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WatchDog

Guarding the Business of Print

August 2012

Headline Summary

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Green Chemistry Regulations

On July 27th, the California Department of Toxic Substances Control (DTSC) released its proposed green chemistry regulations, which starts a 45-day comment period ending at the close of business on September 11th.

In 2008, two bills were passed by the State legislature and signed into law, AB 1879 and SB 509. These bills established the criteria for a California green chemistry program and tasked DTSC with setting up a regulatory structure. The proposed regulations are intended to create a systematic, science-based process to evaluate chemicals of concern, and identify safer alternatives to ensure product safety.

This program will identify chemicals of concern and then narrow the focus to specific products containing those chemicals. DTSC Director Debbie Raphael has stated that her department will focus on two to five products per year initially. Manufacturers of products that are targeted will be required to conduct an alternatives assessment for possible substitution with a safer chemical.

DTSC will review the recommendations coming out of the alternatives assessment and impose a regulatory response which could result in a product ban, acceptance of no change, required substitution, labeling requirements, product restrictions, encapsulations of toxic ingredient, etc. Companies that do not comply will not be allowed to sell their products in the state.

The proposed regulations can be viewed at the following URL: *http://www.dtsc.ca.gov/SCPRegulations.cfm*

Postal Service Default

On September 30th, the U.S. Postal Service defaulted on a $5.5 billion payment toward retiree health benefits to the Treasury. Under a controversial law passed in 2006, the payment is a "prefunding" requirement that doesn't apply to other government agencies.

The Senate passed a bill that would address the pre-funding burden, free up money to eliminate roughly 100,000 jobs and limit overnight delivery in some areas.

The House, however, has not yet produced any legislation. Rep. Darrell Issa (R-Calif.), chairman of the House Oversight and Government Reform Committee, has championed a bill more austere than the Senate's, allowing for the phasing out of around 150,000 jobs and facilitating a faster move to five-day delivery.

Retirement Confidence Survey

Americans' confidence in their ability to afford a comfortable retirement has reached historical low-levels, according to a survey by the Employee Benefit Research Institute (EBRI). Major findings of the survey are as follows:

- *Confidence Index*. Just 14 percent of workers are very confident they will have enough money to live comfortable in retirement.
- *Employment Insecurity*. 42 percent identified employment uncertainty as the most pressing financial issue facing Americans today.
- *Little Savings*. Many workers report they have virtually no savings and investments. In total, 60 percent of workers report that the total value of their household's savings and investments, excluding the value of their home and any defined benefit plans, is less than $25,000.
- *Concern About Health Costs*. Workers'confidence in having enough money to pay for medical expenses and long-term care in retirement is well below their confidence level for paying basic expenses.
- *Reliance on Social Security*. Retirees report they are significantly more reliant on Social Security as a major source of income than current workers expect to be.

Source: Employment Benefit Research Institute, March 13, 2012, press release

Facebook Searches

Businesses have increasingly searched Facebook for information on job applicants. Now some businesses have reportedly been asking applicants (and employees) for their Facebook login information. In response, Senator Leland Yee (D-San Francisco) has introduced Senate Bill (SB) 1349, which would prohibit employers from requiring applicants or employees to disclose their social media account information.

The bill has passed the Senate and one committee and awaits further hearing in the Assembly Committee on Appropriations.

We advise companies to refrain from requesting access to applicants' or employees' personal social media accounts. If you access an applicant's Facebook account, you may discover information that you are prohibited from obtaining, such as an applicant's sexual orientation, gender identity, or religion. An employee's Facebook account is also likely to reveal personal photos, private e-mail messages, and otherwise personal and confidential data.

GDP Growth Picture

The Obama administration recently released its 2013 Mid-Session Budget. The review makes stronger growth projections than do Blue Chip private economists.

Here are growth projections of real GDP, fourth quarter to fourth quarter, for the next five years:

Year	Administration	Private
2012	2.6	2.0
2013	2.6	2.5
2014	4.0	3.1
2015	4.2	3.0
2016	3.9	2.9

Why are these differences important? The administration's growth forecasts are the basis of budget revenue projections. If the private economists' slower growth predictions occur, there will be less tax revenue and larger budget deficits than the administration's forecasts.

Source: grgmankiw.blogspot.com

Initiative Evaluations

The nonpartisan Legislative Analyst Office (LAO) has released its official evaluation of all 11 upcoming November ballot measures.

Each evaluation provides an overview, background information and projects the fiscal effects of each measure.

The following is a list of initiatives that have qualified for the ballot.

Proposition 30 – Tax to fund education (backed by Governor Brown)
Proposition 31 – Establishes two-year budget cycle
Proposition 32 – Prohibits political contributions by payroll deductions
Proposition 33 – Allows insurance companies to set prices based on driver's record
Proposition 34 – Repeals death penalty
Proposition 35 – Increases criminal penalties for human trafficing
Proposition 36 – Revise three strikes law
Proposition 37 – Requires labeling of genetically engineered food
Proposition 38 – Tax for education and early childhood programs
Proposition 39 – Tax treatment for multi-national corporations
Proposition 40 – Revise State Senate district boundaries

You can see more information at *http://www.lao.ca.gov/laoapp/ballot_source/Propositions.aspx*.

Unemployment Insurance Fund

Beginning in 2008, the Unemployment Insurance (UI) funds of many states, including California, became insolvent. Many states sought loans from the federal government. As of June 2011, California's outstanding federal loan totaled over $10 billion.

The newly enacted state budget borrows money from another fund which supports disabled workers to pay a pending $300-plus million interest payment, but legislation pending in Congress would give California and other states relief from unemployment insurance interest.

There's no certainty legislation will be enacted and California still needs a long-term plan to bring unemployment benefits and revenues into balance, according to a new report by the Legislature's budget analyst. The analyst's proposals could return California's UI fund to solvency, mostly by sharply increasing payroll taxes paid by employers.

The report proposes to increase employer contributions by more than doubling the wage base from $7,000 to $15,000, mirroring the White House proposal, reducing benefits from the current maximum of $450 per week to $375, tightening up eligibility for benefits, and reducing the "wage replacement rate" from 50 percent to 45 percent.

Were such a plan adopted in 2014, the report concluded, the state's deficit, and therefore its debt to the federal government, would be eliminated within two years and the UI fund would gain a reserve.

It is estimated that if adopted, the plan would increase UI revenues by $11 billion over four years and reduced benefit outgo by $4 billion. That would mean an average 60 percent increase in employer-paid UI costs per employee and an average benefit reduction of 12 percent.