

POLICY WATCH – January 2018

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The new year is off to a roaring start! On the public policy front, there is much activity in housing, transportation, and education to name NBLC's top priorities. We hope that the look ahead (in the article below) helps frame what will be on the table this year. We need to pay attention to the big decisions that will affect the economic ecosystem of the North Bay.

Also in this issue, we look at the growing urgency of business practicing corporate social responsibility (CSR). Two business leaders, Laurence Fink and Marc Benioff, press the case that good CSR is no longer an option and must be a part of any and all business operations. Those that fail at CSR do so at their peril.

We continue to navigate the recovery and rebuilding from the devastating fires. Leading that recovery is the need for housing to be approved and built, in the quickest timeframe, so we can continue to thrive in the North Bay. Working together, we can do this!

Best,



Cynthia

Big Issues in 2018

In [Get up to speed: 10 hot topics that will shape California campaigns in 2018](#) by [Ben Christopher](#) (CalMatters, Dec. 28, 2017, [Link](#)) the author raises ten issues he thinks will be hot topics politically in 2018. Here is a sampling of what Christopher predicts:

Poverty and Inequality: Christopher says, "Our state's gross domestic product may dwarf those of most countries. We may host some of the world's fastest growing industries and the country's wealthiest zip codes. But it remains, as ever, the economy, stupid. Just ask voters. In a fall poll from the Public Policy Institute of California, more respondents chose 'jobs and the economy' as the state's most pressing issue. 'Particularly as it relates to the uneven growth of the economy in California, that is a hugely important factor,' said Mark Baldassare, the institute's president. 'It's what people are referring to as the Two Californias.'"

Christopher describes the difference between the two leading candidates for Governor as Gavin Newsom stressing the hot economy and Antonio Villarigosa embracing the two Californias' scenario. And he points

out the Republican candidates are also on the two Californias' bandwagon. Asks Christopher, "Why have the state's inland and northern areas stagnated while the coastal cities have boomed? Why does uber-progressive California have the nation's highest poverty rate once you account for the cost of housing? Tough questions for any incumbent."

Housing: Christopher points out the housing crisis continues, despite legislation passed in 2017. He says, "Newsom has said he would like the state to set a goal of building 3.5 million new homes by 2025—a proposal that walks the line between bold and delusional. More recently, John Chiang, current state treasurer and the gubernatorial candidate most likely to issue a white paper, released his own detailed plan: more funding for low-income housing subsidies and more carrots and sticks to entice or compel local governments to allow more residential development."

Christopher adds, "Voters will also be asked to sign off on lawmakers' plans to borrow \$4 billion to build more affordable housing and subsidize the rent of veterans. Depending on how the signature gathering goes, they may also see a ballot measure that could repeal California's restrictions on rent control—local laws that cap how much landlords can charge tenants. Democratic Assemblyman Richard Bloom from Santa Monica will introduce a similar proposal in the Legislature."

He says, "Finally, there's the \$1.5 trillion question mark that is the recent rewrite of the federal tax code. As the California housing market adjusts to the newly slashed corporate tax rate and the reduced deductibility of property taxes and mortgage interest, expect to hear more."

Housing is the lead issue for the North Bay so these observations do not give comfort to the urgency of getting more housing built. Let's hope that we can do more locally than what appears to be looming at the state level.

Taxes: There is talk of changes to Proposition 13 going on this year's ballot but that would be very surprising given how it has "long been considered sacrosanct." Christopher says, "On one side, the California Association of Realtors is currently gathering signatures for a ballot initiative that would allow seniors and disabled Californians to preserve their lower tax rates even if they move. Under Prop. 13, homeowners pay property taxes equal to 1 percent of a home's price at the time of purchase. Increases are limited to 2 percent each year, no matter how fast a home's value increases."

Christopher says, "The proposed initiative would eliminate the penalty most longtime homeowners now pay when they move, which the Realtors say would encourage aging empty nesters to clear out of their large homes and make room for younger families. But it would come at a cost. The Legislature's nonpartisan fiscal scorekeeper has said the proposal would eventually cost local governments upwards of a billion dollars each year."

On the flipside, says Christopher, "another proposed initiative would weaken Prop. 13 by exempting commercial property owners. Already some of the gubernatorial candidates are on board. Democrat contender Delaine Eastin, former state schools superintendent, has said that the extra revenue generated by taxing commercial property owners more could fund school improvements. Villaraigosa has also said he would be willing to reexamine Prop 13." Newsom hasn't said what he supports but seeks to find a "more comprehensive approach to make the California budget less dependent on the volatile income of top earners. Otherwise, he warned, 'When we catch a cold, our budget is going to catch the flu.' That's a concern that all gubernatorial candidates have nodded at, though details on how to actually boost the budget's immune system have been scant.

Transportation: Christopher points out that one of the few things Republicans have to feel good about is the repeal of the recently passed gas tax under SB 1. He says, “Early this year, Democratic supermajorities in the state Senate and Assembly narrowly passed a transportation funding package that included a 12-cent hike to the gas tax and additional vehicle fees. Taxing drivers isn’t considered best practice for winning future elections in California. It’s a testament to the Democrats’ political confidence—and the sorry state of the California road system—that they were willing to push this through.”

“Now, the Republicans are itching for political payback. Allen has sponsored one of two proposed ballot measures that would rescind the fee hike. San Diego anti-tax Republican Carl DeMaio is funding a recall effort against freshman state Senator Josh Newman, a Democrat from Fullerton, allegedly for supporting the tax. Party leaders are hoping that their rallying cry of “GasTaxtrophe” will stick. They may be onto something. In a recent survey, nearly 3 in 4 likely voters said that repealing the gas tax is important to them. But whether that’s enough to energize the Republican base and flip undecided voters red is an open question.”

Environment: The devastating fires in California this year were portents of the impacts of climate change. Christopher says “a round of upcoming green-themed legislation” will attempt to address those changes. First up, he says, “Democratic Senator leader Kevin de León of Los Angeles will reintroduce a bill mandating that 100 percent of California’s electricity come from renewable sources by 2045. Likewise, Democratic Assemblymember Phil Ting of San Francisco will introduce a bill to ban new gas-powered cars by 2040.”

Christopher says the candidates seeking to replace Gov. Brown “depart from him in substance and style. Take Villaraigosa, who says the environmental movement needs to be less narrowly focused on greenhouse gas emissions and should better address local pollution and its impact on low-income communities of color. Or Eastin, who frequently notes that she is the only candidate calling for a ban on fracking.”

“And while all of the Democratic candidates are broadly supportive of Brown’s high speed rail project, all have expressed varying degrees of opposition to the governor’s twin tunnels water plan” which Brown has recently changed to push for only one tunnel.

Christopher says, “And then there are those fires. As the Central Coast and North Bay rush to house the newly homeless and grapple with the bigger question of if, how, and where to re-build in a state that seems increasingly prone to going up in flames, expect to see some of that grappling on the campaign trail.” Which we are already seeing here in the North Bay.

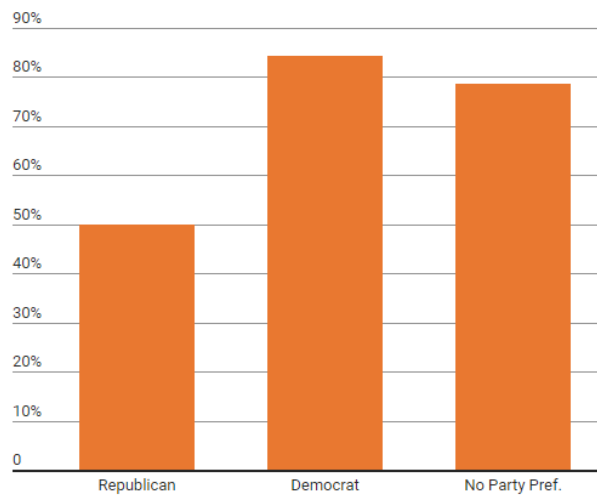
Education: Christopher reminds us “Almost half of the state’s discretionary funding goes to education.” The campaign for Superintendent of Public Instruction—Marshall Tuck, a charter school administrator, will be squaring off against Assemblyman Tony Thurmond of Richmond, who, like current Superintendent Tom Torlakson, will have the support of the California Teachers Association—but not the benefit of being an incumbent.”

He says, “The CTA has endorsed Newsom, and Villaraigosa has come out as the lone Democrat to back changes to teacher tenure laws and charter schools. Still, there isn’t much light between the four Democrats on other education issues. They all oppose for-profit charters, and, broadly speaking, support Gov. Brown’s local control formula for funding schools. They all advocate publicly funded universal

preschool, something Brown has rejected. Some have also mentioned supporting infant and child care programs, but so far, the candidates have been light on specifics.” The need for child care was driven home during and after the North Bay fires as people scrambled to find replacement child care so they could work.

Support for the childcare candidate

Would support a gubernatorial candidate who backs universal childcare and preschool



Source: Grassroots Lab and Tulchin Research, July 2017

Healthcare: “In the first two Democratic gubernatorial debates, no issue dominated quite like single payer healthcare—if only because it was one of the few questions on which there was discernible friction,” says Christopher. “The candidates split into two camps, with Newsom and Eastin unreservedly calling for a state-funded insurance program that would cover all Californians, and Villaraigosa and Chiang calling single payer a nice idea but wondering where the money would come from.”

He says, “It’s a debate likely to echo in blue tinged districts across the state. In June, the state senate passed a bill that would have offered comprehensive health insurance to all, but lacked a funding source. Assembly Speaker Anthony Rendon put the plan on hold, which many progressives, led by the California Nurses Association, characterized as a knife in the back. In some legislative districts, single payer is likely to be a progressive litmus test —and yet another opportunity to relitigate the California Democratic Party’s ferocious leadership battle last May, and before that, the 2016 primary. But as the White House and Republicans in Congress continue to tinker with the Affordable Care Act next year, lawmakers and candidates may have more immediate concerns.”

Pensions: Christopher says, “California Republicans have never shied away from making the state’s rising debt to its retired employees a central political issue. ‘This is the Sword of Damocles hanging over the California economy,’ says gubernatorial candidate John Cox.”

Gov. Brown succeeded in taking modest steps to roll back pension obligations. Some of the Democratic candidates have at least alluded to the issue. Christopher says, “As treasurer, Chiang helped spearhead an effort to paydown some of the state’s pension obligations by diverting money from a separate state account. But for progressive politicians, who count on the support of public sector unions and who aren’t ideologically inclined to cut benefits to retirees anyway, it’s a tough circle to square.”

Christopher makes the important point that “This year, the California Supreme Court is likely to take up a challenge to the so-called ‘California Rule,’ the legal standard which holds that the benefits promised to retired government workers are binding contracts that cannot be retroactively reduced. If the state’s highest court breaks from that half-century-old precedent, it could trigger a wave of pension reductions across the state—and plenty of debate on the campaign trail.”

Criminal Justice: Christopher notes, “California voters are not always predictable when it comes to crime. In 2014, the majority of voters approved Proposition 47, which reclassified many nonviolent property and drug crimes as misdemeanors and released thousands of inmates from state prisons. But two years later, voters took a tough-on-crime approach, making it easier to execute death-row inmates while rejecting a proposition that would have abolished the death penalty.”

He says, “This year’s major justice battle is likely to center around bail. In October, a working group put together by California Chief Justice Tani Cantil-Sakauye recommended that California’s cash bail system be replaced by one in which defendants would be released from custody before trial based not on their ability to pay, but on the assessed danger that they pose to public safety. Democrats in the Legislature have pledged to take up the measure, and they have the backing of the governor. It’s an issue that’s also attracted a degree of celebrity and quasi-celebrity attention, with the rapper Common advocating for reform and reality TV star, Duane Chapman (aka “Dog the Bounty Hunter”) taking the opposite position.”

And Christopher says, “Republicans welcome that debate. After years of decline, California recently saw an uptick in the violent crime rate—something the GOP has taken to blame on reform proposals like Prop. 47 and earlier Brown-backed inmate population reduction efforts on. Thus far, researchers haven’t found that connection.”

It looks like 2018 will be a busy year at the state level. Stay tuned for future issues where we look at what coming at the regional and local levels. The June primary and November general election will be chockful of ballot measures and candidates for you to sort through!

Two Business Leaders Take On Corporate Social Responsibility



Two business leaders have issued a call to action to the business community. The first is from Laurence Fink, founder and chief executive of the investment firm BlackRock, who said if business leaders want to receive support from BlackRock that their companies need to do more than make profits – they need to contribute to society. In BlackRock’s Message: Contribute to Society, or Risk Losing Our Support by Andrew Ross Sorkin (New York Times, Jan. 15, 2018 [Link](#)) Sorkin says, “Mr. Fink has the clout to make this kind of demand: His firm manages more than \$6 trillion in investments through 401(k) plans, exchange-traded funds and mutual funds, making it the largest investor in the world, and he has an outsize influence on whether directors are voted on and off boards.” Sorkin shares what Fink wrote: “Society is demanding that companies, both public and private, serve a social purpose. To prosper over time, every company must not only deliver financial performance, but also show how it makes a positive contribution to society.”

Sorkin says, “It may be a watershed moment on Wall Street, one that raises all sorts of questions about the very nature of capitalism. ‘It will be a lightning rod for sure for major institutions investing other people’s money,’ said Jeffrey Sonnenfeld, a senior associate dean at the Yale School of Management and an expert on corporate leadership. ‘It is huge for an institutional investor to take this position across its portfolio.’” He said he’s seen “nothing like it.”

Sorkin sees Fink’s letter as “a candid assessment of what’s happening in the business world — and perhaps taking a veiled shot at Washington at the same time — Mr. Fink wrote that he is seeing ‘many governments failing to prepare for the future, on issues ranging from retirement and infrastructure to automation and worker retraining.’ He added, ‘As a result, society increasingly is turning to the private sector and asking that companies respond to broader societal challenges.’ But for the world’s largest investor to say it aloud — and declare that he plans to hold companies accountable — is a bracing example of the evolution of corporate America. Mr. Fink says he is adding staff to help monitor how companies respond; only time will tell whether BlackRock truly uses his firm’s heft to influence new social initiatives.”

“Part of Mr. Fink’s argument,” says Sorkin, “rests on the changing mood of the country regarding social responsibility. He contends that if a company doesn’t engage with the community and have a sense of purpose ‘it will ultimately lose the license to operate from key stakeholders.’ Companies often talk about contributing to society — sometimes breathlessly — but it is typically written off as a marketing gimmick aimed at raising profits or appeasing regulators. Mr. Fink’s declaration is different because his constituency in this case is the business community itself.”

Sorkin notes, “Mr. Fink makes a point in his letter that the recent corporate tax cut could bring out the kind of activist investors he once denounced. ‘Tax changes will embolden those activists with a short-term focus to demand answers on the use of increased cash flows,’ he said, ‘and companies who have not already developed and explained their plans will find it difficult to defend against these campaigns.’

Despite Mr. Fink's insistence that companies benefit society, it's worth noting he's not playing down the importance of profits and, while it's a subtle point, he believes that having social purpose is inextricably linked to a company's ability to maintain its profits."

The other business leader is Marc Benioff, CEO of Salesforce. In [Marc Benioff on Inequality in an Age of Innovation \(Link\)](#), Benioff reaches out to other business leaders to prepare and take responsibility for the future. He says, "In the years ahead, we'll need to address this increasing tension between innovation and equality. AI, robotics and self-driving vehicles will continue to revolutionize how we build products, move goods and travel. But, according to the McKinsey Global Institute, automation could eliminate up to 800 million jobs globally by 2030, including one-third of U.S. jobs."



"Digital learning platforms will help prepare students for the science, technology, engineering and mathematics jobs of the future. But what about the more than 260 million of the world's children who are not even enrolled in school?"

"Advances in biotechnology will improve the treatment of diseases, from diabetes to cancer to Alzheimer's. But what about the health of the hundreds of millions of people who don't even have access to basic health care, clean water and toilets?"

"This tension between innovation and equality forces us to confront a fundamental question: What kind of world do we want? At this time of amazing advancements in the world brought on by the Fourth Industrial Revolution, we must live by and hold ourselves to fundamental values and standards."

"That's because a challenge this big and complex cannot be left to politicians alone. Business leaders have a unique responsibility. Indeed, the business of business can't be just about making profits; we have to ensure that our products and wealth narrow inequalities instead of widening them."

"New technology can't be allowed to perpetuate discrimination based on gender, race, religion or sexual orientation. We must bring greater transparency into how companies develop and deploy new technologies so that, as societies, we carefully weigh their costs and benefits."

"Most of all, business should be guided by clear, certain values."

"To give more young people an equal opportunity to compete for the high-tech jobs of the future, we have to invest more in public education, especially in science, technology, engineering and mathematics. Everyone—no matter who they are—deserves an equal opportunity to fully participate in our economies and societies."

"And to ensure that people have an equal opportunity to live in a safe and healthy environment, we have to address the reality of climate change."

"I believe Salesforce is living by these values—whether it is by investing and volunteering in our local public schools, making sure men and women at Salesforce are paid equally, opposing state laws against LGBTQ rights, or achieving net zero carbon emissions earlier this year."

“We are seeing once again that technology is neither inherently good nor bad; what matters is what we do with it. As a global community, as individuals, we cannot be bystanders to history. We have the power to ensure that the technologies we develop and the wealth we generate elevate humanity instead of undermining it, with an enduring commitment to transparency, trust and equality for every human being.”

Upcoming Events

Business Edge Breakfast Briefing

Involving Family in Your Business Enterprise: Essential Do's and Don'ts You Need to Know

Tuesday, February 13, 2018

7:00 a.m. – 9:00 a.m.

Dominican University, Caleruega Hall, Creekside Room, San Rafael

**Save the Date: The State of the North Bay conference is on June 14th at the Sheraton Hotel, Petaluma **

Members in the News

The Buck Institute for Research on Aging Explores a New Therapeutic Avenue for Parkinson's Disease

Systemic clearing of senescent astrocytes prevents Parkinson's neuropathology and associated symptoms in a mouse model of sporadic disease, the type implicated in 95% of human cases.

Redwood Credit Union Receives Heart of Marin Corporate Community Service Award

Redwood Credit Union (RCU) received the Corporate Community Service award at the 25th annual Heart of Marin awards held January 11, 2018 at the Marin Center, hosted by the Center for Volunteer and Nonprofit Leadership (CVNL).

Dominican University and the City of Novato Team Up on Youth Civic Engagement

Novato students studying at Dominican University in San Rafael this fall will be able to pursue civic engagement through public service — and be eligible for a \$100,000 scholarship.

College Of Marin To Present Private Art Collections From Locals

Over the years, a number of donors have contributed important works of art to COM's permanent collection as well as a variety of pieces currently on loan.

Codding family buys out Simon Property Group's stake in Coddington Mall in Santa Rosa

Santa Rosa's Coddington Mall has returned to fully local ownership after the Coddington family business last week repurchased the 50 percent stake in the shopping center previously owned by mall giant Simon Property Group.

Kaiser Permanente Stroke Patients Receive Clot-busting Medication More Than Twice as Fast as National Rates

Kaiser Permanente hospitals in Northern California are delivering clot-busting medication to new stroke patients more than twice as fast as the national average.

Sonoma Raceway's Laps of Appreciation Raised More than \$70,000 for Fire Relief

Hundreds of community members enjoyed a special evening of fundraising and sharing gratitude at Sonoma Raceway on Tuesday evening at the raceway's Laps of Appreciation event.

SolarCraft Names Solar Industry Leader Ted Walsh as CEO

Novato and Sonoma-based SolarCraft, a leader in solar and clean energy system design and installation, has appointed Ted Walsh to serve as Chief Executive Officer.

Read more online at www.northbayleadership.org/news



Who We Are

Over twenty five years ago, business leaders founded the North Bay Leadership Council on a simple premise: We can accomplish more by working together. Today, the Council includes 54 leading employers in the North Bay. Our members represent a wide variety of businesses, non-profits and educational institutions, with a workforce in excess of 25,000. As business and civic leaders, our goal is to promote sound public policy, innovation and sustainability to make our region a better place to live and work. For more information: Call

707.283.0028 / E-mail info@northbayleadership.org

www.northbayleadership.org