Governor Signs CalChamber-Supported CEQA Reform Bill

Governor Edmund G. Brown Jr. recently signed a California Chamber of Commerce-supported bill that improves environmental review under the California Environmental Quality Act (CEQA).

The CalChamber supported AB 2782 (Friedman; D-Glendale) because it represents a prudent and balanced addition to the CEQA process to ensure that lead agencies are considering the multiple aspects of a project.

AB 2782 authorizes lead agencies to more comprehensively analyze the pros and cons of a project by considering specific economic, legal, social, technological, or other benefits of, and negative impacts of denying, the proposed project.

At a time when California’s housing crisis is, by one estimate, producing a $140 billion annual drag on the state’s economy, forcing Californians into long commutes that damage health, infrastructure and environment, and is one reason California suffers from the highest poverty rate of any state, California must pursue all thoughtful approaches to

See Governor Signs: Page 4

Republican Gubernatorial Candidate John Cox Outlines Top Issues for CalChamber Board

John Cox, Republican candidate for Governor, describes to the CalChamber Board of Directors on September 7 how his CPA and business experience affects his approach to issues such as California’s regulatory climate, housing crisis, energy independence, roadways, schools and water.

This edition of Alert includes a special report on the November ballot measures, including brief summaries of the reasons for the California Chamber of Commerce position on eight of the 12 ballot measures.

On propositions where the CalChamber has no position, the special report summarizes arguments for and against the measures as presented in the 90-page official voter information guide prepared by the California Secretary of State.

Below is a recap of CalChamber positions on November ballot measures:

Support
Proposition 1: Veterans Housing Bond
Proposition 2: Housing Program for Individuals with Mental Illness
Proposition 3: Water Supply Bond
Proposition 4: Children’s Hospitals Construction Bond
Proposition 5: Property Tax Base Transfer

Oppose
Proposition 6: Transportation Funding Repeal
Proposition 8: Kidney Dialysis Clinic Charges
Proposition 10: Rent Control Expansion

For more information, see the special report inside.

Inside
• November Ballot Propositions: Pages 7-11
• Economic Advisory Council: Pages 13-15
Cal/Osha Corner
State Starting to Revise Work Area Access Rules in Response to Feds

Mel Davis
Cal/Osha Adviser

Our company is preparing for extensive upgrading of its facilities, including access and work surfaces. Has California’s Occupational Safety and Health (Cal/Osha) Standards Board adopted the new federal regulations published November 18, 2016 in Federal Register, Volume 81, No. 223, pages 82494–83006 addressing walking-working surfaces?

It should be noted that these regulations have not yet been adopted pending clarification as to the application to the maritime and agriculture regulations, which were exempted from the federal rulemaking. The Board is working to complete the process.

The federal Occupational Safety and Health Administration (OSHA) has extensively revised 29 Code of Federal Regulations 1910 Subparts D, I, N, and R.

Broad Coverage

These subparts address ladders, step bolts, manhole steps, stairways, dock boards, scaffolds, rope descent systems, fall protection, falling object protection, power and vehicle mounted platforms, man lifts, personal protective equipment (PPE), industrial trucks, pulp paper paperboard mills, textiles, sawmills and telecommunications.

Because of the number and different types of equipment and processes, the Cal/Osha Standards Board opted to deal with the rulemaking progressively. The first rulemaking package addresses fixed and portable ladders, mobile ladder stands and scaffolds, stairways, step bolts and manhole steps.

When the regulations are adopted, they will apply to those areas and situations as published, and address the maritime industry’s concerns.

Proposed Revisions

- Section 3214, stair railings and handrails, has been revised, changing the height of the rails from the tread nose.
- Section 3234, stairways, has been revised to require a maximum tread height of 9½ inches and a minimum tread depth of 9½ inches, as well as platform/door encroachment clearance requirements.
- Major revisions have been made to Section 3277, fixed ladders. For example, the regulations address manhole rung length and separation, requirements for ladders that extend over 24 feet, cages and wells, and ladder safety systems. Because of the revisions, some definitions have been revised, such as alternating stairs, equivalent, toe board, and handrail. A definition for individual rung ladder has been added.
- A new Section 3279 has been developed to address the design, construction, installation and maintenance of stepbolts and manhole steps.
- Sections 3621 and 3622 address mobile ladder stands and scaffolds, reflecting new, revised, and repealed definitions which are indicative of industry terminology and operations.
- Sections 6564, 6599, 6600, and 6632 address the petroleum industry. The

See State Starting to Revise: Page 4

CalChamber-Sponsored Seminars/Trade Shows

More at www.calchamber.com/events.

Labor Law


HR Boot Camp. CalChamber. October 17, San Francisco – SOLD OUT; December 7, Oakland. (800) 331-8877.


Business Resources


Special rate for CalChamber members.


International Trade


Central America Energy Transition

See CalChamber-Sponsored: Page 12

CalChamber Calendar

Public Affairs Conference: November 27–28, Huntington Beach

Next Alert: September 28
Prop. 65 Rules Include Supply Chain Liability

Minimizing liability is quintessential for any prudent business. Liability could mean costly lawsuits, the loss of valuable business opportunities or relationships, large monetary penalties, serious financial or reputational damage, or even product recalls. Under Proposition 65 (Prop. 65), liability for businesses can be all of the above.

For decades, companies selling products, food or beverages in California or that manufacture, supply or distribute products sold in California have wrestled with the requirements of Prop. 65. In 2017 alone, nearly 700 cases were settled with defendants paying more than $25 million in plaintiffs’ attorneys fees and penalties—not including defense counsel fees, business interruption and other costs to comply.

Now come new Prop. 65 regulations that went into effect August 30, 2018. The California Chamber of Commerce has notified members about these new regulations, with a particular focus on the new labeling requirements. (See website synopsis and July 27 Alert article.)

With anxiety running high and time to comply running short, here are five things that California businesses should be considering other than the new labeling requirements:

1. Significant changes to Prop. 65 liability allocation.

The new Article 6, Section 25600.2, the “Responsibility to Provide Consumer Product Exposure Warnings,” reallotates liability for Prop. 65 violations by significantly strengthening the indemnity power for retailers against manufacturers and upstream entities.

Although most major retailers already shift obligations for Prop. 65 compliance onto suppliers and manufacturers through indemnity agreements, Section 25600.2 will provide some relief to small retailers by clarifying the obligations of supply chain parties and places the primary burden of Prop. 65 warnings on the manufacturer, producer, packager, importer, supplier or distributor. These are the parties who should analyze their indemnity agreements with their suppliers and distributors and seek to clarify the specific obligations relative to Prop. 65 in such contracts.

2. Consider your full supply chain and indemnification agreements.

Businesses need to consider their full supply chain when analyzing Prop. 65 liability under the new regulations. Since the allocation of liability is more expressly laid at the feet of manufacturers and upstream entities, businesses that sell their products directly to suppliers and distributors, as opposed to the retailers, could still be liable for a retailer’s failure to warn if the supplier or distributor fails to warn the retailer.

Manufacturers and upstream entities should analyze their indemnity agreements with their suppliers and distributors and seek to clarify the specific obligations relative to Prop. 65 in such contracts.

3. Internet warning notifications.

For products sold online or through a catalog into the State of California, businesses cannot comply with the new Prop. 65 regulations merely by placing a warning label on the product. For internet sales, a retail seller must provide a Prop. 65 warning for the product on its website to fall within the safe harbor. Such website warnings must either:

- Be placed on the product’s display page;
- Be given via a hyperlink using the word “WARNING” placed on the product display page; or
- Be displayed to consumers before their purchase is completed with a tie to the product for which the warning is being given.

Additionally, manufacturers and upstream entities could be liable for a retailer seller’s failure to warn under the new liability allocation (see items 1 and 2 above). Accordingly, manufacturers and upstream entities should provide to the retailer warnings notice of the need for an internet warning, and the exact language to use.

4. When retailer is liable.

The retail seller is responsible for providing the Prop. 65 warning for a consumer product exposure only when one or more of the following circumstances exist:

- The retail seller is selling the product under a brand or trademark that is owned or licensed by the retail seller or an affiliated entity. In other words, if your name is on the product, you are probably the manufacturer under California law unless it is clear the product was manufactured by a third party.
- The retail seller has knowingly introduced a listed chemical into the product, or knowingly caused a listed chemical to be created in the product;
- The retail seller has covered, obscured or altered a warning label that has been affixed to the product;
- The retail seller has received a notice and warning materials for the exposure from the upstream entity;
- The retail seller has “actual knowledge” of the potential consumer product exposure requiring the warning, and there is no manufacturer, producer, packager, importer, supplier, or distributor of the product who (A) Is a “person in the course of doing business” under Section 25249.11(b) of the Act, and (B) Has designated an agent for service of process in California, or has a place of business in California.

“Actual knowledge” means specific knowledge of the consumer product exposure received by the retail seller from any reliable source. OEHHA attempts to provide additional guidance in its Final Statement of Reasons by stating: “a retail seller may acquire knowledge of an exposure that requires a warning through news media, its customers, or a trade association.” Nevertheless, the ambiguity over what constitutes a retail seller’s “actual knowledge” will likely be settled by future litigation.

5. Products manufactured before August 30, 2018.

Good news. The new regulations provide a sell-through period of unlimited duration for any products manufactured prior to the effective date that complied with existing Prop. 65 requirements. Businesses DO NOT need to relabel, pull from shelves or destroy existing inventories.

Not Legal Advice

The information in this article is not intended to convey or constitute legal advice, and is not a substitute for obtaining legal advice from a qualified attorney. You should not act upon any such information without first seeking qualified professional counsel.

Staff Contact: Adam Regele
Governor Signs CalChamber-Supported CEQA Reform Bill

Facilitating the timely construction of additional housing. AB 2782 is one such approach. By examining and considering the negative impact of not approving projects, especially housing projects, lead agencies will have a more comprehensive assessment of the role of these projects in their communities.

For example, if a local government is considering approval of a housing project, it is prudent for that local entity to evaluate the impact of denying that housing project as well: How would prohibiting construction of that housing project have an impact on factors such as local commute patterns, impacts to local businesses and the local economy, access to public transportation, the region’s compliance with the applicable Sustainable Communities Strategy, etc.? AB 2782 does not change the underlying substantive or procedural requirements of CEQA. All this narrow bill does is encourage lead agencies to engage in a robust discussion of the pros and cons of projects under consideration.

Staff Contact: Adam Regele

State Starting to Revise Work Area Access Rules in Response to Feds

Contents of Sections 6564 and 6599 have been repealed and replaced with language directing the user to revised Section 3277. Section 6600 now references Section 3279. Also, stirrup clearance and stepbolt spacing has been revised.

- Section 8608 of the telecommunication orders has been revised to reflect the development of new Section 3279 regarding stepbolts.

The proposal as presented at the June 2018 Cal/OSHA Standards Board public hearing may be seen at www.dir.ca.gov/oshsb/proposedregulations.html.

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.
U.S. Policy Expert

Trade Talks to Open Markets Work Better than Tariff Wars to Boost Economy, Jobs

In an era where “trade is invading every zone,” increased tariffs on imports are the wrong way to generate prosperity for U.S. businesses, a trade policy expert told a California Chamber of Commerce gathering last week.

John Murphy, senior vice president of international policy for the U.S. Chamber of Commerce, emphasized that the rest of the world is moving forward in areas where the United States has stepped back from trade talks.

If the United States doesn’t get back to working on opening markets to American goods and services, “we’re going to be on the outside looking in,” Murphy said at the September 7 international breakfast of the CalChamber Council for International Trade.

**Trade Works**

Murphy gave a recap of how trade affects the U.S. economy and what voters think:

- 41 million American jobs depend on trade.
- 98% of U.S. companies that export goods are small and medium-sized businesses.
- 6 million manufacturing jobs depend on exports.
- 3 in 5 voters want government to negotiate more trade deals.
- 3 in 5 voters want government to negotiate more trade deals.
- 3 in 5 voters want government to negotiate more trade deals.

He pointed out that the U.S. market is very open, and the United States has trade agreements with 20 countries that make up 6% of the world’s population, but buy half of U.S. exports. After the agreements went into effect, trade with those countries boomed, Murphy said. For example, 39% of California exports now go to free trade agreement markets.

**California Impacts**

A slide from Murphy’s presentation highlighted the impact of exports for the California economy:

- 4,869,200 California jobs supported by international trade.
- 75,722 companies export goods from California locations.
- 96% of California exporters are small and medium-sized businesses.
- 72,591 small and medium-sized exporters in California.
- $287.8 billion of goods and services were exported from California in 2014.
- 665,000 workers are employed by foreign firms invested in California.

**Different Perspectives**

The ability to control trade—U.S. sovereignty—has been a subject of interest in past administrations, Murphy said, but appears to be a particular concern for the current one. The administration of President Donald J. Trump is very focused on manufacturing, particularly cars, Murphy observed, although services also are part of the trade picture.

While the output of American manufacturing has been increasing steadily

---

**CalChamber members: Are you using your discounts from FedEx®, UPS®, Lenovo® and others?**

Participating members save an average of more than $500 a year. See what’s available at calchamber.com/discounts or call Customer Service at (800) 331-8877.

Partner discounts available to CalChamber Online, Preferred and Executive members.
CalChamber-Supported Korean Trade Agreement Moves Forward

Last week, the U.S. Trade Representative announced that the U.S.-Korea Free Trade Agreement has been modified to “improve implementation of the trade pact.”

Agreement Amendments

The amendments included an extension to the phase-out period for the 25% U.S. tariff on trucks. The tariffs had been scheduled to phase out by 2021, but the amendment will lengthen the phase-out period to 30 years (i.e., until 2041). Additionally, the number of manufactured car exports to Korea under U.S. standards was doubled from 25,000 to 50,000. It is unclear, however, as to whether these changes will exempt Korea from the potential auto tariffs threatened by the administration under Section 232.

Other amendments include harmonized vehicle testing requirements, Korean recognition of U.S. standards on parts, and improvements to fuel economy standards. There also were modifications to Korea’s customs and verification processes, and its pharmaceutical pricing policy.

According to the U.S. Trade Representative (USTR), Korea will now initiate the next step in its own domestic procedures, which is to open for public comment the provisional Korean translations of the outcomes to amend the U.S.-Korea (KORUS) free trade agreement (FTA).

Once complete and certified by both governments, the documents may then be finalized for signature. Per the U.S. Chamber of Commerce, the Korean government hopes to ratify the agreement this year, bringing it into effect on January 1, 2019.

Background

At the direction of President Donald J. Trump, USTR Ambassador Robert Lighthizer initiated talks in July 2017 to consider matters affecting the operation of KORUS FTA, including amendments and modifications to resolve several problems regarding market access in Korea for U.S. exports and, most important, to address the significant trade imbalance.

In 2017, the United States and Korea convened two special sessions of the KORUS FTA Joint Committee—on August 22, 2017 and October 4, 2017. In March 2018, the U.S. and Korea announced an agreement in principle on the general terms of amendments and modifications to the KORUS FTA.

U.S.-Korea Trade Agreement

March 15, 2017 marked the five-year anniversary of the entry into force of the California Chamber of Commerce-supported U.S.-Korea Free Trade Agreement. These past five years have been a period of growth and resurgence for the U.S. economy. Overall, U.S.-Korea goods and services trade has risen from $126.5 billion in 2011 to nearly $144.6 billion in 2016.

The U.S.-Korea trade and investment relationship is substantially larger and stronger than before the KORUS FTA. Since entry into force of the agreement in 2012, the United States and Korea have carried out five rounds of tariff cuts and eliminations, creating significant new market access opportunities for U.S. exporters.

Trade Overview

Korea is a significant market for U.S. small and medium-sized companies, which make up a majority of U.S. businesses exporting to Korea.

Korea is a $1.41 trillion economy and

Trade Talks to Open Markets Work Better than Tariff Wars

From Page 5 since 1980, Murphy said, manufacturing employment peaked in 1979 and has declined.

American manufacturers are producing more goods than ever, Murphy said, but “doing it with fewer and fewer workers.”

He noted that large companies operate with global supply chains, with U.S. manufacturers providing high value-added elements and imported materials tending to be of lower value-added products.

NAFTA Update

The North American Free Trade Agreement (NAFTA), now nearly 25 years old, is showing its age and it makes sense to modernize the pact, Murphy commented. Coming together, he said, are an “excellent chapter” on digital trade, better protections for intellectual property and access for dairy products.

Concerns for the business community, said Murphy, include administration proposals that add to business uncertainties and costs:

- making dispute settlement rules advisory;
- a sunset clause to terminate the agreement after five years or perhaps six years with a 10-year cooling off period; and
- a dramatic change in the rules of origin for auto manufacturers; the new proposed complex rule would require a huge increase in spending just on tracking where auto components are produced.

Tariffs

The steel and aluminum tariff increases imposed by the administration have led to a rise in U.S. prices, Murphy stated: U.S. steel prices are 50% higher than in Europe; and aluminum prices have increased 130% since the beginning of the year. The viability of some U.S. companies is at risk, he reported.

Moreover, U.S. exports have been hit with $40 billion in retaliatory tariffs, with foreign governments showing they are “very politically attuned,” targeting top manufactured goods in the districts of congressional leaders for increased tariffs.

Murphy commented there is broad agreement that Chinese trade practices regarding technology transfers and intellectual property deserve a strong U.S. response, but that tariffs on Chinese imports are not the right answer.

An alternative to waging a multi-front trade war, he said, might be for the United States to gain more leverage by working with longtime allies—such as Europe, Canada, Mexico and Japan—that share concerns about China’s industrial policies.

More Information

For more information about the state-by-state impact of retaliatory tariffs, visit the website set up by the U.S. Chamber at TheWrongApproach.com.

Staff Contact: Susanne T. Stirling
Overview of November Ballot Measures

Following are brief summaries of the measures that will appear on the November 6 General Election ballot. When the California Chamber of Commerce has taken a position, the reasons for that position are summarized.

The CalChamber encourages employers to share this information with their employees. Businesses are within their rights to do so—just remember: NO PAYCHECK STUFFERS, no coercion, no rewarding or punishing employees (or threatening to do so) for their political activities or beliefs.

For more guidelines on political communications to employees, see the brochure at www.calchamber.com/guidelines. Note the distinction between internal communications (to employees, stockholders and their families) and communications to external audiences (such as nonstockholder retirees, outside vendors, customers and passersby).

For more information on the ballot measures, see the links listed below or visit the website of the Secretary of State at www.sos.ca.gov.

<table>
<thead>
<tr>
<th>Proposition 1</th>
<th>Proposition 2</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Authorizes Bonds to Fund Specified Housing Assistance Programs. Legislative Statute.</strong></td>
<td><strong>Authorizes Bonds to Fund Existing Housing Program for Individuals with Mental Illness. Legislative Statute.</strong></td>
</tr>
<tr>
<td>Authorizes $4 billion in general obligation bonds for existing affordable housing programs for low-income residents, veterans, farmworkers, manufactured and mobile homes, infill and transit-oriented housing.</td>
<td>Amends the Mental Health Services Act to fund No Place Like Home Program, which finances housing for individuals with mental illness. Ratifies existing law establishing the No Place Like Home Program.</td>
</tr>
<tr>
<td><strong>Placed on Ballot by:</strong> SB 3 (Beall; D-San Jose), Chapter 365, Statutes of 2017.</td>
<td><strong>Placed on Ballot by:</strong> AB 1827 (Committee on Budget), Chapter 41, Statutes of 2018.</td>
</tr>
<tr>
<td><strong>CalChamber Position:</strong> Support</td>
<td><strong>CalChamber Position:</strong> Support</td>
</tr>
<tr>
<td><strong>Reasons for Position</strong></td>
<td><strong>Reasons for Position</strong></td>
</tr>
<tr>
<td>Proposition 1 will provide much-needed housing, allowing California to leverage federal tax credits and bonds. There will be no cost to the state’s General Fund because the CalVet loan program is self-supporting; the bonds are repaid by CalVet loan holders through paying principal and interest on their loans.</td>
<td>Proposition 2 will enable the state to use funding long earmarked for specialized types of mental health and housing services to build housing and keep mental health services in reach for people. Under the No Place Like Home Program, 20,000 permanent supportive housing units will be built, allowing coordinated care of mental health and substance use services, medical care, case managers, education and job training to help people get the treatment and housing stability they need.</td>
</tr>
<tr>
<td><strong>More Information</strong></td>
<td><strong>More Information</strong></td>
</tr>
<tr>
<td><a href="http://www.vetsandaffordablehousingact.org">www.vetsandaffordablehousingact.org</a></td>
<td><a href="http://www.CAyesonprop2.org">www.CAyesonprop2.org</a></td>
</tr>
</tbody>
</table>
Proposition 3

**Authorizes Bonds to Fund Projects for Water Supply and Quality, Watershed, Fish, Wildlife, Water Conveyance, and Groundwater Sustainability and Storage. Initiative Statute.**

Authorizes $8.877 billion in state general obligation bonds for various infrastructure projects and funds improvements to water safety and quality, watershed and fisheries, habitat protection programs, water conveyance, groundwater sustainability and storage, and surface water storage and dam repairs.

**Placed on Ballot by:** Petition signatures.

**CalChamber Position:** Support.

CalChamber President and CEO Allan Zaremberg is quoted in the ballot arguments supporting Proposition 3.

**Reasons for Position**
California’s environment and economy rely on a clean and reliable water supply. Proposition 3 will provide critical funding that will help create sustainable water management in the state. Bond proceeds will go toward: providing major funding for watershed improvements and better management practices that will improve water quality and supply; safe drinking and wastewater treatment for disadvantaged communities; stabilizing groundwater levels in overdrafted groundwater basins; funding for recycling wastewater; funding for leak detection, toilet replacement and landscape conversion; and repairing the Oroville Dam spillway.

**More Information**
https://waterbond.org/

---

Proposition 4

**Authorizes Bonds Funding Construction at Hospitals Providing Children’s Health Care. Initiative Statute.**

Authorizes $1.5 billion in general obligation bonds, to be repaid from state’s General Fund, to fund grants for construction, expansion, renovation, and equipping of qualifying children’s hospitals.

**Placed on Ballot by:** Petition signatures.

**CalChamber Position:** Support

**Reasons for Position**
California children’s hospitals provide critical care to children with significant medical needs and it is not possible to set aside money for infrastructure with the current payer mix. Previous bonds enabled the hospitals to build new patient towers that meet 2030 seismic standards and buy new equipment, including medical records systems and new medical technology. Proposition 4 will help the 13 regional children’s hospitals meet growing demand for services and update technology.

**More Information**
www.YesOnProposition4.org

---

Proposition 5

**Changes Requirements for Certain Property Owners to Transfer Their Property Tax Base to Replacement Property. Initiative Constitutional Amendment and Statute.**

Allows people over 55 years old, severely disabled homeowners and owners of contaminated or disaster-destroyed property to sell their homes, move and transfer their property tax basis to the replacement residence.

**Placed on Ballot by:** Petition signatures.

**CalChamber Position:** Support

**Reasons for Position**
California is facing a massive housing shortage and needs at least 100,000 additional new units a year to meet demand. Proposition 5 could help ease the shortage by freeing up modest-priced and move-up housing for young families. Seniors, who often are on a fixed income, fear they will not be able to afford a big property tax increase if they sell their existing home and buy another one, discouraging them from ever moving. As a result of this “moving penalty,” almost three-quarters of homeowners 55 and older haven’t moved since 2000. The Legislative Analyst’s Office estimates the initiative would increase home sales in the tens of thousands per year.

**More Information**
www.voteyesonprop5.com
Proposition 6

Eliminates Certain Road Repair and Transportation Funding. Requires Certain Fuel Taxes and Vehicle Fees Be Approved by the Electorate. Initiative Constitutional Amendment.

Repeals a 2017 transportation law’s taxes and fees designated for road repairs and public transportation.

Placed on Ballot by: Petition signatures.

CalChamber Position: Oppose

Reasons for Position

The Legislative Analyst estimates the measure would reduce spending on state and local transportation projects by nearly $5 billion annually. Repealing the gas tax would stop transportation improvement projects already underway in every community in California, eliminating funds already flowing to every city and county to fix potholes, make safety improvements, ease traffic congestion, upgrade bridges, and improve public transportation.

Passage of Proposition 6 also will make traffic congestion worse, cost drivers and taxpayers more money in the long run, and hurt job creation and the state’s economy. 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. Proposition 6 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.

More Information
www.NoProp6.com

Proposition 7


Gives Legislature ability to change Daylight Saving Time period by two-thirds vote, if changes are consistent with federal law.

Placed on Ballot by: AB 807 (Chu; D-San Jose), Chapter 60, Statutes of 2018.

CalChamber Position: No Position

Ballot Arguments For
Proposition 7 will end the biannual time changes that medical researchers and economists agree are hazardous to the health and productivity of school children, the workforce and seniors.

Ballot Arguments Against
Proposition 7 allows for permanent Daylight Saving Time, subject to federal approval. It would be light in the evening in the summer, as it is now, but winter mornings would be dark for an extra hour so children would be going to school in the dark.

Proposition 8

Regulates Amounts Outpatient Kidney Dialysis Clinics Charge for Dialysis Treatment. Initiative Statute.

Limits amounts outpatient kidney dialysis clinics may charge for patient care and imposes penalties for excessive charges.

Placed on Ballot by: Petition signatures.

CalChamber Position: Oppose

Reasons for Position

The CalChamber opposes arbitrary government price controls that do not account for the actual cost of care.

Proposition 8 sets a dangerous precedent to apply arbitrary government price controls to other health care providers and businesses. Moreover, the measure could increase costs by shifting treatment from a dialysis clinic to more expensive venues, such as emergency rooms or hospitals. It also could jeopardize the financial viability of clinics, which could lead to closures, thereby reducing patient access to critical care.

More Information
www.NoProp8.com
Proposition 9

Three States Initiative.

CalChamber Position: Oppose

Removed from ballot on 7/18/18 by order of California Supreme Court.

Proposition 10

Expands Local Governments’ Authority to Enact Rent Control on Residential Property. Initiative Statute.

Repeals state law that currently restricts the scope of rent control policies that cities and other local jurisdictions may impose on residential property.

Placed on Ballot by: Petition signatures.

CalChamber Position: Oppose

Reasons for Position
Removing the limitations on locally enacted rent control laws could discourage new construction, decrease the supply of rental housing and reduce the quality of housing available in communities statewide.

In a 2016 report, the Legislative Analyst’s Office (LAO) concluded that “Rent control will do nothing to increase our supply of affordable housing and, in fact, likely would discourage new construction.”

Cities with stringent forms of rent control, such as San Francisco and Santa Monica, have lost large numbers of rental units as a result of rent control. Owners of rental housing subject to rent control are more likely to convert their properties to condos or other forms of ownership housing. This results in fewer homes being available for rent and more being available for purchase.

Rental property owners would not be able to afford to adequately maintain their buildings. According to the LAO, “By depressing rents, rent control policies reduce the income received by owners of rental housing. In response, property owners may attempt to cut back their operating costs by forgoing maintenance and repairs. Over time, this can result in a decline in the overall quality of a community’s housing stock.”

More Information
www.noprop10.org

Proposition 11

No Position


Makes labor laws entitling hourly employees to take meal and rest breaks without being on-call not apply to private-sector ambulance employees. Exempts employers from potential liability for violations of existing law regarding work breaks. Requires all meal periods be paid, regardless of if they are or are not interrupted.

Placed on Ballot by: Petition signatures.

CalChamber Position: No Position.

Ballot Arguments For
California faces disasters too often. Proposition 11 ensures emergency medical technicians are paid to be reachable during breaks to save lives, gives them better disaster training that meets Federal Emergency Management Agency standards and mandatory mental health coverage. In an emergency, seconds make the difference between life and death. Yes on Proposition 11 is common sense.

More Information
www.yeson11.org

Ballot Arguments Against
No argument against Proposition 11 was submitted.
Proposition 12

**NO POSITION**

**Establishes New Standards for Confinement of Specified Farm Animals. Bans Sale of Noncomplying Products. Initiative Statute.**

Establishes minimum space requirements for confining certain farm animals. Bans the sale of meat and eggs from calves raised for veal, breeding pigs, and egg-laying hens confined in spaces below a specific number of square feet.

**Placed on Ballot by:** Petition signatures.

**CalChamber Position:** No Position

**Ballot Arguments For**

Confining a baby veal calf, other pig or egg-laying hen inside a tiny cage is cruel. Products from these suffering animals threaten food safety. Proposition 12 endorsers include nearly 500 California veterinarians, American Society for the Prevention of Cruelty to Animals, Humane Society for the United States, California family farmers and animal shelters, Center for Food Safety.

**More Information**

www.preventcrueltyca.com

**Ballot Arguments Against**

Proposition 12 is a reckless exploitation of California’s initiative process that not only harms farm animals, but also puts in grave danger a wide array of existing consumer, animal, and environmental protection laws. The measure is an outrageous sell-out to the egg industry and betrays animals and voters. Californians already voted to ban cages by 2015. This measure legalizes cages until at least 2022.

**More Information**

www.NoOnProposition12.org

---

**CalChamber Positions on November 2018 Ballot Measures**

<table>
<thead>
<tr>
<th>Proposition</th>
<th>Subject</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proposition 1</td>
<td>Veterans Housing Bond</td>
<td>Support</td>
</tr>
<tr>
<td>Proposition 2</td>
<td>Housing and Services for Individuals with Mental Illness</td>
<td>Support</td>
</tr>
<tr>
<td>Proposition 3</td>
<td>Bond Funding for Water Supply/Quality, Watershed, Fish, Wildlife, Water Conveyance, and Groundwater Sustainability and Storage Projects</td>
<td>Support</td>
</tr>
<tr>
<td>Proposition 4</td>
<td>Children’s Hospitals Construction Bonds</td>
<td>Support</td>
</tr>
<tr>
<td>Proposition 5</td>
<td>Property Tax Base Transfer for Replacement Property</td>
<td>Support</td>
</tr>
<tr>
<td>Proposition 6</td>
<td>Eliminates Road Repair and Transportation Funding</td>
<td>Oppose</td>
</tr>
<tr>
<td>Proposition 7</td>
<td>Conforms California Daylight Saving Time to Federal Law</td>
<td>Support</td>
</tr>
<tr>
<td>Proposition 8</td>
<td>Regulates Amounts Outpatient Kidney Dialysis Clinics Charge for Dialysis Treatment.</td>
<td>No Position</td>
</tr>
<tr>
<td>Proposition 9</td>
<td>Three States Initiative – Removed from ballot on 7/18/18 by order of California Supreme Court.</td>
<td>Oppose</td>
</tr>
<tr>
<td>Proposition 10</td>
<td>Expands Local Governments’ Authority to Enact Rent Control on Residential Property</td>
<td>Oppose</td>
</tr>
<tr>
<td>Proposition 11</td>
<td>Requires Private-Sector Emergency Ambulance Employees to Remain On-Call During Work Breaks.</td>
<td>No Position</td>
</tr>
<tr>
<td>Proposition 12</td>
<td>New Standards for Confinement of Specified Farm Animals</td>
<td>No Position</td>
</tr>
</tbody>
</table>
CalChamber-Supported Korean Trade Agreement Moves Forward

From Page 6
its commercial relationship with the United States is largely complementary. In 2017, two-way trade between the two countries exceeded $119.44 billion. In 2017, U.S. goods exports to Korea were $48.27 billion.

Korea is California’s sixth largest export destination. California is one of the top exporting states to Korea, making up nearly 20% of U.S. exports. In 2017, California exported more than $9.6 billion to Korea. Top products from California to Korea included nonelectrical machinery, computers and electronics, food manufactures, and agricultural products.

Korea currently enjoys broad access to the U.S. market and the United States is one of Korea’s larger exporting markets, importing 12% of Korea’s worldwide exported goods, according to the CIA World Factbook.

According to the most recent figures in 2017, U.S. foreign direct investment in Korea totaled roughly $41.6 billion and was concentrated largely in the manufacturing, banking, and wholesale trade sectors. Korean foreign direct investment (FDI) to the United States reached $51.7 billion in 2017, supporting 51,900 jobs. In 2016, Korea invested $1 billion into research and development, and invested another $14.2 billion to expanding U.S. exports. The top industry sectors for Korean FDI in 2016 were: auto components, industrial machinery, software and information technology services, auto OEM, consumer electronics, and metals, according to SelectUSA.

More than 1 million Korean Americans live in the United States, with more than 30% living in California. Los Angeles County alone is home to over 154,000 residents of Korean origin, according to the Migration Policy Institute. There also is a large population of Korean students studying at higher education institutions across the U.S. Korean visitors enter the United States via the U.S. Visa Waiver Program.

CalChamber Position
The CalChamber reaffirmed support for KORUS FTA in a letter sent on September 5, 2017 to members of the Trump administration, including the Secretary of Commerce and the U.S. Trade Representative. The U.S. business and agriculture community had received reports that the Trump administration was concerned about the agreement, due to the imbalance of trade figures; however, these are based on macroeconomic issues and not the FTA.

Defending KORUS is a priority issue for the U.S. Chamber, CalChamber, and businesses across the country. The U.S. business community views the KORUS FTA as a strong agreement, and urged the administration to focus on more effective enforcement to solve issues as Korea’s economy improves.

The KORUS provisions are beneficial for U.S. industries, agricultural enterprises, farmers, ranchers, energy companies and automakers. The CalChamber stated that any renegotiation of KORUS must recognize the gains achieved, and ensure that U.S. trade with South Korea remains strong and without interruption.

The CalChamber then urged a quick and efficient process, and one that does not hinder ongoing trade and investment between the U.S. and South Korea, who must be kept united in the same end-goal of a successful renegotiation.

The CalChamber, in keeping with long-standing policy, enthusiastically supports free trade worldwide, expansion of international trade and investment, fair and equitable market access for California products abroad and elimination of disincentives that impede the international competitiveness of California businesses. New multilateral, sectoral and regional trade agreements ensure that the United States may continue to gain access to world markets, resulting in an improved economy and additional employment of Americans.

The KORUS FTA sends a strong signal that the United States intends to remain heavily engaged in the region for a long time to come in business, economics, security and international politics.

The FTA strengthens the 70-year-old alliance between the United States and South Korea, while reinforcing the economic and political reforms South Korea continues to make.

Staff Contact: Susanne T. Stirling

CalChamber-Sponsored Seminars/Trade Shows

From Page 2
Pacific Rim/E-Commerce Export Opportunities Event. California Asian
U.S. Economic Expansion Continues, But Growth Surge May Be Temporary

The United States is currently in the midst of the second longest expansion in the nation’s history at 111 months and counting. In July of next year, we will officially be in the midst of the longest expansion on record.

Will we make it? Odds are almost certain we will. Far from losing steam, the U.S. economy has been on a solid upswing lately.

But as always, a deeper look at the data suggests that there are issues to keep an eye on. All in all, we remain pessimistically optimistic. Or perhaps optimistically pessimistic.

A Deeper Look

Consider some recent statistics.

• U.S. gross domestic product (GDP) growth in the second quarter came in above 4%, the best reading since 2014 and driven by strong growth in business and consumer spending.

• Industrial production is up 4% from one year ago—another recent best.

• Employment growth over the last 3 months has totaled more than 200,000 jobs added per month, even with unemployment below 4%. More importantly, the job openings rate is at 4.2%, suggesting that employers would hire even more workers, if they could find them.

The recent GDP release came with (as is usual every couple of years) a revision of the last few years of data on the basis of better data and improved techniques. While the revision didn’t change much in terms of the estimation of economic output, it did change the estimated flow of income. In particular, the Bureau of Economic Analysis increased its estimate of proprietor incomes (earnings for the self-employed) substantially. This had the impact of completely erasing the decline in consumer savings rates we have been fretting about in recent reports.

Combine this with the low rate of consumer debt increases, and it is clear the overall financial health of U.S. households is as good as it has ever been.

**Temporary Surge**

As positive as all this news is, don’t be fooled into believing the U.S. economy has truly achieved a new pace of growth. Scratch away at the surface and there are any number of reasons to conclude that the current growth surge is, at best, temporary. At worst, the seeds of the next recession are possibly being sown in these current numbers.

• First, we need to take a bit of a gut check on the recent numbers. The 4.1% growth rate in the second quarter was certainly impressive. But most of that growth came from a surge in consumer spending—an anticipated surge given the weak first quarter for consumer spending growth.

• In other words, it was a reversion to the trend, not a permanent jump. Business spending was solid, but similar to the last few years. Housing remains weak, as does state and local spending. The consensus outlook suggests growth will come in at far more reasonable 3% for the balance of the year. With an average growth rate of 3% for the entire year.

This 3% pace of growth is not bad relative to the 2% to 2.5% pace seen since the end of the Great Recession. But even here, it is important to recognize that this modest bump is being driven by a surge in government borrowing rather than any true shift in fundamentals.

The tax plan passed at the end of last year was not the major overhaul of a broken tax system that the United States desperately needs. Rather, it was nothing more than a fiscal stimulus plan, something that would typically be used in times of economic trouble—not in the midst of a record tight labor market.

The problem with any fiscal debt-driven stimulus is that you are borrowing from the future to accelerate the “now.” And like most stimulants, the buzz you get feels good in the short run, but diminishes over time unless you continue to increase the dosage. Then there is always the inevitable crash, when you finally have to get off of the stimulant completely. When that crash will occur for the economy is unclear, but the current path is guaranteeing that when that day comes, it will be ugly.

• Second are the international trade battles currently in play. While the problems with the European Union seem to be on hold for the moment, the U.S. disputes with China are growing worse with both sides continuing to ratchet up the tariffs being levered on the other. Much has been made of the effects on U.S. exporters to China, particularly those that export agricultural products. But the U.S. imports almost four times as much from China as it exports to them. And what we do import are critical components of U.S. supply chains. As solid as industrial production looks from a growth perspective, recent data suggests overall production is starting to plateau.

See Next Page
U.S. Economic Expansion Continues, But Growth Surge May Be Temporary

From Previous Page

This is not to say that some of this isn’t good pain—the Chinese have been flouting international norms on trade, intellectual property rights, and foreign investment for years, and that needs to end. The U.S. does need to push back, but to do so, negotiations must start with a clear and logical set of goals. War for war’s sake is never a good plan.

Unfortunately, the current administration appears to have no clear path forward, and with other troubles brewing, including possible legal problems, it seems unlikely that it will be able to develop a coherent and effective plan any time soon. And let’s not forget that the North American Free Trade Agreement (NAFTA)—by far the most important trade group for the U.S.—also is under threat.

• Lastly, there is the Federal Reserve. Inflation has heated up as of late with the Consumer Price Index (CPI) getting close to 3%, the fastest since 2011. Beacon Economics, however, still doesn’t believe there is a real chance of higher permanent inflation. M2 growth remains below 4%, and bank lending is tepid.

But with employment costs and import prices on the uptick, the Fed will surely continue to tighten regardless of the impact on the yield curve. This too will place stress on the economy.

Add it up and the rest of this year looks solid, but expect slower growth next year. Additionally, the long-term stressors of heavy federal borrowing, rising interest rates, and ongoing political chaos, make it clear that while there is no reason to expect a recession anytime soon, we should remain more vigilant than ever in watching for the unanticipated shock.

The nation’s capacity to absorb a blow to its economy is substantially diminished and it won’t take much to end the current expansion.

State Forecast: OK for Now

With two quarters down and sights turning toward the last part of the year, it is apparent that the California economic engine continues to hum along, much like the nation as a whole. Job gains have been steady and the state’s leading industries have expanded despite ongoing concerns on the international trade front.

Still, good news notwithstanding, anxieties linger about California’s extremely tight housing market and the resulting affordability challenges it presents, and the long-term consequences of slow growth in the state’s labor force.

2018 Shaping Up to Be Good Year

California continues to land in record territory, with its unemployment rate at 4.2% for the fourth month in a row as of July 2018. At the same time, job growth so far this year has outpaced 2017 by a slim margin, with wage and salary jobs in July increasing by 2.0% or 332,700 jobs compared to one year earlier.

Of the 332,700 jobs added in July, Health Care and Leisure and Hospitality each contributed 58,000 positions, or more than one-third of the total, with Construction, Professional Scientific and Technical Services, and Transportation and Warehousing also reporting sizable gains among the private sector industries. This set of industries has consistently made the largest contributions to job gains in the state over the last several years.

The Government sector added to its ranks as well, increasing by 33,300 workers with roughly two-thirds of the increase occurring in Local Government and one-third in State Government (the Federal Government trimmed 2,500 jobs).

All but one of the state’s major industries experienced job gains in July, with only Mining and Logging seeing a loss of 300 jobs.

Steady Job Gains

Similarly, headline numbers for California’s gross state product (GSP) and taxable receipts reveal continued growth in the statewide economy in the first part of the year. Real GSP advanced by 3.5% year-to-year in the first quarter, the fastest rate of growth since late 2015, while current dollar taxable receipts grew by 4.3%.

A look at more detailed data shows healthy spending on the part of both households and businesses: Taxable receipts on consumer goods rose 4.8% year-to-year while receipts on business and industry spending increased by 3.6% over the same period.

Both the coastal and inland regions of the state have enjoyed economic and job gains for several years running. Through the first seven months of this year, every metro area in California experienced job growth. Across the large metro areas, job gains in the San Francisco Bay Area reflect the staying power of the tech sector, with the largest absolute and percentage increases occurring in San Jose.

In Southern California, the Inland Empire has consistently registered the largest percentage gains in jobs for the last couple of years, although Los Angeles County generally reports the largest absolute gains because of its size. Much of the growth in the entire region has...
U.S. Economic Expansion Continues, But Growth Surge May Be Temporary

From Previous Page

come from Health Care, Professional Scientific and Technical Services, Construction, and Logistics. Metro areas in the Central Valley have also seen employment growth overall, supported by job gains across a variety of sectors.

Housing: Mixed Performance

California’s housing market has been a mixed bag so far this year. According to the California Association of Realtors, the monthly median home price in California finally surpassed its pre-recession peak earlier this year, a long-awaited milestone that signifies how far the market has come.

The median price in the state was $591,460 in July, up 7.6% year-to-year, continuing a string of yearly price gains going back several years. Still, home sales have been average, at best, and disappointing when considered against the backdrop of the state’s long economic expansion.

Home sales fell 0.9% year-to-year in July, and over the first seven months of the year were 1.4% lower in year-to-date terms. Slugish sales are symptomatic of the state’s housing market, and due in part to tight lending standards on mortgages and lean supply (unsold inventory is still low at 3.3 months).

It is noteworthy, however, that the number of listings over the period spanning February through July was higher than in 2017, with listings in July 2018 alone up 15.2% from one year earlier. More listings should temper price increases going forward and slow the recent declines in affordability, which fell to a 10-year low in the second quarter of this year.

New home construction moved up a notch in the first half of this year compared with last year, a development that should also temper, but not halt, price increases. Overall, housing permits rose 9.4% in the first half of 2018 compared to one year earlier, with increases of 7.3% in single-family permits and 11.4% in multi-family permits.

The state is on track to add about 130,000 new units this year, still far below its needs, which are closer to 200,000 units annually. As long as home construction lags behind what the state needs, high housing costs will be a painful thorn in the side of the California economy.

Long-Run Concerns Linger

High housing costs impede California’s economic growth over the long term to the extent that these costs serve as a deterrent to labor force growth.

The state’s labor force growth rate has experienced significant slowing since the fall of 2017, with the year-to-year growth rate at just 0.2% in July 2018. Monthly labor force data are notoriously volatile, so a more consistent picture results from looking at 12-month moving averages of growth.

If anything, the longer-term story that emerges is more concerning. Over the last few years, the growth rate of California’s labor force followed roughly the same direction as the growth rate of the U.S. labor force—until the second half of 2017, when California’s growth rate began a steady decline even as the U.S. growth rate has accelerated in recent months.

In looking at the future growth trajectory of the California economy, the elephant in the room is the high cost of housing and its impact on labor force growth.

State-to-state migration data show an ongoing outmigration from California going back many years, which fortunately has been more than offset in most years by positive international migration into the state.

This is no accident: the California median home price has consistently been more than double the national median home price for several years. The rental market is no different, with a number of California metro areas ranking among the least affordable rental markets in the nation.

As growth in the state’s labor force slows further, it will tighten like a noose on the economy and limit future growth and business development.

Staff Contact: Dave Kilby
Stop sexual harassment in the workplace before it starts.

Demonstrate your pledge against disrespectful and unprofessional behavior in your California workplace by providing all employees with harassment prevention training—including mandatory training for new supervisors and supervisors due for retraining.

CalChamber’s California-specific training reinforces your company’s zero-tolerance policy by educating employees on what harassment is, what it looks like, its consequences and what to do if they witness or experience harassment.

**Take 20% off every online California harassment prevention seat you purchase now through 9/21/18.**

Use priority code CHPA. Preferred and Executive members receive this offer in addition to their 20% member discount.

**PURCHASE** online at calchamber.com/hptalert or call (800) 331-8877.