



President Obama Unveils New Health Care Reform Proposal

On February 22, President Obama unveiled a new health care reform bill, presenting his vision for a health care reform package. Obama's latest proposal is part of a renewed effort to pass health care reform through procedural maneuvers, including a bipartisan health care summit which was held February 25 in Washington, DC.



The President's proposal combines legislation previously passed by the House (HR 3692) and Senate (HR 3590). Congressional negotiations have stalled since the election of Senator Scott Brown (R-Massachusetts), who fills the seat of former Senator Ted Kennedy, and whose election gives Senate Republicans 41 seats and all the votes needed for a filibuster.

Continued on page 2

You Decide: How
Can We Create
Jobs?

Page 3

First Lady Michelle
Obama Tackles
Childhood Obesity

Page 4

Negligent Retention
of Employees: how
to Avoid a Negative
Situation

Page 5

Physical Inventory - Make it Count for Your Store

Each year, typically at the end of January, retailers take an annual physical inventory count of their product. This count is used for a variety of purposes, including determining the amount of shrinkage. The following steps can be taken to determine the probable cause of shrinkage for each product classification:



1. Calculate the total average retail price of inventory shrinkage.
2. Calculate the total average retail price of merchandise sold for the past year.
3. Calculate the total average retail price of merchandise in ending inventory.
4. Compare the total average retail price of inventory shrinkage to the averages of merchandise in inventory and sold.

Continued on page 6

Health Care

Continued from page 1

Obama's health care proposal is similar to the bill passed by the Senate, except for a proposal that gives federal regulators the power to block premium increases by private insurers. The cost of his proposal would be **\$950 billion over 10 years**, which is higher than Senate bill and less than the House bill. Other provisions include:

- **Excise Tax on "Cadillac" Health Care Plans:** Includes a **40% excise tax on high-cost insurance plans** as in the Senate bill but delays the tax until 2018. (This new delay comes after union leaders negotiated a deal with the White House last year that would have delayed implementation of the tax for union health care plans). Obama's provision expands the delay to all workers. Insurance plans will not be subject to the tax until they cost \$27,500 a year for family coverage, up from \$23,000 in the Senate bill.

- **Payroll Tax: Expands the dedicated payroll tax** that finances Medicare's hospital insurance trust fund to apply to unearned incomes, such as investment earnings.
- **Fees on Drug Manufacturers:** Increases a new **fee imposed on brand-name drug manufacturers** by **\$10 billion** over ten years.
- **Medicaid:** Increases **federal assistance** for large **Medicaid expansion** proposed in both the Senate and House bills, and would eliminate a provision of the Senate bill that granted only Nebraska full federal financing for the expansion. Instead, all states will have full federal financing for the first four years of the expansion, from 2014 until 2018, and then 95% federal financing from 2018 to 2020.
- **Individual and Employer Mandate: Increases financial penalties** on both employers who do not provide health insurance and individuals who do not obtain coverage.

- **Insurance Exchanges:** Offers **insurance plans** nationwide to **anyone buying coverage** through new insurance exchanges. This would be administered by the Office of Personnel Management.
- **Public Option:** Does not include a new government-run insurance plan, **BUT** Senate Majority Leader Harry Reid (D-Nevada) indicated that a public option provision was still on the table.

Congressional Democratic leaders have discussed a two-step process to overcome Senate Republican opposition, bypassing the possibility of a filibuster in passing health care reform. If this process is executed, the Senate would utilize the expedited budget reconciliation process to pass a set of changes to its bill. The House would then clear the reconciliation bill, followed by the Senate bill. President Obama would then sign the Senate bill and the reconciliation bill. □

April 15 is Around the Corner:

Free Tax Preparation for Some Employees and Customers

Department of Revenue Offering Free File for 2009 Individual Income Tax Filing Season

North Carolina Employees and customers **can receive free income tax preparation help.** Employees earning **less than \$50,000** can utilize free preparation sites through the **IRS VITA (Volunteers In Tax Assistance)** program which helps people fill out their tax forms without charge. Most sites offer **electronic filing for faster refunds** and with **direct deposit** tax filers usually receive their **refunds** within **ten days**.

Employees can find a **free tax preparation site in their area** by calling the **Connectinc Helpline: 888-927-3230** or by visiting the **EITC Carolinas website** at <http://www.eitc-carolinas.org>, which provides a comprehensive list of free

tax preparation sites in each of North Carolina's 100 counties.

AARP also provides several free tax preparation sites across our state. For information on locations and eligibility, **call: 888-227-7669** or visit their website at: <http://www.aarp.org/money/taxaide>.

South Carolina Department of Revenue (SCDOR) will again take part in the **Free File Alliance** allowing **eligible South Carolina taxpayers** to electronically prepare and file both their **federal and South Carolina returns for free**.

At least 50% of South Carolina taxpayers are eligible to participate in the **Free File** program by meeting the **income threshold of \$30,000 or less**--an amount that is higher than the South Carolina per capita income.

In addition, eligibility requirements for free file status exist for **taxpayers 65 or older** and **students**. Taxpayers can choose from four tax preparation software companies.

Free File allows qualified taxpayers to prepare and file federal and state returns at the same time with no cost or hidden fees. Taxpayers who file electronically may receive a faster refund and, when choosing direct deposit, **refunds can be received in as little as 10 days from the date of filing**.

For additional information about electronic filing and/or Free File visit www.sctax.org and click on the Free File link in the upper right corner of the page. □



You Decide: How Can We Create Jobs?

Ask just about anyone what the top economic issue is in the country today, and they will say jobs.

Creating jobs is the number one priority, most think, to getting our sick economy well.

It's easy to see why people are concerned about jobs. Since the recession began in late 2007, 8.4 million jobs have been lost nationwide, and the national unemployment rate has jumped from 4.4% to 10%. In the Carolinas, the numbers are equally disturbing: **North Carolina has lost 250,000 jobs** and has a jobless rate rising from 4.4% to over 11%; **South Carolina has lost 109,900 jobs** and has a jobless rate approaching 13%.

So what can be done? With most economic forecasters predicting a slow increase in jobs - at best - what are the best ideas for giving people work and a paycheck?

As you might expect, there are a range of suggestions. At one end of the spectrum is the idea that the **government should simply hire the unemployed**. Certainly this could be done, but it would be costly. For example, if the government hired the 8.4 million unemployed and paid them the average salary (roughly \$40,000), the **annual cost would be \$320 billion**.

There are other issues with this approach. What jobs would the new government employees perform, and would every individual be qualified for their assigned job? Also, would the new government workers compete with private sector workers, thereby causing unemployment in the private sector to increase? In other words, would unemployment simply be shifted rather than being reduced?

Finally, how would the \$320 billion annual cost be financed? If it is paid for by increasing taxes, would those households paying more taxes reduce their spending and thereby cause

other jobs to be cut? Or, if the program is financed through borrowing - thus adding to the national debt - would the government's higher debt load also slow economic growth and hike unemployment?

What about the idea of the **government mandating a shorter work week**, meaning that companies would have to hire more workers to accomplish the same amount of work? This idea is appealing for two reasons. First, it would cost the government virtually nothing. And second, it would spread the wealth - here, jobs - around to everyone.

Yet there are questions here too. In the days when most jobs required a specific number of hours per week, a mandated work week made sense. But today, more and more jobs are salaried without a specific number of hours attached. People work until the job is done. Obviously in these cases, a shorter required work week doesn't apply.

In addition, if the same pay is to go with the shorter work week, then this would result in an **increase in the cost of workers**, and businesses would actually be motivated to cut back on workers rather than adding them. Conversely, if pay is to be cut along with hours worked, then the result is a reduction in everyone's salary.

Another tactic is for the government to use the tax code to **encourage businesses to add jobs**. This means reducing the cost to businesses of adding jobs **by reducing taxes**. For example, this could be accomplished by lowering payroll or corporate income taxes or giving tax credits to firms that increase their workforce.

Past experience with this kind of plan shows it can create jobs, but there are two concerns. First is the question of whether the jobs created using the tax reduction would have been created anyway without the tax



*Dr. Mike Walden,
North Carolina Cooperative Extension*

cut. It's hard to know. Second is the issue of how the tax reduction used to encourage new jobs is funded. If the government has to increase other taxes or go further into debt, then some economists worry this will slow economic growth and increase joblessness elsewhere.

The first job creation approach - having the government directly hire the unemployed - has its 180 degree counterpart. That is, some economists think the best approach for the government to follow in encouraging jobs is to do less! This approach would have the **government reduce taxes across the board, reduce spending, reduce the national debt and effectively get out of the way of private entrepreneurs**. However, the big question here is, will less government get us more jobs?

So the policy options for boosting jobs couldn't be wider - from the government doing a lot more to the government doing a lot less. **But one conclusion is certain: there is no easy plan, no silver bullet, for getting us back to job growth**. Furthermore, each option has its pluses and minuses, its benefits and costs. Yet, our leaders will have to decide. □

First Lady Michelle Obama Tackles Childhood Obesity

First Lady Michelle Obama recently announced a sweeping initiative to eliminate childhood obesity.

The *Let's Move* initiative includes four major goals:

- Providing parents with the information and support they need to help their children eat properly,
- Ensuring that schools offer more healthful food,
- Helping children get regular physical activity, and
- Ensuring that healthful food is available in all areas and neighborhoods.

Among the changes discussed:

- Beverage companies said they would post **calorie counts** on the front of their containers by the end of 2012;
- The Obama Administration will ask Congress for an additional **\$10 billion to reauthorize the Child Nutrition Act**, with the aim of offering healthier school breakfast, lunch and snack items and serving one million more children;
- School cafeteria suppliers pledged to **double the amount of produce** they serve in schools over the next decade and **reduce sugar, fat and salt** in their offerings;
- The U.S. Department of Agriculture also is considering **restricting the sale of certain sugary drinks and salty snacks in school vending machines**;

- The White House plans to spend \$400 million to **bring grocery stores to underserved areas** and help convenience stores carry healthier food. It plans \$5 million to help fund farmers' markets;
- The U.S. Department of Agriculture will **revamp its food pyramid and offer more dietary tools** on its web site.

“This isn't just about inches and pounds, and it's not about how our kids look...It's about how our kids feel, and it's about how they feel about themselves.”

At the annual winter meeting of the National Governors Association, Ms. Obama praised programs already underway in many states. “There is no one-size-fits-all answer to this problem,” she said. She also said that while the nation needs a comprehensive approach to fighting childhood obesity, “that doesn't necessarily mean an expensive approach.”

The Grocery Manufacturers Association, American Beverage Association and The Sporting Goods Manufacturers Association all praised the effort while touting their own efforts.

“Childhood obesity is a serious health crisis that can't be solved without strong leadership from the White House,” said Scott Faber, GMA's Vice President for Federal Affairs.

One different tactic from past efforts is that the initiative is designed to **shift the conversation away from achieving a particular weight or**

dress size and instead emphasize the benefits of good nutrition and physical activity. Messages about avoiding unhealthy food tend to turn off Americans.

“This isn't just about inches and pounds, and it's not about how our kids look,” Mrs. Obama said at Tuesday's press conference announcing the initiative. “It's about how our kids feel, and it's about how they feel about themselves.”□

Source: RetailWire



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Negligent Retention of Employees: How to Avoid a Negative Situation

Employers take necessary steps to avoid hiring the wrong person, which is negligent hiring. Now, with turnover down because employees are staying in jobs (even ones they don't like) just for the job security, the bigger problem could be **negligent retention**.



Negligent hiring occurs when an employer **places an unfit person in an employment situation** that entails an **unreasonable risk of harm to others**. Negligent retention is closely related, but these actions allege **negligence after an employee is hired** rather than at the time of hire. This happens when employers keep employees on board **who shouldn't be kept** -- people who don't like their jobs and who would normally leave if times were better, but who just stick around because of a lack of a better option.

By keeping these employees on the payroll, employers **risk being sued** by other employees or customers if that dissatisfied employee does something that results in harm to others.

The fastest growing area of lawsuits in this country impacting retailers is related to employment law. According to Jury Verdicts Research 2007:

- **Employee lawsuits have risen 400%** in the past 20 years to the current level of 6.5 claims per 1,000 employees annually.
- In any employment case filed in federal court, there is a 16% chance the award will exceed \$1 million and a **67% chance** that the award **will exceed \$100,000**, not including attorney fees.
- The **average compensatory award** in all federal court employment cases was **\$493,534**, reflecting a 45% increase since 2000. (A compensatory award does not include punitive damages or attorney fees.)
- In State courts, compensatory awards are up 39% while wrongful termination claims are up 260%.
- If an employment lawsuit goes to trial, **plaintiffs are more likely to win 67%** of cases in **State court** and **63%** in **federal court**.

- The cost to settle an employment lawsuit has grown significantly over the last five years, from an average of \$130,476 in 2001 to \$310,845 in 2006.

These statistics are cause for concern to all employers. There are a number of safeguards and procedures that management should have in place to avoid negligent hiring and retention:

- Have a structured interviewing and performance appraisal process;
- Have all managers undergo adequate interview training and training on how to deal with difficult employees;
- Check references and document the answers received;
- Check for criminal records;
- Drug test prior to hiring and random testing after hiring;
- Take corrective action or investigate any complaint against a current employee;
- Remove from the payroll any employee whose actions jeopardize another employee or customer. □

Source: RetailWire

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Physical Inventory

Continued from page 1

If the average unit retail price of inventory shrinkage for a product is considerably higher than the average unit retail price of ending inventory and units sold, the probable cause of shrinkage is due to **unrecorded markdowns and missing merchandise**. This is the most common source of discrepancy.

If the average unit retail price of inventory shrinkage is considerably lower than the average unit retail of ending inventory and units sold, then a partial cause of shrinkage is due to one or both of the following reasons:

- **mis-classed merchandise** (wrong class number used when entering receipts, sales, markdowns, transfers, physical counts), or
- **employee fraud**.

If the average unit retail price of inventory shrinkage is close to the average unit retail price of ending inventory and sold merchandise, the cause of shrinkage is most likely **missing merchandise**.

There are numerous things, other than missing merchandise, unrecorded markdowns or employee fraud that can cause shrinkage. If the physical count is poorly done and some merchandise is not counted, it will show up as missing merchandise, or if some merchandise is counted using the wrong class number or incorrect price the physical count will be distorted.

Oftentimes paperwork errors appear as overages when the physical count is compared to the book inventory. Overage is harmful because it hides or distorts actual shrinkage. It also distorts Gross Profit for a classification, making it appear higher than it actually is.

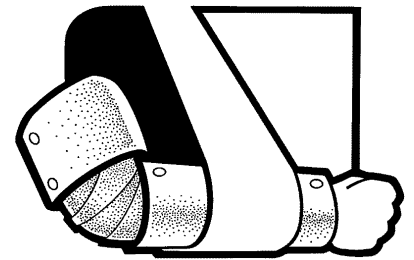
If a retailer wants to reduce shrinkage and increase the accuracy of inventory records, the first step is to **make it a high priority in the store**. Employees must be educated in what to look for so they can detect shoplifters. Use physical deterrents to discourage shoplifters, such as keeping small expensive items behind the counter and eliminating any blind spots. Retailers must communicate to employees the importance of paying attention to details and making sure that all paperwork is completed in an accurate and timely manner.

Shortages can and will occur at every point where merchandise changes hands or paperwork is created or processed, from the time merchandise comes in the back door until it is sold and leaves the store. Every step of this process involves both people and the forms on which the transactions are recorded. The receiving/marking person records the receipt of merchandise, checks it and attaches the price tags. This person also handles merchandise that is returned to the vendor. The sales staff handles sheet (or bulk) markdowns and records sales, including any POS markdowns. And the office is responsible for accurately recording all the information from all the forms that come into the office. The process can break down at any of these points.

Shrinkage can be controlled. Management must give it a high priority, employees must be trained, and internal controls must be put in place and monitored. If your Net Profit is 5% of sales, **it takes an additional \$20 of sales to make up for each \$1 of shrinkage**. If shrinkage is \$1,000 it will take an additional \$20,000 in sales. It is just good business sense to initiate action to reduce your shrinkage figure as much as possible. □

Source: RetailWire

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NORTH CAROLINA EDUCATION LOTTERY UPDATE



The NCEL Introduces Mega Millions

Players have been waiting for another way to win millions, and now it's here! The North Carolina Education Lottery is pleased to introduce Mega Millions to North Carolina. Mega Millions is a multi-state lottery game sure to offer MEGA fun! Similar in many ways to the popular Powerball game, Mega Millions offers big jackpots which grow until won. Drawings are held each Tuesday and Friday, so with the addition of Mega Millions, players can now enjoy big jackpots four times a week! A new big

jackpot game like Mega Millions with two additional drawing nights each week can also provide a great opportunity for increased sales.

Mega Millions is easy to play and offers nine exciting ways to win. Players select their numbers from a field of 56 and then an additional number from 1 to 46 as the MEGA Ball. There are two play options for Mega Millions; a \$1 Mega Millions ticket or a \$2 Mega Millions Megaplier ticket. Similar to Power Play with Powerball, the Megaplier option gives players the chance to multiply winnings on all prize levels, except the jackpot prize, 2 to 4 times. Along with being a value to players, the Megaplier feature is a good way to increase retailer commissions.

Up-selling a regular Mega Millions ticket to Mega Millions with the Megaplier means an additional 7% per play in retailer commission with only one transaction.

Mega Millions offers many great game features for players to enjoy. The NCEL truly appreciates continued partnership from retailers. With their support, the addition of Mega Millions can be a winning experience for North Carolina. □



When Players Win Big, Retailers Can Too!

The fun and excitement isn't just for players anymore. If a retailer sells a winning Powerball or Mega Millions jackpot ticket, **the location will be eligible to receive a \$50,000*** incentive just for selling the winning ticket!

And there are even more ways to win. A retail location that sells a winning Powerball ticket with Power Play or a winning Mega Millions ticket with the Megaplier and five of five matching numbers will become eligible to receive a \$10,000 incentive. The same winning ticket with five of five matching numbers, but without Power Play or the Megaplier will make the selling retailer eligible for a \$1,000 incentive.

These extra ways to win continue with Cash 5! For Cash 5 there is a rolling incentive award. This incentive starts at \$1,000 and increases by \$1,000 for each drawing, if no ticket wins the top prize. The incentive will continue to roll until it is won or until the incentive hits \$10,000; the incentive caps at \$10,000. The retail location that sells the winning Cash 5 ticket will become eligible for the incentive award. Retailers can "hit the jackpot" with these incentive rewards!

So, the fun and excitement of Powerball, Mega Millions and Cash 5 isn't just for players! Retailer incentives for selling winning jackpot tickets are just

one more way lottery sales can be good for North Carolina businesses.

*If more than one North Carolina retail location sells the winning ticket, the incentives will be shared equally among eligible selling retailers. □





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