

ALERT

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 **CalChamber**
CALIFORNIA CHAMBER OF COMMERCE

90th Sacramento Host Breakfast

Californians Show Grit, Imagination in Hard Times



Photo by Steve Yeater

Governor Edmund G. Brown Jr.

The ability of Californians to respond to challenges with imagination and innovation was a recurring theme in remarks at the 90th Annual Sacramento Host Breakfast on May 28.

Governor Edmund G. Brown Jr., California Chamber of Commerce Chair Joseph M. Otting and Sacramento Kings owner Vivek Ranadivé told stories of inspiration from the past and plans for the future.

The Governor called out Californians' destiny to "overcome the obstacles by imagination, by grit, by will, and by collaboration."

Governor Brown

Governor Brown began his address by reading newspaper headlines declaring California a doomed or failed state.

"That doesn't seem to be the mood in this room and that isn't really the mood of California," Brown said. "Yes we have our challenges, and I don't want to sugar coat with all the exuberance, the darker shadows that confront our state and our

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California Officers at CalChamber Events



Photo by Steve Yeater

California Attorney General **Kamala D. Harris** (left) and State Controller **Betty T. Yee** speak to CalChamber audiences about collaborative solutions to technology crimes (Harris) and the roles of the controller's office (Yee). Stories inside.



Senate Passes Bills Increasing Fuel Costs, Regulatory Burden



The Senate this week passed two California Chamber of Commerce-**opposed** "job killer" bills that, if signed into law, may increase costs for

California businesses and create regulatory burdens throughout the state.

• **SB 32 (Pavley; D-Agoura Hills)**

Slows Economic Growth—Increases costs for California businesses, makes them less competitive and discourages economic growth by adopting further greenhouse gas emission reductions for 2030 and 2050 without regard to the impact on individuals, jobs and the economy.

• **SB 350 (de León; D-Los Angeles)**

Costly and Burdensome Regulations—Potentially increases costs and burdens on all Californians by mandating an arbitrary and unrealistic reduction of petroleum use by 50%, increasing the current Renewable Portfolio Standard to 50% and increasing energy efficiency in buildings by 50%—all by 2030 without regard to the impact on individuals, jobs and the economy.

SB 32: Slows Economic Growth

SB 32 mandates a reduction in greenhouse gas emissions to 80% below 1990 levels by 2050 with no consideration of the economic side effects.

AB 32 was passed and signed into law in 2006 to reduce greenhouse gas emissions to 1990 levels by 2020, equivalent

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Labor Law Corner

New Paid Sick Leave Law Requires More than Kin Care



Sunny Lee
HR Adviser

I am confused about my obligations under kin care. How do they relate to the new sick leave law?

The new state paid sick leave law protections and rights of an employee to use paid sick leave are broader than those contained in the kin care law.

Kin Care

Kin care never created a separate right for an employee to get paid sick leave, nor did it define how much sick leave had to be provided or which employees had to be provided with sick leave.

Kin care merely extended the use of sick leave to an employee for the care of a sick child, spouse, domestic partner or parent. It was never a mandate on an employer to provide paid sick leave or keep records, nor did it give the employee the right to go to the Division of Labor Standards Enforcement for being denied paid sick leave.

New Paid Sick Leave Law

The new state paid sick leave law, which goes into effect July 1, goes much further by requiring that every employer provide a minimum level (3 days or 24 hours) of paid sick leave to all employees.

In addition, it extends paid sick leave for the care of a grandchild, grandparent

or sibling. Further, it does not limit the use of paid sick leave, as kin care did, to half the annual accrual. The entire sick leave accrual or lump sum can be used for the employee or the care of covered family members.

Employers with existing sick leave or paid time off (PTO) policies that do not comply with the terms of the new mandated sick leave law—even though their policies complied with kin care—will have to update those policies to reflect these new requirements.

For further information about the new state-mandated sick leave law, visit [HRCalifornia](http://HRCalifornia.com) or contact the Helpline.

The Labor Law Helpline is 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 Law

HR Boot Camp. CalChamber. August 18, Sacramento; September 2, Laguna Beach. (800) 331-8877.

Business Resources

Unemployment Insurance 101: The Basics. National Foundation for Unemployment Compensation and Workers' Compensation. June 17, San Diego. (916) 501-6347.

34th National UI Conference. National Foundation for Unemployment Compensation and Workers' Compensation. June 17–19, San Diego. (202) 223-8904.

California Travel Summit 2015. Monterey County Convention and Visitors Bureau. June 17–19, Monterey. (559) 289-9396.

International Trade

9th World Chambers Congress. International Chamber of Commerce. June 10–12, Torino, Italy.

Energy Conference–Mexico City. Geoskope and ProMexico. June 22–24, Mexico City. (213) 382-3179.

Korea Overseas Investment Fair. Korea

Trade-Investment Promotion Agency. June 24–25, Gyeonggi-do, South Korea. (408) 432-5021.

Hong Kong/China Trade and Leadership Mission. CalAsian Pacific Chamber. August 14–27, Hong Kong, Guangzhou, Shanghai, and Beijing, China. (916) 446-7883.

Trade Winds-Africa Trade Mission. U.S. Commercial Service. September 14–21, Johannesburg, South Africa. (304) 347-5123.

Export Leaders Roundtable. Small Business Administration. September 17, Southern California (location to be determined). (415) 744-7730.

Bilateral Forum: CA and Latin America. The Port of Los Angeles and The Elden Company. October 1–3, San Pedro. (949) 300-5700.

Academia and Related Export Controls. U.S. Commercial Service. October 14, Claremont. (909) 390-8429.

Defense Trade Essentials. U.S. Commercial Service and California Inland Empire District Export Council. October 15, Claremont. (909) 390-8429.



Attorney General Harris Lauds ROI of Public-Private Partnerships



Attorney General Kamala D. Harris

Public-private partnerships are essential to bringing up-to-date technology to law enforcement efforts, California Attorney General Kamala D. Harris told a California Chamber of Commerce audience on May 27.

Working in collaboration with the private sector enabled the Department of Justice (DOJ) to develop a plan for dealing with the privacy issues related to early mobile applications, Harris said at the CalChamber Capitol Summit in Sacramento.

Problem Solving

Over six months, the Office of the

Attorney General and six major online providers arrived at what Harris called an “all-too-rare” example of industry and government coming together to solve a problem.

Increased collaboration like this is very exciting and one of the only ways the state will be smart in having good public policy, Harris said. Litigation, regulation and legislation result in slow and inaccurate solutions to technology crimes, she said.

Returning to the subject of data breaches, Harris urged listeners to consult the best practices outlined in the report *Cybersecurity in the Golden State*, issued in February 2014. The report is the product of a collaborative effort between the Attorney General’s office, CalChamber and Lookout, a mobile security company.

Cost-Effective

Another cooperative effort is Back on Track L.A., a program in which the DOJ worked with the Los Angeles County Sheriffs Department and the Los Angeles Area Chamber of Commerce to focus on low-level offenders. Elements of the program, Harris noted, include improving parental skills and the employability of the offenders, as well as substance abuse and mental health counseling.

The program is cost effective, Harris said. Housing an offender in the Los Angeles County jail costs \$38,000 a year,

compared to \$3,200 per offender in the Back on Track program.

Economic Benefits

Harris highlighted two other efforts with benefits for the economy:

- **Battling elementary school truancy.** One study showed that up to 40% of elementary school students are chronic truants and those truants are three to four times more likely to drop out of high school. Those dropouts collectively cost the state more than \$40 billion a year in the burden they place on public safety, health, social services and not contributing to the tax base, Harris said.

The DOJ, Harris said, is pushing counties to do a better job in how they are handling truancy. The issue, she added, is ripe for a public-private effort.

- **Supporting the federal administration’s executive order to overhaul immigration laws.** California has a huge population of undocumented immigrants “living in the shadows,” Harris commented. Bringing those people into the sunshine, she said, will boost the California economy \$11.7 billion to \$27.5 billion over the next decade.



See video of Attorney General’s Remarks on the Alert mobile app www.calchamber.com/mobile or calchamber.com/summit.

Longtime Insiders Comment on Interplay of Politics, Policy in Sacramento



CalChamber President and CEO Allan Zaremberg (right) moderates a lively discussion with Rob Stutzman, founder/president of Stutzman Public Affairs, and Robin Swanson, principal of Swanson Communications, at the Capitol Summit on May 27. Topics include taxes, the 2016 elections, top-two primary and the two-party system. Video clips at www.calchamber.com/summit or on the Alert mobile app.

Controller Betty Yee Calls State Tax System ‘Unsustainable’



California State Controller Betty T. Yee

California has an “unsustainable” tax system, State Controller Betty T. Yee told the California Chamber of Commerce Board of Directors last week.

“We are relying on upper-income earners paying the majority of our personal income taxes—unsustainable,” Yee said at the May 28 meeting of the CalChamber Board in Sacramento.

She said it is time for state leaders to look at comprehensive tax reform—“cracking open” the entire tax system and evaluating it against the principles of workability, fairness and certainty.

Nonpartisan Advice

Yee said that she has established a nonpartisan Council of Economic Advisors that will look at every proposal to reform the state’s tax system and offer their thoughts on each proposal’s workability, feasibility—not political feasibility, but the proposal’s practical effects—unintended consequences and any other viable alternatives.

The goal, Yee said, is to establish a “compendium of these perspectives” to serve as a reference for voters and decision makers.

Having a diverse array of perspectives is very helpful, Yee said, adding that she has no view of any set outcome; she simply wants to ensure there will be “a good analysis from those who depend on these tax rules for doing business here in California and living here in California.”

Having served on the state Board of Equalization and the tax appeals board for the last 10 years, Yee said, she believes

that the time to look at the workability, unintended consequences and other issues related to a tax proposal is “up front,” before the proposal is put into effect.

Yee noted that the current stability of the state budget provides an opportunity for her agency to do some planning and shore up its ability to produce financial statements. The Controller’s Office has received some new funds for that purpose, she said.

Following a recap of positive economic indicators, including 57 consecutive months of nonfarm job growth, Yee listed risks to the economy: the drought, climate change and sea level rise, and the availability of affordable housing.

Information from Business

In closing, Yee commented that much of what her office does in providing independent oversight of the state’s finances depends on information from the business community.

She expressed her hope for “an ongoing relationship with this chamber to inform the work that we do.” In the continuing effort to deal with the challenges facing the state, Yee said, “Your voice is vitally important in this discussion.”

CalChamber Policy Advocates Spotlight Hot Issues at Capitol Summit



Photo by Steve Yeater

Mike Villines (center), owner of Villines Group LLC and a former Assembly Republican leader, moderates an update on top policy issues with CalChamber Policy Advocates Jennifer Barrera and Anthony Samson at the Capitol Summit on May 27. Subjects include labor and employment issues, disability access reform, warnings on consumer products and hazardous waste permitting. Video clips at www.calchamber.com/summit or on the Alert mobile app.

Small Business Advocates of the Year

CalChamber Recognizes Lodi, Torrance Business Owners



The California Chamber of Commerce honored business owners from Lodi and Torrance last

week with its “2015 Small Business Advocate of the Year” award, recognizing them for outstanding advocacy on behalf of small businesses.

The CalChamber announced the awards in Sacramento before more than 200 attendees at the CalChamber Capitol Summit on May 27. This year marks CalChamber’s 20th annual recognition of small business advocates.

The 2015 Small Business Advocate of the Year Award recipients are:

- **Tiffany Gomes**, owner, Classic Design Floor to Ceiling, Lodi;
- **Rob Van Lingen**, president, Van Lingen Towing and Public Service Impound, Torrance.



Tiffany Gomes

Gomes began her career in the home decorating and remodeling business about 10 years ago as a temporary receptionist. In 2010, she purchased that same business she

began temping for and made major operational changes, rebranding the company as Classic Design Floor to Ceiling. Currently, her business is very successful bidding on new housing development contracts throughout Northern California.

“She is a true example of a small business advocate,” wrote Lodi Chamber of Commerce president and CEO Robert “Pat” Patrick. “Having crafted a business from nothing but her dream, creating jobs where there were none, serving and giving back to her community in many ways, including the voice of a strong and consummate business advocate.”

Gomes has been politically active with groups in the construction and remodeling trades on many pieces of state legislation over the last five years. In addition to her legislative work at the California State Capitol, Gomes has traveled as far as Washington, D.C. to

protest federal card check legislation. Gomes has also been vocal at the Lodi City Hall, raising questions and petitioning about purchasing fairness practices for local small businesses.

Last year she served as chair of the Lodi Chamber’s board. This year she is chairing the Lodi Chamber’s government relations committee, having been a voting member of the committee for six years.

Gomes also served on the chamber’s candidate endorsement panel in 2010, 2012 and 2014. She actively campaigned in the most recent election, working hard to get the Lodi Chamber’s top endorsees elected.



Rob Van Lingen

“Rob is an individual filled with passion for doing what is right for business,” wrote Donna Duperron, president and CEO of the Torrance Area

Chamber of Commerce.

Van Lingen is a third generation small business owner, having grown up in the towing, transport and wrecked vehicle recovery industry. Early in his career, he experienced a near-fatal injury during a vehicle recovery. He used this incident as

the catalyst for change to re-engineer the rigging, training and equipment standards of the towing industry.

Van Lingen is a dedicated industry advocate, working with the California Tow Truck Association (CTTA). This unique perspective on private enterprise and public policy led to his appointment as the Torrance Chamber’s vice chair of government affairs and policy.

Since assuming leadership of the Torrance Chamber’s government affairs operations, Van Lingen has helped substantially grow the chamber’s legislative advocacy program for small businesses. He hosts monthly meetings with the staff representatives of Torrance’s elected officials at each level of government to voice the concerns of small businesses in the community.

In 2014, Van Lingen was instrumental in setting the advocacy strategy of the Torrance Chamber, which resulted in a 76% success rate in stopping bills deemed bad for business.

In 2015, Van Lingen has led an initiative to help small businesses adapt to the new paid sick leave mandate and directed the establishment of a Paid Sick Leave Compliance Resources portal on the Torrance Chamber website.

See interviews with this year’s award recipients at www.calchamber.com/smallbusiness or on the **Alert** mobile app.

Senate Passes ‘Job Killer’ Bills

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to a 30% reduction in emissions compared to a “business as usual” trend. Through a combination of command-and-control and market measures, along with the economic recession, California can meet that goal. What is not known is whether these goals have been met in a cost-effective manner, and what the economic and environmental side effects have been.

Before extending the greenhouse gas reduction mandate beyond 2020, the Legislature should independently evaluate the cost and benefit of the state’s current climate change programs to better understand what has and has not worked.

SB 350: Increased Fuel Costs

SB 350 provides broad and undefined

authority to the California Air Resources Board (CARB) to adopt regulations, standards and specifications “in furtherance of achieving a reduction of petroleum use in motor vehicles by 50% by January 1, 2030....” This bill does not specify whether CARB should adopt and implement policies that have an impact on the demand for petroleum fuels, or whether it should adopt and implement policies that affect the supply of transportation fuels. SB 350 provides a blank check delegation of authority to CARB, and in doing so, gives no consideration to the cost or job loss associated with this to-be-determined regulation.

The bills now go to the Assembly and will be assigned to policy committees for hearings soon.

Staff Contact: Amy Mmagu

Photos by Steve Yeater



CalChamber Board and Sacramento Host Committee members stand for the presentation of colors. On the big screen is Diane D. Miller of Wilcox, Miller & Nelson, Host Committee chair.



Vivek Ranadivé

Californians Show Grit, Imagination in Hard Times

From Page 1

lives and our world, but it is good to recount how far we've come."

From Deficit to Surplus

What was a \$27 billion deficit is now a surplus, the Governor said, but warning "a surplus, by the way that will turn into a deficit without very strong budget discipline over the next couple of years."

Continuing that theme, he said: "When you spend today, you're paving the way for massive cuts tomorrow. The better path is stable, careful, sustainable budgeting, and that's what we are going to have in the state of California."

Brown highlighted several policy areas.

Education

He touched on education and the increased per student funding (up \$3,000). The Governor's budget proposal gives top priority to education.

Drought

Turning to the drought, Brown commented that the Proposition 1 water bond approved by voters and the Legislature will enable the state to invest in needed water infrastructure. "It's the first investment in water storage, probably since my father was around," Brown joked.

The groundwater legislation enacted last year provides for the management for the first time of water taken up in wells, the Governor commented.

Delta Water

The controversial Delta water conveyance project, Brown said, is part of the

"highly engineered" water system in Northern California that includes berms, levees and dams for flood protection, channels and the aqueduct for taking water from the snow and the mountains to urban areas.

If the Delta levees failed in an earthquake, salt water would rush in and cut off water to Silicon Valley, causing hundreds of billions of dollars in economic losses.

"So think of it as an insurance policy to continue the very sophisticated engineering that has characterized California."

Climate Change

Brown talked about his executive order to establish a California greenhouse gas reduction target of 40% below 1990 levels by 2030—the most aggressive benchmark enacted by any government in North America to reduce carbon emissions over the next decade and a half.

Brown also signed the recent dozen-state agreement, called the "Under 2 MOU," which provides a template for the world's nations to follow as work continues toward an international agreement to reduce greenhouse gas emissions ahead of this year's United Nations Climate Change Conference in Paris.

"California is a world state and we're acting that way, because we know we can't do it alone. If we do everything right, it won't make any difference unless China, India and Brazil and other countries do the same," the Governor told Host Breakfast attendees.

Earned Income Tax Credit

The Governor discussed his proposal for a new refundable tax credit for the working poor—a first-ever Earned Income Tax Credit (EITC) for California. The EITC is very similar to the negative income tax talked about by "Milton Freedman, the great conservative economist," Brown said.

Rainy Day Fund

Finally, Governor Brown also talked about the rainy day fund.

"As it builds up, everybody forgets the recession and they want to start spending. And right in the middle of all that, we get a crash," he said. "If we have a modest recession—not if, when—we have a recession, if it's modest, the California state budget will lose \$40 billion over three to three-and-a-half years."

If you look at how the budget is structured, "just about all the money we've gotten over the last few years is going to schools or into the rainy day fund. Now that's what you call investing in the future. It's the kids and the stability of our state budget and I think that's money well spent."

Joseph Otting

Otting, CalChamber Board chair and president and chief executive officer, OneWest Bank, N.A., spoke about California being home to many innovations and transformations.

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Remarks by Joseph M. Otting

Innovations Transform State Economy to Open Doors to a Better California

Following are remarks presented by Joseph M. Otting, 2015 chair of the California Chamber of Commerce Board of Directors, at the 90th Annual Sacramento Host Breakfast on May 28. Otting is president and chief executive officer of OneWest Bank N.A., Pasadena.

What a pleasure—you know, 90 years. When you think about 90 years of something occurring, it's got to be magical for that to carry on. And I also just want to offer my congratulations to the ladies and gentlemen of the Armed Forces... really, thank you for all that you do and the sacrifices that you and your family make... it's tremendous. It's why we're free and we're here today.

I'd also like to acknowledge the support of the CalChamber for the breakfast. This ...we were trying to scurry and find out, but we were able to document that this is over 50 years that the Chamber has supported the breakfast. So Allan [Zaremborg, CalChamber president and CEO], thank you for your leadership and for the Chamber and what they do.

CalChamber: 125 Years

If we were sitting here in 1890, we could be at a CalChamber event. That's an amazing statistic to think that 125 years ago, this organization started out.

The CalChamber today—it's the largest broad-based advocacy group in California. Members of the CalChamber represent a quarter of all private jobs in the state. They provide products and services to allow people to be in compliance with state and federal laws, which are constantly changing, including our labor laws.

Through our local network, we have over 250,000 Main Street businesses that are represented by local chambers. We have a lot of local chamber members here that came here today from throughout the state, so please give them a round of applause for all the work they do in their local communities.

The mission of the Chamber in the state of California is to make this a better place to live, work and create something that's very special.

Eyes on California

I grew up in the Midwest and as Vivek's [Ranadivé, owner and chairman, Sacramento Kings] talk about the United

States ... I can tell you from the time I was a young man, I always looked at the state of California and said that's where I want to spend the rest of my life.



Photo by Steve Yeater

Joseph M. Otting

This is the greatest state to live and work. We are the most populous state in the nation. One in 10 people in the nation live in the state of California. Mount Whitney and Death Valley are the highest and lowest points in the continental United States.

And that's probably kind of why it's appropriate that we have such highs and lows in California ... and hopefully someday we're going to figure that out. But it's in our culture.

Water Challenges

We are also home to one of the largest bodies of water. And I'm not talking about Clear Lake; I'm talking about the Pacific Ocean. We have huge challenges with the water that our Governor is prepared to take on.

And we will use California ingenuity to figure this out... whether it's desalination; whether it's conservation; whether it's what

we do in the Delta. But out of crisis in California, really comes innovation. And I think those are some of the hallmarks.

Strength from Immigration

And we also have one of the largest immigration populations. The CalChamber is a strong supporter for comprehensive immigration reform. We're a big supporter of that. There's a lot of work to be done on that.

But immigration makes our state strong, makes us diverse and really remarkable. I think that's one of the hallmarks of why people like Vivek and my friend Raj Bhathal, who's out in the audience, can come from India... come to the United States, make it and be a successful business person.

Banking Innovations

You know, California is also home to many great innovations and transformations. And modern-day banking actually started here in California. A.P. Giannini, who started the Bank of Italy in 1904 and eventually merged that with Bank of America, was really the person that created that the average person could go into a bank and have access to capital.

When he was done, he created a financial services with 500 locations, which was totally unheard of in the banking world. He was recognized by *Time* magazine as a builder and a titan by the *American Banker* as one of the most influential people of the 20th century.

Taking Banking to Main Street

And really, when you look at his accomplishments of taking banking down to Main Street America, he was able to help Walt Disney finance his first picture show, which was "Snow White." Bank of America was at the forefront of that.

He was the first that had the vision for the wine industry in the state of California and provided capital to the wine industry. He bought the bonds and put them on the bank's balance sheet to

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Innovations Transform State Economy to Open Doors to a Better California

From Page 7

finance the Golden Gate Bridge.

Three people walked into his office that needed help by the last names of Kaiser, Hewlett and Packard. And he believed in their transformation of where they were going.

And he was responsible for creating Transamerica Financial Services, and eventually had to spin that out because of the banking laws, but had the vision that banking and financial services could be packaged together for the common person.

All intended to open doors to a better California.

Fulfilling Dreams

Banking today in California... we're home to some of the most successful financial institutions, including banks like Wells Fargo, City National, Bank of the West, Union Bank, Silicon Valley Bank and OneWest.

How important are banks to California? Well, there are just under \$927 billion loans that are done by banks. Now to a banker, that's a loan, but to you sitting in the audience, that's fulfilling your dream. That's fulfilling your dream to buy a home, to buy a car, to start a new



small business or send one of your kids to go to school.

Banks have over 100,000 jobs in the state of California and to the tune of almost \$900 million of community reinvestment activities are done in the state by banks.

Door Openers

We need to invest in California's future. Housing, transportation, business infrastructure. We need to collectively

look forward to the California of tomorrow... one that will support innovation and job creation to build a foundation for the future.

I often think of Ralph Waldo Emerson's quote when he said, "We all need to be able to be door openers, because the door openers create great things."

Ladies and gentlemen, on behalf of the CalChamber, thank you very much for being here and God bless.

Californians Show Grit, Imagination in Hard Times

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He reminded attendees about the vital role A.P. Giannini, founder of the Bank of Italy, which eventually merged with Bank of America, played in the California economy by establishing what we all know as the modern-day banking system, one where "the average person could walk into a bank and have access to capital."

"When you look at his accomplishments of taking banking down to Main Street America, he was able to help Walt Disney finance his first picture show, which was 'Snow White,'" said Otting.

"He was the first who had the vision for the wine industry in the state of California, and provided capital to the wine industry. He bought the bonds and put them on the bank's balance sheet to finance the Golden Gate Bridge. Three people walked into his office that needed help by the last names of Kaiser, Hewlett and Packard. And he believed in their transformation of where they were going."

"How important are banks to Califor-

nia?" Otting asked attendees. There are just under \$927 billion loans that are done by banks.

"To a banker, that's a loan," Otting said. "But to you sitting in the audience, that's fulfilling your dream...to buy a home, to buy a car, start a new small business or send one of your kids to school."

Banks have more than 100,000 jobs in California, Otting said. Nearly \$900 million of community reinvestment activities are done in the state by banks.

"We need to invest in California's future—housing, transportation, business infrastructure. We need to collectively look forward to the California of tomorrow, one that will support innovation and job creation to build a foundation for the future," Otting said in closing.

Vivek Ranadivé

Ranadivé said Civilization 1.0 began with the agrarian revolution, the age of the artisan; Civilization 2.0 was spawned by the industrial revolution.

Today, he said, we are entering Civilization 3.0, an "age of extreme service and extreme innovation." Much of the change that will be happening soon is going to come from the state of California, he said.



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- CalChamber: The Voice of Business
- Governor Brown Remarks
- Joseph M Otting Remarks
- Vivek Ranadivé Remarks

or at calchamber.com/summit

CalChamber International Forum Highlights Transatlantic, Trans-Pacific Relationships

U.S. relations with trading partners across the Atlantic and around the Pacific, as well as federal Trade Promotion Authority legislation were the topics of discussion at a recent forum presented by the California Chamber of Commerce Council for International Trade.

More than 200 forum attendees joined two ambassadors and representatives from the U.S. Chamber of Commerce and five American Chambers of Commerce abroad on May 27 to discuss these vital international trade issues.

Transatlantic Trade/Investment

Europe and the United States are negotiating trade talks for a potential Transatlantic Trade and Investment Partnership (TTIP).

"The transAtlantic relationship and the transAtlantic corridor still remains the most important economic corridor in the world," European Union Ambassador to the United States David O'Sullivan said. "It accounts for half of world GDP and nearly a third of world trade flows."

No other commercial artery in the world is as integrated, O'Sullivan said.

"California is the most important state actor in terms of trade and investment for the EU," O'Sullivan commented.

"This negotiation will bring very positive news for California. We estimate that exports to the EU could rise at least 25% and employment by as much as 700% by reducing or eliminating tariffs that could save California companies somewhere around \$600 million annually or \$1.2 billion if applied to all exports."

Free Trade/Open Markets

U.S. goods and private services trade with the EU totaled an estimated \$1.06 trillion in 2013, according to the Office of the U.S. Trade Representative (USTR).

"The nature of our relationship is so profound and so deep and so longstanding that it's almost hard to realize that there's room for improvement, but the practical reality is that there is," said Marjorie Chorlins, vice president for European affairs with the U.S. Chamber.

Tariffs on goods traded between the U.S. and the EU average less than 3%, but even a small increase in trade could

have major economic benefits.

"Trade plays to America's strengths in terms of our innovation, our competitiveness and our people," Chorlins said. "If we negotiate agreements that are in keeping with our values of innovation, hard work, fairness and doing what's right, trade can continue to be America's success story."

Case for Investing in Europe

Jake Slegers, chair of American Chambers in Europe (ACE), offered highlights of ACE's recent publication *The Case for Investing in Europe 2015*.

"Europe is not only the largest economy in the world, but ... it is one of the wealthiest," Slegers commented. "It is indeed the access to these wealthy, well-established, stable consumers that is among the primary reasons U.S. companies venture overseas and especially enter Europe. You basically know what you're going to get and you have a stable, well-funded environment to operate in."

Country Perspectives

A panel moderated by Stephen Brugger, vice chair of AmChams in Europe, offered perspectives on TTIP from five countries, both inside and outside the EU.

Brugger was leading a 25-member AmCham delegation representing Bulgaria, Croatia, Denmark, Estonia, France, Greece, Ireland, Israel, Kosovo, Latvia, Lithuania, Macedonia, Norway, Poland, Romania, Serbia, Slovak Republic, Slovenia, and Turkey. These representatives were traveling in California to San Francisco, Silicon Valley and Sacramento, and concluding their annual journey in Washington, D.C.

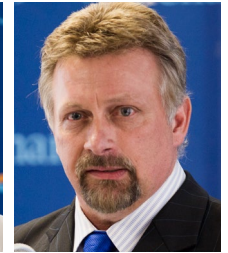
"TTIP is the architecture for the next



Ambassador David O'Sullivan



Marjorie Chorlins



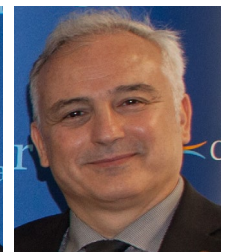
Jake Slegers



Stephen Brugger



Susan Danger



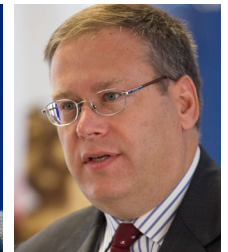
Elias J. Spirtounias



Elif Demircan



Caroline Ryan



Ambassador Kurt Tong

50 years and that's what we have to communicate," said Brugger.

Speaking for the EU, Susan Danger, managing director of AmCham EU, said, "The basic view for business is that TTIP is good." Danger's chamber represents 162 American companies operating in the EU. However, she said her chamber has changed the way it communicates about TTIP in the last 18 months because there is deep distrust and something must be done to combat that.

Caroline Ryan, managing director for AmCham France, said there is "a real, strong dialogue between the two countries." French companies form the third biggest business community in the United States, generating 560,000 jobs and France is one of the top five foreign investors in the U.S. On the flip side, the U.S. remains the first job-creating investor in

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CalChamber Urges U.S. House to Pass Bipartisan Legislation Promoting Trade



The U.S. House of Representatives will consider federal legislation to renew the authority for the President and/or

U.S. Trade Representative to negotiate trade agreements in the next few weeks. The California Chamber of Commerce is urging the California congressional delegation to quickly pass the bill because it will help boost U.S. exports and create American jobs.

The **Bipartisan Congressional Trade Priorities and Accountability Act of 2015 (TPA-2015)** was introduced in April by Senate Finance Committee Chairman Orrin Hatch (R-Utah), ranking Senator Ron Wyden (D-Oregon) and U.S. House Ways and Means Committee Chairman Paul Ryan (R-Wisconsin).

U.S. Senate Approval

On May 22, the U.S. Senate passed the Trade Promotion Authority bill, 62-37, with the support of 14 Democrats and most Republicans. California U.S.

Senator Dianne Feinstein voted in support of the legislation, while Senator Barbara Boxer voted against the measure.

In late April, House and Senate committees agreed to give the President fast-track authority to negotiate trade agreements, but added a series of amendments to the package of bills. The amendments include limits on currency manipulation, limits on agreements with any country considered a violator of human-trafficking rules, and restrictions on the import of products made with child labor.

Trade Promotion Authority

Every president since Franklin Delano Roosevelt has been granted the authority to negotiate market-opening trade agreements in consultation with Congress. Since the landmark Trade Act of 2002 granted the president trade promotion authority, the United States has completed free trade agreements (FTA) with Australia, Bahrain, Chile, Colombia, the Dominican Republic/Central America, Morocco, Oman, Panama, Peru, Singapore and South Korea. Financially, this translates into the removal of billions of

dollars in tariffs for U.S. exports.

Several hundred FTAs are in force worldwide, with the United States party to just a handful. For example, both Canada and Mexico have FTAs with Chile. Mexico has more than 45 FTAs with countries and blocs, including Japan, Israel and the European Union.

Opening Markets

Now, without trade promotion authority, the United States will be compelled to sit on the sidelines while other countries negotiate numerous preferential trade agreements that put U.S. companies at a competitive disadvantage. The more the United States cooperates with its friends, the less they'll depend on U.S. rivals.

Action Needed

The CalChamber is calling on members to contact their representatives in Congress and urge **support** for **TPA-2015**.

An easy-to-edit sample letter is available at www.calchambervotes.com.

For more information, visit www.calchamber.com/TPA.

Staff Contact: Susanne T. Stirling

International Forum Highlights Transatlantic, Trans-Pacific Relationships

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France, with more than 500,000 jobs.

Slegers illustrated the importance of TTIP with a factoid: the Slovak Republic, which produced 980,000 cars last year, is the No. 1 producer of automobiles per capita in the world. The Slovak Republic has only 5 million people and three car manufacturers are located there.

"With the reduction of tariffs, the removal of trade barriers and standardization... even a fraction of an ability to increase our imports will have a major impact on our economy and so we are in full support of TTIP and we keep beating that drum," Slegers said.

Elias J. Spirtounias, executive director of AmCham Greece, says that TTIP offers Greece an opportunity to expand and become a major energy and trade hub within the southeast European region.

The final panelist, Elif Demircan, executive director of AmCham Turkey,

offered a perspective from a country that will benefit from TTIP, although it's not an EU country. The chamber represents 130 U.S. companies that have invested more than \$50 billion in Turkey, creating more than 60,000 jobs. "Under Turkey's current customs union with the EU, exports from the U.S. via the EU have been able to enter Turkey without reciprocal preferential access being granted for Turkish groups," Demircan said. "Turkish decision makers recognize the significance of TTIP as constituting an economic NATO and being left out of such a new order would harm Turkey's status as a global economic power and its growing trade and investments partnership with the EU and the U.S."

Trade Agreements

Ambassador Kurt Tong, principal deputy assistant secretary with the U.S. Department of State, closed the event

with an update on trade promotion authority (see related story above) and the Transatlantic and Trans-Pacific Partnership agreements being negotiated right now. The agreements "are state of the art," Tong said. "They will contain labor standards, environmental standards, rules on state-owned enterprises, rules on intellectual property rights, transparency, regulatory cooperation, very invasive agreements in a sense, in bringing together behind-the-border, no-tariff rules that so much affect trade and investment in the modern era."

Most important, Ambassador Tong noted, these rules will be binding.

"These agreements, once reached, will have this magnetic effect that raises global standards worldwide," the Ambassador commented.

Staff Contact: Susanne T. Stirling

California Economy Maintains Momentum as Ports Bounce Back, Tax Revenues Surge

California's economy appears to be maintaining strong momentum through the first few months of 2015, even though the state's economy continues to be impacted by a whole host of challenges, ranging from the unending drought to the work stoppages at major port facilities earlier this year. The soaring value of the U.S. dollar, and slowing economies in China and much of the developing world are also weighing on growth.

Despite these challenges, most measures of economic activity show California's economy continues to charge ahead. The Golden State has added close to half a million net new jobs over the last year and the unemployment rate has tumbled 1.4 percentage points to 6.5%. Income growth also has picked up, with personal income climbing 4.8% in 2014 and state tax receipts running well ahead of expectations.

The Golden State's strong economic performance comes as a surprise to much of the nation, which continues to be fed a seemingly endless stream of negative feedback on the state. While California faces considerable challenges, businesses have been adding jobs at a faster pace in the state than they have nationwide for the last 36 months. New business startups have also continued to trend higher and venture capital continues to flow into the state in greater quantities than anywhere else on Earth.

None of this minimizes the damage that the fourth year of drought has brought to the state. More than 400,000 acres of some of the most productive farmland in the world have been fallowed and new water use restrictions have been put in place around the state. The drought also has garnered considerable headlines, leading to heightened

concerns around the country from those that do business in the state.

Ports

The port shutdown over President's Day weekend, and the slowdown that preceded it, also took a toll on growth

Empire, where many of the goods imported through Southern California ports are resorted and shipped. While the port stoppage is behind us, a smaller strike at independent trucking firms has slowed the processing of some items and kept the issue of labor disputes in the spotlight.

Hiring Remains on Fast Track

California continues to add jobs at a rapid clip. Nonfarm payrolls increased by 39,800 in March, with solid gains across most major industries.

As has been the case throughout the recovery, employment growth is being led by hiring in California's technology sector. Employment in professional, scientific and technical services rose 0.8% in March, and is up 6.4% year over year. This lone tech subsector has

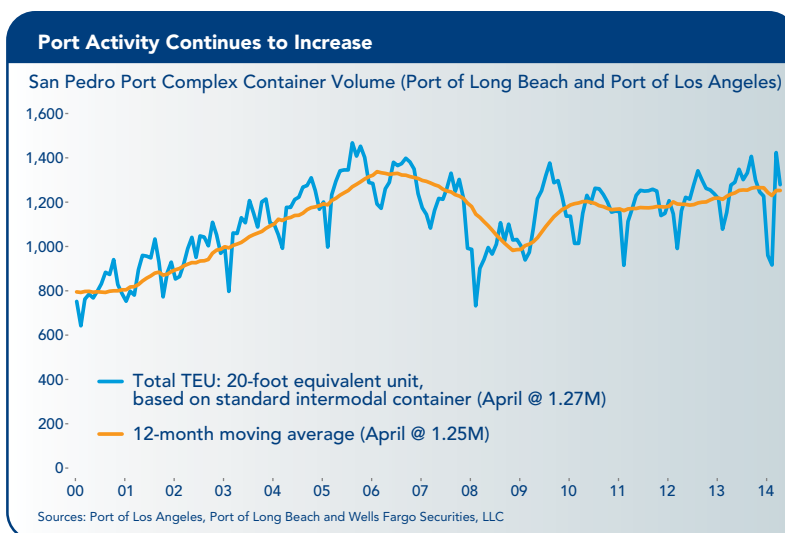
added 72,100 jobs over the last year, accounting for 15% of the 481,900 non-farm jobs added statewide.

Hiring also has risen sharply in other areas of the tech sector, including data processing, software publishing and Internet search. Job growth in the tech sector directly, and indirectly, supports employment gains in other areas, including administrative and support positions, construction, and wholesale trade and distribution.

Construction payrolls also posted a large gain in March, climbing a full percentage point or 7,300 positions. Construction employment has risen 6.9% over the last year, reflecting a gain of 46,300 new jobs. About two-thirds of that gain has been at specialty contractors, with the remainder coming from the construction of buildings.

Of the growth in the latter category,

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earlier this year. The volume of containers loaded through the San Pedro Port Complex was down 18.2% on a year-to-date basis through February.

Fortunately, the labor dispute was resolved and activity at the port surged back in March. Container traffic through the Port of Los Angeles spiked to a 17.3% year-to-year gain in March, which pulled the year-to-date number back to just a 5% decline.

Port traffic through the Port of Long Beach also jumped in March and is now down just 3.3% on a year-to-date basis over the past year after being down almost 20% the prior month.

Container traffic through the Port of Oakland also rebounded in March.

The rebound in port traffic has reverberated throughout port-related businesses, leading to a spurt in hiring in transportation and warehousing. The bulk of the impact has been felt in the Inland

Economy Maintains Momentum as Ports Bounce Back, Tax Revenues Surge

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about half has come from residential and half from nonresidential structures. Construction payrolls in California remain a shadow of where they were prior to the crash, accounting for just 4.5% of non-farm payrolls compared to its most recent peak of 6.3% back in early 2006.

Transportation and warehousing also posted a sizable job gain, with payrolls rising a full percentage point in March, when 5,300 net new jobs were created.

March's gain likely reflects a rebound in port traffic since the agreement to settle the West Coast ports labor dispute. Traffic through the ports of Los Angeles and Long Beach surged in March, which likely boosted demand at trucking firms, warehouses and other related businesses.

Trucking and warehousing has been a growing industry in California for some time, adding 24,900 jobs over the last year, or a 5.6% gain.

Unemployment Rate

California's unemployment rate fell 0.2 percentage points to 6.5% in March, marking a new cycle low. The Golden State's unemployment rate has fallen 1.4 percentage points over the past year, compared to a 1.1 percentage point drop nationwide. The larger drop in California is primarily due to stronger job growth.

Total civilian employment in California has risen 2.7% over the last year, while the state's labor force increased just 1.1%. Nationwide, total civilian employment rose 1.7% over the past year and the labor force grew just 0.5%. California's stronger job growth is apparently pulling workers back into the workforce and also attracting job seekers from other parts of the country.

San Francisco Bay Area

Among metropolitan areas, the lowest unemployment rates continue to be found in the San Francisco Bay Area, where

years of strong employment growth have driven the jobless rate in San Francisco to below 4%. San Mateo County had the lowest unemployment rate in March at just 3.4%, followed closely by Marin County at 3.5%.

Unemployment rates also have fallen sharply in most other parts of the Bay Area. San Jose's unemployment rate has fallen 2 percentage points over the past

part of that gain has been in the trucking and warehousing sector.

Orange County also has seen strong gains and the unemployment rate has tumbled 1.4 percentage points over the past year to just 4.4%. Hiring in Ventura County has risen less dramatically, climbing just 1.7% over the last year. That gain, however, is still roughly in line with the national rate. Moreover, the unemployment rate has tumbled

1.7 percentage points over the past year to just 5.4%.

San Diego continues to see strong gains, with nonfarm payrolls rising 3.1% over the past year and 40,900 net new jobs created across the metro area.

Overall job growth continues to be driven by gains in the region's burgeoning life sciences and technology sector. Hiring in professional and technical services has surged 7.2% over the last year, producing a net gain of 9,100 new jobs.

Unemployment rates have declined steadily across much of Southern

California. Los Angeles County has seen its jobless rate dip 1.3 percentage points over the past year to 7.2%. While that rate appears relatively high compared to the 5.4% national rate, the unemployment rate has averaged 8% in Los Angeles since 2000. Moreover, the Los Angeles area has a large grey market economy that is not captured well in the official unemployment statistics.

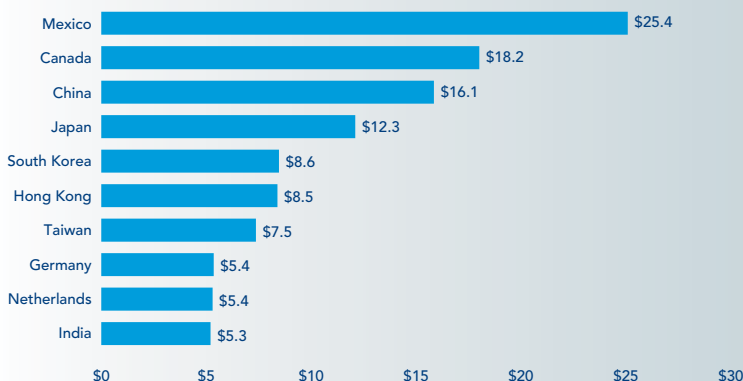
Unemployment rates in surrounding counties have seen more pronounced declines. Orange County has seen its unemployment rate tumble 1.2 percentage points to 4.4%, while unemployment rates in Riverside and San Bernardino counties have tumbled 2.2 percentage points and 1.7 percentage points to 6.7% and 6.5%, respectively.

Ventura County and San Diego County have both seen their jobless rates fall below the national average, with the unemployment rate falling 1.7 percentage

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2014 California Exports by Country

Billions of Dollars



Sources: International Trade Administration and Wells Fargo Securities, LLC

year to 4.2%, while the jobless rate in Oakland has fallen 1.8 percentage points to 4.9%. Jobless rates also have fallen sharply in Napa and Sonoma counties, tumbling 1.8 and 1.7 percentage points, respectively, over the past year.

The improvement in employment conditions is still most apparent in areas closest to California's largest metropolitan areas. The outer reaches of the Bay Area and Central Valley are improving, but most of these areas are still enduring relatively high unemployment rates.

Southern California

Although Southern California has not quite matched the Bay Area's gains, employment conditions have improved considerably. Nonfarm employment in Los Angeles has surged 2.7% over the past year, producing a gain of 113,300 new jobs.

Hiring rose even more dramatically in the Inland Empire, with nonfarm payrolls surging 4.2% over the last year. A large

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points in Ventura and 2 percentage points in San Diego over the past year.

Surge in Tax Revenue

The Franchise Tax Board provided preliminary reports for April personal income tax (PIT) and corporate tax collections (CT), which both show strong growth. Combined, the two taxes are running \$1.8 billion above projections, with most of the upside surprise coming from personal income tax collection.

The PIT ended April more than \$1.7 billion above the most recent administration projections, while the CT topped expectations by \$86 million. PIT withholdings increased 15.3% year-over-year, which suggests that employment, hours worked and wages have also risen solidly over the last year. Payments on 2014 final returns were up 20.7% from last April, while 2014 extension payments exceeded \$5 billion, a 23% gain from the prior year.

This year's large increase in final returns likely reflects increased capital gains, bonus, and option income. Gains are being fueled by the strength in the state's technology and life sciences industries, the influx of venture capital and private equity and a strong stock market in general.

The strength in April final returns is typically a good sign for the rest of the year. June PIT collections are largely quarterly estimated payments by high-income taxpayers on 2015 income. The Franchise Tax Board monthly data shows estimated tax payments totaled \$2.65 billion in April 2015, which was \$387 million higher than the prior year, a 17.1% increase.

The current administration forecast projects that June 2015 estimated payments will fall 4.7% from the prior year. If June 2015 estimated payments are up by the same 17.1% they were in April, this would put estimated payments \$1.2

billion ahead of current projections.

Both the administration and Franchise Tax Board released revised revenue and budget estimates in mid-May.

Port Activity Bounces Back

The West Coast port slowdown and shutdown over President's Day weekend led to significant disruptions during the first quarter. Exporters generally had to

conditions in China, Japan and emerging Asia, as well as growth prospects for Mexico and Latin America.

State Exports

California exports rose 3.6% in 2014 to \$174.1 billion. Computers and electronic components accounted for \$42.7 billion of California's total merchandise exports, or 24.5% of the total. Other

major merchandise exports include transportation equipment, which totaled \$18.7 billion; nonelectrical machinery, \$14.9 billion; miscellaneous manufactures, \$14.6 billion; and chemicals, \$14 billion. California agricultural exports totaled \$13.6 billion in 2014, a drop of 1.3%.

Mexico remains California's largest export market, with \$25.4 billion of the state's merchandise exports headed there. Canada ranks as California's second largest market, with shipments of \$18.2 billion, followed by China, \$16.1 billion;

Japan, \$12.3 billion; and Korea, \$8.6 billion.

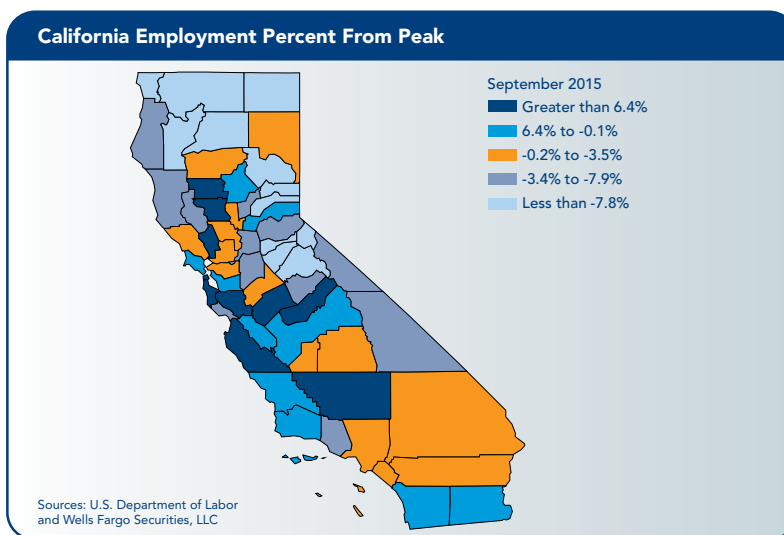
Trade with the 20 nations currently covered by free trade agreements accounted for 40% of California's exports in 2014. Since 2005, exports to these markets grew by 50%, with North American Free Trade Agreement (FTA) countries, Korea, Chile, Dominican Republic-Central America FTA countries, and Australia showing the largest dollar increases.

Return of Bubble Talk

The question of whether social media, life sciences and California's housing market are back in bubble territory has seen renewed emphasis in recent months. The common thread weaving these industries together is low interest rates, both in the U.S. and around the world.

The hunt for yield has led to a surge in demand for alternative assets, which has

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find other shipping alternatives, including ports in Texas and the East Coast, as well as air freight. Imports were largely stuck at sea, although some shipments had already been diverted well ahead of February's shutdown.

Port traffic plunged in February and surged back in March. Most of the rebound, however, was inbound traffic. There was less of a backup of exports and many ships were reloaded with largely empty containers.

Conditions are rapidly returning to normal. Port activity through the first three months of this year is running 5.4% below last year in California's three largest container ports (Los Angeles, Long Beach and Oakland) after incurring the huge monthly swings in container shipments during those months.

Activity at trucking firms and warehouses also has bounced back and attention is now refocusing on longer term drivers of trade, such as economic

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fueled a private equity boom and enabled many start-ups to rapidly achieve stratospheric valuations. The housing market also has been impacted, as institutional investors and private investors have bought up many of the lower-priced homes in California and converted them to rental properties. These properties are, for the most part, off the market, which has reduced housing turnover and substantially reduced inventories in certain segments of the market.

Social media equity valuations have come under some pressure recently. Determining where to draw the line between a boom and bubble has always been difficult in real time. Yet it is difficult to ignore the similarities with previous market tops.

The CNBC television network established a San Francisco bureau on Market Street the very same week Twitter and Yelp reported disappointing earnings. Both firms were early pioneers in the movement of tech firms into downtown San Francisco and were instrumental in establishing the South of Market district (SOMA) as a home for burgeoning tech firms.

Federal Reserve Board Chair Janet Yellen also has made comments concerning equity valuations and credit spreads, noting that “equity market valuations at this point generally are quite high.” The remarks follow more pointed concerns raised last year about social media stocks and life sciences companies.

Yellen also very clearly stated her concerns about credit spreads, saying, “We’ve also seen the compression of spreads on high-yield debt, which certainly looks like a reach of yield type of behavior.”

While it might appear to some that these are off-the-cuff remarks, Yellen’s most recent comments were made in response to a question from International Monetary Fund Managing Director Chris-

tine Lagarde. The comments also came on a day when Alexion Pharmaceuticals agreed to pay more than 120% premium for Synageva BioPharma, which is one of the largest premiums ever paid by a drug firm. While even Yellen was reluctant to say that we are already in a bubble, takeover valuations are clearly frothy.

metro areas at the height of the housing bubble and bottomed out at around 1.20 in the midst of the housing bust in 2009.

Strengthening Home Sales

Home sales picked up solidly in March and rising pending home sales data suggests that sales will strengthen further this spring. Sales in March were up 6.3% from a revised 368,400-unit pace in February and were up 7.3% from a revised 365,120-unit pace in March 2014.

March marks the first back-to-back year-over-year sales gain since December 2012 and the largest year-over-year gain since May 2012. Pending home sales, which represent signed contracts that should close in the next 45 to 90 days, rose 16.3% in March and are up 13.8% on a year-to-year basis. The yearly increase is the second largest since April

2009 and marks the fourth consecutive month of year-to-year gains.

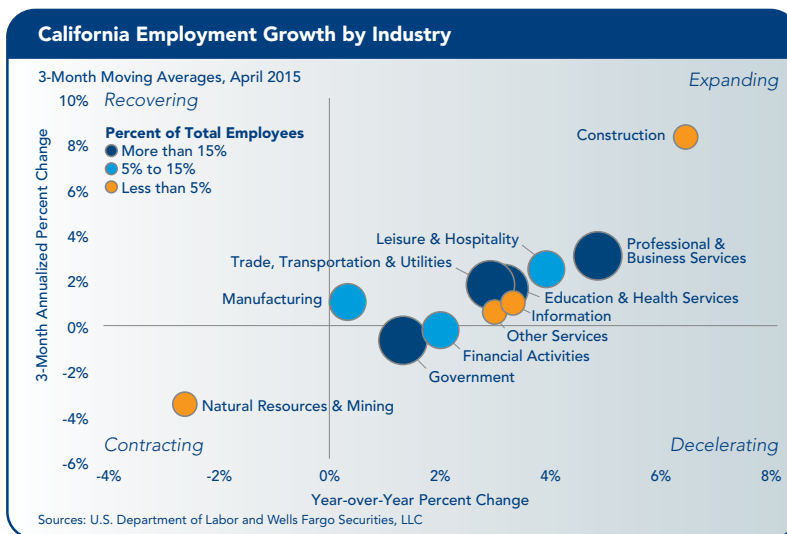
Pending sales are up solidly across the state, climbing 15.3% in the Central Valley, 15% in Southern California and 7.2% in the inventory-constrained Bay Area.

Tourism

Travel and leisure continues to show strong growth from a demand standpoint. Hotel occupancy and revenue per available (RevPAR) room increased across most major California markets, and occupancy rates are near historic highs in San Francisco and Los Angeles.

Airline passenger traffic through major California airports continues to rise solidly. Domestic passenger traffic through LAX through the first three months of 2015 is running 2.1% ahead of its year-ago pace and international traffic is up 4.2%. San Francisco International Airport has seen domestic travel increase 4.6% through the first three months of this year and international travel has risen

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Froth also is apparent in the housing market. Eight of the top 15 housing markets, as identified by the National Association of Realtors, are in California. Home price appreciation, which had been decelerating late last year, has picked back up.

Statewide prices have risen 6.3% from March 2014 to March 2015. Home prices in the San Francisco Bay Area are up 12.8% year-to-year over this same period, while prices have risen 6.7% in Los Angeles and 4.1% in the Inland Empire.

While there are increasing reports of bidding wars for homes in some widely sought out submarkets, the only metro area where homes are consistently selling above asking prices is the San Francisco Bay Area, specifically homes in San Francisco, San Mateo and Santa Clara counties.

Housing clearly is expensive relative to rents, with a home price-to-rent ratio of 1.68 in San Francisco and 1.60 in Los Angeles. By comparison, the home price-to-rent peaked at around 2.30 in both

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4.7%. Passenger traffic is also up solidly in San Diego, Orange County, Oakland and San Jose.

Despite the growth in airline traffic and gains in hotel occupancy and RevPAR, employment in the leisure and hospitality industry has actually grown more slowly in recent months. Part of the slow-down may be due to hikes in the minimum wage at the local level. Earlier employment figures may also have been bolstered by efforts by some employers to reduce hours for part-time workers.

Entertainment

On-location film production days in Greater Los Angeles fell 3.1% in the first quarter of 2015 to 8,707 shoot days, down from 8,982 a year earlier, according to data compiled by FilmLA. The first quarter recent report illustrates how much Los Angeles feature production levels are tied to the availability of California state film incentives.

Regional feature production declined 15.4% to 926 shoot days in the first quarter of 2015 from the same quarter last year. Feature film projects that qualified for the California State Film and Tax Credit Program in 2014 generated 42 shoot days in the first quarter. Without these projects, feature production would have fallen more than 19%.

On-location television production, which is also supported by state incentives, rose 1.7% in the first quarter.

Growth in TV drama and reality TV, up 29.7% and 19.8%, respectively, offset declines in TV pilots, which fell 19.4%; TV sitcoms, which fell 14.8%; and Web-based TV, which fell 12.2%.

Agriculture

California's agriculture sector continues to struggle with drought, sluggish

global economic growth and fluctuations in the value of the dollar. Farmers continue to get squeezed by higher operating costs and low prices.

Dairies are coping with reduced demand from China and higher prices for hay and silage. Lower corn prices will help offset some of these costs, however,

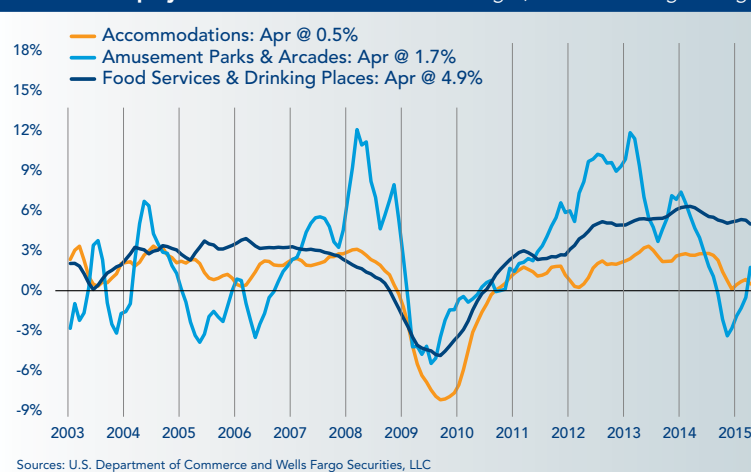
and almond prices remain near record highs, however, which is encouraging even more planting. Almond prices may rise further if this year's crop comes in smaller again. Pistachio prices also are expected to strengthen and Iran has reportedly sold off its large crop. Walnuts are still selling at some of their highest prices ever, but sales to China have slowed considerably and the stronger dollar may cut further into sales.

Wine Grapes

California's wine grape sector has seen good harvest the last few years. The 2014 wine grape harvest was 3.9 million tons, slightly below the record crop from the prior year. The large back-to-back harvests have put downward pressure on spot prices. Demand remains strong, however, which has helped growers secure contracts for 2015 and will reduce the risks to wineries.

Staff Contact: Dave Kilby

California Employment Year-Over-Year Percent Change (3-Month Moving Average)



and dairies enjoyed pretty good pricing in 2014, leaving them in relatively good shape going into 2015.

Prices for feeder and fed cattle are down slightly from their recent highs. Feeders are also benefiting from lower corn prices. December's rains improved grazing conditions, benefiting cattle operators earlier this year.

Fruit and Nuts

Fruit and nut producers are holding up well considering the pressures they face from the drought. There was relatively little freeze damage in the Central Valley this past year. The sizing of citrus fruit has generally been smaller, however, likely due to the drought. Citrus and stone fruit growers on the east side of the San Joaquin Valley are especially concerned about water supplies and the performance of their wells closer to the foothills.

Almond and pistachio growers expect yields to fall this year, due to poor irrigation and a lack of dormancy. Pistachio

The California Chamber of Commerce



Mark Vitner, managing director and senior economist at Wells Fargo Securities, LLC.

Economic Advisory Council, made up of leading economists from the private and public sectors, presents a report each quarter to the CalChamber Board of Directors. This report was prepared by council chair

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CALIFORNIA CHAMBER OF COMMERCE

P.O. BOX 1736 SACRAMENTO, CA 95812-1736
(916) 444-6670 FACSIMILE (916) 444-6685
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July 1 Compliance Alert

 **CalChamber**
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**Mandatory Changes
to CFRA Notice B
Effective July 1, 2015**

California Employers: You must post the **revised CFRA notice** on July 1, 2015 if you are a:

- Private-sector employer with 50 or more employees in 20 or more workweeks in the current or preceding calendar year, including a joint employer or successor in interest to a covered employer; or
- Public agency, including a local or state government agency, regardless of the number of employees you employ.

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