

ALERT

96th Annual Host Breakfast

Featured Speakers Outline State's Strengths, Challenges



California Lieutenant Governor Eleni Kounalakis and California Chamber of Commerce Board Chair Kailesh Karavadra shared their perspectives on the state's accomplishments and challenges at the **96th Annual Sacramento Host Breakfast** on June 2.

The annual gathering, attended by close to 1,000 civic and business leaders from throughout the state, offers decision makers in California finance, government, education, agriculture and industry the opportunity to exchange views, establish and renew friendships, and create statewide atmospheres of good will and understanding at a common table.

Governor Gavin Newsom was originally scheduled to attend the Host Breakfast but was forced to cancel after contracting COVID-19. In his stead, Kounalakis presented remarks at the breakfast.

California Positivity

Karavadra said he wanted to inspire listeners to "move away from these binary conversations" that turn into a "yes/no, agree/disagree, support/oppose and so on."

He went on to highlight some facts to illustrate why people want to come to California. Among those were the California State University and Community College systems; the

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High Cost of Living Drives Voter Concerns



The cost of living weighs heavily on the minds of voters, and has become the principal

lens through which they consider California public policy issues. This finding and many others were revealed from the recently released **eighth semi-annual California Chamber of Commerce Poll**.

Voters are fatigued and discouraged, after years of higher costs and diminished quality of life. They are anxious to wrest for themselves some control of their future.

Two-thirds of voters believe the country is headed down the wrong track, while a majority feel the same about California. Since defeating the recall of Governor Gavin Newsom, voters have flipped their optimistic outlook on California, by eight percentage points, to one of pessimism.

The key factor: cost of living. Voters have universally noticed higher prices not just for gasoline, but for eating out, housing and rent, utilities, clothing and buying a new or used car.

When asked which are the most important issues facing the state of California today, two-thirds of voters fingered inflation, gas prices and the cost of living as extremely important. Other issues of extreme concern to voters are drought/wildfires (63%), homelessness (54%), housing (51%) and crime/public safety (49%).

Anxieties

These anxieties manifest in growing despair over the future of California:

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Lieutenant Governor Eleni Kounalakis



CalChamber Chair Kailesh Karavadra

Cal/OSHA Corner

Quick Overview of May 6 Version of Emergency COVID Standards



Mel Davis
Cal/OSHA Adviser

What is happening with Cal/OSHA's emergency temporary standard for COVID-19?

The Division of Occupational Safety and Health (Cal/OSHA) has adopted the third iteration of the Emergency Temporary Standards (ETS) for the COVID-19 pandemic. These requirements went into effect on May 6, 2022 and are effective through December 31, 2022.

The revisions were initiated to acknowledge the updated guidance from

the California Department of Public Health (CDPH) and to make the ETS more flexible if changes are made to CDPH guidance in the future.

Revised Definitions

Four definitions were revised. "Close contact" and "infectious period" were revised so that their meaning will change if CDPH changes its definition of the term in a regulation or order.

The COVID-19 test was simplified to make it easier to use self-administered and self-read tests. Also, it is no longer necessary to video or observe the whole test; a date/time-stamped photo of the test result will be sufficient.

The definition of fully vaccinated has been deleted as the term is no longer used in the regulations. All protections now apply regardless of vaccination status and the ETS do not vary based on an employee's vaccination status.

Face Coverings

As revised, the requirements for face coverings are:

- The same for all employees regardless of vaccination status;
- No longer mandatory for unvaccinated workers in all indoor locations;
- Mandatory in the ETS when CDPH requires their use in specified indoor settings, such as emergency shelters, health care settings, cooling and heating centers, regardless of vaccination status.

Respirators must be provided to all employees who voluntarily request them when working inside or in a vehicle with other persons. There are no limitations

based on vaccination status. This caveat also applies to COVID-19 testing, to be made available to all employees with symptoms regardless of vaccination status.

Other Changes

The detailed prescriptive requirements for excluding employees from the workplace after close contact with a person infected with COVID-19 have been deleted.

Instead, employers must review the CDPH guidelines for employees and implement quarantine and other measures in the workplace to prevent COVID-19 transmission in the workplace.

Not all the revisions have been explained. For example, specific requirements relating to barriers and cleaning and disinfecting have been deleted and are no longer required.

Compare Versions

Also, there still are requirements from the previous version of the ETS that remain in place, so it is highly recommended that employers compare the previous and May 6 version of the ETS.

To make the comparison, see the footnotes to the frequently asked questions (FAQ) at <https://www.dir.ca.gov/dosh/coronavirus/Revisions-FAQ.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.

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CalChamber-Sponsored Seminars/Trade Shows

More at www.calchamber.com/events.

Labor and Employment

Managing CFRA Leave Requests at Your Small Business: Intensive Webinar. CalChamber. June 16–17, Online. (800) 331-8877.

HR Boot Camp Virtual Seminar. CalChamber. June 23–24, August 11–12, September 8–9, Online. (800) 331-8877.

Leaves of Absence: Making Sense of It All Virtual Seminar. CalChamber. August 25–26, September 29–30,

Online. (800) 331-8877.

Virtual HR Symposium. CalChamber. November 3–4. (800) 331-8877.

International Trade

2022 Taiwan Trade Shows. Taiwan External Trade Development Council. Through October 30, Online and In-Person. +886-2-2725-5200. China's Rising Authoritarianism. World Affairs Council of Orange County. June 16, Online. (949) 354-3180. ANDICOM 2022. AmCham Colombia. See CalChamber-Sponsored: Page 5

Small Business Advocate of Year

Corona Manufacturer Helps Get Employees Back to Work Safely



Chad Miller, a Corona manufacturer, is the 2022 recipient of the California Chamber of Commerce Small Business

Advocate of the Year Award.

Miller, director of contract manufacturing at American National Manufacturing in Corona, was recognized as an outstanding advocate for small business during the CalChamber Capitol Summit on June 1 in Sacramento.

He worked with the Corona Chamber to identify solutions to get employees back to work safely during the COVID-19 pandemic.

Throughout the lockdown and emergency orders, Miller worked with local, county and state officials to increase the distribution of personal protective equipment (PPE), the Corona Chamber said in nominating Miller for the award.

Miller shifted his own business operations to address the PPE shortage, producing and distributing needed items such as masks. He also created a portable isolation unit for hospitals to transport COVID-stricken patients.

Voice for Manufacturers

In addition, Miller represented local manufacturers in the creation of Corona 2030, a public-private partnership that aims to eliminate 6 million vehicle miles traveled by attracting more than 3,000 jobs to Corona. The Corona Chamber describes the goal as the next step in the

Corona 2020 program that was implemented to address infrastructure, health care and employment.

Miller was an early supporter of the Corona 2020 public-private partnership between the Corona Chamber,



Chad Miller

city of Corona, Riverside County and leaders at the California Department of Transportation.

Through the Corona Chamber's Manufacturing & Technology Council, Miller engaged enthusiastically with other local manufacturers, bringing in experts to discuss governmental issues.

Miller has been involved in his family's groundbreaking advanced manufacturing businesses since childhood. He used his understanding of these sophisticated businesses when traveling to Sacramento and Washington D.C. — both with chamber groups and independently — “to advo-

cate for policies that preserve and expand the ability of all California manufacturers to create career building jobs for our residents,” the Corona Chamber's legislative chair Jeff Miller and President/CEO Bobby Spiegel wrote in a letter supporting Chad Miller for the award.

Advocate for Business

Chad Miller worked with the Corona Chamber and dozens of leaders weekly to communicate directly with the offices of legislators in the state Senate and Assembly about the importance of opposing legislation such as bills on the CalChamber 2021 and 2022 job killer lists.

For example, he pointed out that job killer AB 2932 (Low; D-Campbell) would have created a state-mandated immediate and permanent wage increase for his employees, causing an immediate loss of projects or California jobs as he had to shift production out of state. The bill failed the deadline to move from the Assembly policy committee to its fiscal committee.

Miller also helped inform and train new advocates from within the Corona Chamber by participating in its executive leadership training program.

“Chad is not one to sit idle,” says Palbinder Badesha, 2022 chair of the Corona Chamber Board. “His demeanor and action-driven attitude is contagious, and others get motivated being in the same room when he shares. He lives up to our theme of building a stronger community.”

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Lt. Governor, CalChamber Chair Outline State's Strengths, Challenges

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strength of California agriculture as the nation's top supplier of many products; the volume of imports and exports going through the state's ports; and Silicon Valley, with more than a third of the venture capital funding in the nation, "the heart of innovation in the world."

California has its fair share of challenges, he said, including taxation, housing, water, fire, homelessness, transportation, inflation, food insecurity, the digital divide, and many more.

"We are facing complex and exponential challenges that have no simple solutions for scale and urgent impact," Karavadra said. "Sadly, if we don't come together to tackle these issues, they will continue to grow exponentially."

He called for applying "new design thinking for the modern world as old and tried and tested ways will just not work." Key elements include strong public-private partnerships, recognizing that "the pace of change is so fast in this hyper-connected digital transformation world ... we need to think in terms of months and years, not decades," and focusing on scale versus disparate and disjointed efforts that help only in small pockets locally.

He encouraged listeners to "be willing to let go of artificial boundaries — go outside of our comfort zone, drive accountability in our action and embrace change." He continued, "We need to have the courage to discuss and understand each other's perspectives and especially focus on unintended consequences that may impact California years down the road...not manage out of fear but build for good for the future."

See the full text of his remarks in this [Alert](#).

Economic Strengths

The Lt. Governor began [her speech](#) by focusing on the strength of the state's economy and talking about how it was able to recover from the unprecedented challenges brought about by the COVID-19 pandemic.

Looking back to the start of the pandemic, when California was the first state to issue a statewide stay-at-home order, Kounalakis said, "...it was almost

an unthinkable decision at the time, no one knew, no one could really imagine what would happen when we unplugged the engine of the world's fifth largest economy."

Thanks to the persistence of California's frontline workers and businesses, she said, California was able to manage its way through an extraordinary time.

"Let me just say, on behalf of myself and all of the people of the state of California, thank you," she said.

She further thanked the business community for its part in helping grow the state's economy. There are many positive facts about California's economic strength, she told attendees. Just two years ago, the state had lost 2.8 million jobs and it was predicted the state would see a \$54 billion budget deficit. Today, however, not only does the state have an unprecedented \$98 billion budget surplus, but it also has regained more than 91% of the jobs lost during the pandemic.

By many accounts, California is leading the country, Kounalakis said. The state's gross domestic product (GDP) grew by 7.8% in 2021 and the state has retained its distinction as the world's fifth largest economy. California also has retained its place as No. 1 in two-way trade, manufacturing and agriculture.

Kounalakis said she often is asked about the state's challenges, such as inflation, home prices, wildfires and taxation, among other concerns. And she responds by pointing out that, "We have many difficult challenges in California, but a growing economy gives us a powerful tool to help us address those challenges."

State Priorities

Kounalakis outlined four main priorities that Governor Newsom is focusing on in this year's state budget.

- The first priority is fiscal responsibility. The state has had a "fair share of boom-and-bust cycles," and that is why the Governor has made historic investments to help the state prepare for the next downturn, she said. The state has also significantly contributed to pay down retirement liabilities, reduce unfunded liabilities, pay bond debt and reduce budgetary debt.

- The second priority is to help those who need it most. During the pandemic,

the state sent \$600–\$1,500 checks to needy Californians through the Golden State Stimulus Program. The state also helped businesses in need by providing grants through the Governor's Office of Business and Economic Development (GO-Biz). Approximately 300,000 small businesses in the state received grants to help them offset their costs during the pandemic and get back to business, she said.

Another segment of the population in need is the homeless. Project Room Key provided 50,000 people with temporary housing, while Project Home Key has already provided 10,000 permanent units. But housing is just one aspect of the issue. Another side to homelessness is the lack of mental health services. In response, the Governor is proposing a CARE Court program to help address the crisis.

- The third priority is to invest in the future. One way the state hopes to invest in the future is by offering public pre-school education to every four-year-old by 2025. The budget also makes investments in transportation infrastructure, broadband infrastructure, water infrastructure, public education, and more.

- Lastly, another priority that has emerged is "addressing climate change and investing in a carbon-free energy future." Kounalakis said that between last year's budget and this year's budget proposal, the state is set to invest more than \$47 billion in carbon-free energy.

"From the expansion of offshore wind capabilities, networks for electric car charging stations, and hydrogen-powered equipment in our ports, the future of carbon-free energy is already happening here," she said. "And again, our business community is leading the way, and we're supporting your innovation with tax credit programs to support your investments in research and development and innovation."

For a copy of Lt. Governor Kounalakis' remarks, click [here](#).

See videos of Lt. Governor Eleni Kounalakis' and CalChamber Chair Kailesh Karavadra's remarks at calchamber.com/videos.

June Primary Shows Encouraging Trends for CalChamber Members



Tuesday's California Primary Election results are still a work in progress. There are more than a million ballots left

to count plus 30 days in which to certify the results, leaving a question mark about who the final candidates will be in several statewide and legislative contests.

However, with that understanding, there are trends that we find encouraging for California Chamber of Commerce members.

Marquee Races

Here are a some of the marquee races where CalChamber-backed candidates performed well:

- **Assembly District 80 Special Election.** This was a runoff special election between two Democrats, Georgette Gomez and David Alvarez, both former members of the San Diego City Council. In the March Primary, Gomez was the top vote getter over Alvarez by 1,300 votes and a third candidate, Republican Lincoln Pickard. With no Republican in the field for the runoff, the results flipped, and Alvarez leads Gomez by 12.2 points and has been declared the winner. JobsPAC and ChamberPAC heavily supported Alvarez in both the primary and the runoff election.

- **Senate District 8.** As predicted, Sacramento City Councilmember Angelique Ashby will square off in the fall against fellow Democrat, former Insurance Commissioner Dave Jones. At present, Jones leads the three-candidate field with 45.8% to Ashby's 42.1%. The race will attract heavy spending in the fall with business groups, including CalChamber, firmly behind Ashby.

- **Senate District 10.** Another Democratic intraparty tussle between Fremont Mayor Lily Mei and Hayward City Councilmember Aisha Wahab. Mei leads the field with 35.4% of the vote

and Wahab is a distant second at 25.3%. CalChamber and our business community allies heavily backed Mei in the primary with Wahab receiving support from public employee unions and other progressive groups. This will be an expensive November contest between the two Democrats.

- **Senate District 4.** This is a TBD where, in what should be a safe GOP seat, Republicans may find themselves boxed out because they fielded six candidates against just two Democrats. The warning signs became apparent 10 days to a week before the election and CalChamber and JobsPAC engaged in a last-minute digital/cable buy to boost former Congressman George Radanovich, who presently faces a 3,600-vote deficit behind the second place Democrat. What is unclear is how many votes remain to be counted in this district that comprises 13 counties. We are watching this one closely.

Assembly Races

Other Assembly races of note:

- **Assembly District 10.** Elk Grove City Councilmember Stephanie Nguyen is in the top spot over fellow Democrat Eric Guerra, a member of the Sacramento City Council. CalChamber was part of a business coalition backing Nguyen.

- **Assembly District 21.** Democrat Diane Papan, a San Mateo Councilmember, finished first and appears to be in a runoff with Republican Mark Gilham in this safe Democratic seat. JobsPAC was helpful in shaping this field.

- **Assembly District 39.** Democratic Palmdale City Councilmember Juan Carrillo was the vote leader among the three Democrats on the ballot and will be in the runoff against a Republican. ChamberPAC supported Carrillo, who is favored to win this safe Democratic seat.

- **Assembly District 60.** Democrat Corey Jackson is leading this field and will face a GOP challenger in what appears to be a safe Democratic seat. JobsPAC and other business groups

supported Jasmin Rubio, a San Jacinto School Board member who finished out of the running.

- **Assembly District 68.** Democrat Anaheim City Councilmember Avelino Valencia leads this field and will run against a Republican, nearly ensuring his victory in November. CalChamber and other business groups heavily backed Valencia.

- **Assembly District 69.** Democrat Josh Lowenthal received 44% over Long Beach City Councilman Al Austin 26% and they will face each other in November. CalChamber and other business groups heavily backed Lowenthal, who is a small business owner.

Statewide Results

- **Controller.** Less satisfying is the outcome in the race for State Controller. The single GOP candidate, Lanhee Chen, leads the pack with 37.1% of the vote. Democrat Senator Steve Glazer was heavily backed by CalChamber and JobsPAC, but looks to have finished behind Malia Cohen, endorsed by the California Democratic Party and several labor groups, and Yvonne Yiu, who spent \$6 million in personal funds on a statewide TV buy.

Staff Contact: Martin Wilson

CalChamber-Sponsored Seminars/Trade Shows

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August 31–September 2, Cartagena, Colombia. (601) 587-7828.

Concrete Show South East Asia 2022.

MEREBO GmbH Messe International. September 14–17, Jakarta, Indonesia. 49-40-399 99 05-15.

Arabian Adventures with the Los Altos Chamber of Commerce. October 4–11, Dubai and Abu Dhabi. (866) 978-2997.

14 Local Chambers Receive 2022 President's Circle Award



The California Chamber of Commerce has named 14 local chambers of commerce as

recipients of the 2022 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.

The award-winning chambers were announced during the CalChamber Capitol Summit on June 1, 2022.

Four of the chambers have received the award all 14 years it has been presented.

The 2022 recipients of the President's Circle Award are as follows. An * marks the chambers that have received the award all 14 years:

- **Greater Bakersfield Chamber***: Nicholas Ortiz, president/CEO;
- **Carlsbad Chamber**: Bret Schanzenbach, president/CEO;
- **Greater Conejo Valley Chamber***: Danielle Borja, president/CEO;
- **Corona Chamber**: Bobby Spiegel, president/CEO;
- **Greater High Desert Chamber**: Mark Creffield, president/CEO;
- **Imperial Valley Regional Chamber**: Vicki Zamora, chief financial officer;
- **Lake Elsinore Valley Chamber**: Kim Cousins, president/CEO;
- **Long Beach Area Chamber***: Jeremy Harris, president/CEO;

- **Greater Riverside Chambers***: Cindy Roth, president/CEO;
- **Santa Maria Valley Chamber**: Glenn Morris, president/CEO;
- **Simi Valley Chamber**: Kathi Van Etten, president/CEO;
- **The Chamber of Commerce for Greater Brawley**: Ramiro Urias, CEO;
- **Tulare Chamber**: Donnette Silva Carter, president/CEO;
- **West Ventura County Business Alliance**: Nancy Lindholm, 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.

Political Pundits Review Key Races, Campaign Mischief, Voter Turnout



Photos by bryanpatrickphoto.com

(Clockwise) Marty Wilson, CalChamber executive vice president, public affairs, moderates a lively discussion at the CalChamber Capitol Summit on June 2 as elections consultants Rob Stutzman, Christy Wilson and Andrew Acosta exchange comments on topics ranging from the potential for low voter turnout (just 5% of voters had cast ballots less than a week before the June 7 primary); races to watch for the state Senate and Congress; and the pros and cons of campaigns that seek to influence who their candidate's opponent will be through advertisements or voter mailers.

Global Trade Issues with Touch of Politics Get Attention at CalChamber Forum



Common challenges facing the global community were the focus of an enthusiastic audience at the

California Chamber of Commerce-hosted in-person International Forum last week.

Speaking to the 175 attendees at the June 1 forum were:

- Arun Venkataraman, assistant secretary of commerce for global markets and director general at the U.S. Department of Commerce;

- Emily Desai, deputy director for international affairs and trade at the Governor's Office of Business and Economic Development (GO-Biz);

- Dan Walters, long-time political columnist, CalMatters,

Susanne T. Stirling, CalChamber vice president, international affairs, moderated the forum.

Director General Venkataraman

Venkataraman highlighted what the Biden-Harris administration has been doing to promote the competitiveness of American businesses and build on bilateral trade relations.

Given the global nature of the challenges facing the international community, he said, it follows that partnership and commitment from all parties, especially representatives of foreign governments, is needed to solve issues ranging from supply chains to excess capacity in certain industries, cyberthreats or the climate crisis.

The pandemic disruption, he noted, exposed the vulnerabilities in the supply chain and highlighted the importance of resilience and the need for the government to focus on transparency.

Two affiliations the administration is using to resolve supply chain issues, he said, are the U.S.-European Union

Trade and Technology Council launched last year and the Indo-Pacific Economic Framework started with 12 countries in late May. Later this year, the U.S. Commerce Secretary and Secretary of State will co-host a supply chain ministerial forum to expand cooperation with partner nations.

Director General Venkataraman is leading a team that is moving forward with the administration effort to expand trade opportunities for businesses from underserved communities.



Photo by bryanpatrickphoto.com

(From left) Arun Venkataraman, assistant secretary of commerce for global markets and director general of the U.S. and Foreign Commercial Service, U.S. Department of Commerce; Dan Walters, columnist, CalMatters; Emily Desai, deputy director for international affairs and trade, Governor's Office of Business and Economic Development (GO-Biz); Susanne T. Stirling, CalChamber vice president, international affairs.

The United States, with its diverse population, is uniquely positioned to harness the talent available, Venkataraman said. America has a duty to ensure that trade benefits everyone, he declared.

Studies show, he pointed out, that racial and gender diversity improve a company's bottom line.

As part of its commitment to supporting the President's climate change priorities, the Commerce Department is helping clean technology companies develop export competitiveness. The program will help combat climate change globally while creating good jobs at home, Venkataraman explained.

GO-Biz Trade Team

Desai described the three pillars of the GO-Biz international trade program:

- Attract foreign direct investment (FDI) to the state to grow California jobs.
- Support small businesses so they can enter new global markets.
- Engage in sub-national diplomacy.

Recognizing that California is the No. 1 state for jobs supported by FDI, GO-Biz arranged more than 20 virtual gatherings to highlight opportunities for businesses in advanced technology and biotechnology, Desai said.

A "Meet California" breakfast attracted hundreds of businesses to learn about the state's "talent pipeline" from the Chancellor of the Community Colleges and executives of innovative firms.

"Companies are excited about doing business in our state because they know that California is the place that turns innovation into commercialization," Desai said.

Using funding from the U.S. Small Business Administration, GO-Biz has set up virtual trade missions with nations around the world, Desai said. In 2021, the virtual trade missions provided sales leads for Spain, Portugal, Australia, Singapore,

Mexico, the United Arab Emirates and Saudi Arabia. So far in 2022, the virtual missions have explored opportunities in Romania and China.

Expansions that can occur if the Governor's budget request is approved, she said, include enhancing cross-border economic development with Mexico and scaling up the state's export training network.

The third pillar of the GO-Biz international affairs program, Desai explained, has including signing or renewing of memorandums of understanding (MOU) with partners such as China and Japan; furthering relations with long-term

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Global Trade Issues with Touch of Politics Get Attention at Forum

Photos by bryanpatrickphoto.com



Arun Venkataraman



Emily Desai



Dan Walters

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partners; hosting visits — such as the Crown Prince of Norway and New Zealand Prime Minister; and helping the international network deploy access to vaccinations.

“Every one of your teams is an extension of ours,” Desai told the audience. The cooperation of these teams, she commented, helps California on a global stage.

California Politics

Walters described how the California economy has evolved from one based on resources before World War II to the “industrial juggernaut” that produced the implements of war to the logistics (Southern California) and technology centers (Northern California/Silicon Valley) of today.

What could prevent California from continued economic expansion, he said, are shortages of needed goods, services and resources. The challenges, he explained are inter-related and political to one degree or another.

- **Water.** Supplies have been getting shorter and shorter for several reasons, including climate change — which means the federal and state systems that depend on snowmelt for the water they supply to customers during dry spells don’t have enough water.

Agriculture, which consumes about 75% of developed water, has been cut down to 0% of its allocation.

Walters pointed out that California

has not done what it needs to do despite warnings of drought to assure an adequate water supply. He commented that the California Coastal Commission recently rejected a proposal for a desalination plant in Southern California.

- **Electrical energy.** The water shortage, Walters explained, has led to an energy shortage because so much of the state’s electricity comes from hydropower.

In the transition to noncarbon energy, he commented, California hasn’t maintained reserves as it should. In an effort to ensure adequate electricity supplies, the state is keeping gas-powered plants online beyond their originally planned retirement date and the Governor has announced wanting to keep the Diablo Canyon nuclear plant operating as well, Walters observed.

California, he said has shown a “lack of political will” to do what’s necessary “to make sure we’ll have power when the wind doesn’t blow and the sun doesn’t shine.”

- **Housing.** Walters commented that there is a housing crunch nationwide, but the shortage is particularly severe in California, which needs about 180,000 new units annually to keep up with demand and tackle the supply backlog, yet has been producing about half that amount.

Lack of housing, he said, is a major contributor to California having the highest poverty rate, as measured by the Census Bureau, and contributes to the “very visible

homelessness” on the streets of Sacramento and other cities around the state.

The shortage makes it difficult for companies to hire workers because those employees can’t afford to live here, he said. The median price of a home in California today is \$800,000, versus \$200,000 in most states.

The lack of affordable housing has a corrosive impact on the economy and prevents the state from having the labor needed for a vibrant economy, Walters said, noting that California has been losing population for the last couple of years.

- **Labor.** Up and down the state, companies report having difficulty finding workers, Walters said. Just a few examples include fast food restaurants offering \$18 per hour but still being unable to find workers. Truck drivers, teachers, police and fire fighters are other categories of workers in short supply.

The shortages listed, Walters commented, are potential drags on the California economy, and are “all political issues to one degree or another.”

He closed by warning that Californians need to remember that “nothing should be taken for granted.”

A vibrant, growing and prosperous society, he said, depends on having the right quantities of the right resources.

“If we continue to ignore some of these fundamentals...eventually we will pay the price — just as Detroit did, just as the Roman Empire did.”

Staff Contact: Susanne T. Stirling

Consular Corps Representatives Gather at CalChamber Reception



California Lieutenant Governor Eleni Kounalakis greets The Honorable Thandile Babalwa Sunduza, Consul General of South Africa in Los Angeles, at the CalChamber-hosted reception for members of the Consular Corps on June 1. Attendees included representatives of nearly 60 countries.



Lieutenant Governor Eleni Kounalakis with The Honorable Dmytro Kushneruk, Consul General of Ukraine in San Francisco at the CalChamber Consular Corps Reception on June 1.



At the CalChamber Consular Corps Reception are (from left) CalChamber Chair Kailesh Karavindra, Congresswoman Doris Matsui, CalChamber President and CEO Jennifer Barrera, and Lieutenant Governor Eleni Kounalakis.

Remarks by Kailesh Karavadra

Work Together, Think Differently to Tackle State's Complex, Exponential Challenges

Following are remarks presented by Kailesh Karavadra, 2022 chair of the California Chamber of Commerce Board of Directors, at the 96th Annual Host Breakfast in Sacramento on June 2. Karavadra is a partner at Ernst & Young LLP, San Jose.

Albert Einstein said, "The world as we see it, is *only* the world as we see it. Others may see it differently."

I would like to share a story with you today and through that, show you a glimpse of what the world looks like, from the eyes of someone who started out as a 6-year-old refugee. It is about how we see positivity versus negativity and we certainly know there is a lot of visible tragedy, pain and suffering all around us in the world today.

First, with your permission, I wanted to start by breaking my own record for saying a dad joke in front of this size of an audience. Now for those of you that know me, I tell a dad joke to my kids to connect with them; mostly they roll their eyes, glad that I'm not a stand-up comedian and have a full-time job.

But as I make these remarks today, it dawned on me the challenges we're facing in the economy, and the ups and downs, and I leaned into my own experience in running a business which went up and down every single day. In fact, we went up and down every hour, every minute, every second! I used to sell yo-yos.

Have I thanked you for being the best audience ever?

From Refugee to Learner

I was born in Uganda, Africa. As a young boy I witnessed the horrors from a dictator who, somewhat overnight, evicted all the Asian people out of the country and most had to leave with nothing but the clothes they were wearing. We were nomadic refugees for several years, going from East Africa to India and eventually to refugee settlements in England.

Now imagine this young boy who spoke no English, racism was visible, a chip on the shoulder for the pain and loss, parents who worked double shifts to make ends meet, and a boy who did not feel like he belonged — certainly did not want to go to school.

Now one day, along comes this white

55-year-old balding teacher with a ginger beard. Every day he would speak in Hindi to this boy who is dragging his feet to school and say, "Come on Kailesh, you can do it, hurry up to class, lots of learning today."



Kailesh Karavadra speaks at the Host Breakfast on June 2.

Mr. King was his name and he helped me see the world from a very different angle.

I learned a quote from my mentor many years later: "People don't care what you know until they know you care."

Mr. King had no common ties with me, he did not look like me, he was not related to me. BUT he showed he cared and he ignited a fire and thirst for learning, and for being able to forgive and having empathy that still has not been quenched 50 years later.

Why do I share this story with you? When I reflect on my early childhood, it can be so easy to remember the horrors of

being a refugee, of losing all your possessions, eating one meal a day, or not feeling like you belong.

BUT, when I close my eyes, what I remember are not those things, but the opportunity that my many teachers, mentors, allies, sponsors and friends all contributed to, in getting me to be here on this stage, speaking in front of you today. The positive far outweigh the negative.

Nowhere Like California

Now with that theme of positivity, let's focus on California.

I am an electronic engineer and a chartered accountant, so I certainly know my 1's and 0's and my debits and credits. What I would like to inspire you today in my remarks is to help you move away from these binary conversations and lenses that we see California in today.

Most conversations converge to a yes/no, agree/disagree, support/oppose and so on. Sadly, most of the problems and the challenges we're facing are very complex and require a very different way of thinking.

As someone who has lived on four continents and amongst many cultures, please trust me when I tell you that California is such a great place to live, work and do business. There is nowhere like California.

However, if an alien happened to come and listen to the commentary on California, they may feel like the sky is falling down.

So, let me share a few thoughts and some facts about California that may allow you to see a different, positive California as I do and illustrate *why people want to be come here and be in California!*

- California is the fifth largest economy in the world. Just think about that. Fifth largest country if it was on its own with our \$3 trillion gross state product.

- 1 in 8 Americans live in California with 40 million — 10 million more than Texas and more than all of Canada.

See Work Together: Page 11

Work Together, Think Differently to Tackle State's Complex Challenges

From Page 10

- 1.2 million immigrants have made California their home over the last decade.

- California visitor travel spending will reach \$145 billion next year.

- Our CSU [California State University] system is the largest four-year public university in the nation that confers 130,000 degrees every year.

- Our 116 Community Colleges

provide 1.8 million students opportunities to progress in life.

- California agriculture accounts for 40% of all organic production in the nation and is the top producer for lemons, avocados, broccoli, almonds, to name just a few. One-third of all national vegetables are grown right here, and two-thirds of all our fruit and nuts — grown right here in California.

- California ports are the largest in the country and account for 40% of the nation's imports and 30% of all exports.

- California exports \$27 billion to Mexico, \$18 billion to Canada and \$16 billion to China, to name a few examples.

- Top foreign-owned establishments that really invest in jobs in California include Japan at \$10 billion, the UK [United Kingdom] at \$8 billion and France at \$6 billion, to name a few.

- Silicon Valley, where I live, has over one-third of all venture capital funding in our nation and is the heart of innovation in the world.

- California has 4 million small businesses that employ half the workforce of our state and over one-third of them are minority-started or -owned.

- From the U.S. Census Bureau study over 20 years, California has declining poverty rates which are lower than Texas and the national average and also has significantly higher per capita income.

- California is where we had such inventions as the Hula Hoop, Barbie

Doll, Shirley Temple, Egg McMuffin and the Internet.

- We have the most National Parks of any state with 9 of 59.

- California has the highest point (Mount Whitney) and lowest point (Death Valley) in the nation.

- We have the world's largest tree — General Sherman. You should definitely go see it.

- The San Francisco Cable Cars

- advocacy and policy to support job growth;

- employment law, training, and products and services for compliance obligations;

- international trade relationships.

Representing 14,000 diverse employers across all industries in California that employ a quarter of the private sector workforce, with 70% of the members having less than 100 employees, focusing

on small and medium business growth is very important to the Chamber.

The Chamber helps California businesses comply with the ever-changing state laws and engages with stakeholders to set appropriate policy and legislation that enhances our state's economic growth.

You should check out California Works, where the Chamber shares stories of these businesses that are growing right here.

When the private sector succeeds, we all succeed.



Kailesh Karavadra, 2022 chair, CalChamber Board of Directors.

were the first moving National Historic Landmarks.

NOW, if that is not enough to convince you that PEOPLE WANT TO COME HERE AND BE IN CALIFORNIA: according to the Center for Biological Diversity, California is more biologically diverse than anywhere in the world.

Even the micro-organisms want to be in California. They love California.

CalChamber

Let me talk a little bit about the positive work the Chamber does. I am incredibly proud and honored to be the Chair of the California Chamber this year and have seen first-hand the positive impact the organization has in helping businesses flourish in California. The Chamber is a powerful voice that is respected, and is respectful, in working with all stakeholders.

Over its 130-year history, the Chamber has engaged on:

Allan Zaremborg

Now I have the incredible honor and privilege to recognize somebody who has been important to the Chamber — Allan Zaremborg.

How did the Chamber become so successful you may ask? Well Allan retired at the end of 2021 and has led that charge for over 23 years as CEO and president at the Chamber.

Prior to that he worked for several Governors, was in the U.S. Air Force gaining a rank of captain, obtained a law degree right here in Sacramento.

He's been the foundation builder for what the Chamber is today. Thank you Allan. And we want to show a video to recognize how much Allan is respected as an effective voice for business and a strong economy.

View [video](#).

You may know that we have our new,

See Work Together: Page 12

CalChamber President Highlights Importance of Business Involvement



Photo by bryanpatrickphoto.com

CalChamber President and CEO Jennifer Barrera reminds listeners at the CalChamber Capitol Summit on June 1 of positive trends in areas ranging from COVID, where state guidance has stabilized, to the potential for loosening in the labor market in the next few months, and the state's record \$98 billion budget surplus. As discussions continue on the persistent challenges facing the state, she emphasizes that the business community needs to be at the table to make sure all options are considered on housing, water supplies, energy reliability, and homelessness.

Work Together, Think Differently to Tackle State's Complex Challenges

From Page 11

and the Chamber's first female CEO and president in Jennifer Barrera. She is doing a fantastic job in continuing this great work of the Chamber.

Coming Together

So, you may say, "Kailesh, everything seems so rosy to you in California — no issues?"

Here is my message to you: We are so lucky to live in a state like California that we should have way more positive messaging than negative commentary.

Don't get me wrong. California has its fair share of challenges: taxation, housing, water, fire, homelessness, transportation, inflation, food insecurity, digital divide, and many more.

But what I've learned over the many years that I've been here is that we are facing complex and exponential challenges that have no simple solutions for scale and urgent impact. Sadly, if we don't come together to tackle these issues, they will continue to grow exponentially.

We must move away from this "us v. them" mentality and apply new design thinking for the modern world as old and tried and tested ways will just not work.

So how might we solve these issues?

Changing Our Thinking

I'll share another quote by Albert Einstein, who said: "The world as we have created it, is a process of our thinking. It cannot be changed without changing our thinking."

So we have to work together in ways we have probably never done:

- With really strong public-private partnerships as each of us alone will not solve these issues at scale and complexity.
- Think differently together as the pace of change is so fast in this hyper-connected digital transformation world where we need to think in terms of months and years, not decades.
- Focus on scale versus disparate and disjointed efforts that only help in small pockets locally.

Each of us individually and collectively can be accountable for responsibility of thinking through what we are doing, and why, and be willing to let go of artificial boundaries — go outside of our comfort zone.

Drive accountability in our action and embrace change, as this window that we're living in right now will pass us by if we're sideline coaches.

Pick Our 'Moonshot'

And certainly, if we're courageous enough to pick one or two of these mega issues that we're dealing with, and make those our "moonshot," especially with the surplus that we have and may not get again, we can tackle them and solve them. Then there's a ripple effect to go and solve all the other issues.

We need to have the courage to discuss and understand each other's perspectives and especially focus on unintended consequences that may impact California years down the road and not manage out of fear, but build for good for the future.

I'll leave you with this: in discussing the future with my kids, I shared that with them that in this decade, the three of us, my kids and I, will be living in outer space. So I said, "think big, think different."

I said wouldn't it be cool that eventually when the three of us go to the moon to the bar, the food and drink will be out of this world, but there may not be much of an atmosphere.

Thank you. Stay safe, live your purpose and look after each other.

Economic Expansion Continues Steep Pace; Demand for Workers Exceeds Job Seekers

Gross Domestic Product

Gross domestic product (GDP) took a surprising decline in the first quarter of 2022, falling 1.4%. It was brought down by the trade deficit widening and a slower pace of inventory growth. However, the pace of consumer spending remains strong, increasing 2.7% quarter over quarter.

After a blockbuster level of growth in the fourth quarter of 2021 (up a sizzling 6.9% quarter over quarter and 5.7% year over year), a slower pace of growth was expected, not a decline. The powerful decline in net trade was not a surprise, as the monthly trade deficit has been at record levels as of late.

For GDP, imports surged 17.7% in the first quarter as consumers continued to snap up goods. On the other hand, exports fell 5.9% as domestic manufacturers grappled with supply snarls and foreign countries struggled with COVID-19 flare-ups.

Inventory growth was unbelievably strong back in the fourth quarter of 2021, so a pullback was expected in Q1. Inventories are always a volatile component of GDP. Here is why. Inventories are a measurement of stock (\$). In contrast, GDP is a measurement of flow (\$/time), so to convert stock to flow, the change in inventories is measured (\$/time). The change in the change of inventories is what contributes to GDP.

Due to the pandemic, swings in inventories have been significant. To give an example, in the third quarter last year, inventories fell \$67 billion, and then in the fourth quarter, they rose \$192 billion, adding 5.4 percentage points to GDP.

In the first quarter of 2022, they rose \$159 billion — strong, but not as strong as the fourth quarter of 2021, so it subtracted 0.8 percentage points from GDP.

Consumer spending picked up a bit, increasing 2.7% quarter over quarter, compared with the fourth quarter of 2021 at 2.5%. Shopping habits are beginning to return to pre-pandemic trends.

available; wages are up; and household balance sheets are solid.

When concerned about the risk of a recession, the first thing to look for is a sharp decline in domestic demand. We do not see that happening in the near term. What caused first-quarter GDP to be negative was demand being too strong. The trade deficit resulted from demand

outpacing domestic production, so imports had to be increased to meet that demand. Inventories had trouble recovering because demand is too strong. This is why the Federal Reserve has to raise interest rates along the entire curve to slow the pace of demand.

For some, the concern is that the Fed will over-tighten and choke off demand. But with the interest rate still hovering around the emergency level of near-0%, the Fed needs to have several hikes to bring the rate up to the neutral level, never

mind to a restrictive level.

Labor

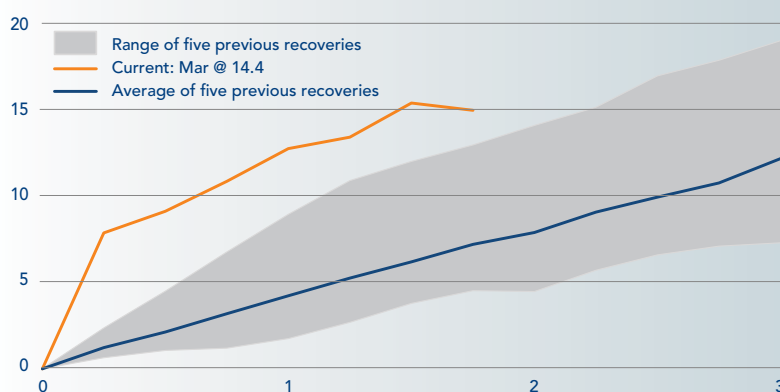
The labor market remains red hot. In the first four months of this year, payrolls have increased 2.1 million, which is considered a good rate of growth for a full year. There is evidence supporting a continuation of this strength.

There are now 11.5 million job openings, a record. That is about twice as many as the number of people looking for a job, which is 6 million. The number of people quitting jobs, presumably for another position that pays more, is also at record highs.

See Next Page

Gross Domestic Product

% cumulative changed, indexed at 0 at recession end, years



Source: Bureau of Economic Analysis/City National Rochdale LLC

Since January's surge in omicron, cases have fallen, and Americans are resuming travel and dining out (services). That is replacing the pandemic binge shopping for exercise equipment, sofas, televisions and other goods needed to entertain the family, since they were home 24/7.

Despite the decline in first-quarter growth, this expansion continues on a steep upward trajectory, especially compared with past expansions. The GDP report does not alter our view of a multi-year recovery.

First, let's put some context around this report: The unemployment rate is at 50-year lows, with plenty of jobs

Expansion Continues Steep Pace; More Job Openings than Workers

From Previous Page

Layoffs are at low levels, as companies do not want to let workers go for fear they may not find a replacement when demand picks up. And finally, a recent survey by the National Federation of Independent Business found that firms have never had such a tough time finding workers.

This increased demand for workers is coming at a time when there is a lack of qualified candidates, which is putting upward pressure on wages. This is a concern for the Fed as it is trying to battle the elevated level of inflation.

Inflation

The good news is that the yearly change in the Consumer Price Index (CPI) appears to have peaked back in March at 8.5%, but the bad news is that inflationary pressures will not be falling quickly toward the Fed's goal of 2%.

The main reason inflation was lower in April was a temporary decline in energy prices and the base effect. There was no evidence that the underlying price pressures were easing.

That said, there was some positive news that goods inflation increased just 0.2% month over month, but service inflation accelerated 0.7%, the largest one-month gain since 1990. This is telling us that the supply chain problems and the strong demand for goods, which occurred during the pandemic, appear to be declin-

ing but are being replaced by higher prices in the service sector. Higher housing costs and increased wages are keeping the heat high in service sector inflation.

Federal Reserve

The Fed needs to raise interest rates enough to slow the pace of overall demand. The Fed has its work cut out for

reinvestment at a pace about twice as fast as the last time.

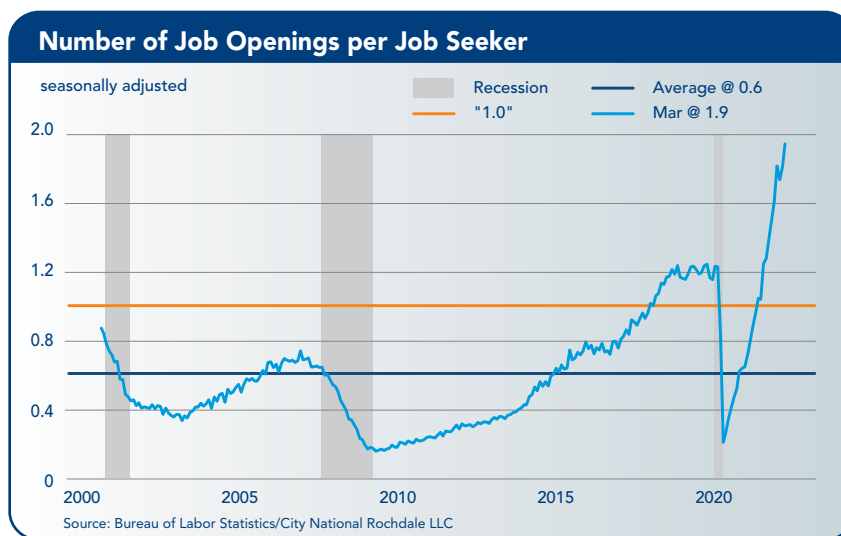
Based upon the Fed's latest projection, they expect to have the federal funds rate at 1.9% at year end. That is slightly below their view of neutral fed funds (2.375%). The market expects the Fed to change their mind and be more aggressive with rate hikes this year.

This month, the Fed will begin to reduce the size of their balance sheet. They will allow up to \$95 billion to mature each month, about twice as much as the last time they did this back in 2018.

The Fed is singularly focused on reducing the elevated level of inflation. As the Fed sees it, inflation is high due to demand outpacing supply. The large trade deficit, slowing inventory growth and the low unemployment rate are products of demand being greater than supply.

The Fed cannot fix the supply shortages, but it sure can raise interest rates to slow demand.

Staff Contact: Dave Kilby



itself. It needs to bring down inflation by reducing the amount of monetary stimulus to moderate demand, which should slow the pace of wage gains.

Thus, the Fed is taking a double-barreled approach to reducing its stimulus by raising short-term interest rates and quickly reducing the size of its bond portfolio. At its recent meeting, it raised the federal funds rate by 50 basis points (bps) and is making plans to raise the rate another 50 bps at the upcoming meetings in June and July. It will also allow bonds to mature out of the portfolio without



This economic outlook report to the CalChamber Board of Directors was prepared by Paul Single, managing director, senior economist, senior portfolio manager, City National Rochdale.



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CalChamber Policy Specialists Present Back Stories on Bill Outcomes



Photos by bryanpatrickphoto.com

(Clockwise) Former Assemblymember Autumn Burke, now a principal with Axiom Advisors, moderates an examination of business priority issues with panelists Ashley Hoffman, CalChamber policy advocate; Ben Golombek, CalChamber executive vice president and chief of staff for policy; and Adam Regele, CalChamber senior policy advocate. The fast-paced discussion at the CalChamber Capitol Summit on June 1 covered subjects such as job killer bills stopped and moving; the Governor's CARE Court proposal (supported by the CalChamber); the unemployment insurance fund deficit; how running in new districts is affecting incumbent legislators' attitudes toward bills; the challenges of lobbying legislators in the COVID era; and the potential for the state budget surplus to be redirected back to taxpayers.

Pollster Summarizes Pre-Primary Survey on Voter Attitudes



Photo by bryanpatrickphoto.com

Adam Rosenblatt, Core Decision Analytics, presents the findings of the eighth semi-annual California Chamber of Commerce Poll of voter attitudes at the CalChamber Capitol Summit on June 1. A key finding: two-thirds of voters say the cost of living is extremely important. [See story.](#)

High Cost of Living Drives Voter Concerns

From Page 1

- 86% of voters agree (54% strongly) that “earning enough income to enjoy a middle-class lifestyle is becoming almost impossible in my part of California.”

Those in strong agreement have jumped by eight percentage points in the last eight months.

- Regarding the Cal-Exodus, nearly two-thirds of parents with kids living at home believe their children would have a better future if they left California, up seven percentage points from eight months ago. And more than half of voters report they have given serious (26%) or some (29%) consideration to moving out of California.

- 58% of voters believe the economy will be worse a year from now.

- 52% of voters believe that good paying jobs are hard to find in their community (compared with 23% who say they are easy to find).

- Two-thirds of voters agree that California has created a business climate that is unfriendly to the types of companies that bring new high-quality jobs and opportunities.

Quality of Life

Quality of life issues also increasingly weigh on voters.

- 78% of voters say homelessness has gotten worse in California, up five percentage points since 2021 and 11 percentage points since 2020.

- 77% of voters say crime has increased, with 44% saying “a lot.” The latter group of voters has increased by nine percentage points since last October.

Path Forward

Voters are not utterly bereft. On key issues, they see a path forward:

- On homelessness, 81% of voters support (35% strongly) Governor Newsom’s CARE Court proposal to provide severely mentally ill or incapacitated homeless individuals with mandatory mental health, addiction, housing and support services.

- On drought, voters support any solution at hand, but in particular strongly support expedited permitting of desalination plants and offstream storage reservoirs. Even mandatory water rationing has gained a foothold with voters: 69% supporting and more than a quarter strongly supporting.

When it comes to the state budget and taxes, voters are clear on their priorities. Asked about the importance of various options for spending the budget surplus, two-thirds believe it is very important to expand the state’s water supply, and a clear majority believe much of the surplus should be returned to taxpayers.

But when asked about the single highest priority for disposition of the huge budget surplus, a strong plurality (44%) chose returning money to taxpayers, followed by 20% for expanding the state’s water supply.

Squeezed by inflation and buffeted by higher costs for everyday goods and services, voters are demanding that some of the riches pouring into the state treasury be returned to the taxpayers for their own, personal safety net.

The CalChamber poll was conducted by Core Decision with online interviews from May 20–23, 2022 with 1,040 online interviews of California June 2022 likely primary election voters. The margin of error for this study is +/- 3.04% at the 95% confidence level and larger for subgroups. This is the eighth year CalChamber has published a voter survey.

Contact: Loren Kaye

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