

ALERT

94th Sacramento Host Breakfast

Housing Crisis Challenge Gets Attention at Breakfast



The housing challenge facing California was one focus of remarks by Governor Gavin Newsom and California Chamber of Commerce Chair Grace Evans Cherashore at the 94th Annual Sacramento Host Breakfast last week.

“Housing is our great challenge,” the Governor told the 1,300 attendees at the May 23 breakfast. “It was a trend line in 1991; it is a glaring headline today.”

Given the decades the housing crisis has taken to develop, the Governor said, “none of us are naive that SB XYZ is somehow gonna magically solve all this.

This is going to be a stubborn challenge to address. But our commitment, our resolve, has never been stronger.”

Urging listeners not to be “misled by the nattering nabobs of negativism,” the Governor said he knows the housing issue can be solved—“it’s a question of political will.”

Cherashore, executive chairwoman of Evans Hotels, cited the housing crisis as one of the areas in which collaboration would be helpful.

“We need to build a lot more units,” Cherashore said. “Government subsidies cannot fund enough to make a dent in our housing shortage. Private investment

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Opposition Stops Some Job Killers; Others Amended



Opposition from the California Chamber of Commerce and allied groups has stopped a number of job killer bills in recent weeks while amendments have

removed the most onerous aspects of other job killer bills.

In addition, as *Alert* went to print, the fate of several job killer bills depended on action by the Senate or Assembly. May 31 is the deadline for bills to pass out of the house in which they were introduced.

Newly Identified/Pending

• **AB 1080 (Gonzalez; D-San Diego)**
Unprecedented Product Regulation in California: Would substantially increase the cost to manufacture and ship consumer products sold in California by providing CalRecycle with broad authority to develop and impose costly new mandates and fees on manufacturers of all packaging and single-use consumer products under an unrealistic compliance time frame.

CalChamber identified AB 1080 as a job killer because it will likely lead to discriminatory and burdensome taxes on businesses and employers. *Awaits Assembly action.*

• **SB 54 (Allen; D-Santa Monica)**
Unprecedented Product Regulation in California (Same language as AB 1080): Would substantially increase the

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Photo by Steve Yeater

Governor Gavin Newsom

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Labor Law Corner

Laws Bar Employers from Denying Lactation Accommodation Requests



Sunny Lee
HR Adviser

My employee is returning from pregnancy leave and has asked to have time off and a suitable place to express milk at work. We have never had this request before. Can we deny her request and tell her to come back to work when she no longer has this need? Alternatively, can we require her to use her car, or the restroom, or go home? We really do not have a place at work designated for that purpose.

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No, you may not deny the employee's request to express milk at work or keep her from returning to work until she no longer has that need.

Both California and federal law require that all employers, regardless of company size, reasonably accommodate an employee's request to express milk in private at work.

In addition, for those employers that have employees working in San Francisco, the city has enacted the San Francisco "Lactation in the Workplace Ordinance," which applies to all private employers with one or more employees working within the geographical boundary of the city.

Space Requirements

While some employers have permanent rooms specifically designed and designated just for lactation, an employer with operational, financial or space limitations may designate a temporary location as long as the requirements of the applicable laws are met and it is free from intrusion and used only by the employee for lactation purposes while the employee is expressing milk.

It is important that employers ensure privacy. Although the law does not require a lock on the door, it may be a good idea because a sign could be ignored. Even in small work areas or

offices, there generally is the ability to find a suitable private place for an employee.

Often a manager's or owner's private office or a conference room may be used as long as it is private and the employee is not interrupted. Individual stand-alone lactation pods are now on the market and may provide another option for an employer who has difficulty finding a private place in the workplace.

A car would not be an appropriate location for privacy reasons, even if it was the employee's car. The windows would allow others to look in and it would not have an electrical outlet required for pumping.

Asking the employee to go home would not satisfy the requirement of close proximity to the employee's work area, generally thought of as on the same floor, in the same building, etc. It also could mean that if you are not paying for that travel time, the employee would be losing pay.

Restroom Restriction

Changes made in 2019 to California law now prohibit the use of a restroom (not just a toilet stall) as an acceptable location. If an employer, however, is able to demonstrate to the Department of Fair Employment and Housing that it

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CalChamber-Sponsored Seminars/Trade Shows

More at www.calchamber.com/events.

Labor Law

HR Boot Camp. CalChamber. June 14, Walnut Creek; August 22, Pasadena; September 12, Sacramento. (800) 331-8877.

Classifying Exempt Employees.

CalChamber. June 20, Webinar. (800) 331-8877.

Leaves of Absence: Making Sense of It All. CalChamber. June 21, San Diego; August 16, Oakland. (800) 331-8877.

International Trade

China-California Business Forum. Consulate General of the People's Republic of China in Los Angeles, Los Angeles Regional Exports Council, China Chamber of Commerce for Import and Export of Machinery and

Electronic Products, and California Governor's Office of Business and Economic Development. June 5, Los Angeles.

2019 China (Guangdong)-U.S. Investment Cooperation Conference. Service Alliance for Chinese Companies on Investment and Trade. June 7, San Francisco. (415) 745-5577.

SelectUSA Investment Summit.

SelectUSA. June 10-12, Washington, D.C.

Doing Business in Baltics Webinar. U.S. Commercial Service. June 12, Webinar. (800) 872-8723.

Connect with Greece, San Francisco. Bay Area Council. June 13, San Francisco. San Francisco SelectUSA Tech Day.

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The Workplace

New CalChamber Podcast Discusses ‘Ghosting’ in the Workplace



As employers are finding it harder and harder to fill positions, a new problem that is arising is job abandonment and applicants disappearing in the middle of a hiring process. In this week’s episode of *The Workplace*, CalChamber Executive

Vice President and General Counsel Erika Frank discusses employee “ghosting” with attorney and employment law expert Jennifer Shaw. In the podcast, they describe this new phenomenon and the legal implications that may arise for employers.

Applicants Are Driving the Bus

It’s an applicant’s market, which means employment seekers are less desperate and are likely presented with new opportunities frequently, Shaw tells Frank. Unfortunately, this is leading to applicants ignoring inquiries from potential employers after submitting resumes or simply not showing up to interviews.

Employers might be left wondering if they can move on in the hiring process.

Clear communication is important, Shaw says. Employers should establish a procedure to follow—especially if they have made a job offer. In particular, a

job offer letter should explicitly give a “respond by” deadline.

When Employees Ghost

When employees abandon the workplace, employers may wonder if the employee was having an emergency or illness. Again, Shaw says, “Clear communication is everything.”

Employers should establish a job abandonment policy that establishes deadlines, but is vague enough to accommodate employees with genuine emergencies.

Subscribe to The Workplace

Subscribe to *The Workplace* on iTunes, Google Play, Stitcher, PodBean and Tune In. New episodes will be released each Wednesday.

To listen or subscribe, visit www.calchamber.com/theworkplace.

Laws Bar Employers from Denying Lactation Accommodation Requests

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is an undue hardship due to the size of the employer, nature or structure of the business to have another location, then a restroom may be used.

Even in that event, the employer must make reasonable efforts to find a private and close location other than a toilet stall.

In addition to a private room or location, an employer must provide reasonable break time to the employee for this purpose, which may vary with the individual. While an employee has the use of the standard break and meal period time,

if she needs additional time, the employer needs to make that available to her, but does not need to pay for that additional time.

Accommodation Period

Federal law limits the time for this accommodation to 1 year. California, however, has no time limit. An employee has the right to file a claim with the Labor Commissioner if the employee feels that the employer has not provided adequate break time and/or a suitable place to express milk. The Labor Commissioner

may issue a citation and impose a \$100 civil penalty for each violation.

For more lactation accommodation information, go to HRCalifornia.com or call the Labor Law Helpline.

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.



CalChamber-Sponsored Seminars/Trade Shows

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SelectUSA. June 13–14, San Francisco.

Complying with U.S. Export Regulations. Southern California District Export Council. June 20, Solvang. (805) 252-0036.

Trade Mission to Israel for National Cyber Week. U.S. Chamber of Commerce. June 23–26, Tel Aviv. (202) 463-5553.

Think Asia, Think Hong Kong. Hong Kong Trade Development Council. September 20, Los Angeles. (213) 622-3194.

Annual Pan African Global Trade and Investment Conference. Africa-USA Chamber of Commerce. October 16–17, Sacramento. (626) 243-3614.

Trade Expo Indonesia. Indonesian Ministry of Trade. October 16–20, Banten, Indonesia.

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cost to manufacture and ship consumer products sold in California by providing CalRecycle with broad authority to develop and impose costly new mandates and fees on manufacturers of all packaging and single-use consumer products under an unrealistic compliance time frame.

CalChamber has identified SB 54 as a job killer for the same reasons stated above for AB 1080. *Awaits Senate action.*

Stalled

• **AB 755 (Holden; D-Pasadena)**

Targeted Tax on Purchase of Tires:

Imposes a \$1.50 targeted tax on the purchase of new tires, that will unfairly raise prices on California residents, including employers, in order to fund the mitigation of zinc in storm water for all. *Placed on Assembly Inactive File on May 29 at author's request.*

• **SB 246 (Wieckowski; D-Fremont)**

Targeted Tax on Oil and Gas

Operators: Unfairly targets one industry by imposing a 10% oil and gas severance tax onto an oil and gas operator, adding another layer of taxes onto this industry that will significantly increase the costs of doing business, thereby increasing prices paid by consumers for goods and services in this expensive state as well. *In Senate Rules Committee.*

• **SCA 5 (Hill; D-San Mateo/Allen; D-Santa Monica)** **Lowest Voter Threshold for New Tax Increase:**

Unnecessarily reduces the voter threshold from two-thirds to 55% for school districts and community college districts to enact a discriminatory parcel tax against disfavored industries and commercial property owners. *Placed on Senate Inactive File on May 21 at author's request.*

A tax or constitutional amendment is not subject to the same procedural requirements as other bills and still could move at some point this year.

Held in Fiscal Committees

The following job killer bills never advanced beyond legislative fiscal committees. The bills may be considered again next year.

Held in Assembly Appropriations Committee

• **AB 345 (Muratsuchi; D-Torrance)**

Oil and Gas Development Ban: Would eliminate thousands of high-paying California jobs and require California to import even more foreign oil by banning new oil and gas development, re-drilling operations, and rework operations by imposing a state minimum 2,500-foot setback requirement from certain structures, and further authorizing local governments to enact even greater setback requirements, without limitation.

• **AB 790 (Levine; D-San Rafael)**

Increased Cost on Employers for Use of Personal Services Contracts:

Discourages and reduces the use of "personal services contracts" as defined, by requiring the hiring entity to pay a minimum contractual compensation rate at 85% of the area median income, which will presumably include wages from different industries and occupations that are not comparable to personal services, and reduce jobs for individuals who perform the work under personal services contracts.

• **AB 1332 (Bonta; D-Oakland)**

Contract Prohibition for Businesses that Provide Services to Federal Government:

Prohibits California public entities from contracting with, or investing in, any business that provides data-related services to an undefined group of federal agencies. Will create litigation and uncertainty for businesses that continue to work with California public entities, as the bill provides no clear guidance on how to comply with terms, and also in limited circumstances, compels public entities to breach signed contracts.

Held in Senate Appropriations Committee

• **SB 561 (Jackson; D-Santa Barbara)** **Significant Expansion of Liability and Litigation Under California Consumer Privacy Act (CCPA) of 2018:** Creates an onerous and costly private right of action that will primarily benefit trial lawyers, allowing them to sue for any violations of the CCPA, and removes businesses' 30-day right to cure an alleged violation of the CCPA as well as businesses' ability to

seek guidance from the Attorney General on how to comply with this confusing and complex law.

Amended

• **AB 673 (Carrillo; D-Los Angeles)** **Unfair Expansion of Penalties Against an Employer for Alleged Wage Violation.**

Before amendments, unfairly penalized an employer twice for the same Labor Code violation and created a new private right of action, allowing three different avenues of recovery for the same alleged violation while reducing revenue to the state. Opposition and job killer tag removed due to May 24 amendments.

The author agreed to remove the individual private right of action from the bill, which would have provided a third avenue of enforcement against an employer, and increased costly litigation against employers.

• **AB 857 (Chiu; D-San Francisco)** **Significant Risk to Taxpayer Dollars and Community Investment:**

Before amendments, jeopardized taxpayer dollars, community banks, and funding for small businesses that create jobs in local communities, by allowing the creation of local public banks which will impose significant costs and risks to taxpayer revenue for operations and capital, as well as unfairly compete with local community banks. Job killer tag removed due to recent amendments, but CalChamber still opposes.

• **SB 468 (Jackson; D-Santa Barbara)** **\$20 Billion Tax Increase.**

Before amendments, repealed several of California's most popular and most important tax exemptions and expenditures, which would raise taxes by \$20 billion. Job killer status removed due to May 7 amendments that eliminate the automatic repeal of these tax exemptions. CalChamber remains oppose unless amended.

For information on other job killer bills, including bills that missed the April 26 deadline to move from policy to fiscal committees, visit calchamber.com/jobkillers.

Small Business Advocate Awards

CalChamber Highlights Corona, Canoga Park Business Leaders' Efforts



The California Chamber of Commerce honored business executives from Corona and Canoga Park

last week with its 2019 Small Business Advocate of the Year Award, recognizing them for outstanding advocacy on behalf of small businesses.

The CalChamber announced the awards in Sacramento before more than 200 attendees at the CalChamber Capitol Summit on May 22.

CalChamber Chair Grace Evans Cherashore and CalChamber President and CEO Allan Zaremberg presented this year's Small Business Advocate of the Year Award to:

- **Christopher Miller**, president and owner, Thomas Miller Mortuary & Crematory, Corona; and
- **Bryan Olson**, co-founder, 8one8 Brewing, LLC, Canoga Park.



Christopher Miller

An advocate on behalf of employers in the Corona community for more than a decade, Miller has traveled to Sacramento

and Washington, D.C. to advocate for employers numerous times. He is the owner of the oldest continuously operating business in Corona.

Last year, he represented small business on issues that included protections for independent contractors, and eliminating potential additional tax increases on small and medium-sized employers.

Anthony Edwards, chair of the Corona Chamber Legislative Action Committee,

attributed much of the Corona Chamber's advocacy success last year to Miller.

"In part because of [Chris Miller's] leadership, the Corona Chamber Legislative Action Program posted better than an 80% 'win' percentage on legislation they took an advocacy position on in 2018," Edwards said.

Miller also helped lead the Corona Chamber's "Corona 2020" plan, a public-private partnership effort with the City of Corona that has attracted 1,700 jobs and 20 new physician practices to the city.

Since the partnership was launched in December 2017, the Corona Chamber reports, Corona residents have saved more than 310,000 accumulated hours in traffic, thanks to jobs being brought closer to home. The elimination of that traffic has translated into almost \$7 million saved for Corona employers and commuters, the Corona Chamber estimates.

Miller's leadership on the Corona Chamber Board of Directors helped the Corona 2020 plan operate successfully, Bobby Spiegel, president and CEO of the Corona Chamber, said in a nomination letter to the CalChamber.

"Corona 2020...would never have operated as successfully as it did without Chris Miller advocating to city staff and leaders, as well as chamber leaders, for its adoption and implementation," Spiegel said.



Bryan Olson

When Bryan Olson and his business partner were launching their craft brewing company, 8one8 Brewing, they found

that the industry was riddled with old and outdated laws and regulations

that impeded their efforts to open the business.

One costly factor in particular was that many government agencies have one-size-fits-all classifications for breweries regardless of their scale of production. Large industrial breweries that produce more than 6 million barrels of beer per year are treated the same as microbreweries that produce less than 15,000 barrels a year.

The City of Los Angeles was one of the municipalities that did not distinguish between large and small breweries, making the wastewater assessment charges unfair and a hurdle for small businesses.

Olson worked closely with the Greater San Fernando Valley Chamber and the Department of Sanitation to find a sensible fee structure that reflected the actual costs associated with inspecting microbreweries, resulting in a new fee structure, which went into effect in July 2018.

Between the significantly reduced wastewater inspection fee and Olson's success in lobbying the South Coast Air Quality Management District for an exemption for breweries producing less than 100,000 gallons of beer, Olson has helped an entire industry grow in the City of Los Angeles.

"Beer has taken Bryan on a journey that has made a positive impact on not only his industry, but all small businesses in the San Fernando Valley (and the City of Los Angeles)," said Nancy Hoffman Vanyek, CEO of the Greater San Fernando Valley Chamber, in nominating Olson for the Small Business Advocate of the Year Award.

"His advocacy on behalf of independent breweries; his never-ending energy; and his 'can-do' attitude has made him a name to be recognized and respected."

Photos by Steve Yeater



CalChamber

#RespectWorks

Harassment Has **NO PLACE** In **OUR WORKPLACE**

Download your free resources at respectworks.calchamber.com.

19 Local Chambers Receive 2019 President's Circle Award



The California Chamber of Commerce has named 19 local chambers of commerce to receive the 2019 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 on May 22 during the CalChamber Capitol Summit in Sacramento.

Six of the chambers have received the award all 11 years it has been presented.

The 2019 recipients of the President's Circle Award are as follows. An * marks chambers that have received the award all 11 years:

- **Greater Bakersfield Chamber*:** Nicholas Ortiz, president/CEO;
- **Camarillo Chamber:** Gary Cushing, president/CEO;
- **Greater Coachella Valley Chamber:** Joshua Bonner, president/CEO;
- **Greater Conejo Valley Chamber*:** Jill Lederer, president/CEO;
- **Corona Chamber:** Bobby Spiegel, president/CEO;
- **El Centro Area Chamber & Visitors Bureau*:** Anthony Moreno, chief operating officer;
- **Fresno Chamber:** Nathan Ahle, 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;

• **Menifee Valley Chamber:** Tony LoPiccolo, president/CEO;

• **Oxnard Chamber:** Nancy Lindholm, president/CEO;

• **Palm Desert Area Chamber*:** Todd Rhoden, president/CEO;

• **Greater Riverside Chambers*:** Cindy Roth, president/CEO;

• **Greater San Fernando Valley Chamber:** Nancy Hoffman Vanyek, president/CEO;

• **Simi Valley Chamber:** Kathi Van Etten, president/CEO;

• **Torrance Area Chamber:** Donna Duperron, president/CEO;

• **Tulare Chamber:** Donnette Silva Carter, CEO;

• **Victor Valley Chamber:** Mark Creffield, 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.

Host Breakfast Hears Medal of Honor Recipient



U.S. Army Staff Sergeant Clinton Romesha, recipient of the Medal of Honor, tells Sacramento Host Breakfast attendees on May 23: "I am no hero...heroes are those men and women who don't come home." See video of his remarks at calchamber.com/videos.

Photo by Steve Yeater

Remarks by Grace Evans Cherashore

Collaboration Can Solve State Challenges, Expand Housing, Economic Opportunities

Following are remarks presented by Grace Evans Cherashore, 2019 chair of the California Chamber of Commerce Board of Directors, at the 94th Annual Sacramento Host Breakfast. Cherashore is executive chairwoman of Evans Hotels, San Diego.

Good morning, everyone! I am truly honored and humbled to have this opportunity to speak this morning representing CalChamber at this, the 94th Annual Sacramento Host Breakfast. Thank you to the Host Committee, especially Stan Van Vleck, who also is also a member of the Board of Directors of CalChamber.

I'd also like to take this opportunity to thank everyone here at the Sacramento Convention Center for the beautiful meal that they have prepared and served to us. I think they've demonstrated themselves to be perfect Sacramento hosts, as well.

But most especially, thank you to all our Armed Forces here today, both active duty and veterans. Everyone in this room owes you a tremendous debt of gratitude for keeping our country safe.

The California Chamber is proud to have supported this event for over 50 years. It is part of CalChamber's commitment to California, to help make it a better place to live and work for the diverse group of residents here. CalChamber advocates business concerns to government.

Sometimes officials and their staffs can benefit from hearing about unintended consequences of the various proposals, which might happen to our workplaces and our workers. And CalChamber has an amazing group of advocates, led by Jennifer Barrera.

Additionally, CalChamber provides a wide range of products and services in the area of employment law compliance and training. And, as I mentioned in the film, those are meant to help employers educate themselves and their staff members so that we can stay in compliance with the complicated rules and regulations that we have here in California.

#RespectWorks

I am particularly proud of the new Respect Works campaign. It is true—Harassment Has NO PLACE in OUR WORKPLACE! And for over 20 years we have had a training program like this at Evans Hotels, and we have found it's worth it.

I deeply believe that a workplace that is built on an environment of respect makes you better able to attract and retain the most productive workers. It keeps the qualified people who can move elsewhere

I'm a very proud third generation San Diegan, so today my remarks are going to focus on this southernmost part of our state: San Diego, which is California's International Frontier.

San Diego started really as a group of small Native American settlements, but it has been built by waves of immigrants, beginning with the Spanish.

Cali-Baja Mega Region

Today, San Diego is the second largest city in California with 1.7 million

inhabitants. But our region really encompasses both sides of the border. Now, 15 years after the passage of NAFTA, this "Cali-Baja Mega Region"—as we prefer to call ourselves—includes 7 million people.

The national press might have you characterize San Diego very erroneously as "Murder and mayhem along a militarized fortress wall." This is not correct. In actuality, San Diego is the safest large city in the United States and our current crime level is hovering near the 40-year low.

Mexico is our largest trading partner in San Diego, just as it is in California. And

90% of California's exports go through San Diego's land port of entry. Last year over 73 million northbound border entries occurred. But the border is not a one-way street. Cross-border production is much more complex than generally understood. Medical devices are one of our largest goods co-produced. But that medical device is likely to make multiple border crossings before its final sale.

In fact, of goods that are imported from Mexico, 40% of them are American-made. The Cali-Baja Mega Region's co-production manufacturing supply chain represents \$2.5 billion in trade and directly employs over 400,000 workers.

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Photo by Steve Yeater

Grace Evans Cherashore

deciding that this is a place that they can be their most productive selves each and every day. So, as a salesperson, I gotta tell you: Please visit our website, that is: respectworks.calchamber.com and consider joining our campaign.

San Diego Roots

CalChamber, as Allan Zaremborg mentioned, represents all kinds of employers, big and small—14,000 employers located all across the state in all different types of industries.

Our company, Evans Hotels, is hoping to be as big as mid-size, but we're a small to mid-size family business that was founded in San Diego in 1953. And

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It isn't just cars and televisions and medical devices, though; over 50% is in the services sector, and that's increasingly high-value services, including computer systems design, data hosting, scientific research. But in San Diego, this is not a new phenomenon. The border has been a bidirectional moving thing for many years.

Close Ties

Residents of San Diego and Tijuana have lived and worked and played together and maintained very close ties for generations. Before there was the Del Mar Racetrack, there was the Caliente Racetrack. And the Caesar salad was invented in Tijuana! That's a big fact in my business, you know. We get a lot of good things—not just microbrew and fish tacos—from our neighbors to the south.

And San Diegans still spend weekends wine tasting in Valle de Guadalupe, and surfing in Las Gaviotas. On the other hand, Mexican shoppers represent a major market for San Diego retail establishments, from Costco to Nordstrom. Currently, we estimate that between 12,000 and 15,000 Americans reside in Rosarito Beach alone and commute every day to work in the United States.

San Diego has historically been a multilingual city, beginning with Spanish, and later, due to our port, the Italians and Portuguese came to found our tuna industry. But today over 100 languages are widely spoken in San Diego.

At Evans Hotels, our company, our most honored colleague is a Sudanese refugee. Earlier in his life, he was kidnapped and forced to fight as a child soldier. But today, thanks to Catholic relief charities, Kuwa Harin has come to San Diego, built a family, won about every award at our company, and has studied and learned both English and Spanish!

'Smart City'

I'm very proud of the fact that National Geographic recently named San Diego one of the "World's Smart Cities"—the only one in the U.S., I will add. I'm a third generation; I can't help myself. Why is this? It's our people. It is a group of very diverse, creative folks. And how did they find their way to our little corner of the universe? Well, three things:

nology has also been an entrepreneurial font in San Diego. You probably know that most drones are designed and made in San Diego—the Global Hawk and the Predator. And now they're also used in weather and in firefighting.

Tourism has brought a lot of people also to San Diego, who look around, decide they like it and decide to make San Diego their permanent home. San Diego has a very welcoming culture, and people feel that.

Tourism

Little segue—since I'm in the tourism business, I must do a little shout out to remind everyone that tourism generated almost \$12 billion in taxes for state and local jurisdictions last year.

To make that easier—it is enough money to fund the state's share of the University of California. If we didn't have tourism in the State of California—I can't even think about that—but without

tourism, each household in California would need to pay an additional \$890 in taxes every year. Ouch! That's a lot of money.

Tourism is the state's largest export. International visitors spent \$28 billion last year. No disrespect to agriculture, but that is more than the total value of the state's agricultural exports. As the state reaches full employment, both tourism and the ag business face challenges to grow our workforces. These export industries cannot expand without more workers.

Retirement Benefits

How can San Diego, and California as a whole, maintain our positive lifestyle? There are now 40 million Californians! How can we keep the promises we have already made to our teachers, police officers, firefighters and librarians? They are the people that assure our safety, and educate our current and future citizens.

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Photo by Steve Yeater

Grace Evans Cherashore

our universities, the military and tourism.

San Diego is home to six universities and the largest concentration of independent research facilities—including Salk Institute, that you've possibly heard of, and the Scripps Institute of Oceanography—the largest cluster of research institutions in the United States. We're constantly at the top in terms of National Institutes of Health research grants. That has contributed some very interesting, intelligent, productive people.

But the military has also. I think you all know that San Diego is the largest military base in the United States, which we're very proud of. And we're particularly proud of the fact that many of our military people decide to stay in San Diego following their discharge, and we have found in our company that the training that they have received in the military—most especially in leadership—translates very well to the civilian workplaces. Military tech-

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Their vested retirement benefits far exceed any rainy day fund. Some estimates put their vested retirement benefits at 10 times the rainy day fund. But we can't solve this problem by cost cutting alone. The magnitude of it just makes that economically unfeasible and impossible. We must grow the economy, if we wish to grow GDP. And we must grow GDP if we want to increase tax revenues.

How to Grow Economy

So back to the diverse economy and how to grow it. To grow GDP can only come from two inputs—that's economics: You grow your workforce and/or you increase productivity. And to do that, California has to keep the best and most productive workers. That's how we got where we are today.

But to keep these great people, we must solve certain key challenges, including transit, housing and education funding. Do smart, ambitious people want to stay in a community with weak school districts? No! Do smart, ambitious, hard-working people want to waste two hours commuting for affordable housing? No! Do they want to stay in Granny's guest room indefinitely? They do not.

Housing Crisis

Governor Newsom has correctly identified that housing availability is a crisis right now. We need to build a lot more units. Government subsidies cannot possibly fund enough to make a dent in our housing shortage. Private investment capital must also be attracted so that we can fund more projects.

Unfortunately, construction projects of all types take more time here than in other states. Frivolous lawsuits have been used to slow down both housing and infrastructure projects, even those that comply with existing community land use plans.

If we are to relieve our housing shortage, many constituencies are going to need to come together and collaborate, and put aside long-held beliefs. We need to work together on this. A few sacred cows are going to have to go by the wayside.

When a productive worker wastes two hours stuck in a traffic jam, California has thrown away a very positive resource, and it's one you can never get back!

Collaboration

Californians *can* collaborate to solve regional challenges. One example in my region was the San Diego airport.

The San Diego airport is limited to one runway because it's located smack dab in the middle of downtown. But private and public entities collaborated and built the Cross Border Xpress, a bridge that connects Tijuana's airport with a terminal on the U.S. side.

This binational strategy has expanded international direct air service for San Diegans and Mexicans alike, and this included flights not just headed south, but now notably, we have nonstop service to China.

This is an example of how our cross-border economic relationship can play a positive role in our state, as it has directly in the Cali-Baja Mega Region. It can expand economic opportunities and enhance the lives of residents on both sides of the border, in both Mexico and the U.S. I invite you all to come down and see!

Governor Newsom, the CalChamber and the business community stand ready to work with you to help address some of the long-term challenges we have here in the State of California.

Thank you all.

To watch the video of Cherashore's remarks, visit calchamber.com/videos.

Board Hears Governor's Chief of Staff, Linked Learning Update



After hearing from Governor Gavin Newsom at the Sacramento Host Breakfast on May 23, the CalChamber Board of Directors has the opportunity to exchange comments at its quarterly meeting with Ann O'Leary (left), the Governor's chief of staff, about the administration's priorities. Also on the agenda is an update from Anne Stanton, president of the Linked Learning Alliance, on the organization's efforts to help students get better prepared for the working world.

Housing Crisis Challenge Gets Attention at Sacramento Host Breakfast

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capital must also be attracted so we can fund more projects.”

Cherashore pointed out that the time to complete construction projects of all types in California is longer than in other states due to frivolous lawsuits being used to slow housing and infrastructure projects, even when they comply with existing community land use plans.

“If we are to relieve our housing shortage, many constituencies are going to need to come together and collaborate and put aside long-held beliefs,” she said. “We need to work together on this. A few sacred cows are going to have to go by the wayside.”

Interdependence

Governor Newsom cited the search for housing solutions as an issue that shows the interdependence of different segments of society.

“We can’t be a state that focuses on growth unless we focus equally on inclusion,” the Governor said. “Businesses can’t thrive in a world that’s failing... We rise and fall together.”

He also pointed to interdependence as he called the attention of the audience to three areas

that “broadly will define our politics here in Sacramento”: debt and demographics; energy and climate change; and information technology (IT) and globalization.

The aging and graying population, what some call the “silver tsunami,” is a major factor, not only in unfunded pension liabilities, but also unfunded health care liabilities, the Governor commented.

The recent destructive fire seasons—16,600 wildfires in the last two years—the Governor said, are signs that “something big is happening in the plumbing of the world.”

California has some of the most progressive and aggressive environmental goals of any state, including its use of renewable energy, reducing carbon dioxide emissions and increasing the number of electric vehicles, the Governor said.

The next iteration, he continued “is

going to be a challenge: low-carbon, green growth.”

Pension Liabilities

Collaboration also plays a role in public pensions, a concern for California as a whole, Cherashore said.

“How can we keep the promises we have already made to our teachers, police officers, firefighters and librarians?” she asked. “Their vested retirement benefits far exceed any rainy day fund.”

Some estimates put the vested retirement benefits at 10 times the rainy day fund.

“We can’t solve this problem by cost cutting alone,” Cherashore said. “The magnitude of it just makes that economi-

Baja Mega Region,” including manufacturing—in which production of a medical device may entail multiple border crossings for components before the final sale of the device. Co-production also involves the services sector, in increasingly high-value services, including computer systems design, data hosting and scientific research.

The cross-border economic relationship “can play a positive role in our state, as it has directly in the Cali-Baja Mega Region,” Cherashore said. “It can expand economic opportunities and enhance the lives of residents on both sides of the border, in both Mexico and the U.S. I invite you all to come down and see!”

In closing, Cherashore said: “Governor Newsom, the CalChamber and the business community stand ready to work with you to address some of the long-term challenges we have here in the State of California.”

California Dream

The Governor concluded his remarks with the comment that California is the one state attached to a dream. The California dream, he said, is “predicated on social mobility... your capacity to see yourself somewhere in the future

with faith and optimism.”

He said he hoped he and listeners will “put aside our differences as we work through these vexing issues” over the next few months and years, including committing to closing the gap between the haves and have nots.

If the resourcefulness of all can be focused on common goals, Governor Newsom said, “nothing’s gonna stop California. In the next decade, we will dominate the national discourse, and the best is yet to come.”



Photos by Russell Lahodny and Steve Yeater

Grace Evans Cherashore and Governor Gavin Newsom

cally unfeasible and impossible. We must grow the economy, if we wish to grow GDP. And we must grow GDP in order to increase tax revenues.”

Regional Cooperation

“Californians *can* collaborate to solve regional challenges,” Cherashore said. As an example, she pointed to how runway limitations at San Diego International Airport were resolved as “private and public entities collaborated to build the Cross Border Xpress, a bridge that connects the Tijuana Airport with a terminal on the U.S. side.”

The binational strategy has expanded international direct air options for San Diegans and Mexicans, not just for heading south, but also nonstop service to China.

Cherashore gave other examples of cross-border collaboration in the “Cali-

To view videos of the Host Breakfast addresses by Governor Gavin Newsom and CalChamber Chair Grace Evans Cherashore, visit calchamber.com/videos.

Record Economic Expansion Near; Housing Costs Dampen State's Dynamism

U.S. Outlook

Better Than Expected, But Not as Good as It Looks

The stock market sell-off that began at the end of 2018, combined with certain weaker-than-normal economic data, has caused the usual set of perma-bears to predict, yet again, the end of the current U.S. economic expansion.

Beacon Economics is not inclined to agree. We simply do not see imbalances that could cause the kinds of rapid shifts in the economy that would precipitate a recession. With first quarter GDP growth coming in at a solid 3.2% pace along with a number of other positive data trends in recent weeks, it is fair to say that reports of the expansion ending have been, to paraphrase Mark Twain, greatly exaggerated. As for the stock market, it has already bounced back from its early year swoon to new record highs.

The United States is on the edge of its longest expansion ever—and there is no reason to see an end until beyond 2020. While this is good news for the nation, we also shouldn't expect growth to reach the same pace as in 2018. Rather, the nation's economic growth will slow to a 2% to 2.5% real pace.

The start of 2019 supports this moderate view. As good as the growth rate in the first quarter (3.2%) was on the surface (it was the third fastest quarter for growth since the start of the Trump administration), half of the growth came from highly transitional sources, namely a big drop in imports and a buildup in business inventories. Growth in final demand in the first quarter was a very weak (1.5%), the worst showing since the start of the administration.

Concerns

One big portion of the weakness has been from **consumer spending**. While many economists dismissed the dismal December spending numbers as a fluke generated by the government shutdown, the weak numbers in January and February

and reduced consumer confidence.

But the fundamentals of the market are solid. Outstanding mortgage debt has grown slowly, and restrictions on bank lending have kept the median credit score for a mortgage borrower above 750 for a full decade. The weak pace of building has also left the United States with one of the tightest housing markets in decades.

In short, this modest swoon was never going to turn into a rout. And in good news for 2019, falling mortgage rates are likely to give the market a boost in the second half of the year. The February and March existing home sales numbers already show signs of new momentum.

Business Investment

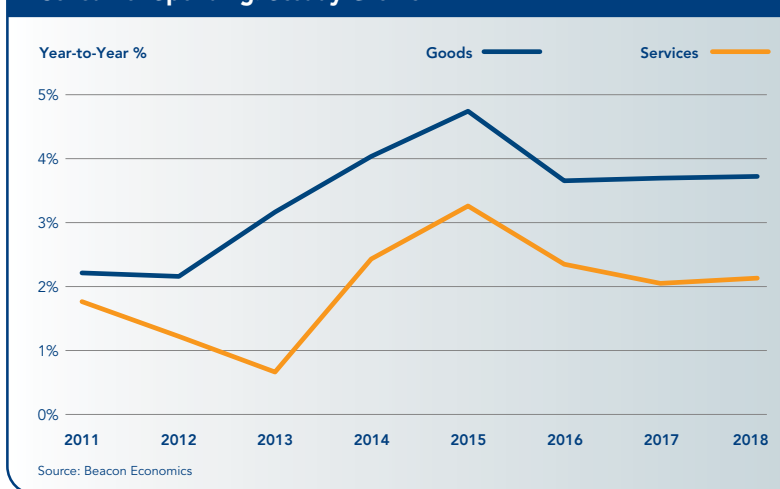
Lastly, business fixed investment also started the year with a sharp slowing after solid growth in 2018.

Here again, the federal government shutdown, rising interest rates, and lower business confidence can all be counted as sources of the slowdown. But as with consumers and housing, the fundamentals point to better numbers during the balance of 2019. Last year saw solid increases in both corporate and proprietors' gross profits for the first time since 2014, and capacity utilization is running at a healthy 80%. Combined with labor shortages, expect capital expenditure figures to be solid again this year.

In Beacon Economics' analysis, business investment is driven by gross profits rather than net profits. We note this because it is too easy to assign the increase in capital expenditures last year to changes in tax rates from the late 2017 tax stimulus plan that caused net profits for corporate America to surge at almost twice the pace of gross profits.

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Consumer Spending: Steady Growth



hardly inspired confidence that the 800-pound gorilla of the U.S. economy was going to maintain momentum into 2019.

But the March numbers then recorded a jump that was one of the largest in the last decade. Perhaps more significantly, personal income for the first quarter also showed an increase in the personal savings rate, so the slow growth in spending was not being generated by income issues. With the U.S. unemployment rate at a 50-year low of 3.6% and wage growth accelerating, expect solid spending numbers for the balance of 2019.

Residential real estate was another area of concern at the end of 2018, and overall, the sector has been a modest drag on the economy for more than a year now, including in the first quarter of 2019. Weak existing home sales and construction trends are the result of rising interest rates, slow population growth,

Record Economic Expansion Near; Housing Dampens State's Dynamism

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In other words, had the tax plan not been passed, it's likely we still would have seen most of the increase in business investment in the United States. Beacon Economics believes that the tax plan had a greater effect on U.S. economic growth through increased government and consumer spending—a boost that will not continue into 2019.

Counterweight

And, of course, there is a counterweight on the otherwise good fundamentals the U.S. economy is currently enjoying. In 2018, the federal government borrowed more than \$1 trillion to cover the gap between revenues and expenses, twice the pace of 2017 borrowing and the worst showing since 2012 when the nation was still clawing its way out of the "Great Recession."

With rapid growth in entitlement programs due to the retirement of the boomer generation, it seems likely that the deficit will only get worse in years to come. While a public debt crisis is still far in the future, such misguided policies are bringing the day of reckoning that much closer.

California Outlook

No Surprises Here

California defied naysayers by putting in another solid economic performance in 2018, but has gotten off to a slower start in 2019.

This is not indicative of a pending recession, but rather the result of long brewing problems with labor force growth and rising housing costs, both of which require time to solve.

In the meantime, California will continue to grow, led at the regional level by the tech sector-fueled San Francisco Bay Area economies.

Slow Growth Ahead

Moving through the first half of 2019, the state has shifted to a lower pace of job growth compared to recent years. California added jobs at a 1.4% yearly clip in March, with growth occurring across nearly all of the state's regions. Through the first three months of the year, job gains fell short of last year, averaging 1.4% this year compared to 2.5% in 2018.

state's industries. Health Care led the way with 56,100 jobs added, followed by Professional, Scientific and Technical Services (+42,100 jobs), and Leisure and Hospitality (+34,100 jobs). Government, Construction, and Administrative Services each added approximately 24,000 jobs over the year.

In percentage terms, Professional, Scientific, and Technical Services outpaced all other industries with a 3.3%

gain, followed by Mining and Logging (+3.1%), Construction (+2.9%), and Transportation, Warehousing, and Utilities (+2.5%). Retail Trade, Wholesale Trade, and Finance and Insurance all recorded job losses totaling 17,800, equivalent to 0.1% of the state's 17.4 million jobs.

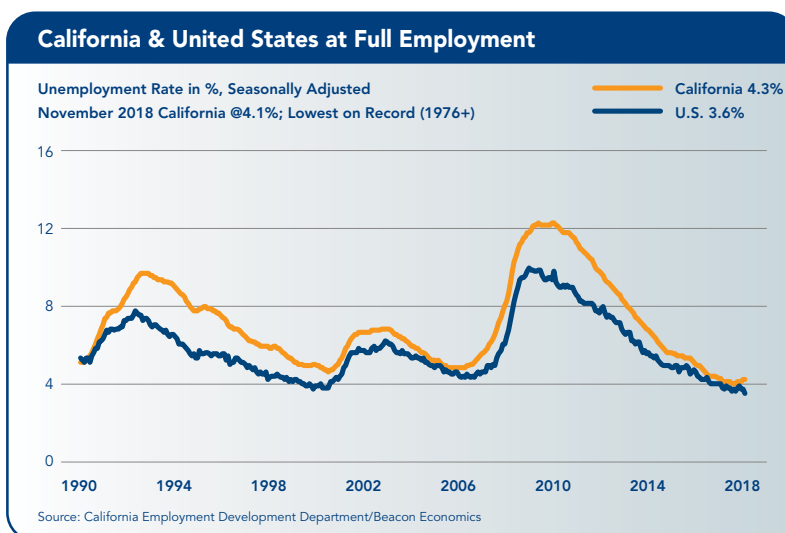
Virtually every region of the state added jobs in March, led by San Francisco (metropolitan division - MD), with a 3.8% year-to-year gain, equivalent to an impressive 42,600 new jobs. Fresno County (+3.7%), Sacramento (metropolitan statistical area - MSA) (+2.8%), and San Jose (MSA) (+2.5%) followed in terms of percentage gains.

Although much larger in terms of jobs and population, the regions of Southern California experienced relatively small gains, both in percentage and in absolute terms.

Differences in regional labor force growth are dictating job gains around the state at this time. Statewide, the labor force has grown by an average of 1.5%, year-to-year, so far in 2019.

Regionally, Fresno, San Francisco, Santa Clara, and Sacramento counties have all seen their labor forces grow by more than 2% this year, while labor force growth in Los Angeles and Orange counties has been negligible, and San Diego

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But last year's gains were boosted temporarily by enactment of federal tax cuts early in the year, the effects of which will fade this year and next. Trade-related sectors also surged last year ahead of anticipated trade restrictions, but have gotten off to a slow start this year because of the continued uncertain outlook in that sector.

California's unemployment rate continues to move sideways, at or near its record low, with the March rate at 4.3%, unchanged from one year earlier. Evidently, labor force growth is just enough to keep the unemployment rate on a steady course, but at the same time it is holding back industry job growth.

California added 238,500 jobs in March compared to one year earlier, with gains occurring across nearly all of the

Record Economic Expansion Near; Housing Dampens State's Dynamism

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County and even the recently high-flying Inland Empire come in at just shy of 1%. In brief, where labor force growth is present, regional economies are able to grow jobs and expand.

To be sure, California continues on an impressive growth path despite the slowdown in job growth. Gross State Product advanced by a 3.5% rate last year, faster than the nation and among the fastest growing states. California workers have experienced consistent, if subdued, wage gains—up 4.5% over the first three quarters of 2018—not unlike the country as a whole. And it routinely leads other states by a wide margin in terms of the share it captures each year.

Ultimately, the current slowdown in job growth is no surprise. It has been “baked in the cake” for some time, a consequence of slow labor force growth and the state’s high cost of living. But a slowdown does not equal a contraction. There is every expectation that California will grow through the balance of 2019 and into 2020, riding the wave of the nation’s record-setting expansion.

Housing Market Potential

Despite California’s housing market struggles in 2018, there is potential for this year to be better than many expect. Statewide quarterly home sales declined last year as rate increases and higher prices drove affordability down. This pattern continued into the first quarter of 2019, the hangover effect from late 2018, a period when high mortgage rates had

a chilling effect on open escrows that ultimately were recorded as closed sales (escrows) in early 2019.

Having hit nearly 5% in November 2018, the 30-year fixed rate has declined in recent weeks to just over 4%. Lower rates over the 2019 busy season should help boost demand. Moreover, softer prices are expected this year as a result of an increase in the supply of homes for sale over the last few months.

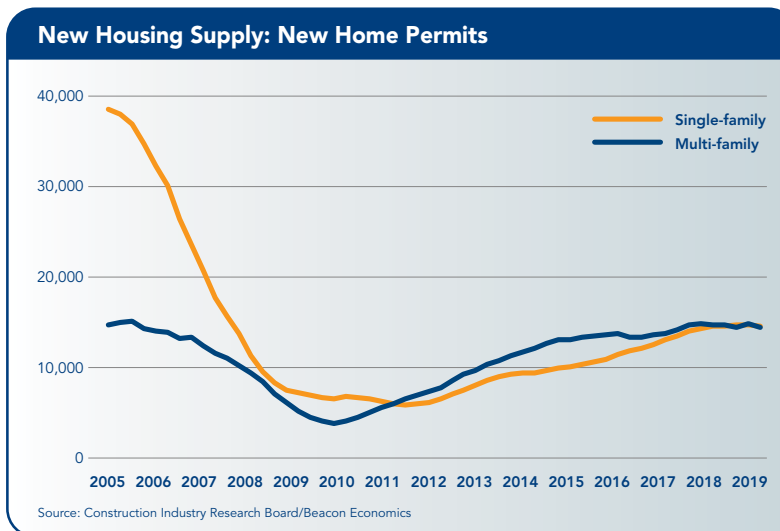
0.5% from 2018 to 2019, with high cost areas like San Francisco, Santa Clara, and Orange counties growing by less than the state. Los Angeles County (California’s largest) registered a marginal population decrease compared to last year.

Slow population growth in California has occurred because of both slow natural increase and weak net migration. It doesn’t take much to connect the dots between the state’s high housing costs and the slow growth of its population and labor force.

Conclusion

California continues to exhibit a dynamism that is found in just a handful of other places around the country and the world. It is the fifth largest economy on the planet, a global center for both the world of technology and the creative economy, and the primary destination for venture capital. One can only imagine how much growth might be unleashed if the state can successfully address its housing challenges.

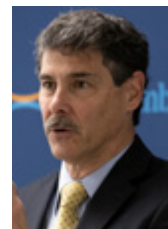
Staff Contact: Dave Kilby



Taken together, it should not be a surprise to see sales improve in the second and third quarters of this year while the statewide median price will advance modestly.

Near-term concerns about the housing market should not distract us from the long-run challenge the state faces in terms of its housing shortfall. Just released population estimates by the California Department of Finance paint a picture of slower population gains, both statewide and in many regions.

California’s population grew by just



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. The council chair is Christopher Thornberg, Ph.D., founding partner of Beacon Economics, LLC. The report was presented to the CalChamber Board by Robert Kleinhenz, director of economic research at Beacon Economics.

Summit Panelists Examine Employment, Privacy Issues

Photos by Steve Yeater



At the CalChamber Capitol Summit on May 22, Mike Villines, Villines Group LLC, moderates as CalChamber Executive Vice President and General Counsel Erika Frank (center) provides an update on labor and employment issues and CalChamber Policy Advocate Sarah Boot gives an update on CalChamber efforts to make the California Consumer Privacy Act work.

Governor's Economic Adviser Touts Importance of Lifelong Learning

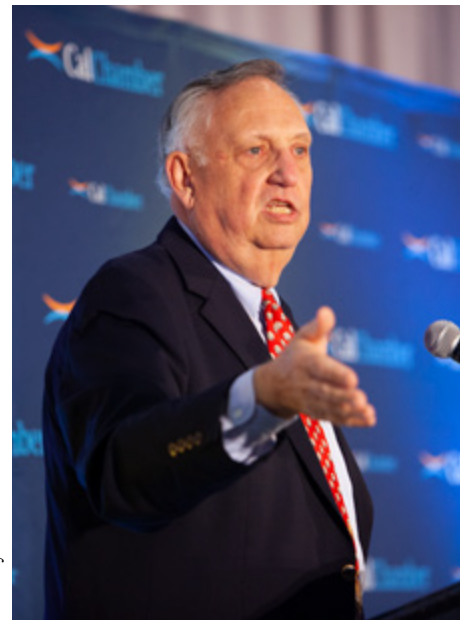
Photo by Steve Yeater



Lenny Mendonca (right), chief economic adviser to Governor Gavin Newsom, discusses workforce and other issues with CalChamber President and CEO Allan Zaremberg and the audience at the CalChamber Capitol Summit on May 22. Mendonca points out that every time the U.S. Bureau of Labor Statistics releases a list of the fastest-growing jobs, it includes "jobs that we didn't know existed." In contrast to the past, lifelong learning will be essential to the workforce of the future and people will change jobs several times. As the state looks at its Master Plan for Higher Education, Mendonca says, one of the factors to consider will be how to create a system to make sure people are constantly learning.

Insights from Dean of Capitol Press Corps

Photo by Steve Yeater



In a wide-ranging talk at the CalChamber Capitol Summit on May 22, longtime political columnist Dan Walters of *CALmatters* comments on the legacy of Governor Jerry Brown, the pressures on Governor Gavin Newsom from the left wing of the Democratic Party, and the state and local politics of housing.

Importance of Tourism, Trade, Other Issues Take Center Stage at International Forum



California Lieutenant Governor Eleni Kounalakis

California's top issues, including tourism's impact on the state, and federal initiatives to facilitate Indo-Pacific trade, took center stage at the California Chamber of Commerce International

Forum this year.

The May 22 forum, moderated by Susanne T. Stirling, CalChamber vice president of international affairs, brought together nearly 200 attendees, including representatives from the business community, CalChamber Board members, representatives of the California consular corps and foreign economic partners, plus representatives of foreign, state, local and federal governments.

The event was sponsored by Frontier Communications.

Lt. Governor Eleni Kounalakis

The first to speak at the international forum, Lieutenant Governor Eleni Kounalakis, lauded the economic gains the state has made, and outlined the issues California will prioritize. Some of the key priorities the administration has identified are: trade, climate change, immigration and the university system.

"Although the power to regulate trade rests with the federal government, California can and must develop relationships and programs to promote trade and investment with our partners worldwide," she emphasized.

Following the United States' withdrawal from the Paris Climate Agreement, California's commitment to act has never been more consequential, Kounalakis told forum attendees. She said the state will continue to target lower

greenhouse gas emissions, and invest in clean energy and technology.

In contrast to U.S. policy, Kounalakis said, California will be a refuge and welcome immigration. The Lieutenant Governor highlighted the fact that 27% of California's workforce is foreign born.

California will continue to position its students to prepare them for the workforce of the future and take advantage of all opportunities to leverage their ingenuity for the benefit of the state and the world, Kounalakis said.

Diane Farrell

Diane Farrell is deputy assistant secretary for Asia in the U.S. Department of Commerce. Her remarks centered around trade investment in Asian markets, in particular the Indo-Pacific Region, which spans Pakistan to Australia/New Zealand.

trillion of opportunity in the region, spanning a variety of sectors, including energy, aerospace, infrastructure, health care, defense and information technology.

In recognition of the value of strengthening economic partnerships in the region, the U.S. Department of Commerce launched Access Asia, a matchmaking program that helps companies discover new opportunities. Since its launch in 2018, the program has brought together 1,000 new companies, and Access Asia 2.0 will be launched in the future to take the program overseas and expand into more U.S. cities, she said.

Caroline Beteta

Visit California President and CEO Caroline Beteta said that for the last nine years, the state has seen record-breaking growth in the tourism sector, totaling \$140 billion in state spending, supporting 1.2 million jobs and generating \$12 billion in tax revenue.

California is the No. 1 travel destination in the United States, and is two-and-a-half times the size of Florida's tourism economy and five times the size of Hawaii's tourism economy.

Tourism is the state's No. 1 export—even before agriculture, Beteta said. To ensure that the state keeps attracting visitors, Visit California has established offices in 14 countries. These offices account for approximately 87% of all inbound state travel.

The state's key markets are: China, Mexico, Canada, and United Arab Emirates. In addition, the agency is making progress on opening the state to other markets, such as India.

Visit California has worked on a "Dream Big" global brand, based on the California identity, "the Land of Innovation" where "All dreams are welcome."

Visit California's job is to inspire. The hardest job of all, Beteta said, falls on businesses, which have the challenge of fulfilling that brand promise.

Staff Contact: Susanne T. Stirling



Photos by Steve Yeater

(From left) CalChamber Vice President of International Affairs Susanne T. Stirling, California Lieutenant Governor Eleni Kounalakis, Visit California President and CEO Caroline Beteta, and Diane Farrell, deputy assistant secretary for Asia, U.S. Department of Commerce.

The region is on its way to becoming the largest market in the world, which is why the United States is working on establishing economic partnerships and encouraging private sector investment to "take advantage of the demographic dividends of future consumers" in the region, Farrell told attendees.

Two-way trade in the region brought in \$1.9 trillion in 2018, and \$476 billion of U.S. exports, she said. Farrell estimated that there is approximately \$1.7

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