

ALERT

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 **CalChamber**
CALIFORNIA CHAMBER OF COMMERCE

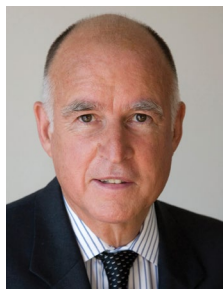
92nd Sacramento Host Breakfast

Trade, Technology, Climate Among Topics at Gathering



The importance of international trade, immigration reform and technology to California were the subjects of a speech given by California Chamber of Commerce Board Chair Susan Corrales-Diaz at the Sacramento Host Breakfast last week.

The annual breakfast on June 1 was attended by more than 1,200 civic and business leaders from throughout the state and also featured remarks by Governor Edmund G. Brown Jr.



Governor Touts Cap-and-Trade

In hailing the entrepreneurship that he

See Trade, Technology, Climate: Page 8



Opposition Stops 4 Job Killers; 6 Move to Second House



Six job killer bills moved from one legislative house to the other in time to meet last week's June 2 deadline for bills to pass the house in which they were introduced while three job killer bills were stopped.

A fourth job killer was held by a fiscal committee the previous week.

Job Killers Stopped

Strong opposition from the California Chamber of Commerce and the business community helped to stop **SB 705 (Allen; D-Santa Monica)** from reaching the Assembly. SB 705 would have prohibited food vendors from using take-out food containers made from polystyrene foam as of January 1, 2020. The bill was refused passage on May 31 on a vote of 15-19, then granted reconsideration. Senator Ben Allen placed SB 705 on the Senate Inactive File, where it will remain and will be eligible for consideration in 2018.

Also stopped on the Senate Floor was **SB 567 (Lara; D-Bell Gardens)**, which proposed multiple tax hikes on state employers. The bill targeted family-owned businesses that transfer the business upon death to other family members. SB 567 also sought to eliminate the current deduction allowed for compensation paid to executive officers for achieving performance-based goals. Senator Ricardo Lara

See Opposition Stops: Page 4

State Attorney General Describes Optimistic, Predictable Approach to CalChamber Board



California Attorney General Xavier Becerra tells members of the CalChamber Board of Directors on June 1 that as the son of immigrants, he is "bullish" on California's future and wants businesses to know they can expect predictability in how his office approaches issues. "I'm going to have your back as you move forward."

Inside

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Labor Law Corner

SF Bay Area Commuter Benefits Program Offers Compliance Options



Erika Pickles
Employment Law
Counsel/HR Adviser

What is the Bay Area Commuter Benefits Program and what does it require of employers?

The Bay Area Commuter Benefits Program (Program) is a program designed to improve air quality and reduce traffic congestion by increasing the number of employers that provide commuter benefits to their employees.

The Program is run by the Bay Area Air Quality Management District (BAAQMD) and the Metropolitan Transportation Commission (MTC). The Program covers the following nine counties located within the BAAQMD: Alameda; Contra Costa; Marin; Napa; San Francisco; San Mateo; Santa Clara; Solano; and Sonoma.

The Program applies to all private, public and nonprofit employers that have 50 or more full-time employees working within the geographic boundaries of the BAAQMD.

Only employees working an average of at least 30 hours per week are counted toward the 50-employee threshold. Independent contractors are not counted, nor are seasonal or temporary employees working less than 120 days per year and “field employees” (employees whose primary job responsibilities are at a temporary job site and who do not report to the employer’s home office or other permanent job location).

Under the Program, covered employers must provide eligible employees with commuter benefits. Eligible employees are defined as those employees working an average of 20 hours or more per week.

Commuter Benefit Options

The Program identifies four possible commuter benefit options from which employers may choose:

- Option 1: Pre-Tax Benefit. Allow employees to exclude a portion of their transit or vanpooling expenses each month from their taxable income.
- Option 2: Employer-Provided Subsidy. Provide a subsidy to cover or reduce employees’ monthly transit or vanpool costs.
- Option 3: Employer-Provided Transit. Provide a low-cost or free shuttle, vanpool or bus service for employees to use.
- Option 4: Alternative Commuter Benefit. Provide an alternative commuter benefit that would be as effective as Options 1, 2 or 3 in reducing single-occupancy commuter trips and/or vehicle emissions.

Compliance Steps

To comply with the Program, employers must:

- Select a commuter benefit;
- Designate a Commuter Benefits Coordinator;

- Register online at www.511.org;
- Notify employees of the benefit provided and how to use it; and
- Keep records showing compliance with the Program’s requirements.

Employers also are required to update their registration annually.

Employers that don’t comply with the Program’s requirements may be subject to financial penalties.

More Information

Employers can find more information about the Program at <http://511.org/employers/commuter/overview>. Resources include an *Employer Manual* and *Frequently Asked Questions*.

Local Ordinances

Employers also should be aware of local commuter benefit ordinances that may apply to their businesses.

For example, San Francisco, Berkeley, and Richmond have their own commuter benefit ordinances. Although the requirements of the local ordinances are similar to those of the Bay Area Program, the ordinances have lower employee-count thresholds so they may apply to employers that don’t have enough employees to be subject to the Bay Area Program.

Employers with employees in those areas should consult with their local governments to ensure compliance with applicable local ordinances.

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.

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**Quick Answers
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Small Business Advocate of the Year

CalChamber Honors Business Execs from Corona, Oxnard, San Rafael



The California Chamber of Commerce has honored business executives from Corona, Oxnard and San Rafael

with its 2017 Small Business Advocate of the Year Award, recognizing them for outstanding advocacy on behalf of small businesses.

The CalChamber announced the awards in Sacramento before more than 200 attendees at the CalChamber Capitol Summit on May 31.

The 2017 Small Business Advocate of the Year Award recipients are:

- **Dean Seif**, owner, AllStar Collision, Inc., Corona;
- **Michael Wynn Song**, community relations—general affairs, Glovis America Inc., Oxnard;
- **Timothy Long**, agent, Tim Long State Farm Insurance, San Rafael.



Dean Seif

For more than a decade, Dean Seif has helped his community of Corona

continue to be one of Southern California's leading job creators by working through the Corona Chamber of Commerce to engage the local, state, and federal governments on issues that are critical to growing career-building jobs.

An entrepreneur with a record of success in three industries—aerospace and as an international commercial pilot, real estate, and auto body repair—Dean came to Corona from his native Iran through his wife, Shannon.

As he and Shannon were growing their real estate business and family, they became concerned at a growing gap in public policymakers and employers.

This concern prompted Dean to become chairman of the Corona Chamber in 2015, and lead more than 10 lobbying

delegations to Sacramento and Washington, D.C. to work on a bipartisan basis on many issues.

Locally, Dean has testified more than 40 times before the Corona City Council, the Planning Commission and various policy committees of the City of Corona, and the County of Riverside on issues including local development, job attraction, defeat of unnecessary regulations, and development of infrastructure projects. In Washington, D.C., under Dean Seif's leadership, the Corona Chamber forged a close working relationship with the State of California Office of Military Affairs that has helped expand national support for one of the Corona region's



(From left) Small Business Advocate of the Year Award recipients Michael Wynn Song of Oxnard and Dean Seif of Corona, CalChamber President/CEO Allan Zaremborg, Stephanie Plante, San Rafael Chamber Board chair (accepting for Timothy Long), and 2017 CalChamber Chair Susan Corrales-Diaz.

most important employers, the Naval Surface Warfare Center (NAV-SEA), Corona Division (Norco), which provides nearly 1,000 jobs. Seif also has traveled to the State of Indiana with a joint Navy/Corona community delegation to tour NAV-SEA facilities there.

Seif has taken his responsibilities very seriously and his focus and dedication are admired by many.

"Dean's outreach to the community far extends beyond his business," said Bobby Spiegel, president and CEO of the Corona Chamber of Commerce, in nominating Seif for the award. "His philosophy is to share his wealth with others."



Michael Wynn Song

Michael Song really "gets it" when it comes to being a strong advocate of small businesses, states the nomination application on his behalf. Song has been

involved with the Oxnard Chamber of Commerce since 2006, serving on the board of directors and the chamber's land use committee, as well as the chamber's business advocacy committee.

Amy Fonzo, chair of the Oxnard Chamber Board, explained that Song does much more than just serve on the governing body of the chamber: "He is a true supporter of small businesses and their ability to provide quality jobs for the residents" of the Oxnard community. Fonzo especially admires "Michael's willingness to attend time-consuming public hearings to assure the interests of small businesses are represented."

Song has testified at local city council meetings, spoken at Ventura County Board of Supervisors meetings, written letters and made phone calls to his state legislators on a number of issues and met with his congressional representatives to emphasize the importance of trade to the Southern California economy.

Over the years, Song has frequently invested many hours in the local Oxnard community representing the business community on two particular issues:

- Song waited in a packed community room for hours when the California Energy Commission conducted hearings on the NRG Energy proposal to replace an aging power generation facility with a new state-of-the-art plant called the Puente Power Project. He also spoke before the California Public Utilities Commission on the project. While it's not always comfortable to publicly support a power plant being built on the beach, the nomination application noted, Song was

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Summit Talk Show Session Provides Insights on D.C. Politics/Policy

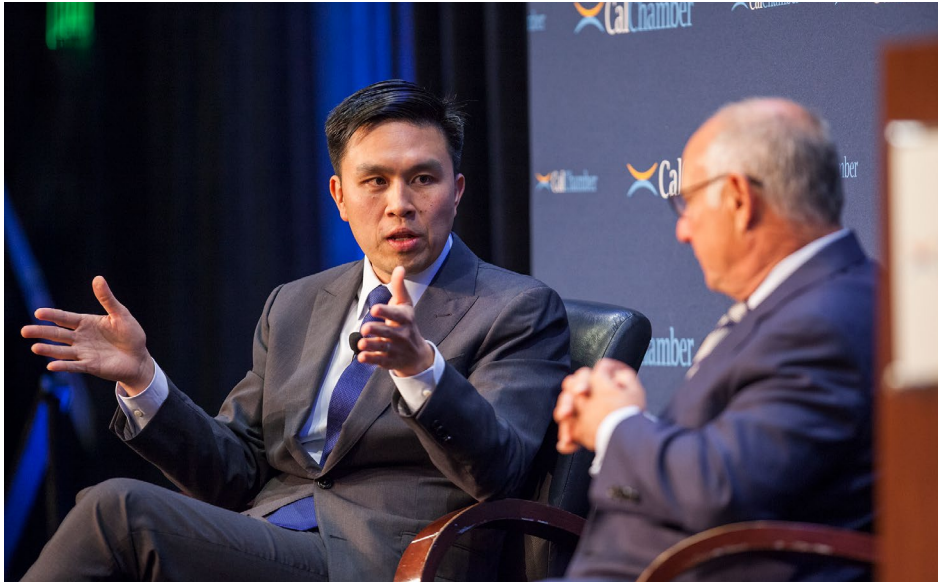


Photo by Steve Yeater

Lanhee J. Chen of the Hoover Institution comments on political and policy aspects of federal issues, including health care, tax reform, infrastructure and the Trump administration's approach to trade policy, at the CalChamber Capitol Summit on May 31. The talk show format session was moderated by CalChamber President and CEO Allan Zaremborg.

Opposition Stops 4 Job Killers; 6 Move to Second House

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moved the bill to the Senate Inactive File and it may be considered in 2018.

AB 1576 (Levine; D-San Rafael) was never brought up for a vote on the Assembly Floor. The bill proposed to significantly amend the Gender Tax Repeal Act of 1998 so that businesses could easily have been sued for a consumer's assertion that there was a price difference for substantially similar goods due to the gender of the intended user. The bill would have required businesses to settle consumer complaints with a minimum of \$4,000 in damages or face further costly litigation.

The previous week, **AB 43 (Thurmond; D-Richmond)**, which would have imposed a targeted tax on contractors for the privilege of doing business with the Department of Corrections and Rehabilitation, was held on the Assembly Appropriations Committee Suspense File on May 26. AB 43 also requires the contractor to absorb the cost while maintaining a price of lowest responsible bidder. The bill will not be moving any more this year, but will be eligible for consideration next year.

Job Killers in Second House

Moving on to the second house are the following CalChamber-opposed job killer bills:

Arbitration Discrimination

- **SB 33 (Dodd; D-Napa)** Discrimination Against Arbitration Agreements: Unfairly discriminates against arbitration agreements contained in consumer contracts for goods or services with a financial institution, as broadly defined, which is likely preempted by the Federal Arbitration Act and will lead to confusion and unnecessary litigation. To Assembly.

- **SB 538 (Monning; D-Carmel)** Arbitration Discrimination: Unfairly and unlawfully discriminates against arbitration agreements by restricting the formation of antitrust arbitration agreements in hospital contracts, leading to costly litigation over preemption by the Federal Arbitration Act. To Assembly

Increased Labor Costs

- **AB 1209 (Gonzalez Fletcher; D-San Diego)** Public Shaming of California Employers: Imposes a mandate on California employers to collect data on the mean and median salaries paid to men and women under the same job title or description without also considering any bona fide reason for differences in compensation, to publicly shame California employers and expose them to costly litigation for alleged wage disparity where no violation of the equal pay law exists. To Senate.

- **SB 63 (Jackson; D-Santa Barbara)** Imposes New Maternity and Paternity

Leave Mandate: Unduly burdens and increases costs of small employers with as few as 20 employees by requiring 12 weeks of protected employee leave for child bonding and exposes them to the threat of costly litigation. To Assembly.

- **SB 562 (Lara; D-Bell Gardens)** Government-Run Health Care: Creates a new single-payer government-run, multi-billion-dollar health care system financed by an unspecified and undeveloped "revenue plan" which will penalize responsible employers and individuals and result in significant new taxes on all Californians and California businesses. To Assembly.

Increased Unnecessary Litigation Costs

- **SB 49 (de León; D-Los Angeles)** Creates Uncertainty and Increases Potential Litigation Regarding Environmental Standards: Creates uncertainty for businesses with respect to the federal environmental standards proposed to be incorporated into California law if backsliding occurs at the federal level and the standards/requirements to be adopted by state agencies, and increases the potential for costly litigation by creating private rights of action under California law when certain events occur. To Assembly.

To see the full list of job killer bills identified this year, visit www.calchamber.com/jobkillers.

29 Local Chambers Receive 2017 President's Circle Award

Recognition for Excellence in Business Advocacy, Helping Members Comply with Labor Laws



The California Chamber of Commerce has named 29 local chambers of commerce to receive the 2017 President's Circle Award.

The award, first presented in 2009, recognizes chambers for excellence in business advocacy and helping their members comply with California employment laws. Representatives of the President's Circle chambers were honored May 31 during the CalChamber Capitol Summit in Sacramento.

Seven of the chambers have received the award all nine years it has been presented.

The 2017 recipients of the President's Circle Award are as follows. Nine-year recipients are marked with an *:

- Greater Bakersfield Chamber*: Nicholas Ortiz, president/CEO;
- Camarillo Chamber: Gary Cushing, president/CEO;
- Chico Chamber: Katie Simmons, president/CEO;
- Greater Conejo Valley Chamber*: Jill Lederer, president/CEO;
- Corona Chamber: Bobby Spiegel, president/CEO;
- Culver City Chamber*: Steven Rose, president/CEO;
- El Centro Area Chamber & Visitors Bureau*: Darletta Willis, CEO;
- Greater Fresno Area Chamber: Nathan Ahle, president/CEO;
- Gilroy Chamber: Mark Turner, president;
- Lake Elsinore Valley Chamber: Kim Joseph Cousins, president/CEO;
- Lodi Chamber: Pat Patrick, CEO;
- Long Beach Area Chamber*: Randy Gordon, president/CEO;
- Merced Chamber: Manuel Alvarado, CEO;
- Murrieta Chamber: Patrick Ellis, president/CEO;
- North Orange County Chamber: Theresa Harvey, president/CEO;
- Oakdale Chamber: Mary Guardiola, CEO;
- Oxnard Chamber: Nancy Lindholm, president/CEO;
- Palm Desert Area Chamber*: Laurie Baldwin, president/CEO;
- Porterville Chamber: Stephanie Cortez, CEO/president;
- Greater Riverside Chambers*: Cindy Roth, president/CEO;
- Roseville Area Chamber: Wendy Gerig, CEO;
- Greater San Fernando Valley Chamber: Nancy Hoffman Vanyek, president/CEO;
- The Chamber of the Santa Barbara Region: Ken Oplinger, president/CEO;
- Santa Maria Valley Chamber: Glenn D. Morris, president/CEO;
- The Silicon Valley Organization: Matt Mahood, president/CEO;
- Simi Valley Chamber: Rana Ghadban, president/CEO;
- Temecula Valley Chamber: Alice Sullivan, president/CEO;
- Victor Valley Chamber: Michele Spears, president/CEO;
- Yuba-Sutter Chamber: Rikki Shaffer, CEO.

President's Circle Award recipients published vote records of their state legislators on key business issues, generated letters to state elected officials on issues of interest to members and participated in the CalChamber compliance product resale program at an exemplary level.

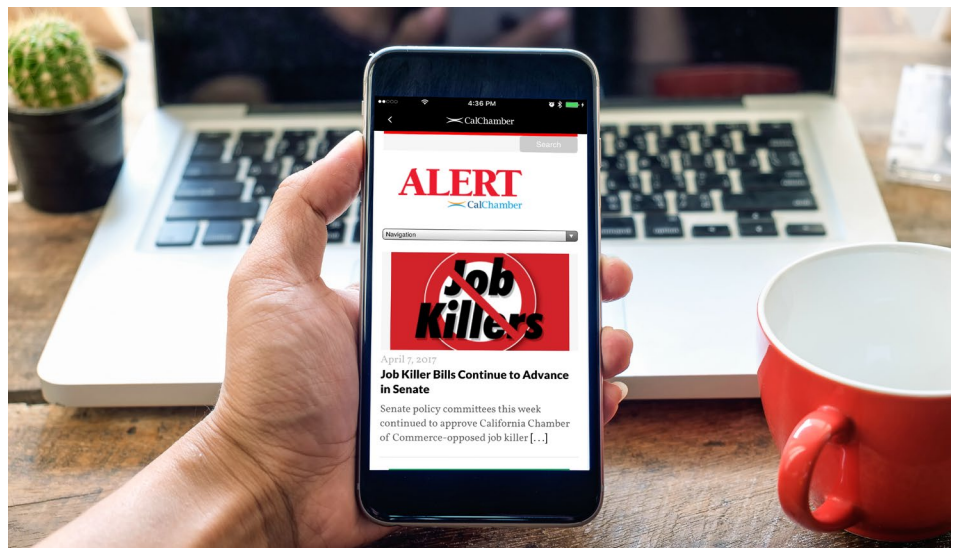
Get Easy Access to *Alert* Updates and Content with CalChamber Mobile App

Readers looking for an easy way to stay up-to-date on proposed state and federal laws or regulations of interest to employers can download the *CalChamber Alert* app at www.calchamberalert.com/app.

In addition to coverage of the CalChamber's pro-jobs advocacy, the *CalChamber Alert* offers explanations of major court decisions affecting employers and the economy; special reports on job killer bills, the economy, ballot measures and legislative vote records; plus information on CalChamber compliance products and services.

A regular feature is a popular column answering common California employment law questions.

The latest version has been optimized for greater speed on iOS or Android platforms.



CalChamber to Host Live Webinar on Local Employment Ordinances



California Chamber of Commerce employment law experts will

discuss the trend of California cities and counties enacting ordinances relating to minimum wage, paid sick leave, criminal background checks and more at an upcoming live webinar.

“Local and statewide rules can vary significantly, and even between California municipalities,” says Erika Pickles, webinar co-presenter and CalChamber employment law counsel.

“This creates a greater compliance challenge if you have employees working in multiple cities with local ordinances.”

Join CalChamber’s employment law experts on Thursday, June 15 for a local look at:

- Minimum wage, paid sick leave, and criminal background checks;
- Interaction between state and local laws;
- Compliance issues;

- Posting and recordkeeping requirements;
- Enforcement;
- Best practices.

CalChamber Presenters

CalChamber hosts for the live webinar include:



Erika Pickles



Erika Frank

• **Erika Frank**, executive vice president, legal affairs, and general counsel. She joined CalChamber in April 2004 as a policy advocate and general counsel, leveraging her 10 years of legal, governmental and legislative experience. Named vice president of legal affairs in 2009 and executive vice president at the start of 2017, she is CalChamber’s subject matter expert on California and federal employ-

ment law. Frank oversees and contributes to CalChamber labor law and human resources compliance publications; co-produces and presents webinars and seminars; and heads the Labor Law Helpline. J.D., McGeorge School of Law.

• **Erika Pickles**, employment law counsel and HR adviser. Pickles joined CalChamber in 2015. She previously represented employers in California and federal employment law litigation, class actions, and private arbitration involving a range of workplace-related issues, including wage and hour, discrimination, harassment, retaliation and wrongful termination claims. She also investigated and responded to administrative claims before state and federal agencies, and conducted employment

law training seminars. J.D., University of San Francisco School of Law.

Registration

For more information or to register for this live webinar, call (800) 331-8877 or visit www.calchamberstore.com.

The cost is \$199 (\$159.20 for CalChamber Preferred and Executive members).

CalChamber-Sponsored Seminars/Trade Shows

More at www.calchamber.com/events.

Labor Law

Nothing Ordinary About Local Ordinances in California. CalChamber. June 15, Live Webinar. (800) 331-8877.

HR Boot Camp. CalChamber. August 24, Thousand Oaks; September 6, Beverly Hills. (800) 331-8877.

Leaves of Absence: Making Sense of It All. CalChamber. August 18, Sacramento; June 22, Huntington Beach. (800) 331-8877.

Meal and Rest Break Rules. CalChamber.

September 21, Webinar. (800) 331-8877.

International Trade

SelectUSA Investment Summit 2017.

SelectUSA. June 18–20, Washington, D.C. (202) 482-6800.

ExporTech Los Angeles. California Manufacturing Technology Consulting. June 20, Los Angeles. (310) 984-0728.

Certified Global Business Professional Training Registration. Far North Center for International Trade Development (CITD). June 23–24, Redding. Jurisdiction and Classification/Export

Licensing Workshop. Orange County CITD. June 26, Santa Ana. (714) 564-5415.

5th Annual Pacific Cities Sustainability Initiative. Asia Society. June 29–30, Los Angeles. (213) 788-4700.

10th World Chambers Congress. Sydney Business Chamber, The International Chamber of Commerce, and The International Chamber of Commerce World Chambers Federation. September 19–21, Sydney, Australia.

Political Columnist Dan Walters Entertains Capitol Summit Audience



Photo by Steve Yeater

Longtime political columnist Dan Walters shares anecdotes on California and federal politics at the CalChamber Capitol Summit on May 31, the same day *The Sacramento Bee* announced he would be retiring from the *Bee* and 2 days before his retirement. Walters spent 33 of his 57 years in journalism as a *Bee* columnist, writing more than 8,000 columns. He told Summit listeners that writing on politics is his hobby and he will begin writing soon in a new forum.

CalChamber Honors Business Execs from Corona, Oxnard, San Rafael

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passionate about the need for reliable and affordable energy for businesses that provide jobs in the community.

- Song was also quite vocal when addressing the Oxnard City Council regarding the extension of egregious land use restriction in and around the City of Oxnard. Known as the Save Our Agricultural Resources (SOAR) program, the plan had been approved by the voters in the 1990s and the city council was considering placing an extension measure on the 2016 ballot. Proponents were requesting an extension through 2050. Song and the Oxnard Chamber were advocating an extension through 2030 to coincide with the city's general plan. Song testified about how the needs of small businesses are quickly and constantly changing and restricting land uses for the next 35 years was much too long.



Timothy Long

Timothy Long has been an active member of the San Rafael Chamber's governmental affairs committee for more than five

years and is constantly representing the chamber to the local and state government on the issues that matter most to business, especially smaller businesses. He travels to Sacramento every year for the Capitol Summit.

Long is very active with his legislators and calls and writes them whenever his voice is needed. He has a personal relationship with both Senator Mike McGuire (D-Healdsburg) and Assemblymember Marc Levine (D-San Rafael). Both trust Long and call him when they need guid-

ance on issues affecting small business, reports Joanne Webster, president/CEO of the San Rafael Chamber of Commerce. Long has been invited to the California Small Business Association meetings hosted by the chamber's elected officials on a number of occasions. Says Webster, "Tim is the voice of reason on our government affairs committee."

Long also believes that young people should take an active interest in civics and government. Every year he volunteers his time and takes a group of local high school students to the Capitol to meet with their legislators.

Webster closed Long's award nomination letter by saying, "because of Tim's efforts to improve the business climate, fighting for what matters most to businesses and his dedication to educating our future leaders about the importance of advocacy," he is the personification of a small business advocate.

Trade, Technology, Climate Among Topics at Host Breakfast

From Page 1

said has made California a powerhouse for clean tech venture capital, the Governor emphasized the importance of market forces to success for a cap-and-trade program to limit carbon emissions in California.

By trading allowances, “the most efficient producer creates the investment in technology to get the reduction done,” he said. A command-and-control approach, with just the cap and no buying, trading or selling of allowances costs tens of billions of dollars more, he pointed out.

“So when I say we need the cap-and-trade program, I’m talking about jobs; I’m talking about saving your businesses millions and millions of dollars,” he told listeners. “It’s a critical vote and over the next several weeks, we’re going to do everything we can to make sure we introduce a market mechanism in this very important program to clean up the environment of California,” the Governor said.

Importance of Trade

In her remarks, Corrales-Diaz, president and CEO of Systems Integrated, highlighted the value of international trade to California’s economy, pointing out that last year’s state exports amounted to nearly \$164 billion and accounted for 11% of total U.S. exports.

In California, trade impacts everyone as it sustains jobs and reduces the costs of goods to consumers, she said. Critical to trade are free trade agreements and the federal finance programs of the Export-Import Bank, which provides the financial tools used in selling goods and services overseas.

“California wins when more of our businesses are able to participate in exporting, either directly or as suppliers to an export. Our legislators need to press for more trade agreements, and demand that Ex-Im Bank’s quorum be restored for full operation,” Corrales-Diaz urged.

Technology-Driven Changes

Corrales-Diaz also touched upon how technology’s evolution affects today’s economy, workforce, and business operations. Employees are no longer bound to office spaces and gig economy jobs are growing in demand. To keep up with these changes, businesses and workers

Workforce Development

Another challenge in the state’s economy is funding higher education. California’s position at the forefront of technology and innovation is reliant upon its skilled and educated workforce, which is fostered by the state’s colleges and universities, Corrales-Diaz said.

Funding for higher education, however, has declined, limiting the number of resident students admitted, and increasing the enrollment of nonresident and international students. This not only creates a skills gap among state residents, but it also depletes the state’s talent pool once foreign students graduate and return to their respective countries. To help stop this brain drain, the U.S. should offer foreign-born students with graduate level technical degrees an opportunity for permanent residence, she said.

California also should foster graduates in science, technology, engineering and mathematics (STEM), and should consider funding STEM-specific tuition assistance programs to encourage the pursuit of those degrees. But not all students need a university degree to participate in the technology field, Corrales-Diaz added.

“Our community colleges have aided in making technical occupations more accessible by providing training through Career Technical Education and offer vocational degrees,” she said. “These programs help to solve the skills gap, but need dependable funding to maintain availability and meet the demand.”

She also called for objective testing so California can determine whether the resources being committed to education are achieving the desired outcomes.

More Information

See the full text of Corrales-Diaz’ remarks on **Pages 9 and 10 of this Alert**.

Videos of the remarks by the Governor and Corrales-Diaz are available at www.calchamber.com/videos.



Photo by Steve Yeater

Governor Edmund G. Brown Jr.

need more flexibility in their work schedules, but the state’s labor laws clash with the need to adapt and need to be updated, Corrales-Diaz said.

Also, 20% of California’s skilled and educated workforce is inching toward retirement, but many would be willing to continue working if they could control their schedules with flexible hours, Corrales-Diaz added.

Remarks by Susan Corrales-Diaz

Technology, Trade, Talent: Key Elements So California Can Expand Opportunities

Following are remarks presented by Susan Corrales-Diaz, 2017 chair of the California Chamber of Commerce Board of Directors, at the 92nd Annual Sacramento Host Breakfast on June 1. Corrales-Diaz is president and CEO of Systems Integrated, Orange.

Good morning! Thank you to the Host Committee and the Chamber for putting together this spotlight on California business.

For over 125 years, the Chamber has been the premier business advocate to government—educating legislators of employers' concerns about new laws and regulations. The Chamber is a resource to employers to educate and provide expert guidance about employment laws and state and local regulations so that business can safely navigate forward.

The Chamber is shaped and guided by the input of our 13,000 companies, employing a quarter of California's private sector workforce. More than two-thirds of our diverse membership have 100 or fewer employees.

California has 3.8 million small businesses, the most of any state, and provides about half of California's employment. Small business is a vital contributor to California's economic health, but our state's business environment of regulations and taxes disproportionately shifts a greater burden onto small business.

Our policymakers need to seek ways to reduce regulations; suspend adding new taxes or fees on California's businesses; and seek moderation in the implementation of existing laws in the least disruptive manner.

Systems Integrated

I have grown a California business that has thrived for 40 years designing solutions which applied computer technology. Systems Integrated started out working with the military, developing test systems—from automated testing of Marine Corps tank engines to underwater research for DARPA [Defense Advanced Research Projects Agency] and the Navy, and have even touched the stars, working with JPL [NASA Jet Propulsion Laboratory] on the development of test systems for the Magellan Satellite.

As the military market waned, we were

able to apply our technology to industrial applications which could be exported to markets overseas. Though exporting is normally considered a federal concern, California policymakers had understood the benefits to jobs, and designed a California program for the special finance requirements of exporting. This program opened new markets for my company.



Susan Corrales-Diaz

Trade/Exports

Trade is a valuable component of California's economic health. In 2016, California exports amounted to nearly \$164 billion, maintaining our position as the top exporting state, and accounted for 11% of total U.S. exports. California has a big stake in international markets across all sectors—trade sustains jobs in California and reduces the cost of goods to consumers.

Trade agreements eliminate barriers to international markets and provide a level playing field for small and large businesses. The U.S. has gained tremendous

economic benefits through the 14 free trade agreements with 20 countries, which facilitated 47% of U.S. goods exported in 2015.

The federal finance programs of the Export-Import Bank provide the financial tools used in selling goods and services overseas. California wins when more of our businesses are able to participate in exporting, either directly or as suppliers to an export. Our legislators need to press for more trade agreements, and demand that Ex-Im Bank's quorum be restored to full operation.

Technology Speeds Change

Systems Integrated, like all companies, needs to evolve—and technology is accelerating this process. Technology is changing our lives and how business operates, allowing distributed workforces that are not bound to offices; and has created the platforms supporting the rise of the gig economy.

Flexibility Needed

Business and workers need flexibility to participate in this changing environment. Allowing flexibility with employee work schedules also supports our environmental agenda by minimizing pollution caused by commuting on choked infrastructure and doesn't punish workers, forced to live in affordable areas, to suffer terrible travel times—reducing the quality of their life.

Twenty percent of our workforce is on the verge of retirement, taking with them their skills and experience, but are willing to continue working if they can control their schedules with flexible hours. Business is trying to adapt to these demands of the workforce, but California's existing labor laws clash with these changes and need to be updated.

The legislators could affect immediate changes in labor regulations that would reduce the outflow of labor and allow

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Technology, Trade, Talent: Keys to Expanding California Opportunities

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business to better utilize California's trained workforce.

Quality Employees

Our ability to remain on the forefront of technology, is reliant upon the quality of our employees and the knowledge and skills they contribute to building our systems. For decades, California has been a center for innovation and technology fostered by our colleges and universities that provided industry with qualified students with scientific and technical training. But decline in the direct funding of California's higher education has caused difficult tradeoffs of limiting enrollment and increasing the numbers of nonresident and foreign students, worsening the skills gap for qualified talent.

In 2016, there were over 149,000 foreign students attending California colleges and about a third of these students were majoring in engineering, math or computer sciences. These students contributed to research and our economy while attending college, but after graduation, business has no access to these foreign-born graduates, trained by our universities. This talent pool is lost to California's business and instead the graduates must return to their home countries.

In the national immigration debate, we should support utilizing these foreign-born students that have earned graduate-level technical degrees in the U.S., by offering them an opportunity for permanent residence so they would be eligible for employment in California. We also need to spur the development of native-born STEM [science, technology, engineering and mathematics] graduates and should consider developing STEM-specific tuition assistance programs to encourage the pursuit of these degrees.

Career Technical Education

Not all students need a university degree to participate in technology fields. Our community colleges have aided in making technical occupations more accessible, by providing training through Career Technical Education and offering vocational degrees. These programs help to solve the skills gap but need dependable funding to maintain availability and meet the demand.

In order for California's children,



Photo by Steve Yeater

regardless of their ethnic or economic backgrounds, to be prepared to pursue technical fields, requires years of background preparation, starting in elementary school, to build the needed foundation.

Objective Testing

Figuring out the right approach for dispensing quality education in California is a combative matter, but it is too important an issue to let politics get in the way of meaningful changes.

California invests 40% of the state's budget in the education of our children and the only way we will know whether our kids are progressing is by objective

testing so we can determine whether our resources are achieving the desired outcomes.

Access to Economic Success

California is split between the economic disparities of the very prosperous to those struggling at poverty levels. Business, working with our legislators, can target the areas of priorities for action to bring economic success within reach.

California has great potential, but the benefits need to be accessible across our state so that we are collectively competitive and that there are expanding opportunities for all Californians.

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International Forum: State, U.S. Economies Depend on Strong Global Trade Ties

Photos by Steve Yeater



Panorea Avdis



Awinash Bawle



Christopher Wenk



Ambassador Jamal Khokhar



The importance of trade and the ability of U.S. and California companies to compete more effectively in

foreign markets was the topic discussed by three international trade experts at a recent international forum at the California Chamber of Commerce.

The May 31 forum, moderated by Susanne T. Stirling, CalChamber vice president of international affairs, brought together nearly 200 attendees, including representatives of the business community, higher education, CalChamber Board members, representatives of the California consular corps and foreign economic partners, plus representatives of state, local and federal governments.

Update from GO-Biz

Panorea Avdis, director of the Governor's Office of Business and Economic Development (GO-Biz), spoke first, telling the crowd, "We can all agree that what makes California great is the diversity of the people who set out to do the things other people might say are impossible."

Avdis explained that California is a global community hub that inspires people from abroad not only to study or work here, but to travel here.

According to Visit California, in 2016, California had more than 17 million visitors. As the agency's motto states: "all dreams welcome." Avdis affirmed that

this is the mindset that drives "California risk takers, disrupters and entrepreneurs who are working on the next big thing that will change the world."

California continues to be a leader because of two important factors: its people and the state's access to international markets.

GO-Biz is helping to position students, engineers, scientists and innovators for global opportunities that leverage "their ingenuity, creativity for the benefit of our state and our world," Avdis said.

GO-Biz manages a variety of programs, but Avdis highlighted the Strong Workforce Initiative, which helps create pathways that ensure California's labor force is "ready today for tomorrow's demands."

In addition, GO-Biz has 14 regional innovation hubs, which helps each participating area develop strategies that will lead to high wage, high growth jobs that will help attract foreign direct investment and market products and services abroad.

As the sixth largest economy in the world, California competes around the globe. To strengthen the state's position for California businesses, Governor Edmund G. Brown Jr. has signed eight Memorandums of Understanding (MOUs) with nation states that specifically speak to trade and investment.

While these activities set the framework for California's businesses to compete, this is just one side of the equation, Avdis said. GO-Biz will be accepting applications for the State Trade Expansion Program (commonly referred to as

California STEP), which is designed to drive export capacities for small businesses.

"The goals are simple, Avdis said. "If you're exporting, we want to help you export more and if you're not exporting, we'd like to help you get started."

California STEP leverages a statewide network of state, federal, private and nonprofit trade promotion organizations to facilitate export promotion activities serving targeted industries, to increase the number of California small businesses that are exporting and increase the dollar value of exports by those small businesses.

Finally, Avdis introduced the group to GO-Biz's newest deputy director of international affairs and business development, Awinash Bawle.

Bawle said he is "the enthusiastic and energetic global, two-way salesman-in-chief for the Golden State."

The goal of the international affairs team is to help California's private sector businesses by doing all the team can to help attract as much inward international investment as possible and expand as many export opportunities as possible.

For more information on GO-Biz resources, visit www.business.ca.gov.

U.S. Trade Issues

Christopher Wenk, executive director of international policy with the U.S. Chamber of Commerce, pointed out that 41 million American jobs depend on international trade. U.S. exports have

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International Forum: State, U.S. Economies Depend on Strong Global Trade

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seen a 50% growth between 2009 and 2014, led by exports to Mexico and Canada.

“Our free trade agreements have been a big opportunity for U.S. exporters,” Wenk said.

Worldwide there has been a proliferation of trade agreements and this expansion does not include the U.S.

“Everybody else is moving forward and from our perspective we should be more aggressive,” Wenk said.

The next area which is front and center for trade is the North American Free Trade Agreement (NAFTA), between the U.S., Canada and Mexico, comprising 484.3 million people. Combined annual trade with the United States was around \$1.069 trillion in 2016. In 2016, goods exports topped \$496.919 billion while goods imports totaled nearly \$572.217 billion.

Wenk explained that on May 18 the Trump administration sent a notification letter to Congress that it intends to open trade talks with Canada and Mexico in an attempt to renegotiate NAFTA. Wenk estimates that negotiations will begin in the late summer.

He also speculated that the road ahead on trade negotiations in general will go through this NAFTA negotiation first.

Clearly there is some skepticism about trade and whether the United States should move forward, Wenk explained, but it is critical that small and medium companies share their success stories.

The U.S. Chamber of Commerce launched a website in 2017 to serve as a one-stop shop for national and state-specific trade information, survey results, and advocacy tools—www.tradeworksforus.com.

Trade in the Americas

Globally, trade is at a very interesting juncture, Ambassador Jamal Khokhar, president and CEO from the **Institute of the Americas**, said to the forum attendees.

For more than the last half century, the U.S. has led the world in breaking down barriers to trade and in creating a fairer and freer international trading system based on market economics and the rule of law. Increased market access

achieved through trade agreements has played a major role in the nation's success as the world's leading exporter.

This trend is changing, however, to a more inward view because “large segments of the population have not necessarily benefitted from the gains of trade liberalization that were promised them in the trade agreements,” the Ambassador said.



Susanne T. Stirling

Ambassador Khokhar explained that it is not the trade agreement's fault for this predicament. “We are better off with a liberalized trade agenda,” he said. The challenge instead is how to make the trade adjustments in terms of education, job training, job creation, adjusting with new technologies, recognizing that some manufacturing jobs will be lost and new ones created and there's a balance between the two sides.

Why are trade agreements so difficult to negotiate? the Ambassador asked rhetorically.

“Trade agreements are the only instrument that oblige countries to internalize, ratify into domestic law the agreements reached among countries. So, they are enforceable and there are dispute resolution systems in place,” he said.

It is this package deal that allows countries to load up a variety of topics and problems into a trade agreement. However, the biggest change in trade is new technology, and that is presenting a whole host of new problems.

Global value chains account for 80% of world trade today. Global value chains

are companies selling to each other, within the company, or all the people and all the goods from around the world that go into the production of a product or a service.

“In a world where goods, or even cattle cross the border before they're processed and delivered...how do you define a rule of origin?” Ambassador Khokhar asked. “So global value chains are extremely important and yet our trade agreements are not set up any longer to deal with sophisticated global value chains.”

The debate the world is having about trade and whether it benefits or hurts countries needs to refocus on how technology changes everything.

The Ambassador sympathized that there are people who are hurt, who have lost jobs and explained that we as a society, not necessarily just government, need to think of how to address that and we need to think about how to retrain and create new jobs in some of these new companies.

“Look backwards if you want to, but I think the rest of the world is moving on and I think countries like the U.S. and key states like California control a lot of global leadership,” Ambassador Khokhar said in closing.

Export Achievement Certificate

CalChamber member company Gliding Eagle was awarded the U.S. Department of Commerce Export Achievement Certificate. Company founder and CEO Jack Duan was given the award by Tom McGinty, national director, U.S. and Foreign Commercial Service, and Rod Hirsch, director of the Oakland Export Assistance Center.

Gliding Eagle has developed a fully traceable direct-to-consumer logistics solution using FedEx to connect premium California wineries with Chinese consumers, in both mainland China and Hong Kong.

The Export Achievement Certificate was created to recognize small and medium-sized enterprises that have successfully entered the international marketplace for the first time or that have successfully entered a new market.

Staff Contact: Susanne T. Stirling

Disruption in Washington, D.C. Heightens Economic Uncertainty in California

With the midpoint of the year fast approaching, two distinctly opposing trends have formed in terms of the U.S. economy's outlook for the year. On one hand, the nation's economy is clearly picking up momentum after a year of slow growth in 2016. On the other hand, the policy uncertainties created by the Trump administration have only become worse as it moves into its fifth month.

The U.S. economy may have gotten off to a slow start as far as quarterly gross domestic product (GDP) is concerned with annualized quarterly growth of 0.7%, but the year-to-year growth figure of 1.9% is a better reflection of the general trend and is very much in line with the trajectory of the economy over the past few years.

Similarly, wage and salary job growth may be a bit lower than last year at 1.6% year over year, but this is largely due to the fact that the economy has reached full employment, hence adds jobs at a slower pace.

U.S. Outlook

All in all, the outlook for the U.S. economy in 2017 may be summarized in one number: 2! That is, GDP growth of about 2%, job growth of just under 2%, and inflation running at about 2%...at least through the end of this year and possibly into 2018.

As for California, the state economy remains on track (as described below) despite the uncertainty created by the disruptive political environment that has characterized the early months of the Trump administration.

From its opening salvo of backing out of the Trans-Pacific Partnership (TPP), to repeated efforts to enact a travel ban, and other measures to cut regulations, actions by the administration inevitably affect

California businesses and must be monitored for their potential implications.

Business leaders have their work cut out as they try to navigate terrain that has been made more uncertain by the current state of affairs in Washington, D.C.

as it has entered 2017. Wage and salary jobs rose by 2.1% year-over-year in March 2017, somewhat lower than the 2.8% growth rate a year earlier. Even so, California added 346,400 jobs year-to-year in March, well ahead of other states

around the U.S. and accounting for approximately one-fifth of all jobs added nationally.

In the private sector, Health Care made the largest contribution, followed by Accommodation and Food Services; Construction; and Professional, Scientific and Technical Services. The government sector saw a significant gain, mostly due to hiring by local school districts. Together, these sectors accounted for 256,000 of the jobs added during the period.

Job losses occurred in Mining and Logging and in

Durable Goods manufacturing. On a separate note, Agriculture posted a solid 3.4% yearly job gain in March 2017.

The metro areas of the state universally saw yearly job gains in March 2017. Among the metropolitan statistical areas (MSAs) with more than 100,000 jobs, the Inland Empire led the way with a 3.5% increase from a year earlier, followed by the Oakland MSA, the Ventura MSA, and the Fresno MSA. In absolute terms, Los Angeles County led the way with 72,800 jobs added.

Housing Outlook

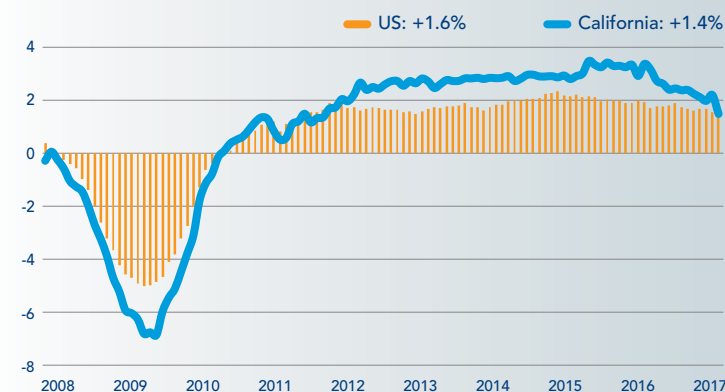
The picture for California housing continues to be mixed. In general, prices have advanced modestly despite less-than-normal circumstances that have limited sales activity. Aside from the San Francisco Bay Area, home prices have yet to surpass their pre-recession peaks.

On the demand side, strong demo-

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California Adding Jobs Faster than United States

Year-to-year percent change in nonfarm jobs, seasonally adjusted



Source: Beacon Economics

Sustained Growth

The California economy generally outpaced the national economy as it advanced throughout 2016 and into early 2017. The state's unemployment rate fell to its lowest in 10 years at 4.9% in March 2017, marginally higher than the U.S. rate.

California's real GDP in all of 2016 grew 2.9% in yearly terms compared to the nation's 1.5% rate over that period. In general, the pace of economic growth in both California and the United States was slower in 2016 than in 2015, but should speed up this year.

California continues to get significant contributions from the tech-related sectors (Information, together with Professional, Technical, and Scientific Services), Health Care, with noteworthy contributions from Construction and Durable Goods Manufacturing.

The state has continued to experience steady but somewhat slower job growth

Disruption in Washington, D.C. Heightens Economic Uncertainty in State

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graphics, job and income growth, and low interest rates should be driving sales.

However, would-be buyers face impediments in the form of limited inventories, high underwriting standards, and large down payment requirements.

On the supply side, existing home sales have been well below their long-run averages, while new home construction has been relatively weak since the recession. Meanwhile, with the homeownership rate at its lowest level in decades, high demand for rental units has driven rents up and rental vacancy rates down.

The outlook for housing in 2017 should improve.

With growing incomes, more households will seemingly be in a position to become homeowners. Moreover, the expectation of higher interest rates should get some would-be buyers off the fence. Whether this sparks heightened activity on the supply side remains to be seen.

Meanwhile, lenders appear to be ratcheting up their lending requirements based on a recently released Federal Reserve Bank Senior Loan Officer Survey.

On the rental side, rent burdens (rent as a share of income) have been rising,

elevating concerns about affordability around the state to their highest levels in over a dozen years.

housing affordability concerns, the state must face up to long-run water problems, even though the precipitation of recent months has ended years-long severe drought conditions in the state.

And, as the situation at Lake Oroville has demonstrated, decades of neglected maintenance and repairs have contributed to a significant infrastructure investment deficit.

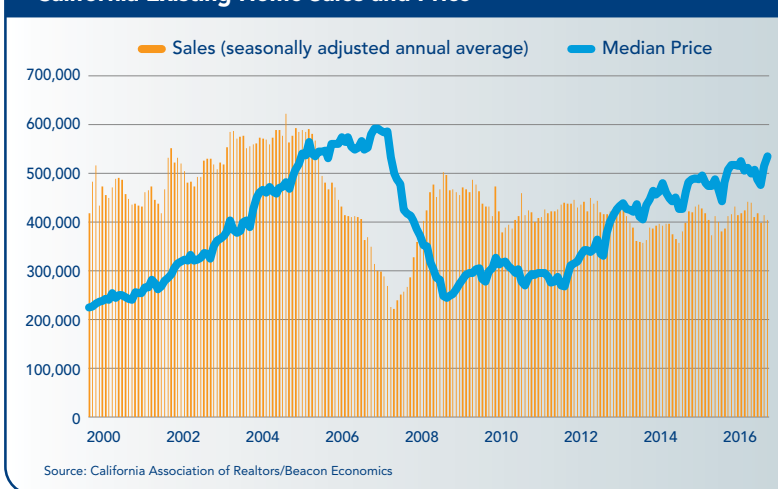
The state and its regions must do more to ensure that the all-important statewide water system, which ties north to south and inland California to coastal California, will be up to the task in the future.

More generally, California must find ways to address and finance its

infrastructure needs to support a growing state economy in the decades ahead.

Staff Contact: Dave Kilby

California Existing Home Sales and Price



Conclusion/Statewide Policy Issues

It will take time for policy changes in D.C. to work their way through the political process. As such, California and its regions should experience continued growth in economic activity and jobs throughout 2017, with the largest contributions to employment coming from Health Care, Leisure and Hospitality, Construction, and Professional Services.

Meanwhile, California must deal with its own home-grown issues. In addition to



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 Robert Kleinhenz, Ph.D., executive director of research, Beacon Economics, LLC.

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CalChamber Policy Advocates Give Issues Update at Capitol Summit

Photo by Steve Yeater



The policy issues panel session at the CalChamber Capitol Summit on May 31 allows CalChamber Policy Advocates (from left) Louinda Lacey, Karen Sarkissian and Senior Policy Advocate Jennifer Barrera to provide the latest information on housing, the government-run health care proposal, taxation, labor law and arbitration bills to Summit attendees. Mike Villines, owner of Villines Group LLC and a former Assembly Republican leader, moderates the discussion.

CalChamber Board Hears Candidate for State Schools Superintendent



Marshall Tuck, candidate for State Superintendent of Public Instruction, outlines for the CalChamber Board of Directors on June 1 how the California public school system is failing students throughout the state, especially in the poorer school districts, and why he is running again (he won 48% of the vote in 2014) to “renew the promise of public education.” Tuck is an educator-in-residence at the New Teacher Center.

2017 Board Chair: CalChamber Membership Helps Businesses Thrive



A California Chamber of Commerce video featuring 2017 Board Chair Susan Corrales-Diaz was released last week at the 92nd Annual Sacramento Host Breakfast. (See calchamber.com/videos.)

The video highlights the ways CalChamber promotes a healthy business climate and assists its members through

compliance training programs and effective advocacy.

Corrales-Diaz is president and CEO of Systems Integrated, a California company providing innovative technology solutions to municipal service providers, government and private industry around the world.

“There is nothing as effective as having a large

group of people give the input on these policies,” says Corrales-Diaz of her CalChamber membership.

In addition, CalChamber’s employment training programs keep businesses up to date and in compliance with various tax and regulatory policies and how they affect California employers.

“This is extremely important so that not just the heads of the company understand what the rules are, but that the employees understand what the rules are and their rights are also,” says Corrales-Diaz.

“It’s easier for California small business to have a voice when you’re working through a group of people that are seasoned, experienced. There’s no way I could have my own lobbyist to do the kinds of work the Chamber does,” says Corrales-Diaz.

CalChamber President and CEO Allan Zaremberg sums up the crucial work CalChamber does for its business members: “...to make sure that a business has the opportunity to thrive, we protect the opportunity to be an entrepreneur, to be an innovator. As long as those businesses stay here, peoples’ lives will be better.”

ALERT

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On July 1, 2017, minimum wage increases take effect in many California cities, as well as in nearby states. These locations require updated postings on that date. (What's more, Arizona is adding an earned paid sick time notice.)

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