CalChamber

VOLUME 51, NUMBER 18 • JULY 11, 2025

ALERT

State Budget for 2025–26: What's In, What's Out

Gov. Gavin Newsom signed into law a series of bills to enact the state budget for the fiscal year beginning July 1, a $321 billion spending plan that erased a projected $12 billion deficit largely through delayed cuts and dollars borrowed from a variety of state special funds.

It May Not Be Over: Analysts believe that state leaders will face large deficits for the next several years and have noted those shortfalls could be exacerbated by the ultimate impact of federal spending legislation that is being debated. In fact, many lawmakers believe they may need to return to Sacramento this fall in special session to address new budget concerns.

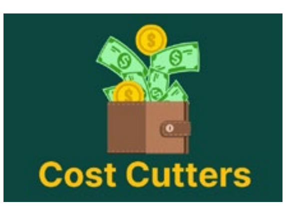
Taxes Avoided: The budget did not include new broad-based taxes, though labor groups urged lawmakers in the days leading up to the June 15 budget deadline to adopt a wide array of business-focused taxes. This discussion is likely to return if, as expected, deficit pressures persist.

Support for California's Film & Television Industry: Legislators and the Governor agreed to increase the film and television tax credit program to $750 million annually, more than doubling the current allotment to encourage more industry projects to remain in California.

Semiconductor Research: The

See State Budget: Page 8

Governor Signs Cost Cutter Film Tax Credit Bill



A California Chamber of Commerce-**supported** bill to help grow and retain jobs in one of California's signature industries has been signed into law.

AB 1138 by Assemblymember Rick Zbur (D-Hollywood) and Sen. Ben Allen (D-Santa Monica) is a **Cost Cutter** that will more than double the state's film and television tax credit to $750 million annually. It took effect immediately upon being signed by Gov. Gavin Newsom on July 3.

At a recent event in Burbank, Newsom announced that 16 new television shows would be awarded through the state's film and television credit program.

He projected those projects will generate $1.1 billion in new economic activity and bring nearly 6,700 cast and crew jobs to locations across California.

The annual cap on the previous credit was $330 million. The Governor's office reported that more productions applied in previous years than could be funded, with an estimated 69% of the rejected projects being filmed outside of the state.

Industry Economic Output

The tax incentive has proven effective in maintaining and growing California jobs in the industry in previous years. According to the California Film Commission, film and television productions provide more than 700,000 jobs and pay nearly $70 billion in wages to California workers.

California's Film and Television Tax

See Governor Signs: Page 3

CEQA Relief for Housing in Budget Trailer Bills

A package of budget-related bills that include changes to how environmental laws are applied to some types of housing in urban areas was signed into law by Governor Gavin Newsom last week.

The signed bills that streamline how the California Environmental Quality Act (CEQA) applies in specific circumstances are AB 130 (Committee on Budget) and SB 131 (Committee on Budget and Fiscal Review).

"The late insertion into this year's California budget process of proposals to streamline more housing construction signals how vital the issue has become in addressing the state's persistent affordability crisis," the California Chamber of Commerce said in a statement released shortly before the Governor signed the budget trailer bills.

CEQA Streamlining

Among the CEQA streamlining provisions, which went into effect immediately, are the following:

• Infill housing projects in urban areas are no longer subject to CEQA review, a process that can take several years to complete.

• Limits on certain Coastal Commission housing appeals.

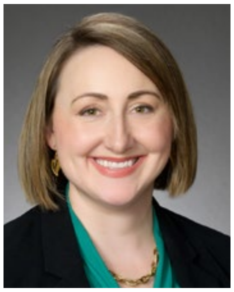
• Speeding coastal permits.

See CEQA: Page 4

Inside

Labor Law Corner

Deductions from Employee Wages Not Allowed Except in Limited Cases



Vanessa M. Greene
Employment Law Subject Matter Expert

One of our employees is continually short on their cash drawer. Can we deduct the shortage from the employee's tips if the employee agrees to the deduction?

No. In California, tips belong to the employee to whom they were given and cannot be used to offset business losses, including cash drawer shortages, regardless of whether the employee agrees.

State law strictly limits the types of deductions an employer can make from an employee's wages, and tips are treated the same as wages under the law.

Narrow Exceptions

Deductions from wages are allowed only in a few narrow circumstances:

- when required by law (for example, taxes);
- when expressly authorized in writing by the employee for allowable items like insurance premiums or benefit contributions;
- when ordered by a court (for example, garnishments); or
- when permitted by a valid collective bargaining agreement.

Even if an employee agrees to it, employers generally may not deduct for things like cash shortages, breakage, or losses due to employee negligence — unless there is clear evidence of dishonesty, willful misconduct, or gross negligence.

Even then, deductions are risky and an employer should be cautious when using them.

The burden of proof falls on the employer to justify the deduction and an employer who fails to meet that burden can be liable for waiting time penalties.

Better Alternatives

If there's any doubt about your ability to prove dishonest, willful misconduct, or gross negligence, the safer course is to pursue recovery through small claims court or another legal avenue and not through payroll deductions.

If an employee's cash drawer is short repeatedly, employers should address the issue through retraining, performance management or discipline. Improperly attempting to recover losses from an employee's wages or tips could violate California law and expose your business to wage and hour penalties and liability.

Column based on questions asked by callers on the Labor Law Helpline, a service to California Chamber of Commerce preferred members and above. 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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Alert (ISSN 0882-0929) is published weekly during legislative session with exceptions by California Chamber of Commerce, 1215 K Street, Suite 1400, Sacramento, CA 95814-3918. Subscription price is $50 paid through membership dues.

Send email address changes to alert@calchamber.com. Publisher: Jennifer Barrera. Executive Editor: Ann Amioka. Art Director: Neil Ishikawa.

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CalChamber-Sponsored Seminars/Trade Shows

More information at ***www.calchamber.com***.

Human Resources

Supervisor Essentials: Workplace Compliance. CalChamber. July 17, Online. (800) 331-8877.

Leaves of Absence. CalChamber. August 7–8, Online. (800) 331-8877.

Conducting California Workplace Investigations. CalChamber. August 28, Online. (800) 331-8877.

HR Boot Camp. CalChamber. September 11–12, Online. (800) 331-8877.

International Trade

California State Trade Expansion Program (STEP) Export Training Series. Governor's Office of Business and Economic Development (GO-Biz). June 30, 2025–March 31, 2026. Event website.

California Trade Mission to Poland and Ukraine: Information Webinar. GO-Biz. July 16, Online. Registration required.

Green Expo Mexico. GO-Biz. September 2–4, Mexico City. GO-Biz will host four to six businesses in its California Pavilion. Register interest.

14th World Chambers Congress. World Chambers Congress. September 2–4, Melbourne, Australia. ***https://wcc.iccwbo.org/***.

Aquatech Mexico. GO-Biz. September 2–4, Mexico City. GO-Biz will host four to six businesses in its California Pavilion. Register interest.

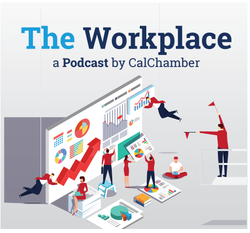
Medical Fair Thailand. GO-Biz. September 9–12, Bangkok, Thailand. GO-Biz will host five businesses in its California Pavilion. Application portal.

California Trade Mission: Poland and Ukraine (spotlight on energy and construction sectors). GO-Biz. November 11–14, Warsaw, Poland. Application portal.

Next Alert: August 1

The Workplace

How to Prepare Your Workplace, Employees for Immigration Enforcement



In Episode 228 of The Workplace podcast, CalChamber Associate General Counsel Matthew Roberts, Sheppard Mullins Partner Greg Berk and Sheppard Mullins Special Counsel Andrew Desposito discuss the recent changes in how the federal government is enforcing immigration policies and procedures, and how employers can prepare their workplace and employees if Immigration and Customs Enforcement (ICE) officials show up.

In a previous podcast, they discussed what employers need to know about workplace immigration raids and *Form I-9* audits, including California's special requirements for *Form I-9* audits and how employers should respond to workplace raids.

Best Ways to Prepare

Now, Berk and Desposito discuss the best ways that employers can prepare their workforce for possible workplace immigration enforcement actions, including ICE raids, especially as the federal government is focusing enforcement on sanctuary states and cities.

They also discuss how employers should approach self-auditing their *Form I-9* documents and practices. Most important is that employers comply with the law by avoiding discriminatory practices when conducting the self-audit and not reverifying employees who are not required to be reverified.

Listen to Learn

Listen to the podcast to also learn:

• If employers need a written policy or procedure for how they and their employees should interact with ICE.

• How employers should train their employees to handle a workplace immigration enforcement event.

• How to talk to employees about ICE or law enforcement showing up at the workplace.

• What kinds of documents ICE officers might show employers.

• How to tell the difference between a judicial warrant and a civil warrant, and how employers should handle each kind of warrant.

• How to pay employees if they are arrested, detained or deported during an immigration enforcement action at the worksite.

• What specific industries, like schools and hospitals, should do during enforcement actions.

As the complexity of immigration enforcement issues continue to evolve, employers should partner with their legal counsel, especially in the event of a workplace immigration enforcement action.

Governor Signs Cost Cutter Film Tax Credit Bill

From Page 1

Credit Program contributed nearly $21.9 billion in economic output over five years and supported more than 110,000 total jobs in the state, according to a study released by the Los Angeles County Economic Development Corporation (LAEDC).

The second iteration of the tax credit (dubbed Program 2.0) ran from July 2015 through June 2020. It allocated $330 million per year in tax credits to fight "runaway production" and grow film/TV production-related employment and spending across the state.

The LAEDC study found that for every tax credit dollar allocated, the state benefitted from at least $24.40 in economic output, $16.14 in gross domestic product (GDP), $8.60 in wages and $1.07 in state and local tax revenues.

The program also returned an estimated $961.5 million in tax revenue to state and local governments.

California's Film and Television Tax Credit Program 3.0 started in July 2020. Despite launching during the pandemic, it generated hundreds of millions of dollars in wages to below-the-line workers and payments to in-state vendors.

Beyond the financial impacts that were the focus of the LAEDC's report, the most recent program delivered additional benefits. For example, the California Film Commission's Career Pathways Program, which is funded entirely by projects in the tax credit program, trains entry-level workers for a wide range of production-related jobs and has proven effective at reducing the economic, geographic and social barriers to career success.

New Projects

According to the Governor's office, the 16 new projects to film in California include nine renewals, two pilots, four new shows, and one relocating show.

In addition to hiring 6,664 cast and crew members, the 16 projects are expected to hire 59,000 background performers (measured in days worked), across 1,308 total California filming days.

The nine returning TV series include "The Pitt" on HBO Max, "Paradise" on Hulu, and "NCIS: Origins" on CBS.

Two shows will film outside of the Los Angeles area for a total of 23 filming days.

The relocating series is Prime Video's "Mr. & Mrs. Smith."

See the full list of productions that are part of the Film and Television Tax Credit Program on the California Film Commission website.

Program 4.0 began on July 1. The tax credits have become refundable for all projects for the first time since the program began in 2009. The television application cycle was scheduled for July 7–9; the film application cycle is set for August 25–27. Program 4.0 also includes a diversity workplan provision and increased training funds for the Careers Pathway Program.

CalChamber 'Rate Realities' Campaign Highlights Drivers Behind Electricity Costs

Report Shows Nearly 37% of Electric Bills Go to Mandates, Not Delivery

Last week, the California Chamber of Commerce launched its "Rate Realities" campaign to raise awareness about the true drivers behind California's electricity costs while highlighting the risks in proposals under consideration by the California Legislature.

CalChamber also released a new independent analysis of the impact that state policies have on residential electricity bills for California's three major investor-owned utilities: Pacific Gas & Electric, Southern California Edison, and San Diego Gas & Electric.

The new report by Blue Sky Consulting Group found that 36.5% of the average residential electricity bill covers the cost of state-mandated public purpose programs, renewable energy requirements, wildfire risk mitigation, and the cost shift from rooftop solar customers to non-rooftop solar customers.

"These policy choices are the true cost drivers of the last decade that have led to higher electric bills," said CalChamber President and CEO Jennifer Barrera. "But rather than confront these costs, lawmakers are considering several proposals that would make things worse, changes that are overly complex and risky and would actually raise bills, jeopardize reliability, and undermine efforts like wildfire prevention and clean energy."

Policy-Driven Costs

Here's a breakdown of the 36.5% of an average residential customer's electric bill attributed to policy-driven costs:

• **Approximately 14%** is due to Net Energy Metering, which overcompensates rooftop solar users for extra power they send to the grid, and which leaves non-solar customers (often lower-income households) paying more to cover grid maintenance and operations.

• **Approximately 13%** goes to wildfire risk mitigation, safety, and recovery efforts, including vegetation management, undergrounding power lines, and grid hardening to reduce wildfire risk.

• **Approximately 7%** supports state-mandated public purpose programs, including energy efficiency efforts, discounts for low-income families, incentives to reduce electricity use during peak demand, and funding for older power plants like Diablo Canyon to help maintain grid reliability.

• **Approximately 3%** of the bill results from the Renewables Portfolio Standard and the state's cap-and-trade program. These mandates require utilities to purchase renewable power from sources like wind, solar, and hydroelectric, often at above-market rates.

"While many of these policies and state mandates serve important societal goals," Barrera said, "California legislators must ask tough questions about whether *all* are necessary, whether *all* justify higher electric bills and whether there are alternative ways to pay for worthy programs without placing so much responsibility on electricity customers."

The campaign includes public education, stakeholder engagement, and outreach to lawmakers urging them to focus on practical, affordability-focused measures that protect consumers from unnecessary rate hikes, maintain grid reliability, and enhance wildfire prevention efforts.

Two Paths

CalChamber's Rate Realities campaign outlines two possible paths forward.

Tough But Effective Proposals

• **Consider funding state-mandated Public Purpose Programs (PPPs) from state resources** instead of electricity bills paid by middle-income customers or eliminating some programs.

- Discount programs:

California Alternate Rates for Energy program (CARE): Provides bill discounts to qualified customers.

Family Electric Rate Assistance program (FERA): Provides bill discounts to qualified customers with larger families.

Percent of Income Payment Program

See CalChamber 'Rate Realities': Page 8

CEQA Relief for Housing in Budget Trailer Bills

From Page 1

• Making permanent key portions of the Housing Crisis Act, a 2019 CalChamber-supported law, that reduce delays in local agency approvals of housing development projects that comply with applicable standards.

Vehicle Miles Traveled Mitigation Bank

One provision of AB 130 creates a vehicle miles traveled (VMT) mitigation bank program. The bill describes the program as "one optional strategy that a project applicant may use to mitigate a significant transportation impact under CEQA."

CalChamber believes the provision is a mandate on housing developers that would add significant new construction costs — thus leading to fewer housing units built for California's working families, the engine that drives the state's economy forward.

Builders, CalChamber and allied local chambers asked that the bill be amended to make use of the mitigation option available only when the lead agency and project developer mutually agree, but the final version of AB 130 did not contain the requested language.

Staff Contact: Adam Regele

President Trump Revises, Delays Tariffs

August 1 is the new expiration date for some countries' tariff rates and the start of revised tariff rates for other nations.

On July 7, President Donald Trump signed an executive order delaying the expiration date of some tariff rates from July 9 to August 1. He also sent letters to inform 14 countries about their new reciprocal tariff rates starting August 1.

The administration said the tariffs are designed to make the terms of the bilateral trade relationships more reciprocal over time and to address the U.S. goods trade deficit.

For some countries, the revised reciprocal tariff rate is lower than the rate initially announced on April 2; for others, the reciprocal tariff rate is higher than the previous rate.

The administration sent letters to Japan, South Korea and 12 other countries (see chart), and said it would be sending out 15 to 20 more letters, along with a more general letter informing other countries of their new tariff rate.

On the morning of July 9, the President sent letters to another seven countries: Philippines, Brunei, Moldova, Algeria, Iraq, Libya and Sri Lanka. He wrote on social media that he would be releasing additional letters in the afternoon.

Since President Trump modified the tariff rates roughly 90 days ago, a number of countries have agreed or offered to lower their tariff rates and eliminate nontariff barriers to move toward a more balanced trade relationship with the United States.

Notwithstanding this significant and historic progress, the President said the U.S. trade deficit remains severe and agreements are still in the works.

April 2 'Liberation Day'

During an initial flurry of activity, the President temporarily placed tariffs on Colombia, Mexico and Canada. Then on April 2 — which he called "Liberation Day" — President Trump announced new reciprocal tariffs from the first Rose Garden ceremony, with a number of Cabinet officials and members of Congress in attendance.

According to the White House fact sheet, President Trump imposed responsive tariffs to "strengthen the international economic position of the United States and protect American workers."

The President imposed a 10% tariff on all countries, effective April 5. He then imposed an individualized reciprocal higher tariff on the countries with which the United States has the largest trade deficits. All other countries will continue to be subject to the original 10% tariff baseline — effective April 9.

While President Trump's trade policy announcements continued to create uncertainty, as well as affecting consumer prices, the stock market and consumer confidence, the President paused the tariffs for 90 days — until July 9, substantially lowered reciprocal tariffs during this period to 10%, yet raised the tariffs charged to China to a total of 145%.

Since April 2

The United Kingdom became the first country to secure a landmark economic deal with the Trump administration. This will reduce tariffs across a range of sectors, from steel and aluminum to automotives, and cut costs for businesses operating in the UK.

President Trump also struck a separate agreement with China to lower some tariffs.

The United States has reached a preliminary trade deal with Vietnam that includes a 20% tariff on imports to the U.S and a 40% tariff on goods shipped through Vietnam from other nations.

The European Union agreement is expected soon.

U.S. talks with Cambodia and India also have advanced.

CalChamber Position

The California Chamber of Commerce continues to voice concern about tariffs and any other actions that create uncertainty and increase the cost of doing business for California entrepreneurs. The CalChamber has long been committed to supporting a national free trade agenda that fosters economic growth and job creation.

The CalChamber will continue to focus on eliminating tariff and nontariff barriers to support the expansion of American exports. While strategic use of tariffs or the threat of tariffs may be a meaningful negotiation tool, the CalChamber supports efforts to reduce taxation and regulatory burdens as a means to create jobs and economic growth. Further, a focus on trade agreements instead will ultimately lower both tariff and nontariff barriers and help create long-term, sustainable economic growth.

The CalChamber opposes protectionist measures which create uncertainty, disrupt global supply chains, raise consumer prices, limit choices of products for consumers, hinder the competitiveness of California businesses, and invite retaliation.

The CalChamber believes strengthening economic ties and enhancing regulatory cooperation through agreements with our top trading partners that encompass both goods and services, including financial services, is essential to eliminating unnecessary regulatory divergences that may act as a drag on economic growth and job creation.

The CalChamber seeks commercially meaningful outcomes in negotiations with regions around the world and supports bilateral, regional and multilateral trade agreements, which are critical to consumers, workers, businesses,

See President Trump: Page 9

Country	April 2 Tariff	July 7 Tariff
Bangladesh	37%	35%
Bosnia and Herzegovina	35%	30%
Cambodia	49%	36%
Indonesia	32%	32%
Japan	24%	25%
Kazakhstan	27%	25%
Laos	48%	40%
Malaysia	24%	25%
Myanmar (Burma)	44%	40%
Serbia	37%	35%
South Africa	30%	30%
South Korea	25%	25%
Thailand	36%	36%
Tunisia	28%	25%

CalChamber, Japan Business Leaders Mark Longtime Alliance on Trade Matters

A working luncheon in Sacramento enabled longtime trade allies from the California Chamber of Commerce and leading associations of Japanese businesses to exchange thoughts on current issues.

The July 9 gathering was the 24th annual visit between representatives from the CalChamber, the Japanese Chamber of Commerce of Northern California (JCCNC) and Japan Business Association of Southern California (JBA).

(Seated, from left) Akemi Koda, Government Relations Committee vice chair, Japanese Chamber of Commerce of Northern California (JCCNC)/ USAsia Venture Partners Inc.; Kazunori Kato, JCCNC Government Relations Committee chair/ All Nippon Airways Co.; Kazuhiro Gomi, JCCNC Board president/ NTT Research, Inc.; Jennifer Barrera, CalChamber president and CEO; Shinichi Fujinami, president, Japan Business Association of Southern California (JBA)/ MUFG Bank Ltd; and Kyoichi Toda, JBA Business and Commerce Committee chair/ Mitsubishi Corporation (Americas). (Standing, from left) Keijiro (Kent) Hora, JCCNC executive director; Susanne T. Stirling, CalChamber senior vice president, international affairs; Keitaro Sugihara, JCCNC Government Relations Committee member/ Idemitsu Americas Holdings Corporation; Steven Teraoka, JCCNC Government Relations Committee member/ Teraoka & Partners LLP; Nori Sakai, CPA, JBA Business and Commerce Committee vice chair/ Majordomo Komon, P.C.; Steve Sakanashi, JBA Business and Commerce Committee member/ ABeam Consulting (USA) Ltd; and Yukinori Kamiya, JBA member/ ASUENE USA Inc.

Leading the Japanese business delegation were:

• Kazuhiro Gomi, JCCNC president and president and CEO of NTT Research, Inc., the global research and development arm of NTT; and

• Shinichi Fujinami, JBA president and head of the Los Angeles branch of MUFG Bank, Ltd. Mitsubishi UFJ Financial Group, Inc. (MUFG) is one of the world's leading financial groups.

CalChamber representatives at the luncheon were Jennifer Barrera, president and CEO, and Susanne T. Stirling, senior vice president, international affairs.

Current Topics

Luncheon discussion themes included the tariffs imposed by the Trump administration. The CalChamber reiterated its support for a free trade agenda and longtime commitment to supporting a national free trade agenda that fosters economic growth and job creation.

Other luncheon topics included the overall economy, energy issues, homelessness, the supply chain, and the affordability, environmental and regulatory burdens placed on businesses in California. In addition, there are 110 sister city relationships between California and Japan, contributing to good will and relationship building.

Top Trading Partner

U.S.-Japan Trade

Japan was the sixth largest U.S. export partner in 2024, with total exports equaling $79.74 billion, according to the International Trade Administration. The top five exports to Japan from the United States are chemicals ($15.75 billion), oil and gas ($10.07 billion), computer and electronic products ($8.7 billion), transportation equipment ($8.61 billion), and processed foods ($5.85 billion).

Japan ranked fifth as a source of U.S imports; total imports were $148.21 billion. Top imports from Japan were transportation equipment ($56.75 billion), non-electrical machinery ($28.01 billion), chemicals ($18.43 billion), computer and electronic products ($12.76 billion), and electrical equipment, appliances and components ($9.74 billion).

U.S exports of goods and services to Japan were $126.6 billion, up 5.2% from 2023; imports were $190.9 billion, up 2.4% from 2023, reducing the U.S trade deficit with Japan to $64.3 billion.

California Trade Facts

California accounts for roughly 14% of U.S. exports to Japan. In 2024, Japan ranked fourth among California export partners, with exports to Japan totaling $10.88 billion. Japan has been California's fourth ranked export partner since 2010.

The top five California exports to Japan last year were computer and electronic products ($2.06 billion), transportation equipment ($1.72 billion), non-electrical machinery ($1.4 billion), processed foods ($1.23 billion), and chemicals ($1.15 billion).

Japan also ranked sixth among California import partners, with imports totaling $27.7 billion, making California imports 18.7% of total U.S imports from Japan.

The top five imports from Japan were transportation equipment ($11.52 billion), non-electrical machinery ($3.33 billion), computer and electronic products ($3.27 billion), chemicals ($3.17 billion), and electrical equipment, appliances and components ($1.68 billion).

In 2024, Japan continued to be one of the top investors in California. Japanese foreign-owned enterprises (FOEs) in California provided 127,138 jobs through 3,391 firms, which led to an estimated $14.61 billion in wages. The top sectors for these jobs are manufacturing, wholesale trade, professional/ business services, retail trade, and financial activities. (World Trade Center Los Angeles)

Tariffs

On July 7, President Donald Trump

See CalChamber, Japan: Page 8

Coalition Again Urges U.S. Trade Rep Not to Proceed with Anti-China Proposal

The California Chamber of Commerce joined more than 160 other organizations on July 7 in once again urging the Office of the U.S. Trade Representative (USTR) to refrain from imposing proposed actions against China that will hurt U.S. businesses and consumers instead of deterring China's broader maritime ambitions.

The letter was in response to the USTR's latest proposed action following its Section 301 investigation of China's targeting the maritime, logistics and shipbuilding sectors for dominance.

The organizations signing the letter represent a wide breadth of the nation's economy, including importers, exporters, farmers and agribusinesses, retailers, manufacturers, energy providers, wholesalers, transportation and logistics providers, and other sectors.

The USTR changed its proposal following hearings held earlier this year. Still, the final proposal retains the port fees that the coalition asserts will be passed along directly to cargo owners, U.S. importers and exporters.

The coalition reiterated its support for scrutinizing China's efforts to dominate the maritime industry but emphasized again that the USTR's final actions will not deter China's broader maritime ambitions and will instead directly hurt American businesses and consumers.

Impact of Fees on Shipping Costs

A similar letter to the USTR on March 24, signed by 300 organizations representing an equally broad range of sectors, projected that the proposed fees will increase shipping costs, container and non-containerized, by at least 25% ($600–$800 or more), adding approximately $30 billion in annual costs on U.S. businesses and farmers.

This will lead to higher prices for U.S. consumers and undermine the competitiveness of many U.S. exports — leading to a decline in export revenues and increasing the U.S. trade deficit, contrary to the Trump administration's America First trade goals.

The July 7 letter calls attention to a recent announcement by BIMCO, the Baltic and International Maritime Council, the world's largest international shipping association.

BIMCO said it has begun developing a standard industry clause to address contractual uncertainties arising from USTR's actions to impose fees on Chinese-related ships calling at U.S. ports.

A BIMCO official said the USTR's measures, when implemented, will significantly increase the cost of seaborne trade to and from the United States.

Section 301 Investigation

At the request of the United Steelworkers and four other unions, the USTR opened an investigation in April 2024 under Section 301 of the Trade Act of 1974, as a way to rebuild the U.S. shipbuilding industry.

The USTR released its investigation results on January 16, 2025 in a 182-page report on the decline of U.S. shipbuilding and U.S. flag carriers. The report focused on the dramatic expansion of China's shipbuilding and ship operating sectors.

The report concluded China increased its share of global shipbuilding tonnage from 5% in 1999 to more than 50% in 2023 because of massive subsidies from the Chinese government and preferential treatment for China government-owned enterprises that are squeezing out private sector international competitors.

However, a March 2025 study assessing the probable net economic effects of the proposed remedies found that overall, total exports and imports would decline, having a negative impact on the U.S. economy while the administration is striving to grow the overall economy and create jobs around the country.

The study by Trade Partnership Worldwide, LLC concluded that ocean carriers will respond to USTR's fees by reducing service to many U.S. ports (creating bottlenecks at larger ports like Los Angeles/Long Beach) and potentially diverting cargo to ports in Canada and Mexico based upon customer demand.

The carriers' response will reduce ocean traffic at many smaller ports (such as Oakland), creating profound economic damage — including lost jobs — in communities where ports serve as vital economic hubs.

The USTR proposed remedies include significant "port service fees" against Chinese-built ships every time they enter a U.S. port. The fee also will apply to operators who have Chinese-built vessels in their fleet or have Chinese-built vessels on order. The remedy also includes a requirement for U.S. exporters to export a certain percentage of goods on U.S.-owned, -operated and eventually built vessels.

See Coalition: Page 9

State Budget for 2025–26: What's In, What's Out

From Page 1

enacted budget includes a request from the Governor for $25 million to help fund a new semiconductor research facility in Silicon Valley. The facility is expected to spark more than $1 billion in research funding and create more than 200 direct jobs over the next decade.

Changes for Medi-Cal Program: The state's version of Medicaid, Medi-Cal, faced significant cost pressures. Legislators agreed to introduce $30 monthly premiums for adult undocumented immigrants beginning in 2027, along with a freeze on new enrollment of this population beginning in January.

Important Work on Streamlining Housing: The Governor formally linked two housing production bills to the state budget, making his signature on the spending plan contingent on their passage. The bills seek to provide relief from some provisions of the California Environmental Quality Act (CEQA) for some urban housing development. CalChamber has urged lawmakers to continue working on provisions in one of the housing bills (Assembly Bill 130) related to fees based on the "vehicle miles traveled" (VMT) from housing development.

Unfinished Business: Unfortunately, the state budget agreement does not include two key elements to securing long-term economic growth. Legislators declined the Governor's request to streamline permitting and litigation rules covering the proposed Delta Conveyance Project, a long-discussed plan to allow water to bypass the Sacramento-San Joaquin Delta in its journey from Northern to Southern California. The budget also failed to include a "clean" 15-year extension of California's landmark cap-and-trade program, which will otherwise expire in 2030. Both proposals are key CalChamber priorities.

CalChamber 'Rate Realities' Campaign Highlights Electricity Cost Drivers

From Page 4

(PIPP): Caps qualified household's energy bill at 4% of their income.

- California Schools Healthy Air, Plumbing, and Efficiency Program (CalSHAPE): Provides grants to school districts for plumbing and air conditioning.

- Electric Program Investment Charge Program (EPIC): Funds research to accelerate the state's clean energy transition.

• **Reduce or shift the cost of residential rooftop solar incentives (Net Energy Metering)**, which are paid mainly by customers who don't have solar panels and tend to be lower-income customers.

• **Reduce or find alternative funding for the Renewables Portfolio Standard**, a state mandate that requires utilities to buy solar, wind and hydroelectric energy, often at above-market costs of electricity.

• **Restructure the Climate Credit** program.

• **Fund portions of wildfire mitigation that benefit all Californians through alternative sources**.

Unworkable, Risky and Costly Proposals

• **Creating new government agencies to finance and operate large-scale energy transmission and generation projects**. Putting the state government in charge of financing and oversight of energy infrastructure — *with little to no experience* — will increase costs for taxpayers and ratepayers while jeopardizing system reliability and safety. These proposals would also make it more costly for utilities to access capital for critical infrastructure investments, increasing customer rates by billions.

• **Restricting utilities' ability to recover infrastructure investments**. These short-sighted proposals will jeopardize utilities' ability to finance necessary priorities, such as wildfire prevention, clean energy, and electrification. These proposals would also make it more costly for utilities to access capital for critical infrastructure investments, increasing customer rates by billions.

• **Tying electricity rates to arbitrary cost-of-living caps**. Arbitrary rate caps will limit investments in reliability, wildfire mitigation, clean energy and other grid safety projects. Caps will also jeopardize utilities' ability to finance necessary infrastructure, making it more costly and increasing customer bills.

For more information, visit ***RateRealities.com***.

CalChamber, Japan Business Leaders Mark Longtime Alliance on Trade

From Page 6

began tariff notifications with missives announcing his intent to impose 25% levies on goods from Japan, matching the initial reciprocal tariffs imposed briefly in April. Japan also faces U.S. tariffs on steel.

Top imports from Japan to the United States in 2024 were cars, car parts, pharmaceuticals and machine parts valued at $148.4 billion.

The bilateral U.S. trade deficit with Japan last year was $68.5 billion, the seventh largest the United States had with any country.

World Expo 2025

The World Expo began in Osaka, Japan on April 13 and continues to October 13. Osaka previously hosted the World Expo in 1970.

World Expo 2025 is projected to attract about 28 million visitors. The theme for the expo is "Designing Future Society for our Lives." Subthemes are "Saving Lives," "Empowering Lives" and "Connecting Lives," with "Saving Lives" including infant vaccinations, sanitation, lifestyle (diet and exercise) and extending lifespans.

Longtime Allies

• JCCNC was established in 1951 as a nonprofit corporation to promote business, mutual understanding and goodwill between Japan and the United States. It has been a CalChamber member since 1997.

• JBA, founded in 1961, is a nonprofit organization consisting of nearly 420 Japanese corporations doing business across Southern California. It has been a CalChamber member since 1989.

For more information on California-Japan relations, visit ***www.calchamber.com/japan***.

Staff Contact: Susanne T. Stirling

President Trump Revises, Delays Tariffs

From Page 6

farmers and ranchers, and would allow the United States to compete with other countries that are negotiating agreements with each other.

California's economy is diverse, and the state's prosperity is tied to exports and imports of both goods and services by California-based companies, to exports and imports through California's transportation gateways, and to movement of human and capital resources.

International trade and investment are major parts of our economic engine that broadly benefit businesses, communities, consumers, and state government.

Staff Contact: Susanne T. Stirling

Coalition Again Urges U.S. Trade Rep to Refrain from Anti-China Proposal

From Page 7

While acknowledging that USTR is proposing export requirements to support a domestic shipbuilding industry, the coalition emphasized that all 300-plus organizations signing the March 24 letter share the goal of finding real remedies to address China's dominance in the maritime industry, while also revitalizing the U.S. shipbuilding industry.

March Public Hearings

USTR held public hearings on March 24 and March 26 about the proposed actions in the Section 301 investigation on China's targeting of the maritime, logistics, and shipbuilding sectors for dominance.

There was a mix of support and opposition to the proposed remedies, which will result in fees ranging from $1 million to $3 million — even as high as $3.5 million per port call. Unions and steel makers were supportive of the remedies, while carriers, shippers and farm exporters were strongly opposed. Some 400 comments were submitted and more than 30 witnesses spoke.

All agreed that China's dominance of the shipping industry should be addressed as the United States has lost more than 70,000 jobs in the last few decades and now ranks 19th globally in shipbuilding. Further, while China builds more than 1,000 ocean vessels for commercial use per year, the United States produces fewer than 10.

After the hearings, the USTR developed its final proposal.

What's Next

The coalition letter predicts that ocean carriers will rearrange and potentially reduce services to U.S. ports, especially smaller ports, as a result of the port fee. The reduced service will increase congestion across the country's logistics network and spur a new normal of higher costs and delays affecting both imports and exports. This will have a negative impact on local economies, businesses and workers who rely on these ports.

The July 7 letter again calls upon USTR and the administration to evaluate what is truly needed to support the revitalization of the domestic shipbuilding industry. Achieving that goal requires a dedicated strategy with sustained investments, leadership and a long-term commitment from both the public and private sectors. Not needed is a port fee on Chinese-built vessels that were purchased years ago.

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