

ALERT

VOLUME 42, NUMBER 6 • MARCH 4, 2016



Health Plan Funding Bill Passes, Signed into Law



SUPPORT

ported special session health plan funding proposal.

SBX2 2 (E. Hernandez; D-West Covina) preserves critical funding for the state's Medi-Cal program without undermining the affordability of commercial health care purchased by employers, families, and individuals.

In a news release announcing the signing of SBX2 2 and accompanying bills, Governor Edmund G. Brown Jr. said the legislation will result in a net tax cut, maintain more than \$1 billion in critical federal funds, reduce debt by more than \$400 million and direct about \$300 million in new funding to help persons with developmental disabilities.

Months of discussions culminated this week with the Legislature passing and the Governor signing a California Chamber of Commerce-sup-

CalChamber Support

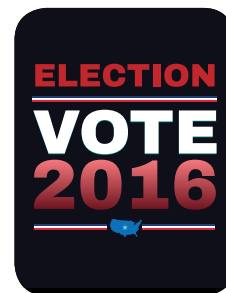
Policymakers were left with a difficult task in 2014 when the federal Centers for Medicare and Medicaid Services indicated that California's existing managed care organization (MCO) tax, which generates approximately \$1 billion a year for the state's Medi-Cal program, did not comply with the federal rules governing provider taxes and could not be renewed in 2016.

The Governor called a special legislative session and the administration worked closely with legislators and other stakeholders on a solution.

In its support letter on SBX2 2, the CalChamber noted that any replacement proposal would have to raise enough revenue to offset the expiring tax and prevent a reduction in Medi-Cal provider reimbursements, but also would need to apply broadly to most, if not all, health care plans without creating unreasonable disparities between them that might generate pressure in the commercial

See Health Plan Funding: Page 4

CalChamber: Infrastructure Initiative Has Broad Negative Impacts



Less investment in much-needed infrastructure, increased costs and more litigation are just some of the negative ramifications of the "No Blank Checks Initiative" on the November

ballot, according to testimony at a legislative hearing this week.

Loren Kaye, president of the California Foundation for Commerce and Education, a think tank affiliated with the California Chamber of Commerce, emphasized those points at a joint informational hearing of the Senate Governance and Finance and the Assembly Appropriations committees on March 2.

The CalChamber opposes the measure, which requires a statewide election each and every time the state or a state-local partnership seeks to issue revenue bonds exceeding \$2 billion to pay for infrastructure projects.

General obligation bonds appropriately require a vote of the people, because the risk of default is on the taxpayers. But the risk for default of revenue bonds is on the bondholders, which makes a statewide vote unsuitable, the CalChamber argues.

See CalChamber: Page 6

CAPITOL SUMMIT & SACRAMENTO HOST BREAKFAST

May 17-18, 2016



Inside

Use Market to Cut Carbon Emissions: Page 3

Cal/OSHA Corner

State Adopts Multiple New Safety/Health Regulation Packages



Mel Davis
Cal/OSHA Adviser

As the owner of a small manufacturing business, I would like to know if there were any new regulations adopted by the Occupational Safety and Health Standards Board (OSHSB) that will affect my company.

From October 2014 through December 2015, the OSHSB received approval from the Office of Administrative Law for

14 rulemaking packages that had been developed, noticed, presented for public hearing, and accepted by the OSHSB.

Of these rulemaking packages, three are specific to construction; one to fire brigades; one to ship building, ship repairing and ship breaking; one to helicopter operations; and eight could apply to all industries.

New Regulations

- **Sections 1514 and 3380** are the personal protective standards respectively for the construction and general industry safety orders. This rulemaking was initiated by the OSHSB staff and resulted in deleting irrelevant wording and references and adopting federal language. This rulemaking was the subject of a previous article (see March 6, 2015 *Alert*).

- **Section 1618.1(e)** addresses crane and derrick operator certification. The federal Occupational Safety and Health Administration (OSHA) requires crane operator certification, include the type and capacity of the crane being operated.

For a number of reasons, it determined that a three-year extension, to 2017, was necessary to permit operators to become certified. As a result, California has modified its certification deadline to mirror the federal.

- **Section 1710** requirements were modified to reflect federal language for steel decking installation as pointed out by Cal/OSHA.

- **Section 1903** was OSHSB-initiated to address helicopter in-flight emergency and permit the deviation of landing protocol for landing operations.

- **New sections 1950–1962** are the adoption of federal regulations addressing working in confined spaces as related to the construction industry. These regulations delineate the “host” or “controlling employer.”

- **Sections 2540.7, 2540.8, 5530, 5568, 5572, 5574, 5575 and 5621.** The provisions of these regulations are related to fire and explosion prevention. Also, the revisions relate to the federal global harmonizing rulemaking.

- **Section 3411** has been revised as the result of a petition to update the fire-fighter footgear reference to National Fire Protection Association (NFPA) 1977–2011.

- **Sections 4345, 4351, 4352 and 4354** have been revised to reference new and updated American National Standards Institute (ANSI) consensus standards for Stationary and Mobile Compaction Equipment and Balers.

- **Section 5155**, Airborne Contaminants, Hydrogen Chloride, has been revised to reduce the allowable permissible exposure level (PEL) and ceiling limits.

- **Sections 5184 and 5185** address battery systems and changing and charging storage batteries. These sections have been extensively modified to address new battery technology as related to valve-regulated lead-acid (VRLA) batteries.

- **Sections 5620, 6165, 6180, 6181, 6182, 6183 and 6184** have been revised to reference the latest NFPA Fire Protection Standards.

- **Section 8397.4(b)** relates to water supply and drinking cups in the ship building, ship repairing and ship breaking orders, and was adopted to be as effective as the federal regulations.

More Information

A full copy of these revisions may be found by going to www.dir.ca.gov/oshsb/apprvd.html.

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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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. Periodicals Postage Paid at Sacramento, CA.

POSTMASTER: Send address changes to Alert, 1215 K Street, Suite 1400, Sacramento, CA 95814-3918. Publisher: Allan Zaremborg. Executive Editor: Ann Amioka. Associate Editor: Sara Espinosa. Art Director: Neil Ishikawa. Capitol Correspondent: Christine Haddon.

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Use Market Pricing to Cut CO₂ Emissions



Loren Kaye

Nobody should be surprised that California's cap-and-trade program is the most cost-effective strategy to reduce carbon emissions. What's astonishing is that policymakers insist on

pursuing other more expensive options.

The existing mandate to reduce greenhouse gas (GHG) emissions to 1990 levels by 2020 is apparently on an achievable path, helped by the historic recession, national automobile fuel economy standards, and the cap-and-trade program, which covers about 80% of emission sources.

Since November 2013, the Air Resources Board has held 13 auctions that set the price for GHG emission allowances. These **auctions** have revealed market prices ranging from \$10 to \$14 per ton of CO₂, with an overall average for all auctions of \$12.11 per ton.

More Expensive Strategies

But the market-based approach has not been sufficient for California's elected leaders and regulators. And not surprisingly, regulatory and "state investment" strategies are far more expensive than the market.

The most ambitious command-and-control program is the **low carbon fuel standard (LCFS)**, which requires fuel refiners to reduce the carbon intensity of gasoline, which in turn would reduce carbon emissions.

Until refiners figure out how to produce a less carbon-intensive hydrocarbon fuel, they are allowed to purchase emission credits. These credits are supplied by ethanol and biodiesel refiners, and electric utilities (that provide energy for electric vehicles).

Credit prices have recently shot up since the carbon intensity mandate was tightened without a similar increase in availability of credits.

A recent **report** by Oil Price Information Service found that the cost to refiners of purchasing gasoline credits will

increase to 4.67 cents a gallon, and to 3.29 cents for diesel fuel. The additional cost for annual fuel use in California is \$770 million.

In its regulatory **package**, the Air Board estimated that the LCFS would reduce GHGs by 6 million tons in 2016, rising to 20.7 million tons in 2020. Assuming no change in the cost of these

Guest Commentary By Loren Kaye

reductions, this results in a carbon price ranging from \$37 to \$128 per ton.

In short, the LCFS regulation is three to 10 times more expensive in reducing GHGs than the cap-and-trade system.

Investments made by spending revenues from cap-and-trade are not any better.

The ARB's 2015 **annual report** on projects funded in 2013 and 2014 shows poor cost-effectiveness for most projects, especially compared with the cap-and-trade benchmark.

Based on ARB estimates for lifetime GHG reductions of these projects:

- \$83.4 million for rebates for "clean vehicles" will result in a reduction of about 2.2 million tons of carbon, for a cost-per-ton of \$37.23, or three times more costly than cap-and-trade.
- Investment in the hybrid and zero-emission truck and bus program is even worse, with a cost-per-ton of \$139, or 11 times most costly than cap-and-trade.
- Grants for water efficiency and water-energy efficiency projects ranged from \$26 to \$84 per ton of GHG reduced.

CalChamber Lawsuit

The revenue source for the spending on these and many other projects may be fatally flawed. The California Chamber of Commerce has sued the ARB over the legality of the auction, which has raised billions since 2013, arguing that the Air Board's auction regulation went beyond the scope authorized by AB 32, and that the auction is an illegal tax under Proposition 13. The case is awaiting hearing in the 3rd District Court of Appeal.

However, the legal infirmity of the auction does not undermine the basic

legal, policy and economic soundness of the cap-and-trade mechanism, which can and has operated efficiently without an auction component.

Overlaps More Costly

Why should the state not use its entire toolbox to reduce GHG emissions? After all, if cap and trade is good, why isn't additional command and control and project spending even better?

As discussed in a **seminal paper** by Rob Stavins and Todd Schatzki, "these overlapping programs can produce perverse policy outcomes," which make overall emission reductions more expensive and less effective.

They argue that creating a uniform, low-cost incentive to reduce carbon emissions is the best strategy "not only for maintaining the health of the California economy, but also for providing incentives for adoption of climate commitments by other governments."

A specific risk they point to is the harmful interaction between policies:

"When complementary policies [e.g. LCFS – LK] impose incremental requirements on emission sources already covered by cap-and-trade, these policies fail to generate net emission reductions, but raise the costs of achieving emission targets by requiring more costly actions that would otherwise happen under cap-and-trade. Emission reductions from complementary policies also drive down allowance prices, thereby reducing incentives for technological change."

Cap-and-Trade Best

As they consider the present and future prospect of achieving California's climate change goals, the Legislature and administration have an opportunity to revisit the market, regulatory and investment approaches to emission reduction.

While reducing emissions will remain the overarching goal, achieving this goal in the least economically damaging and most effective way should be a top priority. A broad, if not exclusive, reliance on cap-and-trade will best achieve these goals.

Loren Kaye is president of the California Foundation for Commerce and Education, a nonprofit think tank affiliated with the California Chamber of Commerce.

State's Long-Term Water Outlook Still Cloudy After Dry February

State water officials continue to encourage Californians to keep conserving as a warm and dry February left the statewide snowpack below the average for the start of March.

The snowpack was just 83% of the March 1 average, the state Department of Water Resources (DWR) reported in a news release following its third snowpack survey of the season.

"The statewide readings suggest this may not be a drought-busting year unless California receives heavy rain this month as it did during the 'March Miracles' of 1991 and 1995," stated the DWR news release.

DWR said half the state's annual water falls as rain or snow in December, January and February. Although precipitation in December and January was well above the two-month average, rainfall in

October, November and February was far below normal, as was snowfall since December 1, DWR reported.

Levels at eight reservoirs with capacities exceeding 1 million acre-feet were below average storage for March 1, according to DWR. The levels ranged from 34% at Exchequer Reservoir in Central California to 83% at Lake Shasta in the north. The only major reservoir with storage above its historical average was Folsom Lake (111%), east of Sacramento.

Meanwhile, the statewide conservation rate dropped from 18.4% in December 2015 to 17.1% in January 2016, according to the State Water Resources Control Board.

Still, the average water use per capita was the lowest since reporting began in June 2014, the board said, declining from

67 gallons per person per day in December 2015 to 61 gallons in January 2016.

Cumulative water savings since June 2015 were at 24.8%, just short of the 25% goal set by the Governor in his April 1, 2015 executive order.

Drought emergency water conservation rules adopted by the state water board last spring remain in effect through October. The board said it may revisit the rules in April after reviewing statewide water conditions, including reservoir level reports, the snowpack, water conservation and how well individual communities are stretching potable and nonpotable water supplies through recycling and other measures.

The National Weather Service was predicting storms headed for Northern California over the weekend.

Staff Contact: Valerie Nera

Health Plan Funding Bill Passes, Signed into Law

From Page 1

health insurance marketplace to increase costs for California purchasers.

CalChamber believes SBX2 2 sufficiently meets these important goals.

In its February 23 support letter, CalChamber noted that SBX2 2 presents a comprehensive solution that is a win-win for California.

Key Votes

SBX2 2 passed the Senate 28-11 on February 29.

Ayes: B. Allen (D-Santa Monica), Beall (D-San Jose), Block (D-San Diego), Cannella (R-Ceres), de León (D-Los Angeles), Galgiani (D-Stockton), Glazer (D-Contra Costa), Hall (D-Los Angeles), Hancock (D-Berkeley), E. Hernandez (D-West Covina), Hertzberg (D-Van Nuys), Hill (D-San Mateo), Hueso (D-San Diego), Huff (R-San Dimas), Jackson (D-Santa Barbara), Lara (D-Bell Gardens), Leno (D-San Francisco), Leyva (D-Chino), Liu (D-La Cañada Flintridge), McGuire (D-Healdsburg), Mendoza (D-Artesia), Mitchell (D-Los Angeles), Monning (D-Carmel), Pan (D-Sacramento), Payley (D-Agoura Hills), Roth (D-Riverside), Wieckowski (D-Fremont), Wolk (D-Davis).

Noes: Anderson (R-Alpine), Bates (R-Laguna Niguel), Berryhill (R-Twain

Harte), Fuller (R-Bakersfield), T. Gaines (R-El Dorado Hills), Moorlach (R-Costa Mesa), Morrell (R-Rancho Cucamonga), Nielsen (R-Gerber), Runner (R-Antelope Valley), J. Stone (R-Temecula), Vidak (R-Hanford).

No Vote Recorded: Nguyen (R-Garden Grove).

SBX2 2 passed the Assembly 61-16 on February 29.

Ayes: Alejo (D-Salinas), Atkins (D-San Diego), Baker (R-San Ramon), Bigelow (R-O'Neals), Bloom (D-Santa Monica), Bonilla (D-Concord), Bonta (D-Oakland), Brown (D-San Bernardino), Burke (D-Inglewood), Calderon (D-Whittier), Campos (D-San Jose), Chau (D-Monterey Park), Chu (D-San Jose), Cooley (D-Rancho Cordova), Cooper (D-Elk Grove), Dababneh (D-Encino), Dahle (R-Bieber), Daly (D-Anaheim), Dodd (D-Napa), Eggman (D-Stockton), Frazier (D-Oakley), C. Garcia (D-Bell Gardens), E. Garcia (D-Coachella), Gatto (D-Glendale), Gipson (D-Carson), Gomez (D-Los Angeles), Gonzalez (D-San Diego), Gordon (D-Menlo Park), Gray (D-Merced), R. Hernández (D-West Covina), Holden (D-Pasadena), Irwin (D-Thousand Oaks), Jones (R-Santee), Jones-Sawyer (D-South Los Angeles), Levine (D-San Rafael), Linder (R-Corona), Lopez (D-San Fernando),

Low (D-Campbell), Maienschein (R-San Diego), Mathis (R-Visalia), Mayes (R-Yucca Valley), McCarty (D-Sacramento), Medina (D-Riverside), Mullin (D-South San Francisco), Nazarian (D-Sherman Oaks), O'Donnell (D-Long Beach), Olsen (R-Modesto), Quirk (D-Hayward), Rendon (D-Lakewood), Ridley-Thomas (D-Los Angeles), Rodriguez (D-Pomona), Salas (D-Bakersfield), Santiago (D-Los Angeles), M. Stone (D-Scotts Valley), Thurmond (D-Richmond), Ting (D-San Francisco), Wagner (R-Irvine), Waldron (R-Escondido), Weber (D-San Diego), Williams (D-Carpinteria), Wood (D-Healdsburg).

Noes: Achadjian (R-San Luis Obispo), T. Allen (R-Huntington Beach), Brough (R-Dana Point), Chang (R-Diamond Bar), Chávez (R-Oceanside), B. Gaines (R-El Dorado Hills), Gallagher (R-Yuba City), Grove (R-Bakersfield), Hadley (R-Torrance), Harper (R-Huntington Beach), Lackey (R-Palmdale), Melendez (R-Lake Elsinore), Obernolte (R-Big Bear Lake), Patterson (R-Fresno), Steinorth (R-Rancho Cucamonga), Wilk (R-Santa Clarita).

Absent/Abstaining/Not Voting: Chiu (D-San Francisco), Kim (R-Fullerton).

Staff Contact: Mira Morton

CalChamber-Backed Student Team Reaches Finals in Transit Pod Design Competition

A University of California, Santa Barbara student team, supported in part by the California Chamber of Commerce, is among the finalists in a competition to test the feasibility of a futuristic rapid transit system.

The 22-member student team was one of more than 115 student engineering teams that participated in the SpaceX Hyperloop Pod Competition Design Weekend at the end of January. Teams representing 27 U.S. states and 20 countries traveled to Texas A&M University for the competition.

High-Speed Travel

The Hyperloop transit pod, first outlined in 2013 by SpaceX CEO Elon Musk, involves transporting passengers via pods in depressurized tubes above ground. The pods in theory would move as fast as 700 miles per hour, enabling passengers to travel from Los Angeles to San Francisco in less than 40 minutes.

For the final competition, 30 student teams and one nonstudent team will build their pod prototype and test their design this August on a one-mile test track next to SpaceX headquarters in Hawthorne, California.

Other finalists in addition to the UC Santa Barbara team include teams from UC Irvine and UC Berkeley, the University of Southern California, and a team that counts students from Harvey Mudd College in Claremont among its participants.

UC Santa Barbara Team

In an email, **UCSB Hyperloop team** captain Trevor Fritz, a fourth-year mechanical engineering major, said the team focused on three design characteristics:

affordability, simplicity and scalability.

Fritz said teams were given a lot of freedom in designing their pods. "Ours looks nothing like the one Elon Musk designed. This is due mainly to the fact that our pod uses magnetic levitation whereas the pod Elon Musk envisioned used air bearings—similar in principle to

projected to cost a total of \$50,000 to build. Renderings can be viewed on the team website at <http://www.ucsbhyperloop.com>.

To date, Fritz says the team has raised \$40,000 toward that goal following donations from Raytheon, Northrop Grumman, Tenon Intersystems, the CalChamber and a private donor.

The team plans to create a Kickstarter, but also will be pursuing funding from additional sources, Fritz writes, adding, "significant contributions will get logos painted on our pod shell!"

The team of six women and 16 men includes 10 mechanical engineering majors, three computer engineering majors, four electrical engineering majors, two computer science majors, one person majoring in electrical engineering/physics, and two economics/accounting majors.



The University of California, Santa Barbara (UCSB) Hyperloop Team and advisers, including captain Trevor Fritz (second from left in front).

Judging

Eighty judges, including SpaceX and Tesla employees, plus 60 others from around the nation and world devoted 8 hours to reviewing more than 180 technical presentations at Texas A&M.

Judging was in three categories: 76 design and build, 18 design only, and 88 subsystems.

Designs were judged based on aerodynamics, propulsion, levitation, braking, electronics and safety.

More information, including photos and videos from the competition weekend, is available at <http://hyperloop.tamu.edu>.

Photo courtesy UCSB Hyperloop Team

those in an air hockey table—to levitate."

To keep costs down, the UCSB team chose "readily and cheaply available materials" found at local metal suppliers, like sheet aluminum, steel tubing, or fiberglass, as opposed to materials like carbon fiber, Fritz said.

The pod was designed so that the students on the team could assemble it themselves, Fritz said, noting that Joshua Kendrick of Valley Rock Mods has donated many hours of expert consulting and fabrication service to the team as it has started to build its frame. The pod is being built at the UCSB Mechanical Engineering Machine Shop.

The pod (14 feet long by 3 feet, 4-inches tall and 3-feet, 7 inches wide) is

CalChamber-Sponsored Seminars/Trade Shows

More at www.calchamber.com/events.

International Trade

Doing Business in India 2016. Consulate General of India. March 16, Stanford. (415) 668-0662, Ext. 162.

Demystifying Exports and Imports. Port of Oakland. March 17, Oakland. (510)

273-6611.

TradeX-Trade Connect. Port of Los Angeles. March 17, Sylmar. (310) 732-7765.

12th Annual Global California Conference—The Pacific Rim Countries. Monterey Bay International Trade

Association. March 24, Monterey. (831) 335-4780.

Danish American Frontier Award Dinner. Danish American Chamber of Commerce of Northern California. April 3, San Francisco. (925) 253-0785.

GO-Biz Hosting Webinars on California Competes Tax Credit

The Governor's Office of Business and Economic Development (GO-Biz) is hosting free webinars in March for businesses interested in applying for the California Competes Tax Credit (CCTC).

GO-Biz will accept applications for the CCTC from March 7, 2016, through March 28, 2016. There will be at least \$81 million in tax credits available for businesses that are expanding and adding jobs in the state. Businesses of all sizes are encouraged to apply.

The online application is available at www.calcompetes.ca.gov.

Since June 2014, GO-Biz has awarded \$223 million in tax credits to 330 companies projected to create more than 42,000 jobs and make \$10.2 billion in investments in California.

Businesses interested in applying can register to attend any of the webinars and receive information from the GO-Biz staff.

Webinars

- Wednesday, March 9: 10:30–11:30 a.m.
- Thursday, March 17: 7:30–8:30 a.m.
- Thursday, March 17: 5:30–6:30 p.m.
- Monday, March 21: Noon–1 p.m.

Readers with questions about the CCTC program or application process can call (916) 322-4051 or email CalCompetes@gov.ca.gov.

CalChamber Stresses Broad Negative Impact of Infrastructure Initiative

From Page 1

Opposition

Among testifiers outlining problems with the initiative at the hearing were State Treasurer John Chiang, Transportation Secretary Brian Kelly, Natural Resources Secretary John Laird and representatives from the Department of Finance and University of California.

Kaye added that other opponents of the initiative include Governor Edmund G. Brown Jr., Lieutenant Governor Gavin Newsom, State Controller Betty T. Yee and former State Treasurer Bill Lockyer.

Testimony at the hearing pointed to the same problems the CalChamber Board identified with the “No Blank Checks Initiative” when voting to oppose it:

Harm to Projects

The initiative would harm major infrastructure projects by adding an unnecessary level of cost, bureaucracy and delay to a process already bogged down with delays and bureaucracy. If passed, the measure will take a widely used and fiscally responsible financing mechanism off the table.

In addition, the measure would encourage litigation and increase the ability of special interests to leverage major infrastructure projects for their own purposes.

Although the measure has been linked to water infrastructure, it also would have an impact on transportation, local school construction, UC and California State University projects, and impede the ability for emergency repairs to be made in the wake of a natural disaster.

Senator Bob Hertzberg (D-Van Nuys), chair of Senate Governance and Finance, commented that the “tremendous uncer-

tainty” created by the initiative and its vagueness on key points is going to have “a chilling effect” on efforts to finance projects.

Initiative proponents have “taken an entire sector of finance that has worked elegantly as an important tool and... basically thrown it into disarray,” Hertzberg said.

Key Problems

Key problems with the initiative, which is opposed by a broad, bipartisan coalition of business, labor, local governments and water agencies, include:

- **Deceptive abuse of the system.** The initiative was placed on the ballot to try to disrupt a specific project—the plan to repair California’s statewide water distribution system through the Delta. Irrespective of one’s position on that single project, the measure has far broader implications—it would delay or even stop much-needed repairs to roads, bridges, water supply and delivery systems, hospitals and universities all over the state.

- **Erodes local control.** The measure takes away local control by requiring statewide voter approval even for some local infrastructure projects. Under this measure, cities and towns that want to come together with the state and form a Joint Powers Authority to issue revenue bonds to upgrade local water systems, roads, bridges, ports and universities would have to put their project on a statewide ballot. That means voters in faraway regions would have the authority to deny funding for local projects outside of their community.

- **Disrupts vital infrastructure development.** California and its local communities already suffer from a mas-

sive backlog of essential infrastructure needs, including outdated water systems that cannot withstand earthquakes, crumbling roads and bridges, and overcrowded hospitals and universities. This measure would worsen infrastructure problems by denying the use of revenue bonds to finance these much-needed projects.

- **Contains NO exemptions for emergencies or a major disaster.** Following an earthquake or flood, local governments may need to wait as long as two years in order to get voter approval to begin rebuilding damaged or destroyed roads, freeways, bridges, hospitals and water delivery systems.

- **Unnecessary.** Private investors bear the financial risk for revenue bonds, not the state or its general fund. Revenue bonds are repaid by project users who directly benefit, not taxpayers. For instance, repairs to a bridge would be paid by tolls on the bridge, or customers (not taxpayers), in a specific water district would pay to build a water recycling plant. It makes no sense to have a statewide election on projects not financed by taxpayers for which the state and local governments bear none of the financial risk.

Definition Unclear

In closing, Kaye reiterated that the definition of the word “project,” which is central to the initiative, is unclear.

“In fact, as it is clumsily written, nobody really knows what a project is,” Kaye said. “But both the intended and unintended but clearly foreseeable consequences of this measure will harm our ability to accommodate growth and economic development for decades to come.”

Contact: Loren Kaye

Negotiators Continue Push to Wrap Up Transatlantic Partnership Talks This Year



Negotiators reiterated last week the goal of reaching agreement on a potential Transatlantic

Trade and Investment Partnership (TTIP) before the end of the year.

A 12th round of European Union-United States trade talks was scheduled to end last Friday in Brussels to further the largest regional trading and investment relationship in the world. Discussions extended into this week, but negotiators told business reporters the goal is to have a consolidated draft text of the agreement completed by July, leaving just “the most sensitive issues,” as the Office of the U.S. Trade Representative put it.

The California Chamber of Commerce-supported partnership will strengthen economic ties and enhance trans-Atlantic regulatory cooperation through an agreement that would include both goods and services, including financial services. Such an agreement is essential to eliminating unnecessary regulatory divergence that may act as a drag on economic growth and job creation.

Discussions in Brussels covered regulatory issues in autos, pharmaceuticals and medical devices; customs and trade facilitation; rules of origin; and phase-out periods for tariffs not yet scheduled for immediate elimination.

Background

The European Union consists of 28 countries: Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, the Mediterranean Island of Malta, Nether-

lands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden and the United Kingdom.

The EU presidency rotates with each member country taking turns for six months at a time as chair of EU meetings and representing the EU at international events.

Impact

The trans-Atlantic economic partnership is a key driver of global economic growth, trade and prosperity, and represents the largest, most integrated and longest-standing regional economic relationship in the world.

Together, the European Union and the United States are responsible for more than 11% of the world’s population, nearly half of global gross domestic product (GDP), a third of global merchandise trade, and 40% of world trade in services. The trans-Atlantic relationship defines the shape of the global economy as a whole; either the European Union or the United States also is the largest trade and investment partner for almost all other countries.

According to the World Bank, the EU market represents 508.3 million people, and has a total GDP of \$18.46 trillion. The United States has 318.9 million people and a GDP of \$17.42 trillion.

Total bilateral goods trade between the European Union and United States was \$698.7 billion in 2015, with the United States exporting \$272.7 billion worth of goods to EU member nations.

California exports to the European Union in 2015 totaled \$29.2 billion. California is the top exporting state to Europe, with computers, electronic products and chemical manufactures as the state’s leading export sectors to the region. EU countries purchase roughly 17.6% of all

California exports. For California companies, the single market presents a stable market with huge opportunity.

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. U.S. trade with Europe is much larger than with China. Although there are numerous issues such as agricultural subsidies, privacy, aircraft subsidies, obtaining agreements on issues such as uniform car safety testing could be a huge benefit.

EU-U.S. commercial links are unrivaled. U.S. goods and private services trade with the EU totaled more than \$1 trillion in 2014, according to the White House. Total U.S. annual investment in the EU is higher than in all of Asia, while EU investment in the U.S. far outstrips EU investment in India and China combined.

According to a 2013 study by the British Embassy Washington, Atlantic Council, and Bertelsmann Foundation, the TTIP could create as many as 750,000 jobs in the United States and 75,340 jobs in California.

The United States and the European Union are the world’s largest sources and destinations for foreign investment, according to the U.S. Trade Representative. Trans-Atlantic investment benefits companies and workers by creating high-paying jobs, boosting exports, and spurring innovation in both the United States and the European Union.

More Information

For more information on the importance of TTIP, visit the trade agreements section of the international website at www.calchamber.com/international.
Staff Contact: **Susanne T. Stirling**

April 1 Compliance Alert



California Employers: Are you a private-sector employer with five or more full- or part-time employees, or a public-sector employer? If so, you're required to post the **updated Pregnancy Disability Leave notice effective April 1, 2016**, in each business location.

CalChamber's all-in-one poster makes your compliance easy, without costing a lot. **Save 20% through March 31** (with Preferred/Executive members saving an extra 20% after their member discount), and don't forget to add Poster Protect® to your order in case other pending required updates happen this year. So next time, you'll automatically receive a new poster at no additional charge.

PURCHASE at calchamber.com/staycurrent or call (800) 331-8877 with priority code PDLA.

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