

Date of Hearing: April 23, 2013

ASSEMBLY COMMITTEE ON JOBS, ECONOMIC DEVELOPMENT AND THE ECONOMY

Jose Medina, Chair

AB 1399 (Jobs, Economic Development and the Economy) – As Introduced: March 11, 2013

SUBJECT: Economic Development Definitions

SUMMARY: Makes technical changes to the Government Code relating to the transfer of economic related programs from the Business, Transportation and Housing Agency (BTH) to the Governor's Office of Business and Economic Development (GO-Biz). Specifically, this bill:

- 1) Transfers administration of the Economic Adjustment Assistance Grant and the Sudden and Severe Economic Dislocation Grant Program from the BTH to GO-Biz.
- 2) Renumbers within statute the following definitions (no changes have been made to the definitions):
 - a) Local Economic Development Organization
 - b) Financial Intermediary
 - c) Local Economic Development Organization
 - d) California Council on Science and Technology
 - e) Regional Economic Development Organization
 - f) Regional Economic Development Corporation
 - g) Regional Economic Development Organization
 - h) Small Businesses
 - i) Economic Development Corporation
 - j) Community Development
 - k) Triple Bottom Line
 - l) Financial Institution Capital
 - m) Economic Development
 - n) Community Development Intermediary
 - o) Local Economic Development
 - p) Microbusiness Lender
 - q) Emerging Domestic Market

FISCAL EFFECT: Unknown

COMMENTS:

- 1) Framing the Policy Issue: Current law places the definitions for specified economic development terms within statute relating to the activities of BTH. On July 1, 2013, BTH will cease to exist and its programs and authorities will be either eliminated or transferred to other existing and new state government entities.

This bill transfers, without substantive changes, key economic development definitions, as well as the authority to administer the Economic Adjustment Assistance Grant and the Severe Economic Dislocation Grant from BTH to GO-Biz.

- 2) Governor's Office of Business and Economic Development: GO-Biz was established through the enactment of AB 29 (John A. Pérez), Chapter 475, Statutes of 2010, to serve as the primary executive agency responsible for economic development and job creation efforts. GO-Biz offers a range of services to business owners including: attraction, retention and expansion services, site selection, permit streamlining, small business assistance, international trade development, and assistance with

the government. Prior to the creation of GO-Biz, economic development programs were administered through a number of state entities including BTH.

- 3) Governor's Reorganization Plan 2 (GRP 2): In 2012, Governor Brown proposed with the approval of the Legislature, a comprehensive reorganization plan (GRP 2) of state agencies and programs. Among other changes, the GRP 2 reduces the number of state agencies by eliminating five agencies and merging their responsibilities into three new agencies: Government Operations; Business, Consumer Services and Housing; and Transportation. In addition, the plan proposes eliminating or transferring parts or all of the activities of several boards and commissions to other locations within the executive branch, and combining the activities of several departments into new or existing departments. Among other changes, the GRP 2 authorized the transfer of the Small Business Loan Guarantee Program and the Infrastructure and Economic Development Bank to GO-Biz.
- 4) Economic Adjustment Assistance Grant: The federal Economic Adjustment Assistance Grant program was initially designated to be administered through the Technology, Trade, and Commerce Agency, which was eliminated in 2003. Although the State Controller retained the money for uses consistent with the federal program, no state entity had authority to actually use the money. In 2008, BTH was designed to administer the program and the moneys were transferred to the California Expansion Fund to be used under contract through the small business financial development corporations (FDCs). BTH is now going to be eliminated and a new administering entity needs to be provided for these programs. GRP 2 consolidates several economic development programs at GO-Biz including contracting authority for FDCs
- 5) Related Legislation: The following is a list of related legislation.
 - a) AB 29 (John A. Pérez) Creation of GO-Biz: This bill established the Office of Economic Development within the Governor's Office (GOED) for the purpose of serving as the lead entity for economic strategy and marketing of California on issues relating to business development, private sector investment and economic growth. Status: Signed by the Governor, Chapter 475, Statutes of 2011.
 - b) AB 901 (V. Manuel Pérez) Definition of Financial Institutions: This bill expanded the definition of financial institutions eligible to participate. Particularly, the bill included a small business financial development corporation or microenterprise development organization that met the established standards. Additionally, it required an annual report to be given to Governor and the Legislature that included: outstanding loans, new loans issued since the prior report, total number of businesses served, jobs created, jobs retained, the geographic distribution of loans, and the breakdown of businesses served by industry sector. Status: Signed by the Governor, Chapter 483, Statutes 2011.
 - c) AB 192 (Budget Committee) BTH Authority to Administer Grant Program: This bill, among other things, made the necessary statutory changes to allow the transfer of \$4.3 million in federal funds held by the State Controller's Office to the Business Transportation and Housing Agency in order to reactivate the Sudden and Severe Economic Dislocation Grant Program as was approved in the budget. Status: Signed by the Governor, Chapter 312, Statutes of 2007.
 - d) AB 1317 (Frazer) GRP 2 Implementation: This bill makes the necessary statutory changes to reflect the alterations made by the Governors' Reorganization Plan 2 (GRP 2) as introduced to the

Legislature on May 3, 2012 and made effective on July 3, 2012. Status: Pending on the Assembly Floor.

REGISTERED SUPPORT / OPPOSITION:

Support

None received

Opposition

None received

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