crucial

to demonstrate support for our Military Bases and the positive effects the installations have both domestically and abroad.

AJR 11 (Burke) - SUPPORT - This measure would memorialize the President and the Congress of the United States to recognize the unique military value of California's defense installations and the disproportionate sacrifices California has endured in previous base realignment and closure (BRAC) rounds.

It appears that BRAC efforts will commence in 2017. AJR 11 helps to communicate the value of Bases like the LA AFB to the Department of Defense should a BRAC effort be commissioned in the future.

Export-Import Bank. The TACC continues to support a long-term solution to uphold the Export-Import Bank of the United States.

AJR 14 (Chu) - SUPPORT - Urges Congress to re-authorize the Export-Import Bank of the United States (Ex-Im Bank) thereby enabling U. S. companies – both large and small to turn export opportunities into real sales that help maintain and create U. S. jobs and contribute to a stronger national economy.

Disproportional Outcomes for Torrance Businesses in the State's Expeditious Push to a 50-percent Clean Energy Economy

The cost of a market transformation to a 50-percent clean energy economy, as proposed by State Senate leadership in its Senate Bill 350, is claimed to be offset by economic growth generated through government-induced market incentives. The TACC is concerned that Torrance does not proportionately share access to such market incentives but proportionately shares in market transformation costs. The TACC also disputes the validity of the bill's proponents' claim that the clean energy policy framework being established in the Legislature is creating enough growth to economically justify an *expedient* transformation to a 50-percent clean energy economy. Although the TACC promotes a clean environment, we are strongly opposed to the below-listed measures for their lack of consideration towards the state's transportation crisis and the economy.

SB 350 (De Leon) - OPPOSED - Costly and Burdensome Regulations. Potentially increases costs and burdens on all Californians by mandating an arbitrary and unrealistic reduction of petroleum use by 50%, increasing the current Renewable Portfolio Standard to 50% and increasing energy efficiency in buildings by 50% - all by 2030 without regard to the impact on individuals, jobs and the economy.

SB 32 (Pavley) - OPPOSED - Halts Economic Growth. Increases costs for California businesses, makes them less competitive and discourages economic growth by adopting further greenhouse gas emission reductions for 2030 and 2050 without regard to the impact on individuals, jobs and the economy.

Expedient Climate Change Policies Cause Unmitigated Economic Risks. The TACC is concerned that Torrance businesses are subject to the negative economic adjustments that may occur should

SB 350 and SB 32 pass (e.g., high gas prices, new “fees” and taxes, reduced consumer purchasing power, etc.) but will be without proportional access to the cost offsets championed by SB 350 proponents. Torrance is not a “high-density” developed city nor largely considered a “disadvantaged” community, which limits its competitive access to Green House Gas Reduction Fund (GGRF) monies-- the “green market incentives” being championed by SB 350 supporters. An example of a negative effect of the state’s impetuous push to a clean energy economy is the state’s current transportation funding crisis. The crisis has been exacerbated by the proceeding of unprecedented climate change policies that incentivize the usage of fuel efficient vehicles and mandate reductions in vehicle miles traveled, without a viable solution in place to finance the state’s decaying transportation infrastructure resulting from a steep decline of gas tax revenue. **THE TACC IS STRONGLY OPPOSED TO THE RAISING OF TAXES OR IMPLEMENTATION OF “FEES” AS A LAST RESORT TO GENERATE REVENUE**, which is the only solution the Legislature has offered in 2015 to fund the upkeep of the state’s transportation infrastructure. Two constitutional amendments have also been introduced to lower voter threshold for special taxes, largely as a result of insufficient funds for transportation infrastructure. The TACC opposes both.

ACA 4 (Frazier) - OPPOSE - Lowers Vote Requirement for Tax Increases. Adds complexity and uncertainty to the current tax structure and pressure to increase taxes on commercial, industrial and residential property owners by giving local governments new authority to enact special taxes, including parcel taxes, by lowering the vote threshold from two-thirds to 55% for the funding of local transportation projects.

SCA 5 (Hancock) - OPPOSE - Lowers Vote Requirement for Tax Increases. Adds complexity and uncertainty to the current tax structure and pressure to increase taxes on commercial, industrial and residential property owners by giving local governments new authority to enact special taxes, including parcel taxes, by lowering the vote threshold from two-thirds to 55%.

Conclusion. The TACC is advocating for state Legislators to evaluate environmental needs with sound economic judgments. A fifteen year push to a 50-percent clean energy economy is overly expeditious and leaves many economic risks unmitigated or “pretentiously” mitigated. The first-round of unprecedented climate change policy (AB 32) is still five years from its full implementation (year 2020). The TACC believes new climate change policy needs to be painstakingly assessed with appropriate time allotted for economic impact studies of AB 32, and like policies, to be fully analyzed prior to transformational legislative proposals like SB 350 to be considered. The TACC is also deeply concerned that voters will have no oversight of the agency actually formulating the transformation plan since the authority is empowered to CARB--an unelected body.

End.

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