

ALERT

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 **CalChamber**
CALIFORNIA CHAMBER OF COMMERCE

91st Sacramento Host Breakfast

Zigzag Business Cycles, Long-Term View Wide-Ranging Topics for Annual Gathering



Governor Edmund G. Brown Jr. and California Chamber of Commerce Board Chair Michael W. Murphy shared their perspectives on the state's accomplishments and

challenges at the 91st Annual Sacramento Host Breakfast on May 18.

The annual gathering, attended by more than 1,200 civic and business leaders from throughout the state, also featured Sacramento Mayor Kevin Johnson as a guest speaker.

Governor Brown

Governor Brown concentrated much of his speech on the state's economy, and its boom and bust cycle. While the state budget is balanced, it relies on capital gains, which are volatile and not reliable.

The business cycle zigzags, he said, with recessions following recoveries—up and down it goes.

Since World War II, California has experienced 10 recoveries, with the longest lasting 10 years. California is currently midway past its seventh year of recovery, he said, which means the state is heading for a downward cycle again.

On top of an erratic revenue system, California has many obligations to the federal government, such as Medi-Cal, that limit how much the state can cut from certain programs in needy times.

The state also has many fixed costs, Brown added, such as pension liabilities, prisons, the California Highway Patrol and the Department of Fish and Game.

Even though the state is in a recovery, it should not embark on funding new programs, which can be hard to remove,

areas objectively identified to have greater need. Increased authority has been passed to local schools to give more autonomy to teachers, principals and local school districts. More authority also has been granted to local courts and law enforcement authorities to realign a number of crimes.

The Governor also touched on the need for infrastructure investment, which he called “building for the future.” Several billion dollars are needed for road repair and other projects, he said. The main infrastructure projects Brown pointed to, however, were high speed rail and the Delta tunnels.

Many problems surround the Delta tunnels, including old dirt levees that are a hundred years old and could fail, Brown said. And while many people assume the water in the Delta is consumed by Southern California residents, Brown pointed

out that 80% of Livermore residents and 40% of Santa Clara residents depend on the Delta's water supply.

“What happens if their water is cut off
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Photo by Steve Yeater
Governor Edmund G. Brown Jr.

he emphasized. The need will be there each year, and without a rainy day fund, the programs will have to be cut once the budget runs into deficits, he said. Ultimately, the state is doing better.

“So far so good. We've got several billion in the rainy day fund. We're carefully balanced in the budget. We were much worse than that,” Brown said.

Brown highlighted areas where the state has made advancements, such as in education and crime. California is now directing more money for education in

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Labor Law Corner

New Laws to Expand Ban on Smoking in Workplace in June



Gail Cecchetti Whaley
Employment Law
Counsel/Content

What is the law in California about smoking in the workplace?

California employers may not knowingly or intentionally permit the smoking of tobacco products at a place of employment or in an enclosed space. This prohibition includes permitting nonemployees to smoke in an enclosed workplace.

When the smoking in the workplace ban was first enacted, there were exemptions in place for certain employers and

specified working environments.

Legislation signed by the Governor this month will change some of the workplace rules relating to smoking in the workplace and eliminate most of these specific exemptions. The amendments take effect beginning June 9, 2016.

The bills making the changes are ABX2 7 (M. Stone; D-Scotts Valley), SBX2 5 (Leno; D-San Francisco) and SBX2 7 (E. Hernandez; D-West Covina).

Few Exceptions to Smoking Ban

The new law expands smoke-free workplace protections by getting rid of most of the existing exemptions that allow smoking in certain work environments.

For example, the newly signed legislation expands the workplace smoking ban to include owner-operated businesses. Before this new law, the smoking ban did not apply if you owned your own business and were the only person working there. That exception no longer exists; the law will now cover all employers, including owner-operated businesses.

The new law also eliminates the exception for small businesses with a total of five or fewer employees. These small businesses currently can allow smoking in enclosed areas if certain conditions are met, such as not allowing minors in the space and having proper ventilation; this practice is no longer allowed beginning June 9.

Ban Expanded

The recent amendments further expand the workplace smoking ban by:

- Eliminating the ability of employers to have designated smoking break rooms. Currently, such smoking break rooms are allowed if sufficient conditions are met. Beginning June 9, employer-designated smoking break rooms are prohibited outright.

- Removing many of the exemptions for specific work environments, such as bars and taverns, hotel lobbies, banquet rooms and warehouse facilities. A few limited exceptions to the ban on workplace smoking will still remain.

The legislation also raises the legal minimum smoking age from 18 to 21, except for active military personnel.

Vaping Prohibited

The new legislation also treats the use of e-cigarettes and vaping devices that contain nicotine as “smoking”—thus extending existing workplace smoking bans to cover such products.

Compliance

Violation of the law subjects employers to fines of \$100 to \$500.

With the new legislation going into effect on June 9, employers will want to examine their policies and practices to ensure compliance.

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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More at www.calchamber.com/events.

Labor Law

HR Boot Camp. CalChamber. June 7, Santa Clara; September 7, San Diego; September 22, Sacramento. (800) 331-8877.

Leaves of Absence. CalChamber. June 23, Huntington Beach; August 16, Sacramento. (800) 331-8877.

International Trade

Mining and Mineral Opportunities in Oman Webinar. U.S. Ambassador to Oman Marc J. Sievers. May 25.
Select LA Investment Summit. World

Trade Center Los Angeles. June 16–17, Los Angeles. (213) 622-4300.
SelectUSA Investment Summit 2016. SelectUSA. June 19–21, Washington, D.C. (202) 482-6800.

Japan-U.S. Innovation Awards. Japan Society of Northern California. July 22, Stanford. (415) 986-4383.

G-20Y Summit. G-20Y Association. September 21–25, St. Moritz, Switzerland.

2016 Public Forum on “Inclusive Trade.” World Trade Organization. September 27–29, Geneva, Switzerland.



May Budget Revision

Amid Declining Revenue Growth, Governor Holds Spending Line, Makes Saving a Priority



On May 13, Governor Edmund G. Brown Jr. released his **May Revision** to the California state budget. In addition to the budget numbers, graphs and charts, the Governor provided

reporters with a copy of Aesop's fable of the ant and grasshopper.

"Like everything else, things don't last forever," Brown said in releasing his new projections.

"Right now the surging tide of revenue is beginning to turn as it always does. That's why it's very important and best to be prepared for a time of necessity."

The CalChamber welcomed news that the **May Revision** to the budget continues to fund essential programs but also pays down debt and saves for anticipated future economic downturns.

"We are pleased with the Governor's continued commitment to fiscal prudence," said CalChamber President and CEO Allan Zaremberg. "California's long-term economic stability and investment climate depend on saving for a rainy day and embracing the principle that we cannot fund ongoing programs with one-time money."

Governor Brown revealed that California will collect fewer taxes on sales and income than forecast in January. Nonetheless, revenues will grow by an estimated \$6 billion this year and by more than \$4 billion next year.

However, since this overall growth is

lower than originally estimated, to keep the budget in balance the Governor ordered \$1.9 billion in spending reductions for 2016–2017. For the next two years, Brown said California would have no new spending to ensure that the state maintains balanced budgets. Even so, said Brown, by 2019 California could face a \$4 billion deficit.

The key reason for the reduced revenue growth is the volatility of the personal income tax, which will fall short of estimates by nearly \$2 billion. The Governor acknowledged that the income tax, especially with the high tax rates on the top 5% of income taxpayers, creates enormous revenue uncertainty from volatile capital gains proceeds.

Proposition 30 Extension

The Governor indicated that he will not take a position on the extension to the Proposition 30 temporary tax rates. He did indicate that without the extension, the state would see additional program reductions in coming years. However, the Governor further indicated that even if voters do extend the tax, the longer-term budget outlook would barely be balanced.

The May Revision reflects the principle that no significant new ongoing spending commitments should be made. The Governor also demurred on taking a position on the \$9 billion school bond initiative, although he repeated his displeasure that the measure was placed on the November ballot at all.

Higher Education Funding

According to the Governor's news release, the budget continues to invest in the state's higher education system to

"maintain the quality and affordability of one of California's greatest strengths."

The budget keeps tuition at 2011–12 levels and commits \$25 million in new one-time funding for the California State University to reduce the time it takes a student to successfully complete a degree.

Reducing Housing Costs

The Governor also offered a commitment to improve the availability of housing in the state. The Governor's press materials included this comment:

"Local land use permitting and review processes have lengthened the approval process and increased production costs. The May Revision proposes additional legislation requiring ministerial 'by right' land use entitlements for multifamily infill housing developments that include affordable housing. This would help constrain development costs, improve the pace of housing production and encourage an increase in housing supply."

Strengthening Infrastructure

According to the Governor's office, the May Revision continues to reflect a commitment to transportation by providing \$36 billion over the next decade to improve the maintenance of highways and roads, expand public transit and improve critical trade routes. The funding would be coupled with Caltrans efficiencies, and streamlined project delivery and accountability measures.

The budget includes \$737 million (\$500 million General Fund) for critical deferred maintenance at levees, state parks, universities, community colleges, prisons, state hospitals and other state facilities.

Pollster Dave Sackett Covers Elections, Voting Trends at Capitol Summit



Photo by Steve Yeater

Strategic consultant and pollster Dave Sackett, The Tarrance Group, shares insight on presidential candidates and the math of voter demographics at the CalChamber Capitol Summit on May 17.

Capitol Press Corps Veterans Assess Initiative Outlook, Elections



Photo by Steve Yeater

CalChamber President and CEO Allan Zarembeg (left) moderates as Juliet Williams, state government and politics editor for *The Associated Press*, and John Myers, Sacramento bureau chief for the *Los Angeles Times*, comment on the balance of power between the Governor and Legislature; the upcoming campaign to extend Proposition 30's temporary income tax rate hike on high-income earners; the presidential primary; low-key campaign to select the next U.S. senator from California; and statehouse news coverage in the age of interactive social media. The wide-ranging discussion was part of the morning agenda at the CalChamber Capitol Summit in Sacramento on May 17. Watch for video highlights at calchamber.com/summit.

Small Business Advocate of the Year

CalChamber Recognizes Business Executives from Corona, Fresno, Ripon



The California Chamber of Commerce honored business executives from Corona, Fresno, and Ripon this

week with its 2016 Small Business Advocate of the Year award, recognizing them for outstanding advocacy on behalf of small businesses.

The CalChamber announced the awards in Sacramento on May 17 before more than 200 attendees at the CalChamber Capitol Summit.

The 2016 Small Business Advocate of the Year Award recipients are:

- **Yolanda Carrillo**, executive director/CEO, Corona-Norco Family YMCA, Corona;

- **Lydia Zabrycki**, director of operations/business development, Precision Civil Engineering Inc., Fresno;

- **Lucille Harris**, owner, Tuff Boys and W&L Harris Ranches, LLC, Ripon.

and strong working relationships with the local school district, and the cities of Corona and Norco to privatize delivery of social services at the Y while advocating before the federal and state governments to increase funding available to more than 1,500 families served by the YMCA.

Washington, D.C. with the Corona Chamber delegation, visiting various congressional offices, from Congressman Ken Calvert to Congressman Darrell Issa and Congressman Mark Takano.

These efforts led to the base being kept open, thus saving 1,000 jobs

Carrillo also has helped streamline the planning process in the city of Corona. As a city planning commissioner, she has been a strong advocate for cutting red tape and streamlining regulation, a key priority for the Corona Chamber. At the federal level, she worked closely with Congressman Ken Calvert (R-Corona) on legislation that helped streamline national environmental regulations and helped Corona complete the groundbreaking SR-91 freeway design-build expansion that is currently underway.

In addition to her federal work, Carrillo has worked with the Governor's Office of Business and Economic Development (GO-Biz) Innovation and Entrepreneurship Director Louis Stewart to bring Corona into the regional I-Hub project area because of the technology firms located in Corona.

Her multiple trips to the State Capitol have yielded important developments for women-owned businesses and job training. She has been part of a bipartisan regional coalition involving both Senator Richard Roth (D-Riverside) and Assemblymember Eric Linder (R-Corona) to provide common-sense protections for business owners threatened by nuisance lawsuits under the Americans with Disabilities Act.



Photos by Steve Yeater

CalChamber President Allan Zaremborg (left) and Chair Michael W. Murphy (right) recognize (left to right) Yolanda Carrillo, Lucille Harris and Lydia Zabrycki as the Small Business Advocates of the Year.

Yolanda Carrillo



Carrillo was nominated for the Small Business Advocate of the Year Award by Mark Peabody, chairman of board for the

Corona Chamber of Commerce, and Bobby Spiegel, president and CEO of the Corona Chamber.

"Her input is invaluable and we know when Yolanda speaks, others listen," states their letter of recommendation. "She does extensive research and is like a 'velvet hammer.' Her tenacious follow through is admirable."

Carrillo has been a leader in Corona and Riverside counties for nearly 20 years as the executive director/CEO for the Corona-Norco Family YMCA. She also serves on the Corona Chamber's legislative action committee, as well as the Corona Chamber's board of directors.

Through the YMCA, Carrillo has created public and private partnerships,

Improving services while saving taxpayer dollars is a key priority for the Corona Chamber, and Carrillo has helped save hundreds of thousands of dollars in costs while improving the daily lives of hundreds of families, expanding their access to early education for their children, and improving the job skills necessary to build careers.

Carrillo is also credited with federal and state advocacy to keep the NAVSEA Naval Surface Warfare Center open. The base, just north of the city border of Corona, had been on the top of the list for closure in the last two Base Realignment and Closure (BRAC) processes.

The facility is responsible for more than \$300 million in annual payroll and related contract business activity within the community, and its closure would have caused immediate and devastating job losses in the community. Carrillo revitalized the Navy League community network for the base while advocating before Congress and with the State Military Commission on lobbying trips organized with the chamber. While working to save the base, she also traveled to



Lydia Zabrycki

For more than a decade, Zabrycki has been "one of the most active and passionate volunteer advocates for the business

community in Fresno," the nomination application states.

Zabrycki, director of operations and
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CalChamber Recognizes Business Executives from Corona, Fresno, Ripon

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client relations at Precision Civil Engineering, Inc., is “a strong business advocate and a fantastic leader for the chamber and the Fresno community,” wrote Nathan M. Ahle, president/CEO of the Fresno Chamber of Commerce, in his letter of recommendation.

She is a founding member of the chamber’s Government Affairs Committee and serves on the chamber’s board of directors. Zabrycki is part of the Fresno County “One Voice” delegation with representatives from the private sector, public sector and elected officials who are talking to congressional representatives about issues affecting the region.

She is active in developing effective coalitions and partnering efforts to advance the interests of the San Joaquin Valley toward an improved business environment as well as serving the interests of local government. Zabrycki oversees the daily operations that take place in Precision Civil Engineering, coordinating between departments to increase efficiency through organizational strategies, policies and practices while providing leadership.

Precision Civil Engineering is a full-service firm based in Fresno that provides civil and traffic engineering, water resources, land surveying, biological and environmental consulting, land use planning and entitlements, and construction management to both public and private clients throughout California.

Zabrycki also serves as a director on the Fresno Regional Workforce Investment Board, chairing the business and industry committee. She is the first woman to serve on the Board of the American Council of Engineering Companies Retirement Trust (ACECRT), and a board member and secretary of the San Joaquin Valley ACEC chapter in California.

“She is a diligent and passionate advocate for our community, its needs, and most importantly its businesses,” Ahle concluded.



Lucille Harris

A Manteca native and resident for more than 80 years, Harris has written persuasive letters grabbing the attention of

legislators and government agencies to do what she feels will help small businesses in California. She has spearheaded countless grassroots efforts, assisting campaigns and championing for elected offices that have helped represent her communities as well as local businesses.

Tuff Boys is a manufacturing facility specializing in the manufacture and leasing of highway trailers. Harris Ranches is devoted to almond growing.

Harris’ political advocacy started in the 1960s. Stockton airport was home to a pilot training program, which meant that jumbo jets were circling Manteca every 20 minutes, disrupting classroom instruction for the local schools. Harris contacted airport officials and worked with the community to change the flight patterns.

In 1980, Lucille and her husband, Bill, along with their companies, were targets of wrongful and malicious lawsuits drawing them into a complex legal battle. During the course of the litigation, the couple uncovered evidence of fraud and judicial misconduct among certain court offices and some of their own attorneys. Lucille Harris composed her own legal pleadings, and served as her own attorney during a civil trial that lasted five months. She wrote hundreds of letters to public agencies and secured critical support from the Internal Revenue Service. The couple prevailed in their case.

In 1988, when business liability premiums skyrocketed by as much as 300%, Lucille Harris joined a grassroots movement for tort reform that demanded an investigation of antitrust violations.

In 2008, public litter on farms and ranches through the rural areas surrounding Manteca was yet another of her causes. Farmers were being fined by the county for blight caused by citizens dumping everything from mattresses to stoves to water heaters, dishwashers, TV sets and a whole range of furniture items on farm lands. Following Harris’ letter writing, and well-placed advertisements in the Manteca Bulletin urging the general public to report illegal dumping, the county ceased fining the farmers and agreed to pick up the discarded items under the direction of the board of supervisors.

Harris also has been supportive of numerous education programs in Manteca, Lathrop and Ripon for more than 50 years. The closest to her heart has been the Grass Valley Writing Project (GVWP), which offers a summer training program for teachers serving kindergarten through 8th grade students in the Manteca area. Beginning in 2007, Lucille and her husband hosted summer fundraiser dinners in the backyard of their rural ranch home to benefit the literacy program. The dinners have raised more than \$10,000 each year and created more public awareness about the GVWP.

As a member of the Ripon Chamber of Commerce, Lucille Harris “is very proactive and always looking for new ways to empower businesses and drive the local economies,” wrote Kristine Griesheimer, VP branch manager of Oak Valley Community Bank in Ripon. Harris is currently working with the Ripon and Manteca chambers on revitalization efforts for both downtown areas.

“I can’t think of a more deserving recipient of this prestigious award” than Lucille Harris, wrote Tamra Spade, CEO/president of the Ripon Chamber. “She has spent the vast majority of her life advocating and being the voice of local community businesses and families to make this state have a more business-friendly environment.”



Watch videos of interviews with the 2016 Small Business Advocate of the Year Award recipients at calchamber.com/summit.

Remarks by Michael W. Murphy

Engaged Leadership, Long-Term View Can Make California Very Best It Can Be

Following are remarks presented by Michael W. Murphy, 2016 chair of the California Chamber of Commerce Board of Directors, at the 91st Annual Sacramento Host Breakfast on May 18. Murphy is president and chief executive officer of Sharp HealthCare, San Diego.

I'm honored and humbled to have this opportunity to address the 91st annual Sacramento Host Breakfast as the 2016 chair of the California Chamber. And congratulations to the Host Committee and to all of you who have been responsible for carrying the banner of this event for these many years.

I'd also like to congratulate and recognize our Armed Forces, honorees and all of those Armed Forces members and veterans in attendance today. Give them another round of applause. . . We are so indebted to you, and thank you for all you have done and do in support of our country and all of us.

The California Chamber, which celebrates its 126th anniversary this year, is very proud to have been engaged in and supported this event for over 50 years. For the past 126 years, the CalChamber has successfully engaged with all stakeholders, and our commitment to make California a better place to live, work and do business, by providing advocacy for our members at the state, federal and international levels and by also providing a full range of products and services to help all of our members navigate and succeed in this challenging environment.

Governor's Remarks

I know we all appreciated the Governor's comments and his thoughts on the current condition of our state, and the budget, and the opportunities and challenges that lay ahead...

Again, two key takeaways from the Governor: timing is everything; and government is best at solving problems it creates. I think I can actually even take that back to my work about problems I create also.

Interesting Times

In preparing for this talk, I first reflected as I often do on what interesting times we live in. And I'm sure we can all agree on that. They just seem to get more and more interesting every day at every level. Who would have pre-

dicted some of this environment a year ago... six months ago... two months ago... and even last night.



Photo by Steve Yeater

Michael W. Murphy

I recently had a conversation with a candidate for statewide office who reflected it is both a blessing and a curse to live in such interesting times. And I guess that depends on if your glass is half full or your glass is half empty kind of person—which probably changes by the issue that you're talking about.

Themes

In continuing my preparation, I reviewed the past two CalChamber chairs' comments to this group in 2015 and 2014. One of the themes focused on the need to have goals and a shared vision, and that by taking the right actions today, we can make our dreams come true for tomorrow.

She was referring to the goals and visions and dreams of Walt Disney. And that model did seem to work pretty well for him and his organization.

The second theme focused on innovation and transformation, both from the perspective of California's history of innovation that has driven much of our state's success and the continued need to invest in and support innovation and job creation, and enhance our foundation for the future.

Progress

I then reflected on a number of articles and commentaries about California—some written by glass half full people, some written by glass half empty people.

And as the Governor's comments and some of these articles noted, we should recognize and appreciate that California's economy is growing faster than the national economy and job growth is outpacing the rest of the nation. And while this might be a lower bar than we would all like, we all are still outperforming and better than most.

Our state finances are in a surplus position, and the Governor has placed significant funds in the state's rainy day fund—a significant improvement from just a few years ago.

Uneven Recovery

Even with this good news though, we must acknowledge that California's performance has been extremely uneven, with the strongest performance coming along the Coast, benefitting from the state's leading position in information technology, life sciences, biotech and tourism sectors. I live in San Diego where the growth in all of these fields has been very positive for our overall economy and the community.

The large agricultural sector of our economy again had to contend with drought, along with weaker global growth and a strong dollar—stronger dollar—yet through their innovation and ingenuity, the state's farm sector also had a good year.

Yet, while every metropolitan area had shown improvement over the past year, we must acknowledge the inland areas have

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Path to Better California: Leaders Collectively Tackling Issues

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had slower growth and more challenging times than the rest of our state.

Health Care Advances

Naturally, I also spent time reflecting on the health care sector and many of the influences that are impacting my industry, and how they impact the overall economy.

With health care spending representing close to 18% of GDP, 23% of the federal budget, 21% of the California budget, all of us as stakeholders have a very large responsibility to keep health care front and center of our thinking.

Like many sectors, health care is seeing many positive advances, and is also experiencing many significant challenges. Our state is leading great advances in biotech, pharmacy, genomics, wearable health technology, telemedicine, to name just a few.

The Covered California insurance exchange now covers more than 1.3 million people. Through the expanded coverage of Medi-Cal in 2014, our state has added nearly 3 million previously uninsured residents to the Medi-Cal rolls. Medi-Cal now covers over a third of the population—over 15 million beneficiaries.

The payment changes for doctors, hospitals and all providers have incented improved value and quality over volume. And there is continued focus and more priority being placed here.

Work Remains

However, the costs to the federal government, the state, employers and individuals, are bending very little—if at all—and certainly not at the level that was forecast in the Affordable Care Act.

There is still much work to be done to deliver on the triple aim of the Affordable Care Act, which is increased quality in care experience across everyone's entire care continuum; increased access to care for the entire population; and the bending of the unsustainable cost curve.

There were other articles that highlighted the significant unfunded pension



Photo by Steve Yeater

retiree health obligations at both the state and local government levels, which we also must address as we move forward.

Engaged Leadership

So, after all this reflection, what do I conclude? I believe that in the grand scheme of things, California should be very pleased with our recent performance and accomplishments, particularly in comparison to our not-too-distant challenges and to the overall U.S. and global economy.

I also conclude that if we are to continue on a path to make California a better place to live, work and do business, we will be required to successfully tackle many significant challenges. Our ability to succeed in this endeavor will require engaged leadership at every level.

Long-Term View

As previously noted, it will take shared goals and values, require innovation and ingenuity. It will take a long-term view and horizon, not exclusively a today focus.

It will take value creation and we will need to collectively address many issues, including the economy, water, strong comprehensive immigration reform, education, and the development of a

skilled workforce to meet our employment needs.

We must make real progress on health care, housing, transportation, international trade, pension underfunding and retiree health care costs. All of this, while balancing the overall cost of doing business in California and our competitive position to attract and retain businesses that will ignite our economy.

Leaders Seeking Answers

The correct answers to these challenges will be difficult. The Governor said a term that I would add here—that they might be like riding a tiger... what are our priorities and how do we choose? They will require leaders seeking answers with goals and visions and dreams... leaders searching for a better way for today and the future.

I encourage all of you and all of us to be those leaders... to identify those leaders... to support those leaders... to elect those leaders... to work with those leaders to make California an even better place to live, work and do business. I know and I commit that the California Chamber is committed to continue to do its part to make California the very best we can be.

Forum Highlights Trans-Pacific Partnership as Vehicle for Economic Integration



Photos by Steve Yeater

Drew Quinn



The Honorable Leon Grice



Judy Rising Reinke

The importance of Trans-Pacific trade relations was the subject of a recent international forum at the California Chamber of Commerce.

More than 200 forum attendees joined a representative from the Office of the U.S. Trade Representative, the Consul General of New Zealand and a representative from the U.S. Department of Commerce to discuss vital issues to the successful passage and implementation of the Trans-Pacific Partnership (TPP).

The United States, Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam have successfully concluded the negotiations of the Trans-Pacific Partnership Agreement (TPP). In addition, more countries may join the trade partnership.

Negotiation/Approval Process

Drew Quinn, deputy TPP chief negotiator, Office of the U.S. Trade Representative, explained to the audience that the TPP is the most significant trade negotiation in a generation, and promises significant economic benefits for American businesses, workers, farmers, ranchers and service providers.

“The TPP is clearly the centerpiece of any discussion of U.S. trade relations now with the Pacific,” said negotiator Quinn.

The TPP contains 30 chapters of trade, labor, intellectual property, and environmental regulations. Those chapters will

eliminate 18,000 foreign taxes on U.S. products, boost exports, protect intellectual property rights, and strengthen labor rights and human rights abroad.

Trade serves U.S. interests, Quinn explained. “While there is a lot of rhetoric... the fact is, American businesses, many of them, companies, farms, sell half or more of their product overseas...

“We are the second largest exporting nation in the world. We have a lot of successful exporters in all ranges of the economy, our ability to innovate, our resilience is something, frankly that is envied by a lot of other economies in the world.”

In closing, Quinn reiterated that the TPP agreement is important as a vehicle for Trans-Pacific-wide economic integration. This regional agreement sets a high standard that will enhance the competitiveness of the countries that are part of it and help facilitate trade and promote investment between them, increasing their economic growth and development.

“The rest of the region is not standing still,” Quinn said. “We have to realize that having worked with our trading partners for over the course of half a decade to negotiate this very ambitious agreement with very difficult political choices for many of our trading partners, the United States always has the right to say, ‘We’re not ready for this,’ but those other countries aren’t going to stand back. They want to have access to these markets in the region, they’re pro-

ceeding with other negotiations even now and if untimely we aren’t able to participate by getting TPP approved, they will move forward without us.”

International Perspective

The TPP is seeking to help establish a trade and investment framework that supports job creation, promoting competitiveness, and expanding trade in the dynamic Asia-Pacific region, explained the Honorable Leon Grice, consul general of New Zealand in Los Angeles. The agreements also are seeking to advance core values in the agreement, such as transparency, labor rights, and environmental protection.

“Free trade agreements are about deregulating so you can compete and be successful,” said Consul General Grice. “But this is also about regulation. The agreement is about regulating labor standards, about regulating environmental standards and it is about regulating things like human trafficking. The exciting thing is this is an agreement designed to expand.”

This expansion means that other countries are looking to join TPP and are evaluating the necessary reforms to comply and meet those important standards to participate in the agreement.

Grice focused the remainder of his speech on labor, the environment, data, state owned enterprises (SOEs).

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Photos by Steve Yeater



Michael W. Murphy



Mayor Kevin Johnson

Zigzag Business Cycles Among Wide-Ranging Topics at Host Breakfast

From Page 1

with 24 hours notice?” he asked. “That’s not going to be good for investment. So this, and another thing: you can’t do without it. A lot of people don’t want it...but everything I can tell, it’s really important.”

Michael W. Murphy

Murphy, president and CEO of Sharp HealthCare, said that in preparing his **remarks**, he looked back on articles written about California—some of which were written by “glass half full people, [and] some written by glass half empty people.”

It should be recognized, he said, that the state’s economy is still outperforming other states, and that California job growth has surpassed the rest of the country. Nevertheless, he emphasized, challenges remain and it must be acknowledged that “California’s performance has been extremely uneven.”

Murphy pointed to the strong economy of cities and towns along the coast, which benefit from tourism, and the information technology, biotech and life sciences industries that call those areas home, and juxtaposed it with the areas of California that have not fared as well. The state’s agricultural industry had to contend with drought, and weak global growth and a strong dollar. Unlike metropolitan areas, inland areas have had slower growth.

The health care sector, like other sectors, Murphy said, is experiencing positive advances, but is also facing significant challenges. California is leading the way in biotech, pharmacy and genomics advancements, and in the last two years, nearly 3 million previously

uninsured residents have gained Medi-Cal coverage. Still, there are significant unfunded pension retiree health obligations that need to be addressed, and health care costs to government and individuals are “bending very little.”

To continue the state’s accomplishments and address its challenges, Murphy told attendees, engaged leadership, shared goals and values, ingenuity, and a long-term view will be required. Real progress has to be made on health care, housing, transportation and international trade.

He stressed, however, that it all has to be balanced with the overall cost of doing business in California in order to attract and retain the businesses that will ignite the economy.

Kevin Johnson

The morning’s final guest speaker was Sacramento’s mayor. Johnson thanked the leaders present at the breakfast, the Host Committee and the CalChamber, remarking that in his more than seven years as mayor, he has learned that “we cannot begin to solve the toughest challenges, like education and housing and unemployment, without the support of the corporate community.”

In his remarks, Johnson shared the innovations that have taken place in California’s capital city within the last decade. The city has over relied on government jobs and the real estate industry, but now, Johnson said, it has to be a hub for innovation, entrepreneurship and technology.

What city officials want, he said, is for Sacramento to be one of the easiest places to do business in California.

A significant accomplishment in

Sacramento has been keeping the Kings national basketball team in the city, and revitalizing the downtown area to include a state-of-the-art arena. This revitalization will extend to the rail yards nearby and the city’s riverfront, Johnson said.

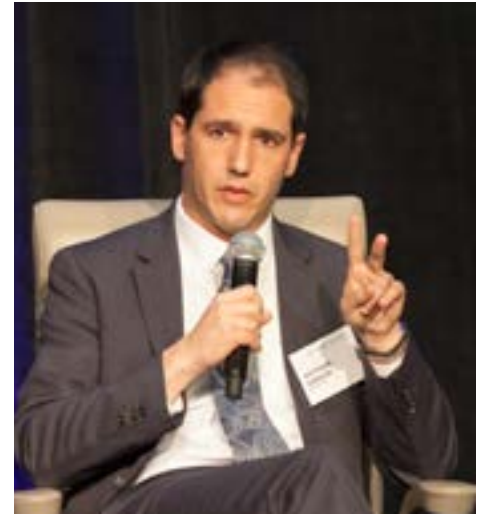
One of the biggest challenges, however, is bringing an innovation mindset to communities that are most in need, not just in Sacramento, “but any community up and down the state,” he said. The mayor pointed to disadvantaged communities in Sacramento, such as Oak Park and Del Paso Heights, that need investment in education, development and entrepreneurship. He highlighted the potential of these communities and minority communities as economic opportunities by drawing on the experience of Starbucks in the primarily minority community of Ladera Heights in Los Angeles County.

Opening a Starbucks coffee shop in Ladera Heights was an idea Magic Johnson pitched to Starbucks CEO Howard Schultz, Johnson shared. Although skeptical at first, Schultz agreed to open the coffee shop if Magic Johnson split costs.

Not only did they make back their investment in six months—when the typical return on investment for a Starbucks store is two years—but the store became the fastest-growing, most successful location in the country, Johnson said. The moral of the story, Johnson said, is that the soil is just as rich in poor communities as it is in more affluent ones.

“If we don’t take a chance, and we don’t include the least among us, we’re never going to reach our ultimate potential as a community,” he said.

Environmental, Employment Job Killers in Spotlight at Capitol Summit



Photos by Steve Yeater

CalChamber Policy Advocate Jennifer Barrera (left) gives a recap of high-profile pending legislative affecting scheduling and arbitration agreements at the CalChamber Capitol Summit on May 17. CalChamber Policy Advocate Anthony Samson (right) highlights legislation assaulting in-state energy production and making the hazardous waste permitting process unworkable. Moderating the discussion is Mike Villines, owner of Villines Group LLC and a former Assembly Republican leader.

Forum Highlights Trans-Pacific Partnership as Vehicle for Economic Integration

From Page 9

He explained that the TPP expands labor protections, allowing workers to join a union of their choice, stop the importation of goods made from forced labor; governments must take steps to combat human trafficking.

If the participating governments of TPP don't comply, then trade sanctions will be levied, Grice said. "Economic diplomacy is a way better way of doing business than aircraft carriers."

The environment is also a core part for the TPP agreement. Partners cannot create zones where environmental protections don't apply to increase their trade. Economic sanctions also will be enforced if a partner fails to comply.

State owned enterprises, which are a huge part of some of the economies in the TPP region, have to be transparent and use private sector reporting obligations. "This is a powerful reform of markets in the Asia Pacific," Grice explained.

Regarding data movement, the TPP requires the free movement of information data across borders.

"That is one of the truly 21st century aspects of this agreement," Grice said.

TPP and Digital Economy

Judy Rising Reinke, deputy director-general of the U.S. and Foreign Com-

mercial Service from the U.S. Department of Commerce reminded everyone that May is world trade month.

"Trade is local because it is people and it's businesses and it's peoples' well being," said Reinke. "While sometimes we can get caught up in incredible important policy discussions, it comes down to the fact that World Trade Month is about the individuals in this room, the people they employ and the prosperity of California."

Reinke said in her role she is an observer of trade and sees two major trends coming together, the digital economy and the TPP.

"We are fundamentally changing as a business environment and I think it's quiet forward looking that the negotiators in these 12 countries that they recognize how the future of business is done," said Reinke.

Reinke says this transition to a digital economy is the fourth industrial revolution and called it "amazing."

One of every five Internet users in the world is in a country affected by TPP, Reinke said, which is all the more reason that TPP has to get the rules right because it is setting the standard for the rest of the world.

"Digitizations of economies are going to affect globalization forever," Reinke

said. "Through agreements like the TPP... We believe the U.S will become an even stronger trading parent for our 11 partners in the Pacific region."

Background

The TPP was signed by trade ministers representing the 12 parties to the agreement on February 4, 2016, after more than five years of negotiations. Each country's government now has to approve the text of the agreement. The United States has the most complicated review process. Under the rules of fast track, once the President signs the TPP, Congress will be on the clock to have an up-or-down vote in both houses without amendments or filibusters.

On May 18, the U.S. International Trade Commission released its full economic review of the deal.

Once the implemented bill is introduced in the U.S. House of Representatives and the U.S. Senate, Congress has a maximum of 90 days to approve or disapprove the trade deal, but can move much more quickly. It is hoped that the Trans-Pacific Partnership will be considered in 2016.

For more information, visit www.calchamber.com/TPP.

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PDL Obligations: What to Expect and How to Deliver

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