

ALERT

CalChamber Board Opposes Proposed Ballot Measures

Initiatives Impose Wealth Tax, Restrict AI Development



The California Chamber of Commerce Board of Directors voted formally last week to

oppose two proposed ballot measures that would inflict lasting damage on the state's economy.

The Board took action on December 5 to oppose what proponents call *The California Kids AI Safety Act* — an effort to impose sweeping, unworkable limits on

artificial intelligence — and a proposed tax based on an individual's presumed wealth, the *2026 Billionaire Tax Act*.

CalChamber leaders believed it was important to weigh in early, before either measure qualifies for the November 2026 ballot, to warn California voters of the far-reaching consequences should these proposals become law.

Sweeping Overreach on AI

CalChamber opposes *The California Kids AI Safety Act* because it seeks
See CalChamber Board: Page 3

Former Assembly Speaker Pérez Talks Politics, Policy, People with Chamber Board



Former Assembly Speaker John A. Pérez gives a wide-ranging talk at the CalChamber Board of Directors dinner on December 4 in the Napa Valley. In addition to assessing the candidates for Governor, Pérez compares today's budget challenges with those he faced while Assembly Speaker, and emphasizes the importance of relationships in tackling tough issues such as the California Environmental Quality Act (CEQA), artificial intelligence, housing and energy.

CalChamber, Coalition Voice Continuing Support for US-Mexico-Canada Agreement



The California Chamber of Commerce joined more than 500 chambers

and associations from all 50 states last week in signing a coalition letter to U.S. Trade Representative (USTR) Ambassador Jamieson Greer in support of the U.S.-Mexico-Canada Agreement (USMCA).

The coalition submitted the letter while the USTR was holding three days of hearings to prepare for a mandatory review of the USMCA in 2026. Nearly 150 individuals representing a variety of organizations testified during the three days.

The USMCA law signed by President Donald Trump in January 2020 requires the USTR to produce a report based on the hearings at least 180 days (January 2, 2026) before top trade officials from the United States, Canada and Mexico meet on July 1, 2026 for the first Six-Year Joint Review to decide whether they want to renew the pact for another 16-year term.

Separately, President Trump spoke privately (presumably about trade matters) with Canadian Prime Minister Mark Carney and Mexican President Claudia Sheinbaum at the draw for the 2026 FIFA World Cup at the Kennedy

See CalChamber, Coalition: Page 5

Inside

California's Fiscal Outlook:
Page 3

Labor Law Corner

Time Off Request for Religious Reasons: Case-by-Case Decision Is Best



Matthew J. Roberts
Associate General
Counsel, Labor and
Employment

An employee approached me asking for time off due to “religious reasons.” We aren’t sure whether the employee has a religious reason for the time off. Do we have to accommodate the request because it is for “religious reasons”?

Both the federal Title VII of the Civil Rights Act of 1964 (Title VII) and California’s Fair Employment and Housing Act (FEHA) require employers to provide reasonable accommodation at the

workplace for employees with sincerely held religious beliefs, observances or practices.

Determining whether an accommodation is needed, as well as whether a requested accommodation is reasonable, are factual inquiries that need to be made on a case-by-case basis.

Avoid Questioning Religious Belief

Both Title VII and FEHA define religious beliefs in this context to include all aspects of religious beliefs, observance and practice. Religion is not limited to practices mandated or prohibited by the employee’s faith or to traditional, organized religions.

Because the religious belief, observance or practice needs only to be sincerely held by the employee and is personal to the employee as it relates to their spirituality, employers generally are prohibited from inquiring into the religious nature of the employee’s beliefs.

Although the Equal Employment Opportunity Commission, the government agency that enforces Title VII, suggests an employer may question the belief, observance or practice if the employer has an objective basis to do so, this is a high burden for employers to meet. Before questioning any religious beliefs from employees, employers must contact legal counsel to discuss the risks.

Engage in Prompt, Good Faith Interactive Process

An employee requesting time off, or any other accommodation, for “religious reasons” doesn’t automatically oblige employers to provide the requested

accommodation.

Employers may, and should, engage in the interactive process to learn more about how the employee’s religious belief, observance or practice interferes with the employee’s job requirements — in this case, the employee’s ability to be present during this requested leave.

Much like the interactive process with employees requesting accommodation due to a disability, the religious reasons process is unique to the facts and circumstances of each employee and should be conducted that way.

The interactive process should also be a collaborative and open process that allows the employee to fully explain their need for the accommodation while the employer fully explores what, if any, accommodation is necessary in this case.

Employers should always participate in the interactive process with an eye toward ensuring that the employee’s religious belief, observance or practice does conflict with a job duty, and if so, the most effective way to resolve that conflict. While going through the interactive process, the employer should document the entire process, start to finish.

Provide Reasonable Accommodation

Employees often will initiate the accommodation process by requesting a specific modification to their job duties, such as modified work schedules, removal of nonessential job duties or time off from work. Although the employer ultimately may provide the employee’s requested accommodation, the employer is not bound to do so.

See Time Off: Page 5

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2026 Employment Law Updates.
CalChamber. January 8–22, 2026,
Virtual Seminar. (800) 331-8877.

2026 Employment Law Updates.
CalChamber. January 29, 2026, **Webinar.** (800) 331-8877.

California Employers’ Guide to AI Decision Making. CalChamber. February 19, 2026, **Webinar.** (800) 331-8877.

HR Boot Camp. CalChamber. February 26–27, April 23–24, June 4–5, September 10–11, 2026, **Virtual Seminar.** (800) 331-8877.

Navigating Paid Sick Leave & Time Off Requests in California. March 5, 2026, **Webinar.** (800) 331-8877.

See CalChamber-Sponsored: Page 6

Legislative Analyst Details State's Fiscal Outlook, Budget Problem

Growing personal income tax collections have been a “bright spot” in the state’s fiscal outlook in recent months, California Legislative Analyst Gabriel Petek told the CalChamber Board of Directors last week.

But because spending also is higher, the state’s estimated budget deficit for the 2026–27 fiscal year is \$18 billion, instead of the \$13 billion projected in June when lawmakers adopted the budget, Petek said.

His presentation to the CalChamber Board summarized *The 2026–27 Budget: California’s Fiscal Outlook* report from the Legislative Analyst’s Office (LAO).

Constitutional spending requirements meant that much of the \$11 billion in higher-than-expected income tax revenue went to education and paying down debt, Petek explained.

On the other side of the ledger, spending was higher by about \$6 billion, including an estimated \$1.3 billion in higher costs due to the recently enacted federal law, H.R. 1 (One Big Beautiful Bill Act).

Looking ahead, the LAO projects an annual state budget deficit of \$35 billion starting in the 2027–28 fiscal year because of a “structural misalignment” of slower revenue growth when matched against elevated expenditures.

Petek commented that in the last four



California Legislative Analyst Gabriel Petek reviews the state’s fiscal outlook with the CalChamber Board of Directors.

years, many budget solutions have been one-time maneuvers, such as deferred spending, shifting funds between accounts, tapping into budget reserves, and temporary revenue increases like suspending the ability of businesses to claim net operating losses (NOL).

The LAO’s fiscal outlook report

doesn’t provide specific budget recommendations to the Legislature, Petek noted, but its overarching guidance to policy makers is that they should try to put the state’s fiscal structure into alignment with income and reduce expenditures on an ongoing basis.

CalChamber Board Opposes Proposed Ballot Measures

From Page 1

to impose far-reaching regulations that would undermine both AI’s potential and the new guidelines signed into law by Gov. Gavin Newsom in September.

Contrary to its supporters claiming their effort is only focused on protecting children, the initiative would affect almost all AI development and deployment.

Developers would face new compliance risks as well as scores of frivo-

lous lawsuits. And oddly enough, the measure’s extreme enforcement provisions would likely require AI companies to access even **more** of a user’s private information to avoid legal liabilities.

Simply put, its passage could easily push the AI industry out of California.

Untested Tax Increase Sets Dangerous Precedent

CalChamber leaders believe voters should be wary of any proposal prom-

ising easy solutions to erasing state government’s looming budget deficit, especially one that sets a reckless precedent without careful consideration of the consequences.

The proposal measures “wealth” in ways that would include unrealized gains on shares held by founders of Silicon Valley startups, all in service of a one-time infusion of tax revenue that does nothing to solve the state’s systemic budget problems.

California Connections a Key in Transition to Reinventing Transatlantic Relationship



Alexandra de Hoop Scheffer, president of the German Marshall Fund of the United States.

Relations between the United States and Europe are in a transition phase, Alexandra de Hoop Scheffer, president of the German Marshall Fund of the United States, told a breakfast gathering of the CalChamber Council for International Trade (CCIT) on December 5.

California-Europe relations are an important part of reinventing the transatlantic relationship, de Hoop Scheffer said at the meeting, which was led by CCIT Vice Chair Jennifer Haley of Kern Energy.

Attendees included the consuls general from Canada, the United Kingdom, the Netherlands, Ukraine, Portugal, the Slovak Republic, the Czech Republic and Bulgaria, as well as representatives of the European Chamber of Commerce.

Geopolitical Transition

The war in Ukraine has led to a European reassessment of relations with the United States and other nations, de Hoop Scheffer commented. Part of the rebalancing, she said, includes recognizing the need for Europe to be less dependent on U.S. defense, Russian energy, and Chinese technology.

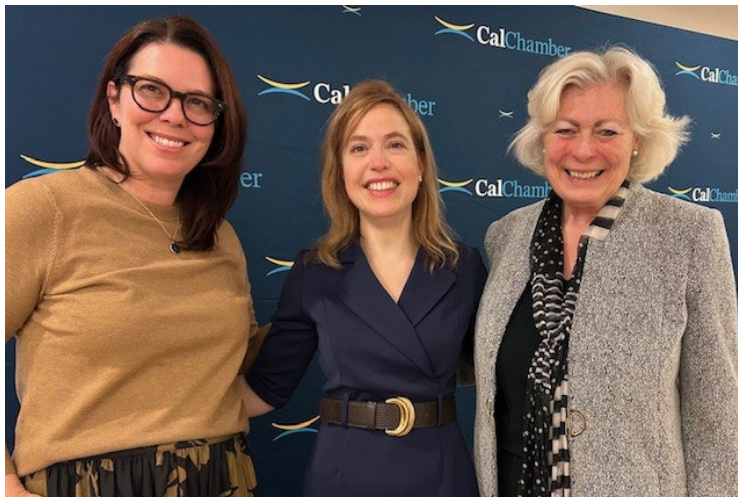
She encouraged listeners to read President Trump's recently released

2025 National Security Strategy. A quick review, de Hoop Scheffer said, indicates the strategy is to narrow American priorities, equate economic security with national security, and focus on the Western Hemisphere first, Asia second and Europe third.

The strategy calls for Europe to take on a greater share of the burden of its defense, while cooperating with the United States in areas where interests overlap, such as critical minerals supply.

Strong Economic Relations

What keeps the U.S. relationship with Europe strong is record high transatlantic trade and investment, de Hoop Scheffer explained. She pointed out that U.S.-European Union trade in goods and services reached \$2 trillion in the past year — far exceeding U.S. trade with China.



(From left) Jennifer Haley, vice chair of CalChamber Council for International Trade; Alexandra de Hoop Scheffer, president of the German Marshall Fund of the United States; Susanne T. Stirling, CalChamber senior vice president, international affairs.

Many U.S. technological services companies see the European market as the most profitable, and Europe also works a lot with U.S. defense companies.

The interdependence between the United States and Europe continues to grow, she said. The U.S. and Europe are the primary source and destination for foreign direct investment (FDI), together accounting for 60% of global inward foreign investment stock and 62% of outward stock in 2024.

California-Europe

European companies are the source of high-quality jobs in California, said de Hoop Scheffer. For example, the United Kingdom is the largest source of FDI and Germany is the third largest. European Union investment is responsible for 30,000 jobs in California, mainly in technology, finance and professional services.

To revamp the transatlantic relationship, she said, will require strengthening state-local connections, city-to-city connections, and lawmaker-to-lawmaker connections.

As political tensions grow between the United States and Europe, cultivating other channels, including business-to-business connections, can produce advantages for companies, she said.

California is working already with

European nations in areas such as climate, technology innovation, artificial intelligence, and standards setting, according to de Hoop Scheffer.

She encouraged the audience to “interact with your European counterparts because this business-to-business relationship is absolutely going to shape this new transatlantic relationship, and hopefully in a much more pragmatic way and a much more creative way. This is an era where we need to be creative together.”

The **German Marshall Fund of the United States (GMF)** is a nonpartisan and nonprofit organization focused on transatlantic affairs.

The GMF was founded as an independent American foundation in 1972 with a gift from Germany in appreciation for aid received under the Marshall Plan after World War II.

Headquartered in Washington, D.C., the GMF offers insight into policy and political dynamics across the Atlantic and beyond, and retains offices throughout Europe.

Staff Contact: Susanne T. Stirling

CalChamber, Coalition Voice Continuing Support for USMCA

From Page 1

Center in Washington D.C. on Friday, December 5. The three countries are co-hosting the 2026 World Cup.

Previously, the CalChamber [submitted public comments on November 3](#), as the Office of the U.S. Trade Representative was starting the public consultation process in advance of the joint review of the USMCA.

Longtime Support

Since the early 1990's, the CalChamber has supported the concept and establishment of a North American Free Trade Agreement (NAFTA) based upon an assessment that it serves the employment, trading and environmental interests of California and the United States, as well as Canada and Mexico, and is beneficial to the business community and society as a whole.

That support continued during the first Trump administration when the United States, Mexico and Canada reached an agreement to modernize the 25-year-old NAFTA into a 21st century, high-standard agreement.

The CalChamber continues to believe the USMCA supports mutually beneficial trade leading to freer markets, fairer trade, and robust economic growth in North America.

Now as all three countries have begun to organize for the six-year USMCA review in July 2026, the CalChamber continues to support the objectives of the USMCA to eliminate barriers to trade, promote conditions of fair competition, increase investment opportunities, provide adequate protection of intel-

lectual property rights, establish effective procedures for implementing and applying the agreements and resolving disputes, and to further trilateral, regional and multilateral cooperation.

The process, which begins in year six of the pact (2026), allows each country to either confirm its desire to extend the agreement or raise concerns that it wants to address. In the latter scenario, the three countries will continue the review every year until either the concerns are resolved, or the pact is terminated in year 16.

Given California's position as a global leader in international trade, the USMCA priorities are important to CalChamber members and the overall economic health of our state.

USMCA Statistics

The United States, Canada and Mexico comprise more than 520 million people (6.3% of the world's population), more than \$33 trillion in gross domestic product (GDP) (nearly 30% of world GDP), and \$1.8 trillion in goods and services trade (5.5% of \$33 trillion in total global trade). More than 13 million American jobs depend on trade with Mexico and Canada. The USMCA provides duty-free access for nearly all goods traded among the three countries.

The importance of total U.S.-USMCA goods trade at \$1.601 trillion cannot be overstated. The \$683.94 billion in exports to Mexico and Canada include transportation equipment (\$116.69 billion), computer and electronic products (\$80.47 billion), chemicals (\$69.03 billion), non-electrical machinery (\$63.99 billion),

and petroleum and coal products (\$49.06 billion).

Total U.S. imports from Mexico and Canada of \$917.41 billion include transportation equipment (\$238.95 billion), oil and gas (\$117.91 billion), computer and electronic products (\$104.75 billion), electrical equipment, appliances and components (\$54.13 billion), and non-electrical machinery (\$52.51 billion).

CalChamber Position

The original key provisions of the USMCA, including focus on rules of origin, goods market access, intellectual property modernization, ease of customs and trade rules for small business, greater market access for American agriculture, strong disciplines on digital trade, and enforceable labor standards, are as important to the agreement today as they were when first implemented. *Through all these provisions the continued theme of compliance and enforcement should run.*

The CalChamber urges the Trump administration to continue to engage with Mexico and Canada and swiftly extend the USMCA. In fact, it is hoped that the continued success of the USMCA may serve as a foundation for future trade agreements around the world.

The USMCA creates a stable and certain commercial environment that reinforces strong economic ties and enhances North American competitiveness in the global market, thereby ensuring North American economic security, which leads to geopolitical security.

Staff Contact: [Susanne T. Stirling](#)

Time Off Request for Religious Reasons: Case-by-Case Decision Is Best

From Page 2

When engaging in the interactive process, employers should learn the scope of the accommodation needed — for example, how much time off is actually needed for the religious belief, observance or practice. Sometimes, employees may request a full day, or a few days off for this purpose when in reality, the need is only for a few hours. In this case, the employer needs to provide only the

necessary amount of time off.

Further, an employer is not required to provide an accommodation that would cause undue hardship for the employer. Federal and California law generally define "undue hardship" as an action that would result in substantial or significant difficulty or expense.

Courts at all levels have recognized this as a high burden for employers to prove, so employers should use this

exception sparingly and in consultation with legal counsel.

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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From Page 2

Leaves of Absence. CalChamber. March 26–27, May 7–8, August 6–7, 2026, [Virtual Seminar](#). (800) 331-8877.

Workplace Violence Prevention Program Tips for 2026. CalChamber. April 16, 2026, [Webinar](#). (800) 331-8877.

Wage & Hour 101: Nonexempt/Hourly Employees. CalChamber. May 21, 2026, [Webinar](#). (800) 331-8877.

Wage & Hour 101: Exempt Employees. CalChamber. June 18, 2026, [Webinar](#). (800) 331-8877.

Supervisor Essentials. CalChamber,

July 16, 2026, [Virtual Seminar](#). (800) 331-8877.

International Trade

California Trade Mission: India – Health Tech. Governor’s Office of Business and Economic Development (GO-Biz). January 27–January 31, 2026. Mumbai & New Delhi, India. [Event website](#).

Expo Manufactura. GO-Biz. February 3–5, 2026, Monterrey, Mexico. [Apply today](#).

Agriculture Tech in South Africa, Export Training. GO-Biz and Zurcom Inter-

national. February 5–March 30, 2025, [Virtual](#).

EXIM Annual Conference. Export-Import Bank of the United States. April 29–30, 2026, Washington, D.C. [Registration will open later this year](#).

SelectUSA Investment Summit. Select USA. May 3–6, 2026, National Harbor, Maryland. [Event website](#).

NADEC Annual Export Conference: Global Trade in Transition. National Association of District Export Councils. May 12–13, 2026, Nashville, Tennessee. [Event website](#).



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