

ALERT

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 **CalChamber**
CALIFORNIA CHAMBER OF COMMERCE

Chief Justice: Funding Cuts Creating Civil Rights Crisis

Maria Shriver Visits with CalChamber Board of Directors

Photo by Sara Espinosa



California Chief Justice Tani G. Cantil-Sakauye outlines for the CalChamber Legal Reform and Protection Committee, chaired by Frederick R. Ruiz (left) of Ruiz Foods, the crisis inadequate funding is creating by limiting access to the courts for Californians who are themselves in crisis and need to resolve disputes.

California's judicial system, which serves people in crisis, is in a crisis of its own, California Chief Justice Tani G. Cantil-Sakauye told the California Chamber of Commerce Legal Reform and Protection Committee this week.

"Without proper funding, we're undermining our own laws if we can't get people into the courtroom," Cantil-Sakauye said.

Over the last five years, California's court system has faced more than \$1 billion in budget cuts from the General Fund. In the 2012–2013 budget year, courts absorbed nearly a half-billion dollars in cuts. This led to the closure of courthouses and hundreds of courtrooms, reduced service hours, and reduced self-help/family law facilitator services.

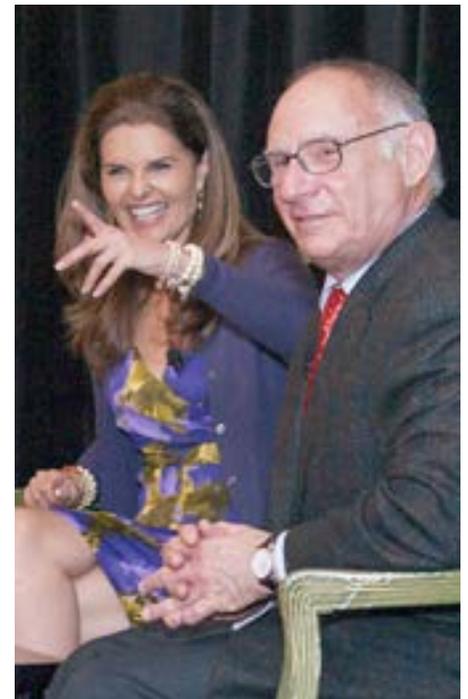
The Chief Justice appeared at the

CalChamber to raise awareness in the business community about the consequences of the cutbacks and asked that business stakeholders support an adequately funded judiciary.

The Legislative Analyst's Office has indicated that courts face ongoing cuts that will increase by more than \$250 million in the 2014–2015 budget year, and courts will have fewer resources available to offset those cuts.

Cantil-Sakauye has created a three-year *Blueprint* to reinvest in California's justice system by improving access to the courts, closing the trial court funding gap, providing needed judgeships and modernizing court technology.

The *Blueprint* is available at www.courts.ca.gov/documents/JudicialBranchBlueprint.pdf.



Maria Shriver highlights key findings of the latest *Shriver Report* and what business can do to help employees prosper in a conversation with CalChamber President and CEO Allan Zaremberg at the CalChamber Board of Directors meeting on March 7 in Santa Monica. Story on Page 5.

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Labor Law Corner

Job Return Rights Post-Baby May Vary, Depending on Type of Leave



Ellen S. Savage
HR Adviser

When an employee returns to work after the birth of a baby or baby bonding time, what are the job return rights? Does a full-time employee have a right to choose to return just part time or to a different job?

An employee returning after a Pregnancy Disability Leave (PDL), which is a job-protected leave that employers with five or more employees must offer, has a

very strong right to return to the exact same job she had before going out on leave.

Unless the employer can clearly show the employee absolutely would have lost her job anyway, such as where her whole department was laid off, the employer must return her to her original position with the same hours, location, pay, benefits, etc.

Even where the employee's temporary replacement has proven to be a far better employee, or where the company has realized it can do fine without the employee, the return rights remain the same.

Rights Under Other Leaves

The return rights after taking baby bonding leave under the federal Family and Medical Leave Act (FMLA) and/or California Family Rights Act (CFRA) are slightly less stringent than those under the PDL laws.

After baby bonding leave, an employee is entitled to return to the same or an equivalent position. It is important to note that an equivalent position does not simply mean the employer must find some other job within the company that pays the same amount of money. An equivalent position means one that is *virtually identical* in terms of pay, benefits, working conditions and status, and

that involves the same or substantially similar duties and responsibilities, and requires equivalent skill, effort, responsibility and authority.

Due to these stringent return rights, it is advisable to consult with legal counsel if an employee returning from PDL, FMLA or CFRA is being considered for return to any position other than the one she/he held before going out on leave.

No Greater Rights

On the other hand, it is also critical for employers to understand that employees have no greater rights upon returning from FMLA, CFRA and/or PDL than they had prior to going out on leave. Employees have no legal right to demand to return to work on a part-time schedule, or to any schedule or job other than what he or she previously had.

An employee who refuses to return to the previous job gives up all legal return rights, and from that point the employer may—but is not required to—negotiate a different job or hours just as you would with any employee who had not been on leave who requests such changes.

Employees might also request intermittent baby bonding leave in order to create a part-time schedule, for example, asking for baby bonding four

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CalChamber-Sponsored Seminars/Trade Shows

More information: calchamber.com/events.

Labor Law

HR Boot Camp. CalChamber. April 10, Fresno; May 1, Sacramento; June 10, Santa Clara. (800) 331-8877.

Business Resources

GO-Biz Tax Credit Workshop. Governor's Office of Business and Economic Development (GO-Biz). March 19, Sacramento, Redding; March 20, Fairfield, Salinas, Oakland; March 21, Fresno, Stockton; March 25, Los Angeles; March 26, Anaheim, Ontario; March 27, San Diego; March 28, San Francisco. (916) 322-0694.

GO-Biz Tax Credit Webinar. GO-Biz. March 19; April 1. (916) 322-0694.

International Trade

Annual Gala. Korean American Chamber of Commerce Los Angeles. March 19,

Los Angeles. (213) 480-1115.
Offshore Technology Conference 2014. Malaysia External Trade Development Corporation. March 25–26, Kuala Lumpur, Malaysia. (213) 892-9034.
China's High Tech Surge Report. Asia Society and CalChamber. April 1, San Francisco. (415) 421-8707.
U.S.-China Agriculture Trade Barriers. Monterey Institute of International Studies. April 4, Monterey. (831) 647-3556.

Qatar and Oman Executive Trade Mission. National U.S.-Arab Chamber. April 6–10, Qatar and Oman. (202) 289-5920.

Asia/Pacific Business Outlook Conference. University of Southern California. April 7–8, Los Angeles. (213)

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Farewell to a Towering Californian

A quiet giant in California's civic affairs passed away last weekend.

Bill Hauck, 73, was a close friend of the California Chamber of Commerce and an articulate advocate for California business.

Bill held many important positions. He was senior adviser to one (Republican) Governor and two (Democratic) Assembly speakers. He resurrected and for 15 years led the California Business Roundtable. For 20 years he served on the Board of Trustees of California State University.

He chaired and served on innumerable public commissions and boards, built a wildly successful information services business. He was a devoted father and husband.

Positive Force

But while influential and impressive, these professional positions merely manifested Bill's essential spirit: he was consistently, insistently a positive force for California public policy.

Bill didn't care about party; he didn't care about credit. He only cared about getting the job done.

Reagan biographer Lou Cannon took readers behind the scenes in his 2003 book, *Governor Reagan*, setting the stage for the Governor's second-term accomplishment reforming the California welfare system:

"At this point in their careers, [Assembly Speaker Bob] Moretti and Reagan were blessed with aides who were willing to tell them what they needed to know. Bill Hauck, the speaker's thoughtful chief of staff, suggested to Moretti that he take the initiative. 'This blasting back and forth has become debilitating to both of you,' Hauck said to Moretti one day in June when the prospects for legislative action looked particularly hopeless.

"On June 28, 1971, Hauck wrote and Moretti signed a letter to Reagan that proposed 'that we set aside our personal and philosophical disagreements and work to assure the people that our state will prosper. As we have both said pub-



Bill Hauck

licly on a number of occasions this year, if we do not act positively on at least a few of our major state issues the people of California will properly hold us all accountable.'

"That letter broke the ice. Later that same day, after Bill and George Steffes, the Governor's legislative secretary, set the stage, Reagan and Moretti met to begin hammering out a deal."

Two decades later, Bill was working for Governor Wilson—a Democrat with the utter confidence of the Republican Governor and his staff. The Governor had been struggling with balancing a state

budget with a deficit—as a percentage of total revenues—still unmatched in the state's postwar history.

Among Bill's assignments was to convince Democratic leadership in Washington, D.C. to help offset some of California's unique costs in incarcerating undocumented aliens. Bill's strategy was characteristically him: he convinced then-Speaker (and his former boss) Willie Brown to join the Governor in making this request. With Brown on board, this mission became about solving an intractable policy problem, not seeking partisan advantage. And the strategy worked.

'Anti-Cynic'

I came to think of Bill as the "anti-cynic." And it wasn't only because he answered the call from innumerable civic improvement organizations: California Forward, Constitutional Revision Commission, California Performance Review Commission, Campaign for College Opportunity, Coro Foundation, not to mention his devotion to the institution that educated him, California State University.

After a particularly frustrating week fighting some long-forgotten political battle, I vented on Bill my exasperation with the entire California political establishment, declaiming a pox on all their houses, but not so nicely.

He shot right back at me: "You can't be cynical about this. If you're cynical, then you've given up. And then you can't keep working to improve this place."

Bill's credo was that individuals make a difference. By his example we know that to be true.

Remembrance by Loren Kaye, president of the California Foundation for Commerce and Education, a nonprofit think tank affiliated with the California Chamber of Commerce.

Job Return Rights Post-Baby May Vary, Depending on Type of Leave

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hours each day or two days per week. The law, however, allows you to require that all baby bonding leave be taken in two-week minimum increments, except that twice an employee may request and take a shorter duration leave (that is, twice an employee could take just one

week or one day, for example).

The law also allows you to require 30 days notice for baby bonding time, meaning an employee whose child care provider is unavailable at the last minute cannot call in, demanding a protected baby bonding day to stay home with the child.

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.

CalChamber Hosts Tax Talk with Board of Equalization Chair, Member



California Board of Equalization Chairman Jerome Horton discusses tax issues affecting business with CalChamber Policy Advocate Jennifer Barrera and members of the CalChamber Taxation Committee on March 6.



Board of Equalization Member George Runner (right) and CalChamber Policy Advocate Jeremy Merz take quick questions from attendees at the CalChamber Tax Roundtable Discussion on March 6.

CalChamber Legislative Briefing to Feature Insights on Top Issues

Business leaders from throughout the state are invited to attend the California Chamber of Commerce legislative briefing on May 20 in Sacramento.

The briefing will give attendees the opportunity to get the inside scoop from CalChamber President and CEO Allan Zaremberg about the politics behind major issues affecting employers' ability to stay competitive.

Also featured will be updates on CalChamber job creators and "job killers" and comments from longtime members of the Capitol Press Corps.

Lunch is included in registration for

the briefing, set for 10:30 a.m.–1 p.m.

In the evening following the briefing is the Sacramento Host Reception, a networking opportunity for business leaders from all industries in California to discuss key issues facing the state.

The reception is a prelude to the Sacramento Host Breakfast the following morning, May 21. The Host Breakfast provides a venue at which California's top industry and government leaders can meet, socialize and discuss the contemporary issues facing businesses, the economy and government.

Traditionally, the Governor of Califor-

nia and the chair of the CalChamber Board of Directors speak on issues facing employers in California. Leaders from business, agriculture, the administration, education, the military and legislators from throughout the state are invited to join the discussion.

Registration

Registration for the briefing, Host Reception and Host Breakfast is \$50. Space is limited. The registration deadline is May 9. For more information or to register, visit www.calchamber.com/2014briefing-hostb.

CalChamber Alert Available Via Mobile



calchamber.com/mobile

CalChamber-Sponsored Seminars/Trade Shows

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740-7130.

World Trade Week Kickoff Breakfast.

Los Angeles Area Chamber. May 2, Los Angeles. (213) 580-7569.

Saudi Health Exhibition and Conference.

U.S.-Saudi Arabian Business Council. May 19–21, Saudi Arabia. (703) 962-9300.

Consular Corps Luncheon. Northern California World Trade Center. May 21, Sacramento. (916) 321-9146.

China International Trade Mission and Expo. CalAsian Chamber of Commerce. May 22–June 1, Shanghai, China. (916) 446-7883.

China International Food Exhibition 2014. MEREBO Messe Marketing. May 27–29, Guangzhou, China.

Computex Taipei 2014. Taiwan External Trade Development Council. June 3–7, Taipei, Taiwan. (408) 988-5018.

Discover Europe Conference. U.S. Commercial Service and Los Angeles Area Chamber. June 3–4, Los Angeles. (213) 894-8785.

The 15th Malaysia International Food and Beverage Trade Fair. Sphere Exhibits Malaysia Sdn Berhad and Mutiara Sigma (M) Sdn Bhd. June 19–21, Kuala Lumpur, Malaysia.

Shriver Report Cites Ways Businesses Can Help Working Women Thrive

Maria Shriver was warmly received by the California Chamber of Commerce Board of Directors last week when she presented highlights of findings from the latest edition of *The Shriver Report: A Woman's Nation Pushes Back from the Brink*.

Shriver, an award-winning journalist, best selling author and former first lady of California, took time to engage in a robust dialogue with the CalChamber Board over how to implement some of the findings of the report and noted that the changes “aren’t going to happen overnight.”

The report examines the financial insecurity of American families through the eyes of women. For example, women make up half the U.S. workforce and two-thirds of the primary or co-breadwinners in American families, while a third are living at or near “the brink of poverty”—defined as about \$47,000 a year for a family of four.

But what women and men need and want is the same, Shriver said: flexible hours to help deal with family matters, the ability to earn sick leave, and a work supervisor who is willing to listen to what they are up against.

She acknowledged the complications posed by California’s eight-hour workday rules and recognized that with sick leave concerns, a “one size” solution does not fit all businesses or workers.

Shriver said the women she talks to “understand the struggles that companies have. They’re not saying ‘I demand this’

or ‘I demand that.’ They want to earn it.”

Working women, Shriver said, “want to work their way up for their children and for themselves. They don’t want to stay in minimum wage jobs. They want to work with businesses to try to figure out what is the best way for them to thrive and for the business to create a culture where they can thrive.”

Thrive Index

With the help of researchers at the University of California, Davis, *The Shriver Report* has put together a “Thrive Index” to help managers identify company policies and best practices that promote the success of low-wage working women. The checklist is presented as questions employers can ask, such as:

- Are part-time workers paid the same (per hour, including benefits) as full-time workers performing the same or similar tasks?
- Do low-wage workers have opportunities for on-the-job or cross-task training or outside educational opportunities that can lead to upward mobility?
- Can worker breaks be scheduled to accommodate the need for phone calls at pre-specified times for working caregivers?
- Is there a systematic way for workers to communicate their preferences for hours and schedules? If not, could some such system be implemented?
- Are workers protected from “no-fault” absence or tardiness policies (ones that lead to disciplinary actions or dismissal, even for excused absences)?

Smarter Choices

In conjunction with bringing attention to statistics about the struggles women face, *The Shriver Report* identifies ways for women and girls to make smarter choices about finances, education and personal relationships.

Shriver said she advises women to “think of yourself as a provider, a partner, a person, a parent... Women need to focus on their education. They need to stay in school before they have children because there obviously is a direct correlation between level of education and poverty or being on the brink.”



Maria Shriver

Economic Issue

In getting out the word about the report (including a mention by President Barack Obama in his State of the Union address), Shriver and the team working on the report have met with Republicans and Democrats, as well as calling on celebrities from Beyoncé to LeBron James so the report would land in what Shriver called the “cultural conversation.”

Commenting that “this is an economic issue,” Shriver credited a lot of businesses with already doing a great job. The report has been so successful, she said, because it gives businesses information they can use and “implement in stages” so the business and the employees can prosper.

“When women succeed, the whole family succeeds,” Shriver said. “What’s good for women is good for men and it’s good for their children, it’s good for the changing American family.”

More information, including essays and a place for people to submit stories and photos to share, is available at www.ShriverReport.org.

A documentary co-executive produced by Shriver and Sheila Nevins will air on HBO on March 17: “Paycheck to Paycheck: The Life and Times of Katrina Gilbert.”

Quick Answers
to Tough
HR Questions



CalChamber Opposes Revival of Vetoed Bill Presuming Employer Guilt in Safety Citations



OPPOSE

The California Chamber of Commerce and a coalition of more than 50 local chambers of commerce and associations are **opposing**

legislation that will increase costs and undermine due process for appealing workplace safety citations.

A similar CalChamber-opposed bill by the same author was vetoed by the Governor last year.

This year's proposal, **AB 1634 (Skinner; D-Berkeley)** is scheduled to be considered by the Assembly Labor and Employment Committee on March 19.

Like the 2013 proposal, AB 1634 proposes a costly double-appeal process that presumes guilt for employers. The bill is unnecessary in light of recently adopted regulations for an expedited appeals process for these situations.

It also creates a potential conflict of interest because the Division of Occupational Safety and Health (Cal/OSHA) issues the citation and also has the authority to rule on whether to uphold or reverse its own order to abate a safety violation.

Guilty without Hearing

AB 1634 requires employers to abate safety hazards for which they have been cited before the appeal is resolved. In other words, while the employer exercises its right to contest the existence of a violation Cal/OSHA could order the employer to fix the alleged violation before the Cal/OSHA Appeals Board has determined whether that condition even exists.

The requirements for abatement are already grounds for appealing a Cal/OSHA citation. Moreover, Cal/OSHA has authority to issue an Order Prohibiting Use where it concludes a condition, process or piece of machinery poses an imminent hazard to employee safety.

Requiring employers to specifically contest an abatement where it would otherwise be stayed creates two separate appeals where currently there is one. The creation of a new ground for appeal concerning abatement is not needed and will place an unnecessary burden on Cal/OSHA, employers, and other parties.

New Process Working

The expedited appeals process where hazard abatement has not occurred and is at issue was developed with labor and management collaborating in July 2013

based on a successful pilot project and extensive stakeholder input over several years. The new process has been successful in identifying cases where abatement is an issue and expediting those, and also in causing most of the abatement issues to be resolved with abatement occurring.

Cost

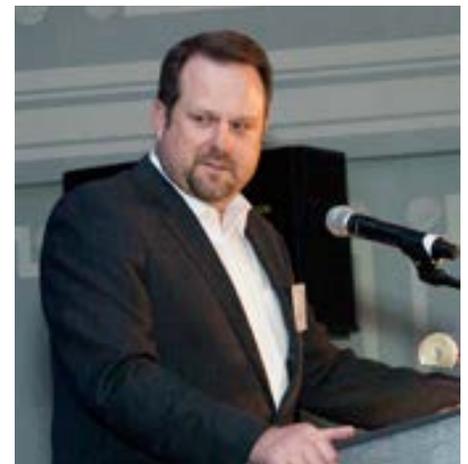
AB 1634 sets up a new administrative process/hearing process (the bill does not clarify which). In either case, a new process requires staffing, setting up processes and procedures, and regulations being developed and adopted. The Senate Appropriations Committee predicted the cost to exceed \$1 million with last year's similar bill, **AB 1165 (Skinner; D-Berkeley)**.

Governor's Veto

In vetoing AB 1165, the Governor cited the bill's creation of a separate hearing process, duplicating the expedited Cal/OSHA Appeals Board process. He directed Cal/OSHA "to consult with the author to make sure the Appeals Board process is working as intended and, if necessary, to recommend any additional administrative or regulatory actions that may be needed."

Staff Contact: Marti Fisher

Journalists Present Insights on National, California Politics

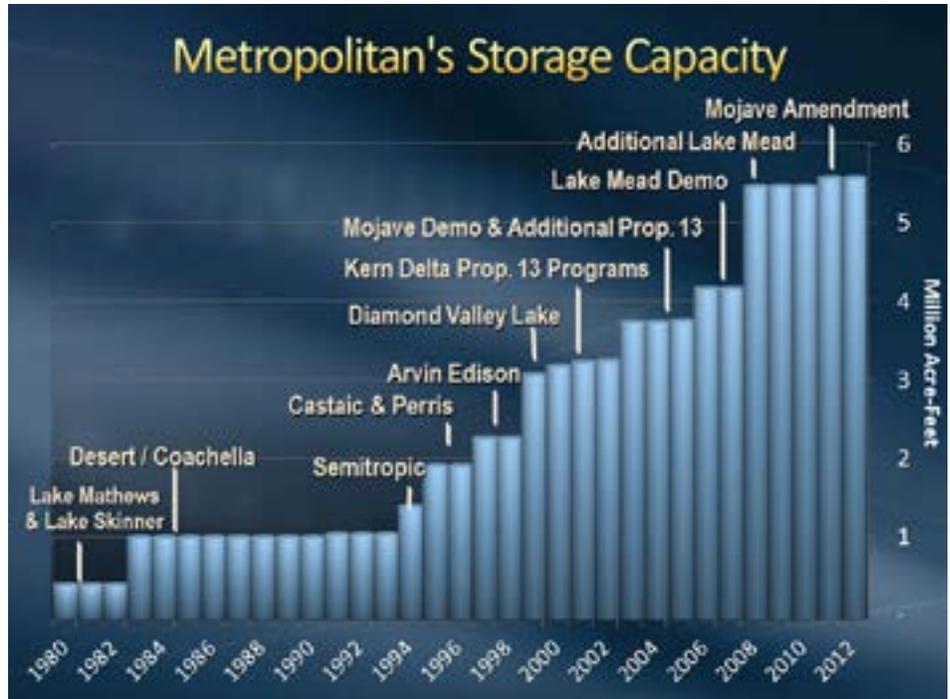


Panelists Seema Mehta of the *Los Angeles Times* and David Drucker of the *Washington Examiner* join moderator Rob Stutzman (right) of Stutzman Public Affairs in presenting a wide-ranging and entertaining discussion at the CalChamber Board of Directors dinner on March 6 on topics such as federal and state political personalities and the "top five" potential Republican candidates for the presidency in 2016.

Metropolitan Water Head Outlines District Preparations for Drought



Jeff Kightlinger, general manager of The Metropolitan Water District of Southern California, gives the CalChamber Board of Directors an overview of how the district prepared to cope with the inevitable drought, including capturing and storing imported supplies in wet years to maintain a reliable system during dry cycles, and promoting conservation, recycling and local resource development.



In the 1980s, The Metropolitan Water District embarked on a program of conservation, demand management and building its own water storage rather than relying on system storage in Northern California and the Colorado River. The addition of that storage capacity (surface, groundwater and exchange agreements), shown by names in the chart above, means that today, the district can store close to 6 million acre-feet of water. It tries to keep a six-month water supply in Southern California at all times in case a major event knocks out the aqueducts that bring in the water.

CalChamber Committee Looks at Drought, Water Bond Prospects



Speakers at the March 6 gathering of the CalChamber Water Committee are (from right) Brandon Goshi, Metropolitan Water District of Southern California, giving a drought update; and assessing the various water bond proposals and their likelihood of moving: Doug Obegi, Natural Resources Defense Council; John Coleman, Association of California Water Agencies; Frances Spivy-Weber, State Water Resources Control Board; and Dave Puglia, Western Growers Association.

Following Slow Start, Economy Appears Poised For Stronger Gains

Despite a spate of historic snow storms along the East Coast, the onset of the Fed's much-anticipated tapering of securities purchases and jitters in some emerging markets, the U.S. economy appears poised for stronger growth in 2014.

Real gross domestic product (GDP) growth averaged better than a 3% pace during the second half of last year, as the recovery finally reached more industries and regions throughout the country.

While the new year got off to a shaky start, with two surprisingly weak employment reports and jitters in some emerging markets pulling stock prices lower, there were also some notable positives. Early this year, Congress reached a budget deal, which reduced the impact of sequestration and also funds the federal government well into 2015. Later Congress passed legislation to raise the debt ceiling, which effectively removed the threat of another government shutdown in 2014. With fiscal policy more certain, consumer confidence and business confidence have improved.

Unfortunately, the improved tone from Washington arrived just as a severe chill was working its way throughout the country. The composition of GDP growth during the second half of 2013 set the economy up for a bit of a payback in early 2014. Much of the improvement late last year came from inventory building and an unsustainably sharp improvement in the nation's trade deficit.

Growth will likely slow during the first half of the year, as inventory building slows and trade flows normalize.

Unseasonably cold weather and a series of snow storms along the East Coast also will likely take a toll on first quarter growth and also will make it difficult to get a reliable read on the economy's underlying momentum until late spring. The weaker

construction should also improve and government will be less of a drag at all levels.

California

The weather also is a major concern in California, but it is the lack of precipitation that is causing problems. The state's long drought is making headlines nationwide, but is not all that visible from the economic data.

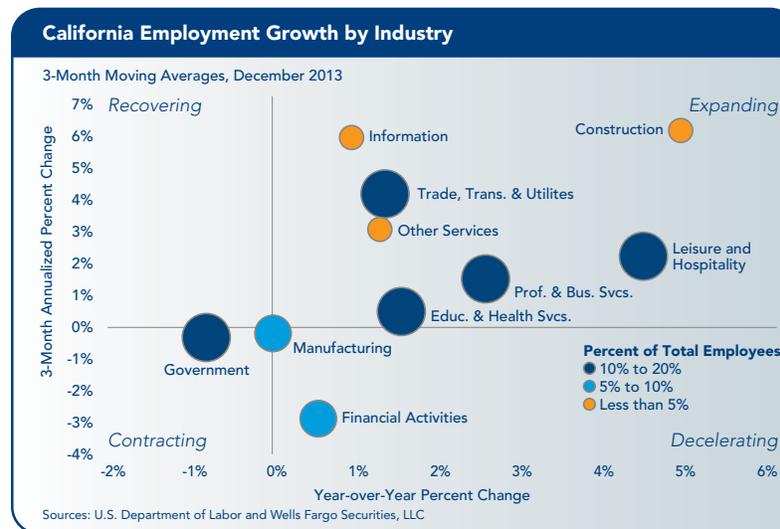
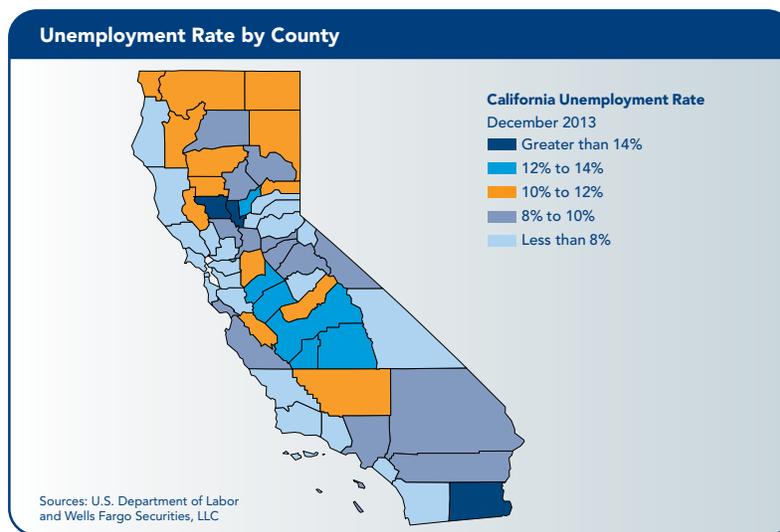
The Golden State's economy continues to grow at a pace slightly ahead of the nation, although gains have been heavily weighted toward the state's larger metropolitan areas along the coast. Technology, tourism and retail trade have led the recovery in job growth in recent years, which has helped trim the unemployment rate and revive demand for housing.

While preliminary figures showed job growth moderating during the second half of the year, they also showed gains broadening across more industries and metropolitan areas. Revisions to the employment figures are expected to show that job growth was a percentage point stronger than initially reported in 2013.

California's unemployment rate fell 1.5 percentage points in 2013 and ended the year at 8.3%. As in most states, concerns about sluggish labor force

growth have brought some of this improvement into question. The state's labor force has essentially kept pace with the nation, however, so the narrowing in California's unemployment rate relative to the nation is noteworthy and suggests that the state is outperforming the nation.

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economic numbers, however, will also keep interest rates near their recent lows.

Beyond the headlines, economic growth appears to be improving as home sales and new home construction continue to gain momentum. Energy and technology will continue to lead the charge. Exports and commercial

Following Slow Start, Economy Appears Poised For Stronger Gains

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We look for the unemployment rate to continue to drop this year, as construction activity strengthens and manufacturing improves. Both sectors were hit hard during the recession and have been slow to recover, which means many former workers are either marginally attached to the workforce or out of the workforce entirely.

The return of these workers will lift both employment and labor force growth, which means that further improvement in the unemployment rate will likely be somewhat slower than what has occurred the past two years.

Another concern that surfaced during the second half of 2013 was that the rapid increase in home prices along the coast has made housing much less affordable and thrown a roadblock in front of the housing recovery.

CoreLogic reports that home prices increased 19.7% in California during 2013. Prices rose even more dramatically in parts of the Bay Area and Los Angeles, which has significantly reduced affordability.

Mortgage rates remain near historical lows, however, and with the unemployment rate falling and incomes rising, credit conditions are loosening a bit. Moreover, the sluggishness in the for-sale market is being offset somewhat by growth in the rental market, which has contributed to a spate of new projects around the state.

Housing

California's housing market continues to improve. The California Association of Realtors reports that sales of existing homes fell 5.9% in 2013. The drop largely reflects the drawdown of foreclosure inventory across the state. The median price of an existing home rose 27.5% in 2013 to \$407,180.

Sales and price appreciation both slowed during the latter part of 2013. Sales fell during each of the past five months and price appreciation has eased off a bit, receding to 19.5% on a year-to-

year basis in December, which marked the first time the year-to-year gain has been below 20% in 15 months.

Supplies of detached single-family existing homes remain tight at just three months at year end, up from 2.6 months one year ago. Homes also are taking slightly longer to sell than they did a year ago, remaining on the markets 40.7 days, as opposed to 38.1 days a year earlier.

Angeles has been slower to materialize.

Residential construction also has been slow to recover. Activity has improved but much of the action has been in apartments, which helped pull multi-family permits up 58% over the past year. Demand for apartments remains exceptionally strong, particularly in the Bay Area, where vacancy rates are just 3.1%.

Construction of new single-family homes has been more restrained, with permits rising 29.8% this past year. That increase, however, comes off an exceptionally low level and still leaves single-family permits well below the average pace seen before this past decade's housing boom.

Commercial Real Estate

After a strong rebound earlier in the recovery, commercial construction growth reportedly slowed during the second half of the year. Heavy and civil engineering construction

employment is now about the same as it was a year ago.

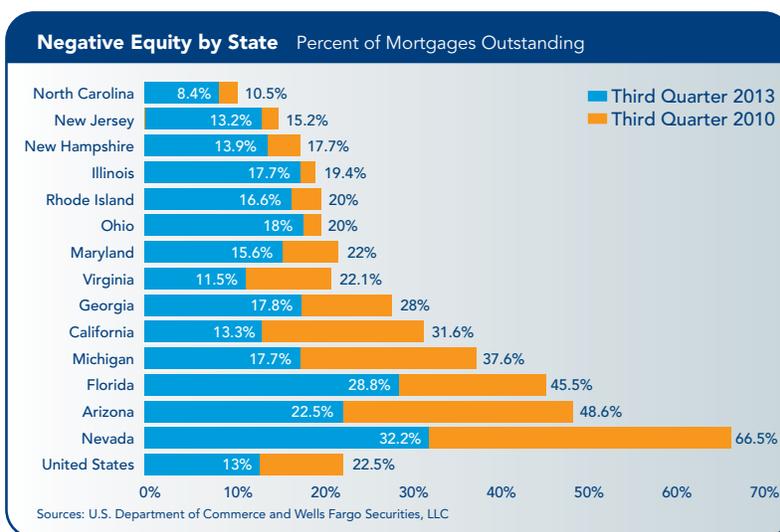
On a year-over-year basis, nonresidential building construction is down 5.6% on a three-month moving average basis. There are still a number of major projects under construction, however, and several more projects in the development stage will likely move forward in the coming months, which should reinvigorate the industry.

Expanding business, transportation infrastructure projects and renewable energy should be the main drivers of nonresidential construction.

On a per capita basis, San Jose has seen a surge in commercial projects, thanks to large expansions among major employers in the metro area. Apple is still building its huge circular campus, while construction of Samsung Semiconductor's new facility is underway.

Demand for office space in San Jose is outpacing supply, which has brought the office vacancy rate down to 18% from

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The share of homes with negative equity has fallen sharply in California.

These trends, however, reflect more of a normalization of the housing market. Inventories are still extremely tight and with fewer distressed sales, the market is now more closely reflecting the underlying fundamentals.

There also are some important changes taking place in California's housing market. Qualifying for a mortgage is much more difficult than it was at the height of the housing boom and more households are opting to rent. Moreover, more of those that are choosing to rent are doing so in areas closer to major employment centers, which means housing markets in the major metropolitan areas have improved much more than markets in the state's interior.

Younger households in particular are showing a greater desire for urban living, which is driving demand for rental units near mass transit. The flip side of this trend is that the affordability migration that typically takes place when housing prices rise in the Bay Area and Los

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a recent high of 23%. Construction of the 49ers' new Levi's Stadium also has added to the upswing in commercial building in the metro area.

Los Angeles also has seen a flurry of new construction. In the city of Angels, Korean Airlines is building the tallest building west of the Mississippi River, the New Wilshire Grand tower, which is expected to cost about \$1 billion and earned the world record for the largest single concrete pour. The building should have office space, retail space and a hotel.

Although the high speed rail continues to face more hurdles before the project can move forward, other rail projects are in the works. Los Angeles is expanding its light rail network. Construction of the Metro Gold Line extension, which costs about a half billion dollars, should be completed by the fall of 2015. In addition,

crews broke ground on the new Crenshaw Line this year, which is expected to cost a little more than \$2 billion.

The Bay Area is building an Airport Connector to Oakland and Bay Area Rapid Transit (BART) is adding to its rail system, with the Warm Springs and Silicon Valley extensions. One of the largest commercial real estate endeavors in the Bay Area is the 1 million square-foot Transbay Transit Center, which should be completed in 2017 and is intended to eventually serve the state's high speed rail.

With a mandate to boost the state's share of electricity production from renewables to 33% by 2020, it is no wonder that energy-related projects have cropped up around the state. The \$2.5 billion Ivanpah system, a thermal solar plant that is considered to be the world's largest, was erected in the Mojave Desert.

Other solar projects are underway. The Topaz Solar Farm, a \$2 billion photovoltaic plant, should be completed next year in San Luis Obispo County. The Desert Sunlight Solar Farm is also under construction in the Mojave Desert. The

construction of these projects does boost payrolls, although once completed, the solar farms will not require many workers to run.

Tourism

California's tourism industry picked up in 2013. Leisure and hospitality payrolls increased 4.5% in the year, with

total number of workers employed in the industry still remains below its prerecession peak. The improvement has been fairly broad based, with occupancy rates increasing in every reported metro area except Bakersfield.

In addition, the occupancy rate in California was already considerably higher than the national average. Revenue per available room (RevPAR) jumped a sizable 8.6% in 2013, compared to the nation's 5.4% growth. Santa Rosa posted the largest gains, with San Francisco, Oakland and Napa Valley close behind.

Agriculture

Short water supplies are challenging most agricultural producers' with higher costs. California has had a record dry year and is expected to experience a third year of dry conditions for 2013–14, even if the state were to receive normal

precipitation for the remainder of the season. This will again force acreage to be fallowed and increase costs as many farmers have to pump and/or buy more supplemental water.

Most operators are increasingly concerned about the performance of their wells and the possible impact of lower quality water on some orchards and vineyards. The open market price for supplemental water in 2014 is already three times normal and is expected to increase if the drought worsens. This has and will continue to push up the cost for some growers and provide others additional income, if they have water to sell.

Since ground water basins are being depleted, many growers also are concerned about water supplies for 2015, particularly if precipitation is only normal or less next year.

Dairies and Other Livestock

Milk prices for California dairies have strengthened and could reach record levels in the next few months. Lower Chinese production and rising foreign

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much of that growth seen in the food service industry. Airport traffic is increasing, with steady gains coming from domestic travel and a surge in international passengers. John Wayne International Airport, San Diego International, and the Norman Y. Mineta San Jose International airport all posted double-digit gains of international passenger traffic. The rise in international traffic was more subdued in San Francisco and Los Angeles, but positive nonetheless.

Although business travel to the state continues to grow, leisure travel appears to be rising at a faster clip. Disneyland set an attendance record in 2012, but the number of visitors slid back in 2013. However, with higher ticket prices and more spending on food and souvenirs, revenue remained aloft. Employment at the state's amusement parks and arcades is still 4.5% higher than a year ago on a three-month moving average basis.

The hotel industry is also faring well. Employment growth at accommodations has accelerated to its highest year-over-year rate since the year 2000, though the

Following Slow Start, Economy Appears Poised For Stronger Gains

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consumption have boosted demand for milk powder produced in California.

California dairy producers and cow/calf operators are benefiting from corn prices, which have fallen about 40% from their highs last year, but they will probably pay slightly more for hay because of poor grazing conditions. Prices for feeder and fed cattle are at record levels as producers rebuild their herds.

Fruits, Nuts and Vegetables

Freezing temperatures in December damaged about 25% of the citrus crop, pushing prices for quality fruit higher. Slightly lower production levels for almonds, walnuts, and pistachios increased prices, as export demand remains strong. Raisin prices, however, fell as the California harvest came in 21% higher than the previous year, and world production improved.

Good weather has increased vegetable production and reduced prices. Producers are worried about the cost and availability of water this year, and almond producers in particular are concerned about the quality of water.

Wine and Wine Grapes

Most California wine grape producers enjoyed good prices in 2013, as wine sales improve, but prices paid to growers on the spot market were not as good as

2012, especially in the Central Valley. Last year's large crop moderated the higher prices received in 2012, but prices should remain favorable, as long as our relatively weak dollar continues to impede competition from imports.

Wineries report significant reductions in their finished inventories, and consumers are showing signs they will pay slightly higher retail prices. Plantings of new vineyards in California, however, continue to increase.

Field Crops

Field crop production will decline further this year, as more acreage is fallowed, due to the drought. Cotton prices are slightly stronger, but are probably not high enough to offset the higher cost of water. Tomato prices remain benign because processors need the product for their through-put.

In addition, rice plantings will decline sharply, as northern producers sell water to southern farmers. Such reductions will adversely impact processors and other third party interests, such as fertilizer, chemical sales, and applicators.

Labor

Many producers reported shortages of labor in California last year. Fruit and vegetable producers have slightly increased their wages.

Growers remain apprehensive about future labor availability due to the

improving economy in Mexico and possible federal regulatory changes requiring stricter worker documentation. They are worried about Congress' inability to pass immigration reform legislation, designed in part to provide a more stable labor force for California's agricultural sector.

Growers and processors will also experience higher costs resulting from the state's higher minimum wage and new health coverage requirement.

Staff Contact: Dave Kilby

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 council chair Mark Vitner, managing director and senior economist at Wells

Fargo Securities, LLC.

Publication of this report is a project of the California Foundation for Commerce and Education.

CFCE California Foundation for Commerce & Education

Small Business Advocate Award: Nominations Due April 21

The California Chamber of Commerce is seeking nominations for its annual Small Business Advocate of the Year Award, which recognizes small business owners who have done an exceptional job with their local, state and national advocacy efforts on behalf of small businesses.

"The stories of past award winners show over and over again what a difference one person can make in the community," said Dave Kilby, CalChamber executive vice president, corporate affairs. "Submitting a nomination is the first step toward helping bring recognition to outstanding small business advocacy throughout the state."

Application

The application should include information regarding how the nominee has significantly contributed as an outstanding advocate for small business in any of the following ways:

- Held leadership role or worked on statewide ballot measures;
- Testified before state Legislature;
- Held leadership role or worked on local ballot measures;
- Represented chamber before local government;
- Active in federal legislation.

The application also should identify specific issues the nominee has worked

on or advocated during the year.

Additional required materials:

- Describe in approximately 300 words why nominee should be selected.
- News articles or other exhibitions as supporting materials.
- Letter of recommendation from local chamber of commerce president or chairman of the board.

Deadline

Nominations are due by April 21. The nomination form is available at www.calchamber.com/smallbusiness or may be requested from the Local Chamber Department at (916) 444-6670.

ALERT

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New online tool takes the guesswork out of creating an employee handbook.

Employee Handbook Creator is simple to use, with no software to install or update. **Access the tool from your PC or Mac, desktop or tablet.** Its smart, comprehensive wizard asks a series of questions put together by CalChamber's employment law experts. It even identifies required policies. So you can decide what you want or need in your handbook.

Guiding you throughout the process are Employee Handbook Creator's helpful explanations, plus detailed notes about specific policies. Updating your handbook is easy, too. Just revise online, export to your PC or Mac, and print from your own printer.



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