

ALERT

93rd Sacramento Host Breakfast

Governor, CalChamber Chair Stress Infrastructure Needs



The need for California to invest in infrastructure to continue advancing was a recurring theme in remarks by Governor Edmund G. Brown Jr. and California Chamber of Commerce Chair Terry MacRae at the 93rd Annual Sacramento Host Breakfast last week.

The May 24 breakfast attracted a record crowd of 1,400 and included a [video tribute](#) to the Governor and a [video introduction for MacRae](#).

The Governor cited the investment, creation and engineering that went into building roads, bridges, trains, tunnels



Governor Brown



Terry MacRae

and schools that have made it possible for a space inhabited by 300,000 to support a state population of 40 million people today.

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Former Insurance Commissioner Outlines Reasons, Priorities for Independent Campaign



Steve Poizner, former California Insurance Commissioner and founder of several nonprofit organizations to provide better education to disadvantaged students, explains to the CalChamber Board of Directors on May 24 that he is seeking to return to the Insurance Commissioner's office as an Independent (the ballot will list him as having "no party preference") because he believes there is no place for party politics at the Department of Insurance, which oversees matters critical to California businesses and consumers, including insurance for wildfires, health insurance fraud and cyber crime.

CalChamber Adds Second Environmental Litigator to Policy Team



Leah B. Silverthorn

Leah B. Silverthorn, an experienced environmental litigator, joined the California Chamber of Commerce policy team on May 14. As a policy advocate Silverthorn will

specialize in climate change, air quality, energy, environmental justice, and transportation and infrastructure issues.

"Leah brings to the CalChamber more than a decade of legal experience in environmental, energy, and land use matters," said Allan Zaremborg, CalChamber president and CEO. "The business community is fortunate to have Leah's expertise as California pursues its clean energy goals and other ambitious climate change policies."

Immediately before coming to CalChamber, Silverthorn was the principal owner of Silverthorn Legal, based in Seattle, Washington. In this capacity, she focused on environmental litigation, contaminated property redevelopment, and environmental cost recovery and defense.

Silverthorn has represented Fortune 500 companies and property owners against claims by U.S., Washington,

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Cal/OSHA Corner

Check Instructions for Electronic Reporting of 300A Injuries/Illnesses



Mel Davis
Cal/OSHA Adviser

The federal Occupational Safety and Health Administration (OSHA) has issued a mandate that employers with 20 to 249 employees must submit their Form 300A electronically. Are California employers required to comply with the federal mandate?

Federal OSHA has posted a notice that all affected employers, both those with at least 250 employees, and those with 20 to 249 employees, in all states—including

state plan states that have not yet adopted regulations at least as effective as the federal regulations regarding electronic reporting of Form 300A summaries—must submit this data by July 1, 2018.

Not all employers that have 20 to 249 employees are required to submit data. To determine if your company is exempt from submitting the Form 300A, click on the link in the announcement at <https://www.osha.gov/injuryreporting/index.html>.

Following is an excerpt from the state Division of Occupational Safety and Health (Cal/OSHA) news release about the federal notice:

“On April 30, 2018, federal OSHA posted a ‘trade release’ requiring all affected employers to submit injury and illness data in the federal [OSHA Injury Tracking Application \(ITA\) online portal](https://www.osha.gov/news/newsreleases/trade/04302018), even if the employer is covered by a state plan that has not completed adoption of their own state rule.”

The trade release can be found at the following website: <https://www.osha.gov/news/newsreleases/trade/04302018>.

“Therefore, even though California has not yet adopted its own state rule, employers are advised to comply with federal OSHA’s directive to provide Form 300A data covering calendar year 2017.

Federal OSHA is requiring affected employers to submit their data by July 1, 2018. For specific instructions, go to federal OSHA’s [ITA website](https://www.osha-slc.gov/ita).”

At the present time, this mandate is specific to the 2017 Form 300A summary. It still is unclear whether electronic reporting applies to the Log 300 and 301.

Federal OSHA has submitted its proposal revising provisions of the *Improve Tracking of Workplace Injuries and Illnesses* regulation to the Office of Management and Budget (OMB) for review. Employers should continue to monitor the rulemaking process.

In the meantime, California employers covered by the rule are encouraged to submit their 2017 Form 300A electronically by the July 1, 2018 deadline. For more information, see federal OSHA’s [ITA website](https://www.osha-slc.gov/ita) for specific instructions on how to submit the Form 300A electronically.

Column based on questions asked by callers on the Labor Law Helpline, 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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Labor Law

HR Boot Camp. CalChamber. June 5, Santa Clara; August 21, Sacramento; September 5, Long Beach. (800) 331-8877.

You Can’t Fight City Hall and Their Local Ordinances. CalChamber. June 14, Webinar. (800) 331-8877.

Leaves of Absence: Making Sense of It All. CalChamber. June 21, San Diego; August 10, Oakland. (800) 331-8877.

Lead the Charge: Preventing Sexual Harassment in Your California Workplace. CalChamber. September 17, Pasadena. (800) 331-8877.

HR Checklist for California Supervisors. CalChamber. September 20, Webinar. (800) 331-8877.

Business Resources

TECHSPO LA 2018. TECHSPO. June 13–14, Santa Monica. (800) 805-5385.

International Trade

Startup Lebanon—Executive Innovation Retreat. American Lebanese Chamber of Commerce. June 4–8, San Francisco

ExporTech Los Angeles. Los Angeles Harbor College. June 19, July 17, August 21. Wilmington, CA. (310) 984-0728.

SelectUSA Investment Summit. U.S. Department of Commerce. June 20–22, National Harbor, MD. (800) 424-5249.

Vehicle Aftermarket Trade Mission to Chile. Auto Care Association and International Trade Administration. August 21–22, Chile. (301) 654-6664.

83rd Thessaloniki International Fair. HELEXPO. September 8–16, Thessaloniki, Greece.

China International Import Expo. China International Import Export Bureau. November 5–10, Shanghai, China.



CalChamber Opposition Stops Job Killers

Protects Employers' Ability to Provide Drug-Free Workplace



Strong opposition from the California Chamber of Commerce helped stop three more job killer bills from continuing past the Assembly Appropriations Committee last week.

Held in the committee on May 25 were proposals that would have interfered with an employer's ability to provide a drug-free workplace, interfered with personal service contracts, and led to increased health care costs.

- **AB 1902 (Levine; D-San Rafael)**
Interference with Contracts — Discourages and reduces "personal service contracts" as defined, by unfairly increasing the contract price for these services based upon an undefined and unspecified "area income" rate that presumably will

include wages from different industries and different occupations that are not comparable to personal services. It also provides the Department of Industrial Relations with extraordinary authority to value companies, determine "similar services" to be included under the provisions of this bill, and what constitutes "area income." *Held in Assembly Appropriations Committee Suspense File.*

- **AB 2069 (Bonta; D-Oakland)**
Medical Marijuana in Employment — Undermines employer's ability to provide a safe and drug-free workplace by requiring employers to provide a reasonable accommodation to employees who use marijuana for a disability or medical purposes, exposing employers to costly and unnecessary litigation under the Fair Employment and Housing Act (FEHA) whenever the employer termi-

nates an employee who has created a safety hazard in the workplace. *Held in Assembly Appropriations Committee Suspense File.*

- **AB 3087 (Kalra; D-San Jose)**
Health Care Price Controls — Jeopardizes employers' negotiating power and access to care, ignores the drivers of health care costs, and adds another layer of bureaucracy by creating an appointed commission to impose price controls on health care providers and insurers. *Held in Assembly Appropriations Committee Suspense File.*

A number of job killer bills were awaiting action by the full Senate or Assembly as *Alert* went to print. For updates on the remaining job killers, visit calchamber.com/jobkillers.

State Water Board Member Describes Low-Income Rate Assistance Plan



E. Joaquin Esquivel, a member of the State Water Resources Control Board, visits with the CalChamber Water Resources Committee on May 23 to explain a proposal to help low-income Californians pay for drinking water. For more information about water pricing in California, read the latest *Capitol Insider* blog at capitolinsider.calchamber.com.

Governor, CalChamber Chair Stress Infrastructure Needs

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“California is not a pristine wilderness,” Governor Brown said. “It’s a highly engineered, highly sophisticated, advanced civilization that only continues if it continues that investment.”

MacRae pointed out that the state’s population has grown by almost 16 million people—the equivalent of the fifth largest state in the nation—in the 40 years since he started his business, Hornblower Cruises & Events.

“That type of growth puts additional demands on our infrastructure and it must be met,” MacRae said. “Today, we’re still playing infrastructure catch-up.”

Transportation Funding Plan

He acknowledged that “after more than two decades, with leadership from this Governor, the Legislature approved a transportation revenue plan to maintain and improve our road and highway network.”

The CalChamber supported the transportation funding plan (SB 1) and is opposing the upcoming initiative proposal to rescind the plan ([see page 5](#)).

The Governor reminded listeners that California is about \$60 billion behind in deferred maintenance.

Thousands of projects are going to be funded by SB 1, he said. While Californians and Americans think of their state and country as world leaders, he cautioned, they should remember that China invests more than \$1 trillion each year in infrastructure and an equal amount throughout the world.

“If America wants to be great, we have to invest in our future,” Governor Brown said. “Here in California, we’ve made the commitment.”

Government infrastructure projects over the years have been criticized, the Governor commented, citing as examples the Bay Area Rapid Transit System (BART), the State Water Project championed by his father, and the national freeway system launched by the Eisenhower administration.

“You in business create the products, the services,” he said, “but government creates the infrastructure. And when we work together, we make it what happened is what we have.”

Changing Economy

Solutions to the state’s issues, MacRae said, “need constant updating to meet the needs of an ever-changing California.”

For example, he said, “with warmer temperatures of late, should we take our natural water reservoir, the Sierra snowpack, for granted, or anticipate the need for more reservoirs?”

Similarly, the growth of technology is a major economic driver today, “but do we recognize it may require different relationships with government—on education, on tax policy, on employment laws—in order to support their growth?”



Photo by Steve Yeater

Governor Edmund G. Brown Jr.

He pointed out that when California had one-third fewer residents, it had twice as many new housing starts. “This has led inevitably and predictably to a housing affordability crisis,” he said.

Tourism

On tourism, **MacRae offered** three “takeaways” to the audience:

- Tourism is one of the foundations of the state’s economy and a major economic engine, “the rising tide that floats all ships.” It also is the state’s largest export; international visitors spend \$25 billion every year in California, more than the value of the state’s annual agricultural exports.

- The state is fortunate to have *Visit California*, a public-private partnership, and “one of the strongest destination marketing organizations in the world,” to market the California brand around the globe. “It’s a competitive world for tour-

ism dollars,” he observed, and the program needs continued support to drive this important part of the economy.

- While the tourism industry is strong, “it is not impervious to our neglect...All the marketing in the world won’t mitigate the permanent damage we do to the brand experience when we fail to provide clean, safe cities and the infrastructure necessary to visit.” The industry is not sustainable without affordable housing and transportation alternatives, plus an immigration reform package that includes work visa solutions.

State Finances

The Governor repeated his caution about the cyclical nature of the state’s economy, reminding listeners that California has had 10 recessions since World War II with the longest recovery period lasting 10 years and the average being seven years.

Money flows into the state’s coffers just when the economy is on the edge of tilting over to recession, he said, emphasizing, “You gotta have reserves; you gotta have cash in the bank.”

The Governor pointed out that the state budget was \$27 billion in the hole when he entered office, and he is leaving a \$14 billion rainy day fund for his successor.

He added that he will leave to the next Governor the task of reforming the state’s tax system.

‘Pull Together’

Both speakers closed with a call to work together.

“Let’s all commit to endorse and support those captains and shipmates of both business and government who clearly recognize that we cannot sustain our voyage independently or reach our destination separately as we are in the same boat,” said MacRae. “We’re all going to get there together or not get there at all.”

In dealing with the changing climate, including lengthy droughts, Governor Brown said, people have to be prepared to invest in the water system, storage, conveyance, recycling and desalination. “It all costs money and somehow we have to create a consensus,” the Governor said.

He commented that “the two parties have never been so far apart,” but voiced confidence at what could transpire if people “pull together.”

“We have created this amazing place called California, and it works because we’re all in it together.”

CalChamber Board Votes to Oppose Three States Initiative, Gas Tax Repeal



OPPOSE

gas and car tax ballot measure. Both measures are expected to appear on the November general election ballot.

Three New States: Oppose

The CalChamber Board of Directors voted to oppose the Three New States Within the Current Boundaries of California initiative, which proposes to divide California into three states, subject to approval by Congress. The measure proposes that the three new states comprise:

- 40 northern and rural counties anchored by the San Francisco Bay Area, to be called Northern California;
- Six central coast counties, including Los Angeles, to be called California; and
- 12 remaining southern and San Joaquin Valley counties, to be called Southern California.

If Congress approves the formation of the three new states, then the initiative directs the Legislature to resolve implementation issues, including assigning assets and liabilities of California to the new states. If the Legislature fails to resolve those issues within one year, then the debts of California will be apportioned based on population and the assets will remain within the boundaries of the new states.

No final dissolution between the existing state and its relationships with constituent counties will take place until the three new states formally establish their new governments, including their adopted constitutions.

The CalChamber Board voted to oppose this measure because a change of this magnitude is not appropriately the subject of a ballot measure. It should be

considered either by the Legislature or by a constitutional revision commission.

Rather than seeking to solve the very real problems before California, this measure would instead create an entirely new suite of problems to distract and consume voters, political leaders, concerned citizens and ordinary residents.

The central challenge of governing in California is to reconcile the many and sometimes competing demands of a diverse population in a way that advances the overall welfare of the citizenry. This initiative declares that surrender to this test is a better option than rising to the challenge.

Gas Tax Repeal: Oppose

The CalChamber Board of Directors voted to oppose the Voter Approval for Increases in Gas and Car Tax measure, which would repeal all the transportation taxes adopted by the Legislature in 2017, including higher gasoline and diesel excise taxes, a new tax on vehicles, and a new tax on zero-emission vehicles.

The measure would also require any future legislatively imposed taxes on fuels and vehicles to take effect only upon a statewide vote of the people.

The Legislative Analyst estimates the measure would reduce spending on state and local transportation projects by nearly \$5 billion annually.

The Board of Directors voted to oppose the measure because repealing the gas tax would:

- **Stop transportation improvement projects already underway** in every community in California. This measure would eliminate funds already flowing to every city and county to fix potholes, make safety improvements, ease traffic congestion, upgrade bridges, and improve public transportation. 4,000 local transportation improvement projects are already underway across the state thanks to SB 1.



- **Make traffic congestion worse.** California's freeways and major thoroughfares are among the most congested in the nation, and Californians spend too much time stuck in traffic away from family and work. This measure would stop projects that will reduce traffic congestion.

- **Cost drivers and taxpayers more money in the long run.** The average driver spends \$739 per year on front end alignments, body damage, shocks, tires and other repairs because of bad roads and bridges. Fixing a road costs eight times more than maintaining it. By delaying or stopping projects, this measure ultimately will increase costs for motorists.

- **Hurt job creation and the state's economy.** Reliable transportation infrastructure is critical to get Californians to work, move goods and services to the market, and support the economy. This measure would eliminate more than 680,000 good-paying jobs and nearly \$183 billion in economic growth that will be created fixing California roads over the next decade.

Policy Advocates Recap Job Killer Data Breach, Litigation Legislation



Photo by Steve Yeater

CalChamber Policy Advocates Sarah Boot (left) and Laura Curtis (right) chat with Mike Villines, Villines Group LLC, about the problems pending job killer bills would create for businesses and consumers if enacted. See the video clips on SB 1121 (Dodd; D-Napa) and SB 1300 (Jackson; D-Santa Barbara) at calchamber.com/summit.

Pollsters Offer Snapshot of Election Year Voter Attitudes



Photo by Steve Yeater

PSB researchers Robert Green (left), principal, and Adam Rosenblatt, senior strategist, give CalChamber Capitol Summit attendees an overview of voter attitudes on subjects ranging from the direction of the state and nation to home ownership, health care, taxes and crime. See the video clips at calchamber.com/summit.

CalChamber Adds Second Environmental Litigator to Policy Team

From Page 1

Oregon, and California regional environmental entities.

She also handled cases dealing with environmental recovery claims, environmental insurance, and toxic tort laws at Wooden McLaughlin in Indianapolis, Indiana; and at Hunsucker Goodstein, with offices in California, Washington D.C., Colorado, and Seattle. Her clients

at Wooden McLaughlin included large commercial and multi-family real estate developers, oil and gas companies, and insurance carriers, as well as small farms and restaurants.

Before entering private practice, Silverthorn was a staff attorney at the Indiana Department of Environmental Management Office of Legal Counsel.

Silverthorn is an honors graduate of

Indiana University-Bloomington, with a B.S. in public affairs and environmental management. She earned her J.D., with honors, at the Indiana University McKinney School of Law, where she was articles editor for the *Indiana International and Comparative Law Review* and a member of the Moot Court Board.

Remarks by Terry MacRae

Strategic Plans, Partnerships Key to Success in Handling Critical Infrastructure Issues

Following are remarks presented by Terry MacRae, 2018 chair of the California Chamber of Commerce Board of Directors, at the 93rd Annual Sacramento Host Breakfast on May 24. MacRae is CEO, president and founder of Hornblower Cruises & Events, San Francisco.

Good morning. I am honored to be on the podium this morning representing the California Chamber. It's great to see all the happy smiling faces here that only want the best for California's future.

I have been very fortunate over the last 40 years to grow our California-based passenger vessel and cruise business to an industry leader that provides amazing experiences to over 20 million passengers each year. But, as all of you in the audience—those that are in business, particularly—know, it's not easy to be successful in California.

It requires perseverance, patience, dedication and good planning to be a shipbuilder and a ship owner. If we are not ship-

shape, we may be shipwrecked. By the way...I like the "ship" words, so I will ask your forgiveness in advance.

Albert Einstein is credited with the statement: "A ship is always safe at shore, but that is not what it's built for..."

It is a lot easier to pilot a ship when the sky is blue and the water is calm—the calm before the storm, as they sometimes say. But there are inevitably storm clouds out there on the horizon, and you don't always know what is under the water below you.

Prudent Planning

And, not just for those of us in business do these storm clouds require prudent, strategic planning; our governments share in the consequences of economic downturns and bad planning, and they require the same thoughtful prudence and adaptability that successful businesses need.

Our state and our businesses certainly face serious issues, some of which were just as significant 40 years ago as they are today. Water, infrastructure, immigration and education were actually priorities in

the news when I bought my first boat, just as they are today.

In many respects, just as our businesses must be dynamic to survive, our

ported twice as much of our economy as it does today. But 40 years ago, the tech industry was an upstart, a wannabe. We all know that the growth of tech is a

major economic driver today, but do we recognize it may require different relationships with government—on education, on tax policy, on employment laws—in order to support their growth?

New challenges beyond these key issues also require attention. Incredibly, when California had one-third fewer residents than today, we had twice as many new housing starts. This has led inevitably and predictably to a housing affordability crisis.

No wonder parents are uneasy about their kids' futures. According to a recent CalChamber survey,

of voters with children living at home, three out of five agree that their children will have a better future if they leave California—mostly because of the high cost of staying.

As a long-term business owner, I am proud to say that we are now recruiting the adult children of employees who may have worked their first job at Hornblower, met and married their spouse at Hornblower, bought their first house and funded their kids' college education with their Hornblower paychecks. This is a talent pool that needs to stay in California!

International trade, with the increased wealth of the Pacific Rim countries, has also become a significant driver of our economy. And that has impacted agriculture, the tech sector, but also the industry near and dear to my heart—tourism.

Tourism

I would like to take one moment to speak to the value of the California tourism industry, and thank all of those who work in that industry and support it.



Terry MacRae

state's issues and challenges, even if we've solved them in the past, need constant updating to meet the needs of an ever-changing California. For example, with warmer temperatures of late, should we take our natural water reservoir, the Sierra snowpack, for granted or anticipate the need for more reservoirs?

Our population has grown by almost 16 million people in that 40 years. To put that in perspective, if those 16 million people were a state today, it would be the fifth largest state in the country. That type of growth puts additional demands on our infrastructure and it must be met.

Today, we're still playing infrastructure catch-up. After more than two decades, with leadership from this Governor, the Legislature approved a transportation revenue plan to maintain and improve our road and highway network.

Needs of New Economy

But it isn't just the sheer number of new Californians; it's how they integrate with the needs of the new economy.

Forty years ago, manufacturing sup-

Strategic Plans, Partnerships Key to Success in Handling Infrastructure

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There are three important thoughts you might take away this morning on this point.

First, tourism is one of the foundations of California's economy and a major economic engine. You might think of it as the rising tide that floats all ships.

- Travelers spent \$132 billion last year, roughly the same as the state's General Fund.

- That spending generated almost \$11 billion in tax revenue for state and local jurisdictions, more than enough to fund CHP and Cal Fire combined, or enough to defray a \$1,000 per household tax.

- California's tourism industry is a job creator, providing more than 1.1 million California jobs. And, it's a hands-on service industry, service-oriented in all respects, so these jobs can't be outsourced, offshored or automated.

- Tourism is the state's largest export—international visitors spend \$25 billion every year in California. For comparison, that's more than the value of our state's annual agricultural exports.

Second, we are most fortunate to have Visit California, a public-private partnership, and one of the strongest destination marketing organizations in the world, to share and market the California brand around the globe.

- Visit California's global marketing programs create a strong affinity for the California brand. Over the last five years and the next five years, they will spend over \$500 million in brand advertising in 14 markets around the world to protect and develop this important industry for California. By the way, this advertising and marketing funding does not come from the state; rather it's funded by a unique public-private partnership.

- When a natural disaster occurs, producing a tourism deterrent, like the recent Napa fires, Visit California springs into action immediately to mitigate that.

- Some of the best marketing minds in California are behind these efforts. I want you to take a look now at a short clip of a TV spot from the most recent broader campaign called Living the Dream to showcase the quality of their work. [50-second Living the Dream commercial] Great stuff. Obviously some friends of California and California tourism in that clip there.

- This is your takeaway on this point



Photo by Steve Yeater

this morning. It's a competitive world for tourism dollars. We need to continue to support the efforts of Visit California to drive this important part of our economy.

And lastly, on tourism. While the industry is strong, it is not impervious to our neglect.

- California's tourism industry has always been resilient in times of global, national and statewide economic uncertainty. Tourism actually creates an important hedge against economic downturns.

- The occupancy taxes that are generated by tourism are vital sources of revenue for local governments—almost every county in California depends significantly on it, particularly during times of economic downturn, or economic cycles when income and sales taxes typically plummet.

- However, this is the takeaway on this point this morning. All the marketing in the world won't mitigate the permanent damage we do to the brand experience when we fail to provide clean, safe cities and the infrastructure necessary to visit. And the industry is not sustainable if we fail to provide affordable housing and transportation alternatives for the amazing folks that work in this industry. An immigration reform package that includes work visa solutions is also critical to the success of this industry.

These are issues that require both immediate action, and permanent solutions, or one of the foundations of the California economy will certainly crum-

ble away. In this day and age of social network marketing, you can negate years of building a brand and developing an industry with a few shocking viral images that we all now see on a regular basis in many parts of California today.

The world has many beautiful places to visit and do business that are unique, and you can receive an amazing experience that is very economical. Once the market moves away from California, it will be much harder to sustain or recover it.

Work in Partnership

So in California, business and government are certainly in the boat together. If we are not pulling on the oars in concert, we will spin in circles or be swamped by the winds of change. That's why we must commit to be true shipmates and work in partnership to ensure the success of California.

We need to leverage our strengths: a skilled workforce—whether they are high school or university graduates—and remain open to retaining innovative companies.

We should take every opportunity to chart a course that addresses our major headwinds, like high housing and energy costs, discriminatory taxes, and frivolous litigation that drives productive, law-abiding businesses out of state.

I'd like to thank you for your attention, and close with one last takeaway.

Let's all commit to endorse and support those captains and shipmates of both business and government who clearly recognize that we cannot sustain our voyage independently or reach our destination separately as we are in the same boat. We're all going to get there together or not get there at all.

Support those individuals and organizations that express a willingness to work side by side and to row together, that favor creative leadership over partisanship, that take pride in ownership rather than one-upmanship, and those that value sponsorship and stewardship over showmanship.

Folks, there is a long, hard voyage ahead, and we are going to be in rough seas much of that time with powerful external forces, so let's also recognize that one of our most powerful ships can be our individual and collective friendships, and, hear...hear... [raises glass] may they always be.

Small Business Advocate of the Year Award

CalChamber Recognizes Business Leaders from Chico, Torrance



The California Chamber of Commerce honored business executives from Chico and Torrance last

week with its 2018 Small Business Advocate of the Year Award 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 23.

The 2018 Small Business Advocate of the Year Award recipients are:

- **Mark Francis**, president and CEO, Golden Valley Bank, Chico;
- **Tom Lando**, principal, Tom Lando Consulting, Chico; and
- **Michael Shafer**, owner, The Depot Restaurant, Torrance.

Mark Francis and Tom Lando



action. The task force investigated the solvency of Chico's finances—past, present and projected—and delivered a bold and forceful recommendation that the City Council consider a revenue measure to fund business priorities outlined in the Community Vision.

The City of Chico is one of 11 cities its size in California to maintain a baseline sales tax rate of 7.25%. The region is largely tax averse.

The task force worked throughout 2017 to study four key areas affecting city finances—pension, fire, police and roads—and outlined needs, expectations and costs. Lando and Francis hosted several task force meetings with city officials to gain a deep understanding of the city's financial status and met weekly to follow statewide news on pension reform, sales tax policy, the gas tax and other impacts, always weighing local opportunities and challenges.

Task force findings were communicated to the public via the chamber's most recent state of the city address and through a publication entitled Special Report. A call to action was made directly to the Chico City Council to consider a revenue measure to preserve and enhance the quality of life in Chico, a risky yet pivotal move by a chamber of commerce in a tax-averse region.

In nominating Francis and Lando for the CalChamber award, Katie Simmons, president and CEO of the Chico Chamber of Commerce & Visitor Center, wrote: "Mark and Tom deserve to be recognized equally for their tremendous insight, influence and service to the Chico Chamber of Commerce. This pivotal community conversation would not happen without the knowledge, dedication and time Mark and Tom give to the chamber and our community. Their work is relevant across all communities in California struggling with the very same issues."

Michael Shafer



Donna Duperron, president and CEO of the Torrance Area Chamber of Commerce, calls Shafer an individual who appears larger than life and a true advocate for business.

View a video interview with Shafer at www.calchamber.com/videos.

In 2017, Shafer was very involved in support of the Tower Energy Group's planned development of a gas station and convenience store in Torrance. He believed that this project would foster job growth and economic vitality in an area where many residents opposed the development.

Shafer testified before the Torrance City Council twice in support of the development, as well as organizing a petition to sign up other businesses in support of the project.

Shafer continues to mentor the hundreds of business owners who make up the Downtown Torrance business community and have issues with building permits, connecting them with the proper City of Torrance department head. He constantly rallies business throughout the city to become active and vocal supporters of job creation. He repeatedly encourages business owners to go before the state Legislature and local councils and boards to support and advocate for other businesses and key issues facing the business community.

"Time after time, Michael has been a catalyst for one of the largest businesses in our city, the Torrance Refinery Company," Duperron wrote in nominating Shafer for the CalChamber business advocacy award.

After an explosion at the refinery in February 2015, Shafer took the stand to testify at South Coast Air Quality Management District hearings. The hearings began in 2016 and continue to the present day. Shafer has testified that the 600 family-supporting direct jobs and the 500 contractors' jobs at the refinery are extremely important to the economic vitality of the City of Torrance. Although some advocates are calling for a ban on chemicals produced at the plant, Shafer has testified that the city and school district would lose millions of dollars in annual tax revenue and gas prices would rise if the ban were to go into effect.

Shafer also has been very vocal about the city's minimum wage ordinance. His testimony before the Los Angeles Board of Supervisors was so compelling that a board member contacted Shafer, asking that he return to address another meeting to share the impact the wage increase would have on local businesses.

"Speaking from his heart, and not from a script, Michael captured the ear of the supervisors and all in attendance," Duperron wrote.

28 Local Chambers Receive 2018 President's Circle Award



The California Chamber of Commerce has named 28 local chambers of commerce to receive the 2018 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 23 during the CalChamber Capitol Summit in Sacramento.

Seven of the chambers have received the award all 10 years it has been presented.

The 2018 recipients of the President's Circle Award are as follows. An * marks recipients who have received the award all 10 years:

- Greater Bakersfield Chamber*: Nicholas Ortiz, president/CEO;

- Camarillo Chamber: Gary Cushing, president/CEO;
- Greater Coachella Valley Chamber: Joshua Bonner, CEO;
- Greater Conejo Valley Chamber*: Jill Lederer, president/CEO;
- Corona Chamber: Bobby Spiegel, president/CEO;
- Culver City Chamber*: Colin Diaz, president/CEO;
- El Centro Area Chamber & Visitors Bureau*;
- Greater Fresno Area Chamber: Nathan Ahle, president/CEO;
- Gilroy Chamber: Mark Turner, president/CEO;
- Lake Elsinore Valley Chamber: Kim Joseph Cousins, president/CEO;
- Lodi District Chamber: Pat Patrick, president/CEO;
- Long Beach Area Chamber*: Randy Gordon, president/CEO;
- Murrieta/Wildomar Chamber: Patrick Ellis, president/CEO;
- Oakdale Chamber: Mary Guardiola, CEO;
- Oxnard Chamber: Nancy Lindholm, president/CEO;
- Palm Desert Area Chamber*: Debbie Frazer, interim president/CEO;
- Porterville Chamber: Monte Reyes, president/CEO;

- 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 Ghabban, president/CEO;
- Temecula Valley Chamber: Alice Sullivan, president/CEO;
- Torrance Area Chamber: Donna Duperron, CEO;
- Tulare Chamber, Donnette Silva Carter, CEO;
- Victor Valley Chamber: Mark Crefield, president/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.

Capitol Scoop Panelists Comment on Mid-Term Elections



CalChamber President and CEO Allan Zaremberg (left) moderates a wide-ranging discussion on political and policy issues, including campaign mailers and the difficulties of getting voters to the polls, with Karen Hanretty, public affairs consultant, and Andrew Acosta, Acosta Consulting, at the Capitol Summit on May 23.

Housing Shortage Among Top Challenges for Long-Term Health of State Economy

California Outlook

Long-Run Challenges During Times of Economic Gain

The U.S. economy has experienced steady growth in recent years, and later this year, the current economic expansion will become the second longest on record. Throughout much of this expansion, California has outpaced the nation and many states in terms of economic growth and job gains, and improvements in its unemployment rate, fueled by strength in many of its key industries.

California will continue to lead the United States in 2018, making this year an opportune time to take on both current and long-term challenges.

California began 2018 on a high note with January employment numbers showing the largest yearly job gain (2.4% or 400,000 jobs) in 18 months. In March, the state added jobs at a steady 1.9% year-to-year pace, led by health care, construction, leisure and hospitality and professional, scientific, and technical services, accounting for two-thirds of this increase.

In percentage terms, the state was led by natural resources and construction, education services, health care, and logistics, largely continuing a pattern of industry gains that has prevailed over much of the past year.

Outpacing U.S.

January's gains come on the heels of six consecutive years during which California outpaced the nation in percentage job gains. Moreover, updated job numbers released in March revealed that California's job gains were better than initially reported, up from an initial estimate of 1.8% growth to 2%, because of substantial upward revisions in impor-

tant industries such as health care, as well as professional, scientific and technical services, and logistics.

The broader state economy displayed continued momentum, with annual taxable sales showing a 4.9% gain over 2017, and gross state product rising by 2.3% year-to-year in the third quarter of 2017. Fueling these advances, personal

force expected this year, workers are almost guaranteed to see wages rise again. And it is too soon to gauge the effects of the hike in the statewide minimum wage as pay hikes are currently being driven by the scarcity of labor more than anything else.

Steady job growth and limited increases in the labor force will keep the unemployment rate low and push up wages for nearly all workers. With these gains in financial and economic well-being, households in California will fuel growth in their local economies by buying homes, appliances, and cars, and causing expansion in local serving industries, such as retail stores, restaurants, and personal services.

Meanwhile, the state's logistics, technology, and other external-facing industries will benefit from growth domestically and among our trading partners.

All in all, California's economic outlook through the next several quarters is good, in fact, somewhat better than was previously expected, making this an ideal time to devote serious attention to the state's long-run concerns.

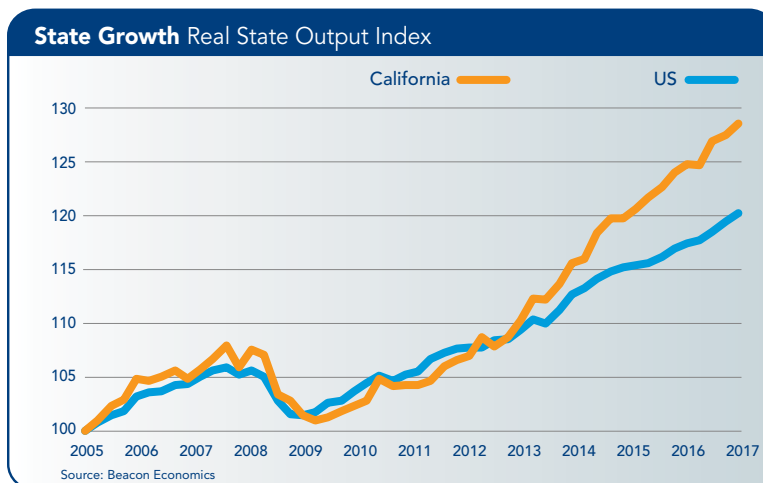
Housing

Long-Term Challenges... Short-Term Opportunities

In looking at California's long-term challenges, the housing problem must be near the top of the list because of its significance for so many of the state's residents and its economy.

While Californians clearly understand that high home prices limit affordability, the obvious solution seems less clear: High prices reflect scarcity that can be addressed only through increases in supply.

See Next Page



income increased by 3.8%, the third highest growth rate among the 50 states.

Meanwhile, per capita personal income in California stood at \$58,500/year in the third quarter of 2017, 16% higher than in the United States as a whole. But while California saw a 3.1% increase in personal income, far outpacing the 1.9% gain nationally, gains in purchasing power have been tempered by inflation running at nearly 3% in the state compared to just 2% nationally.

Unemployment Rate

With California hitting its lowest unemployment rate since 1976, wage gains in the state have accelerated in recent years. Average weekly wages in California increased by 4.3% in 2017, the largest increase in the last 10 years.

With limited increases in the labor

Housing Shortage Among Top Challenges for Long-Term Health of State

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California's median home price was \$464,000 in the fourth quarter of 2017, nearly double that of the United States, where the median price stood at just over \$250,000. Since 1990, California's median home price has routinely been significantly higher than that of the nation.

Home prices in inland California are closer to the U.S. norm: \$252,000 in Fresno, \$340,000 in the Inland Empire, and \$380,000 in Sacramento. However, the situation is quite extreme in coastal areas, with the median price in San Francisco at \$1.3 million, \$605,000 in Los Angeles County, and \$596,000 in San Diego County.

Renters are also challenged by the high cost of housing. The number and share of renting households in the state of California grew in the years following the Great Recession. With a limited response on the supply side, average rents rose steadily in many areas of the state.

The magnitude of California's housing shortage is well documented. At present, the state is estimated to need about 200,000 new housing units built per year, yet it has barely seen more than 100,000 units come on line in each of the last few years. As implied above, the state needs a mix of both single-family and multifamily housing, as well as a mix of for-sale and rental housing.

Regional Housing

To be sure, the state and its regions periodically estimate housing needs and

set housing goals. In fact, state law requires that metro areas and their jurisdictions develop multi-year housing goals known as the Regional Housing Needs Allocation (RHNA). Few jurisdictions come close to meeting the RHNA-based housing goals, however, because there is little incentive to do so.

In the calculus of local government finance, a new housing unit will impose new burdens on government services, yet yield only a modest increase in property

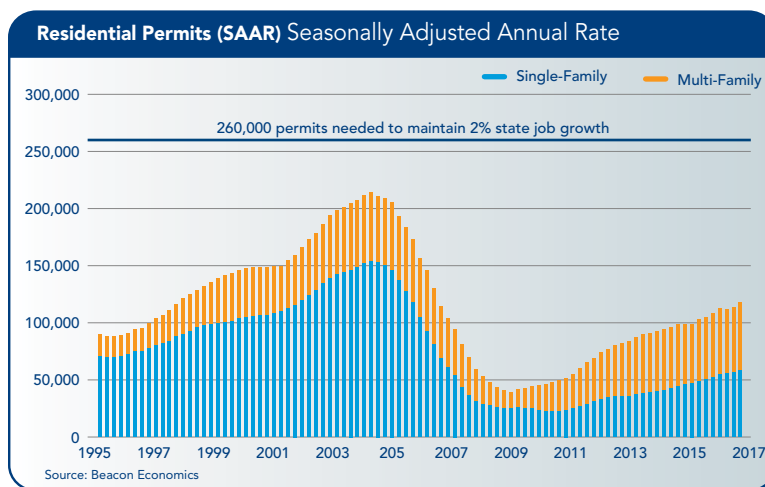
tax revenue. SB 35 has lent new urgency to a problem that has festered for many years, and very likely will force local jurisdictions to rethink their housing strategy.

SB 35 has lent new urgency to a problem that has festered for many years, and very likely will force local jurisdictions to rethink their housing strategy.

In response, local jurisdictions must first acknowledge that population growth is an inevitable part of their future. They must take steps to understand what that growth will look like, plan adequately, and, finally, execute those plans.

This effort must address the concerns of both current and future residents: renters as well as homeowners, apartment dwellers as well as occupants of single-family homes. Doing so will go a long way toward addressing the state's housing needs while also ensuring its long-run economic dynamism and vitality.

Staff Contact: Dave Kilby



tax that is mostly controlled by state government. Local governments are far more inclined to prefer retail development, which has the potential to generate new taxable sales that go straight into the general fund.

Recognizing that the state has a chronic housing shortage and understanding that inadequate housing has the potential to impede economic growth, state legislators have succeeded in passing legislation that has the potential to make a difference. Laws such as SB 35 (Wiener; D-San Francisco; Chapter 366)



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 Christopher Thornberg, Ph.D., founding partner of Beacon Economics, LLC.

International Forum: California Continues to Blaze Trail in Trade; Exports Growing



U.S. and California politics and trade priorities, global connections and the importance of exports were

the topics discussed by an international trade expert, a veteran political columnist and an economist at the recent international forum presented by the California Chamber of Commerce.

The May 23 forum, moderated by Susanne T. Stirling, CalChamber vice president of international affairs, brought together nearly 200 attendees, including representatives of the business community, CalChamber Board members, representatives of the California consular corps and foreign economic partners, plus representatives of state, local and federal governments.

U.S. Trade Issues

The Honorable Dale Tasharski, acting deputy director general of the U.S. Department of Commerce, spoke to forum attendees about U.S. trade issues from the viewpoint of the federal government. Minister-Counselor Tasharski directs the department's efforts to formulate trade policy and solve market access issues facing U.S. firms seeking to sustain and expand their business operations.

California has grown to become the world's fifth largest economy and California accounts for a significant slice of exports; in fact, California logged a 3% year-over-year growth in exports, Tasharski noted.

California accounts for 11% of all U.S. exports. "I'm not surprised," Tasharski said. "California has tremendous manufacturing and trade infrastructure and the state produces goods and services in demand all over the world."

Turning to the administration's trade priorities, Tasharski reiterated that President Donald Trump has said his administration is dedicated to reducing the U.S.

trade deficit, which is why he's taking a firm stance in addressing unfair trade practices and foreign government export subsidies. The Commerce Department is committed to reinforcing and implementing President Trump's commercial agenda to support, defend and bolster the American economy.

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.

Earlier in the week, U.S. Secretary of Commerce Wilbur Ross honored 43

American companies, representing 18 U.S. states and Guam, with the 2018 President's "E" Award to kick off World Trade Week. The President's "E" Award is the highest recognition any person, firm, or organization can receive for making a significant contribution to increasing U.S. exports.

Tasharski reported that California companies were well represented in this group. The Greater Irvine Chamber of Commerce was among the award recipients.

International Overview of California

Longtime California newspaper columnist Dan Walters, now a journalist with CALmatters.org, provided attendees with an overview of what's happening in California politics.

While California is enjoying a growing economy, now the fifth largest in the world, and record low unemployment, California has substantial issues, he pointed out.

"They stem in part from our success as a state," Walters said. "The fact that we've seen tremendous population growth... that success and the economic success of so many California industries...

have fallout effects."

California is dealing with things like: uncertainty about water supply, homelessness, housing and education. "All of these issues eventually become political issues," Walters said.

This year is an election year in California, where the state will elect a new governor, may be electing a new U.S. senator, electing other statewide constitutional officers, filling 100 legislative seats and the California congressional delega-

See International Forum: Page 14

Photos by Steve Yeater



Dale Tasharski



Dan Walters

"We know that when U.S. companies face fair competition with foreign companies, U.S. firms win," Tasharski said. "Our dedication to ensuring that U.S. companies compete on a level playing field is reflected in our goal of transforming American trade policy by ensuring fair and reciprocal trade."

In the spirit of World Trade Month, Tasharski took a few minutes to honor a local business, Harris & Bruno International of Roseville, with a U.S. Department of Commerce Export Achievement Certificate.

International Forum: California Continues to Blaze Trail in Trade

From Page 13

tion will be up for election as well.

Walters tried explaining the “inexplicable,” California’s top two primary, which is “where a loser gets another chance to be a winner.” This method of electing California’s representatives creates all kinds of political dynamics unique to California, he said.

California is very involved in international trade, is more like a nation than a state, and state leaders have taken issue with the Trump administration, making trade policy and immigration both flash points between California and the Trump administration.

Unfortunately, Walters explained, this conflict between Trump and California has become so heated in the political arena that it is taking attention away from the more pressing state issues that have nothing to do with President Trump or any of those conflicts.

“We have essentially a bifurcated election,” Walters summarized. “On one level it’s about California issues, housing, education, water and all the California issues. On the other level, it’s about the conflict between California and the Trump administration... It kind of sucks the oxygen out of the air and takes attention away from California situations that should be dealt with.”

This all makes for an interesting primary election season—more interesting than most, Walters said. California is at the forefront of national politics, both because of these conflicts with the administration, and because the state has congressional seats in play, whose fate may in fact “decide the climate in Washington for the next two years.”

International Economic Overview

Christopher Thornberg, founding partner of Beacon Economics, provided a fast-paced economic outlook focused on California and the global economy.

See Thornberg’s slide presentation on calchamber.com.

“We’ve really lost track about what’s really going on out there,” Thornberg said. “Thirty years ago we agreed on the problems, we would debate the solutions.

Today it’s gotten so bad we can’t even agree on what the problems are.”

Starting with the big picture on the economy, Thornberg said the new economy is the same as the old economy:

- 2017 solid year for growth: looked a lot like 2013–2014;
- 2018 likely to be better: good momentum with fiscal stimulus even after a slow start;
- Still a low chance of recession in the next 24 months.



Christopher Thornberg

Politics is going in the wrong direction, he reported, because there is little effort to deal with underinvestment in infrastructure, rising wealth and income inequality, health care cost inflation, pension and entitlement issues. In addition, there is a great disconnect between economic realities and political discourse.

Turning to trade, Thornberg noted that exports have hit an all-time high, showing good solid numbers across the board.

“Trade trends overall have been a positive for the U.S. economy, particularly on the export side,” he said.

For U.S. exporters, “it’s a wonderful time!” he remarked, and it’s going to get better this year; the International Monetary Fund released a forecast projecting 3.9% growth this year. That’s the best year since 2011, which was a recovery year after the great recession and will provide great opportunities for exporters, Thornberg said.

Speaking about the trade deficit with China, Thornberg said he is more sympathetic to the Trump administration’s concerns.

Trade barriers, and what he would call imbalanced trade practices, don’t have an

impact on the trade deficits, but we know when two countries trade with each other, there are gains from trade. Thornberg presented the hypothetical of a pile of money on the table, and if someone isn’t playing fair, they’re taking more than their fair share of the pile of money on the table.

In other words, it’s not that the U.S. doesn’t benefit with trade from China, even under the current situation, where the Chinese have far more access to U.S. markets than the other way around... but we don’t gain as much as we should or could because we don’t have the same access to the Chinese economy.

“From that perspective, I absolutely have sympathy for this administration,” Thornberg said. “When you measure it appropriately, China has the largest economy in the world, and it owes at some level, they should just start playing fair.”

While discussing trade battles, Thornberg said that since California has such a large and diverse economy, the state is less exposed to trade battles than other parts of the United States.

“It’s not actually as big an issue for us as it is in other places,” he said. “A lot of the places with problems are places like Louisiana, Michigan, Washington. They have much more trade expiration than we [California] do.”

But California has very real exposures as well, just not in ways that are measured in his graphs, Thornberg said.

A big issue for California is intellectual property, of which an enormous amount is produced in California. In addition, California is a conduit for both goods and services moving through into the United States.

In closing, Thornberg said the big picture is that it’s going to be a good year, but there still is a great disconnect.

With several critical issues facing California in the medium term, Thornberg warned, “If you don’t ask the right question, you’re never going to get the right answer. The biggest problem we have in the United States isn’t that we can’t find the right answer; the right answers are easy. The problem is we can’t ask the right questions.”

CalChamber Hosts California District Export Council Meeting



Photo by Steve Yeater

Members of the five California District Export Councils (DEC) meet at the California Chamber of Commerce in Sacramento on May 23 to hear from the Honorable Dale Tasharski, acting deputy director general of the U.S. Department of Commerce, and Laura Barmby, U.S. Department of Commerce liaison to the National Association of DECs. The current issues facing the trade community and the department were the focus of discussion. Following, the group attended other international trade-related events. *Front Row (from left):* The Honorable Jerry Levine, Consulate General of Barbados/National DEC, Former Chair; Toby Levine, San Francisco Port Advisory; Mark Ballam, San Diego State University College of Business Administration/San Diego and Imperial DEC; Cary Wanner, City National Bank/Inland Empire DEC, Vice Chair; Laura Barmby, U.S. Department of Commerce/National DEC; The Honorable Dale Tasharski, Acting Deputy Director General, U.S. Department of Commerce; Susanne Stirling, CalChamber/NorCal DEC and National DEC; Roy Paulson, Paulson Manufacturing Corporation/Inland Empire and National DEC, Former Chair; David Haubert, Mayor of Dublin/NorCal DEC; Deep SenGupta, DSG Global/NorCal DEC and National DEC; and Michael Parr, Wente Family Estates/NorCal DEC. *Middle Row (from left):* George Tastard, U.S. Department of Commerce; Sung Wook Lee, SW Logistics Inc./NorCal DEC; Candy Hansen Gage, Gage Ag Consulting/NorCal DEC; Everett Golden, Otis McAllister/NorCal DEC; Richard Swanson, U.S. Department of Commerce; Jeremy Potash, California-Asia Business Council/NorCal DEC; Dean Fealk, DLA Piper/NorCal DEC; Carol Johnson, Middlebury Institute of International Studies at Monterey/NorCal DEC; Bob Spence, Inter Asia Pacific/Inland Empire DEC; Janice Whitaker, Teledyne/NorCal DEC; Christel Vilogron, Import Export Best Practices, SoCal DEC; Joanne Vilet, U.S. Department of Commerce. *Back Row (from left):* Glen Roberts, U.S. Department of Commerce; Julie Anne Hennessy, U.S. Department of Commerce; Adithya Padala, UmeVoice Inc./NorCal DEC; Tsvi (Chuck) Guy, Vecron Exim/Central CA DEC; Dr. Rudy Besikof, Mt. San Jacinto College/Inland Empire DEC; John McPeak, Biomarin/NorCal DEC; Anthony Hall, Premier Packaging Group/Central CA DEC; Rod Hirsch, U.S. Department of Commerce; David Fiscus, U.S. Department of Commerce; Tom Neff, RINA Accountancy Corporation/NorCal DEC; and Pat Cassidy, U.S. Department of Commerce.

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