

POLICY WATCH – October 2012

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Please Vote: Tight Races Make for a Long Election Night



NBLC urges you to vote in this election. While much is being made of the tight presidential race, there are many state and local races that are also nail biters. See below for NBLC’s endorsements in this election and check out California Choices, a nonpartisan organization whose main focus is to present users with access to nonpartisan and accessible information about statewide ballot measures. Scroll down to the page on this link to see what measures have been endorsed by labor, political parties, business, and environmental and nonprofit groups. <http://californiachoice.org/ballot-measures-2012-11/endorsements>

If you are voting absentee, make sure you mail your ballot no later than Tuesday, October 30. If you are going to the polls on Nov. 2, do not be dissuaded from doing so by early projections of the presidential race. Each vote will make a difference so be a good citizen and exercise your right to vote. And welcome to the more than one million new voters who seized the opportunity to register online by Nov. 6. These new voters have pushed voter registration to near record high in California!

Best,



NBLC President & CEO

NBLC Endorses Candidate & Ballot Measures Good for Jobs & Prosperity

Congressional Races

Mike Thompson
Jared Huffman

State Senate

Lois Wolk

Assembly, District 10

Marc Levine

State Ballot Measures

SUPPORT Props 31, 32, and 40

Sonoma County

Sonoma County Supervisor

John Sawyer

Santa Rosa City Council

Ernesto Olivares

Don Taylor: Support

Petaluma City Council

Mike Healy

Gabe Kearney

Kathy Miller

Napa County

Napa City Council

Alfredo Pedroza

Jim Krider

Napa Mayor

Jill Techel

Marin County

SUPPORT Measure A

North Bay Economy “Fixing Itself”

Chris Thornberg of Beacon Economics spoke recently on how the economy is fixing itself and used Sonoma County’s significant increase in jobs as a good example. Putting this into perspective, Thornberg said that Sonoma County now ranks first in job growth among California’s metro areas with a 4.8 percent increase in jobs over the past year, which is twice as fast as the rest of the state. With California having the third fastest job growth in the nation, behind North Dakota and Texas, Sonoma’s numbers are quite an accomplishment.

Predicting a stronger 2013, Thornberg saw more jobs coming to the North Bay as a result of the overheated commercial markets in San Francisco and Silicon Valley that should drive companies north in search of more affordable rents and an educated workforce. Other positive indicators are an increase in housing starts and increase in home purchases, coupled with the end of the foreclosure crisis. In Sonoma County, the housing inventory is below six months indicating a tightening market. Purchases of new automobiles are also up. He said that debt is cheaper than ever, making the U.S. public not credit-constrained and pushing consumer spending to its highest levels in history.

Thornberg pointed out that most of the economic risks we face are policy-related as in the potential risks of the U.S. going off of the “fiscal cliff” if Congress can’t reach a reasonable compromise. “Fiscal cliff” is commonly used to describe what the U.S. government will face at the end of 2012, when the terms of the Budget Control Act of 2011 are scheduled to go into effect.



Among the laws set to change at midnight on December 31, 2012, are the end of last year’s temporary payroll tax cuts (resulting in a 2% tax increase for workers), the end of certain tax breaks for businesses, shifts in the alternative minimum tax that would take a larger bite, the end of the tax cuts from 2001-2003, and the beginning of taxes related to President Obama’s health care law. At the same time, the spending cuts agreed upon as part of the debt ceiling deal of 2011 will begin to go into effect. According to *Barron’s*, over 1,000 government programs - including the defense budget and Medicare are in line for "deep, automatic cuts."

From “What is the Fiscal Cliff?” by Thomas Kenny, About.com Guide, we learn that “In dealing with the fiscal cliff, U.S. lawmakers have a choice among three options, none of which are particularly attractive:

- They can let the current policy scheduled for the beginning of 2013 – which features a number of tax increases and spending cuts that are expected to weigh heavily on growth and possibly drive the economy back into a recession – go into effect. The plus side: the deficit, as a percentage of GDP, would be cut in half.

- They can cancel some or all of the scheduled tax increases and spending cuts, which would add to the deficit and increase the odds that the United States could face a crisis similar to that which is occurring in Europe. The flip side of this, of course, is that the United States' debt will continue to grow.
- They could take a middle course, opting for an approach that would address the budget issues to a limited extent, but that would have a more modest impact on growth."

Thornberg believes that fears of going off the fiscal cliff are overblown. He described it as "a self-created crisis." If no compromise is reached, he cautioned that there would be no overnight impact as the effects of the cuts and the tax increases would take months to occur. More importantly, Thornberg and other economists believe that Congress will be pressured to act by the business community and constituents in the line of fire to fix the problem.

Echoing Thornberg is Bill Bischoff (Market Watch, Wall Street Journal, Oct. 24), who says that much of the personal tax issues that are raised in the fiscal cliff scenario won't happen no matter who is elected. Bischoff predicts that the payroll tax holiday will be extended. He says the Bush tax cuts on ordinary income will be retained on the 10%, 15%, 25% and 28% brackets, but what happens on the two top brackets (33% and 35%) will be determined by the outcome of the election. Bischoff thinks the preferential rates on capital gains and dividends will be extended with the possible exception of upper tax brackets taxpayers.

The marriage penalty, because it hits the middle class, will be extended. The Alternative Minimum Tax patch will be "affixed in the post-election lame duck Congressional session regardless of who wins, but if Romney wins and the Republicans retain the House, the AMT may be history." As for the estate tax, Bischoff thinks either victor will keep the exemption "somewhere in the \$3 million to \$5 million range, and the maximum tax rate will be somewhere between 35% - 45%." Again, if Romney and the Republicans win big, the estate tax may be repealed.

Harkening back to his remark that the economy is fixing itself, Thornberg said, "The role of government is not to create jobs, its role is to make it easier for business to do business." If government can do its role well, the U.S. economy will strengthen and the private sector will create jobs and invest in growth producing R & D, new technology and more.

How Taxation by Government has Changed

In The Economist (Oct. 24, 2012) an article titled "Fun with Tax," has a great chart comparing taxation rates as a percentage of GDP for six countries, including the U.S. The article says, "What is undoubtedly true is that taxation is less onerous now than was the case until recently, in the rich world at least. New data released by the OECD show that, measured by the share of GDP gobbled up by the taxman, tax burdens have come down in most countries since the turn of the 21st century. Within this macro trend, two smaller ones stand out. First, all the countries that were members of the European Economic Community in 1975 pay a smaller share of their GDP in dues to the European Union than they did then, suggesting talk of a ravenous Leviathan in Brussels is overdone. Second, in much of the rich world there is

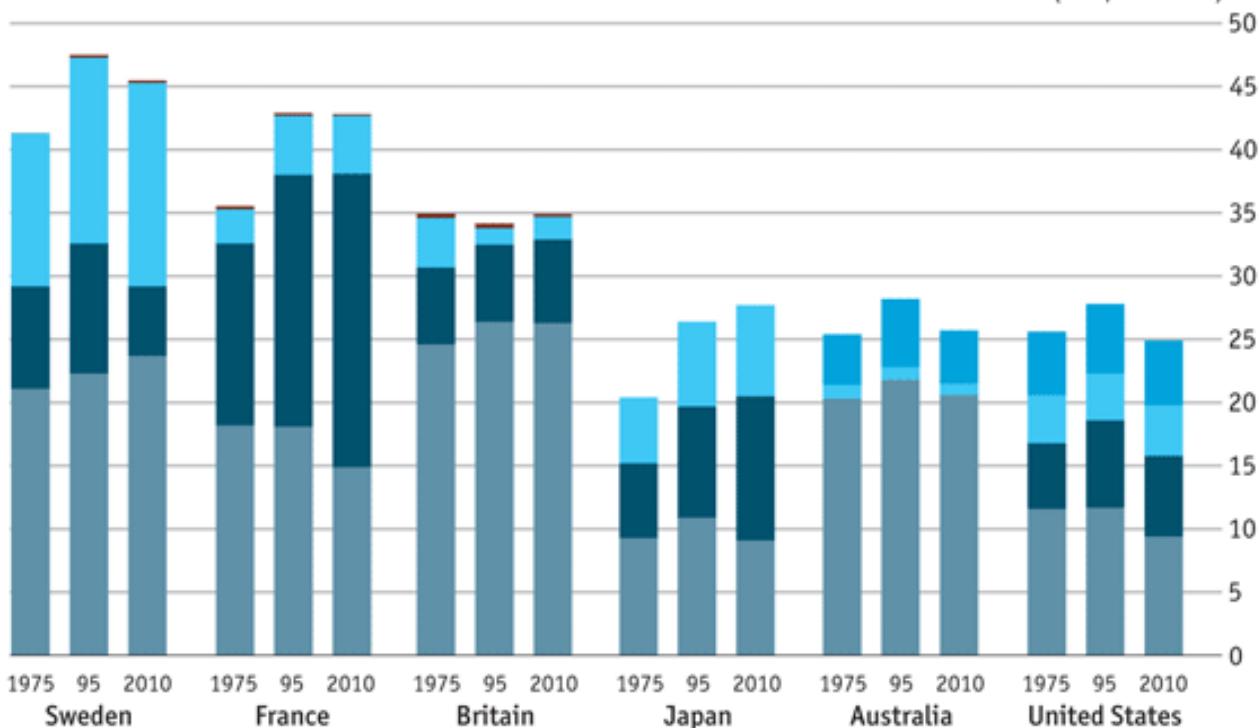
a trend towards taxes being spent in state and local government, rather than central government. America's politicians, who spend much time railing against federal bureaucracy, have yet to notice this."

Tax revenue by government sector

As % of GDP

National

Central Social security Local State or regional Supranational (European Union)



Source: OECD

MEMBERS IN THE NEWS

American AgCredit to expand in Santa Rosa

American AgCredit, Sonoma County's largest financial institution, will stay in Santa Rosa and build a larger facility near the airport after rejecting a move to Denver.

St. Joseph Health System Hosts Event at Sonoma Speedway to Prevent Distracted Driving

The raceway in Sonoma, in partnership with St. Joseph Health of Sonoma County, Farmers Insurance and the California Highway Patrol, will host a hands-on driving simulation event to illustrate the dangers of distracted driving (e.g. driving while texting and other risky behaviors behind the wheel) on area roadways.

BioMarin Cuts Ribbon on New San Rafael Campus

BioMarin Pharmaceutical Inc. celebrated the opening of a new campus in San Rafael on Thursday, October 18th.

Autodesk's Commitment to Clean Technology Benefits Thousands of Start-ups at Almost no Cost

Autodesk software helps its customer's design, visualize, and simulate designs before they are built, rather than using physical prototypes. The impact of this shift is profound; as much as 80 percent of a product's environmental impact is determined by decisions made in the design phase.

Basin Street buys back 17 Santa Rosa buildings: Plans to invest \$6 million over five years in upgrades

Basin Street Properties has regained its position as the largest owner of commercial real estate in Sonoma County with the repurchase of 17 Santa Rosa office buildings it sold seven years ago.

Redwood Credit Union Gives 112% to Support Local Non-Profits

Redwood Credit Union (RCU) recently completed their 2012 United Way workplace giving campaign with total contributions of more than \$95,000 – achieving 112% of their \$85,000 fundraising goal to support local non-profits. The Credit Union offered several unique incentives to encourage employees to contribute: prize raffles, casual days, ice cream parties and other festivities.

Woodruff-Sawyer starts policy-shopping site

Woodruff-Sawyer & Company recently announced the launch of BizInsure, a website that aims to make shopping for commercial insurance easier.

Sonoma Raceway Generates Nearly 100 Pints of Blood at High-Speed Blood Drive

The raceway in Sonoma and its fans helped local blood banks hit the jackpot on Tuesday as nearly 100 people donated blood at the raceway's 12th annual High-Speed Blood Drive.

Read more online at www.northbayleadership.org/news



Who We Are

Twenty one years ago, business leaders founded the North Bay Leadership Council on a simple premise: We can accomplish more by working together. Today, the Council includes over 43 leading employers in the North Bay. Our members represent a wide variety of businesses, non-profits and educational institutions, with a workforce in excess of 25,000. As business and civic leaders, our goal is to promote sound public policy, innovation and sustainability to make our region a better place to live and work. For more information: Call 707.283.0028 / E-mail info@northbayleadership.org

www.northbayleadership.org