

Date of Hearing: April 22, 2014

ASSEMBLY COMMITTEE ON JOBS, ECONOMIC DEVELOPMENT AND THE ECONOMY

Jose Medina, Chair

AB 2176 (John A. Pérez) – As Amended: April 9, 2014

SUBJECT: Governor's Office of Business and Economic Development

SUMMARY: Requires the Governor's Office of Business and Economic Development (GO-Biz) to develop recommendations for a state economic development plan and to be notified when an employer submits notice to the state of his or her intent to undertake a mass layoff, as specified. Specifically, this bill:

- 1) Requires GO-Biz to develop recommendations for an economic development strategic plan for the state.
- 2) Make the following actions mandatory duties of GO-Biz, rather than authorized authorities:
  - a) Make recommendations to the Governor and the Legislature that relate to statewide economic goals, respond to emerging economic problems, and to ensure that all state policies and programs conform to the adopted state economic and business development goals;
  - b) Coordinate the development of policies and take actions that ensure federal grants are expended in a manner that advances statewide economic goals and objectives;
  - c) Market the business and investment opportunities available in California;
  - d) Provide economic, workforce, and demographic data as well as information on state programs, permitting, and incentives;
  - e) Establish a well-advertised telephone number, an interactive Internet Web site, and an administrative structure that supports the facilitation of business development and investment in the state;
  - f) Encourage collaboration among research institutions, startup companies, local governments, venture capitalists, and economic development agencies to promote innovation;
  - g) Foster relationships with overseas entities to improve the state's image as a destination for business investment and expansion;
  - h) Conduct research on the state's business climate; and
  - i) Support small business development.
- 3) Includes GO-Biz in the required written notification from an employer ordering a mass layoff, relocation, or termination and requires the Employment Development Department (EDD) to post the notice on its Internet Web site, upon receipt.

EXISTING LAW:

- 1) Establishes GO-Biz within the Governor's Office for the purpose of serving as the lead state entity for economic strategy and marketing of California on issues relating to business development, private sector investment, and economic growth.
- 2) Prohibits an employer from ordering a mass layoff, relocation, or termination of a covered establishment unless the employer first gives 60 days' prior written notice to affected employees, EDD, the local workforce investment board, and specified government officials within which the termination, relocation, or mass layoff occurs.

EXISTING FEDERAL LAW requires most employers with 100 or more employees to provide employees, bargaining representatives of the employees (i.e., unions), and specific government agencies at least 60 days notice of any plant closing or mass layoff, as defined with specified exemptions. Also known as the federal Worker Adjustment and Retraining Notification Act (WARN Act).

FISCAL EFFECT: Unknown

COMMENTS:

- 1) Author's Purpose: According to the author, "In 2011, Governor Brown signed AB 29 by Speaker John A. Pérez into law, which created the Governor's Office of Business and Economic Development (GO-Biz), and made permissive specific tasks and duties for the office, including providing the Governor and Legislature with recommendations on new state policies, programs, and actions, to advance statewide economic goals and respond to emerging economic problems and opportunities.

The last statewide economic strategy report was released in 2002, by the California Economic Strategy Panel and it was entitled, "Creating a Shared California Economic Development Strategy: A Call to Action." In 2011, however, the Economic Strategy Panel was removed from statute.

As part of the GO-Biz mission, it has the ability to convene strike forces or teams to address key business development situations, including, but not limited to, attracting new businesses, the relocation of large manufacturers, or the closure of a large business employer.

Under AB 2176, GO-Biz will be provided mandatory reporting status, pursuant to the WARN Act, so that it can effectively respond to companies that may be contemplating relocating, closing, or significantly scaling back on their instate business operations.

Recognizing the need to better assist businesses in California and to attract new and emerging companies to California, AB 2176 seeks to add to the tasks and duties for GO-Biz the development of an economic development strategic plan which will provide an economic development roadmap to guide public policy decisions and actions to foster and promote California's economic growth and competitiveness."

- 2) Framing the Policy Issue: This measure proposes the development of a strategy to guide the state's economic development activities. Just like a business strategy, a state strategy provides the big picture that shows how all of the individual activities are coordinated to achieve a desired end result. As the eighth largest economy in the world, California's lack of a strategic plan impedes the state's ability to communicate clear priorities on key issues such as infrastructure development, workforce preparation, and support for emerging and dominant industry sectors within the state's nine regional economies.

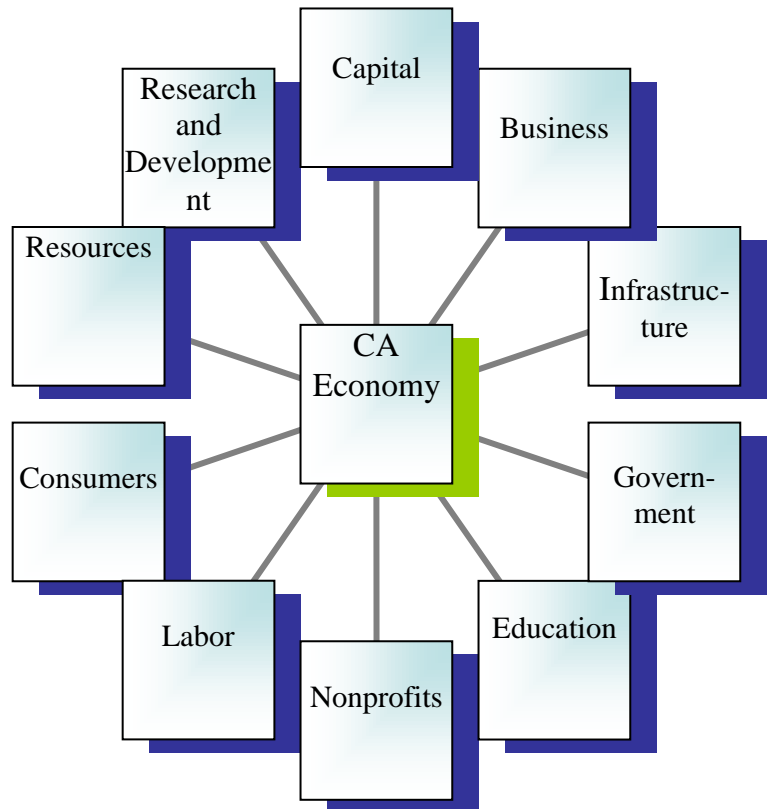
This analysis includes additional information on the advantages of a strategy, the interrelationships between state planning and funding, and the role of GO-Biz.

3) What the Strategy would Accomplish: There are ten key drivers of the California economy: capital, infrastructure, labor, business, resources, education, research and development, consumers, nonprofits, and government actions. Each of these drivers has both its own unique characteristics as well as qualities that they share in common. In addition, each of the drivers is inextricably linked within the overall state, federal, and global economy. A weakness within any one of the drivers affects the others and potentially threatens the economic and social health of the society.

As an example, California's aging infrastructure limits the state's ability to move products from farm to factories and on to foreign and domestic markets. These delays in moving goods increase the cost of transportation, which impacts businesses all along the supply chain, resulting in less job growth, lower discretionary income, and ultimately less tax revenues.

While the impacts of poor quality infrastructure are known, addressing these challenges requires a coordinated and comprehensive approach by both public and private stakeholders. Since financing often requires long-term commitments, and development projects are fairly permanent structures within the environment, agreements need to be reflected in public documents that can guide related decision in the future.

A state economic development strategy would serve such a purpose of identifying important issues and engaging appropriate stakeholders for the purpose of prioritizing key state actions. Up until August 2011, existing law required the state to have a two-year state economic development strategic plan. AB 2176 would re-establish a requirement for an economic strategy that could support job creation, business development, and attraction of private sector investment.



4) Strategy for the Post-Recession Economy:

The post-recession U.S. and global economy will have a number of key characteristics that will differentiate it from that of the latter 20<sup>th</sup> Century. Remaining competitive will require both the public and private sectors to adopt new and more agile thinking about natural resources and the deployment of human, physical, and financial capital. The chart below describes eight key trends that economic researchers have identified as having redefined the U.S. economy in the post-recession era.

<b>Key Economic Trends Affecting the California Economy</b>
<b>A. Cities and regions will become more dominant economic players.</b>
<b>B. Global networks will be supported through more advanced information and transportation technologies.</b>
<b>C. Barriers to trade will continue to decline among both developed and emerging economies.</b>
<b>D. The world's largest companies will increasingly be headquartered in emerging foreign markets.</b>

<b>E. Global and more diversified markets will provide new opportunities for entrepreneurs and smaller size businesses.</b>
<b>F. Scarcity and rising prices will increase pressure on the development and deployment of cleaner technologies.</b>
<b>G. The retirement of Boomers will place an even greater need for middle- and high-skilled workers.</b>
<b>H. The available workforce will be smaller, more ethnically diverse, and have educational backgrounds that are lower than other developed economies.</b>

Most of these trends are not really new, rather these trends are the natural consequence of basic demographics and prior policy choices. It is the magnitude of their collective impact that distinguishes these eight trends. As an example, trade agreements are a centuries old practice. However, today's open markets between the technologically advanced countries and the increasing middle class in the emerging economies is a game changer.

As AB 2176 moves forward, it may be useful to expand the language to direct or encourage GO-Biz to collaborate with existing broad-based stakeholder collaborations, such as the California Stewardship Council, CALED, and the REAL Coalition, among others. With so many regionally-based and statewide networks, GO-Biz would benefit from their insights and expertise. In addition, the author may wish to:

- Authorize private funding to finance the strategy and stakeholder engagement;
- Set a date for the completion of the first strategy and/or specify how often the strategy is to be updated;
- Add some specificity to the types of issues to be covered, such as the 10 drivers illustrated in Comment 3.

The rate of economic change is exponentially increasing. From having a few select centers of innovation in Western industrialized nations, the world now supports multiple centers of new technology and innovation around the world. Geographic locations compete not just on what they offer to local business, but also on how they can link those businesses to other regions around the world. AB 2176 can play an important role in keeping California highly competitive in this more technologically sophisticated, hyperlinked, and globally-connected world.

- 5) State Planning and Funding: California's community and economic development policy has historically been driven by a number of statutory mandates including the Environmental Goals and Policy Report (EGPR), the Five-Year Infrastructure Plan (Infrastructure Plan), the International Trade and Investment Strategy (ITI Strategy), and the Economic Development Strategic Plan (ED Strategy).

Collectively, these four policy mandates form the foundation for the state's short-, middle-, and long-term economic success. The EGPR sets the overall long-term framework in which individual departments and agencies develop more detailed plans, including elements of the state transportation and state housing plans. The Infrastructure Plan allows the state to keep track of its infrastructure needs and set a rational infrastructure development agenda that supports the long-term economic and population growth assessments outlined in the EGPR. The ED Strategy sets measureable economic objectives relative to the state's position within the global economy. Finally, the development of the ITI Strategy is built on the information and policies provided in the EGPR, the Infrastructure Plan, and the ED Strategy.

Currently the EGPR is being updated and a new Infrastructure Plan was released in January 2014 and the ITI Strategy in February 2014. The requirement for an ED Strategy, as noted earlier, was removed in 2011. AB 2176 serves an important role in bringing the state's planning paradigm back into focus.

- 6) Office of Business and Economic Development: In April 2010, the Governor's Office of Economic Development was established to provide a One-Stop-Shop for serving the needs of businesses and economic developers. While initially established through Executive Order S-01-10, the office was later codified and renamed as the Governor's Office of Business and Economic Development (GO-Biz), in AB 29, Chapter 475, Statutes of 2010. In 2012, GO-Biz assisted over 5,300 companies which resulted in the creation and/or retention of 9,050 jobs and \$1.45 billion in investments. GO-Biz directly assisted over 6,500 companies in 2013.

Among other programs, GO-Biz provides permit and other technical assistance for new and expanding businesses, as well as administering the California Innovation Hub Program in partnership with the statewide network of 16 regional economic development partnerships. The Office of the Small Business Advocate is located at GO-Biz and the state's international trade and foreign investment activities are coordinated through GO-Biz.

In 2012, the Governor initiated, and the Legislature allowed to advance, a comprehensive reorganization of the state's administrative structure. Key changes included the dismantling of the Business, Transportation and Housing Agency (BTH), and further consolidating GO-Biz's position as the state's lead in economic development. Effective July 1, 2013, GO-Biz has the administrative authority for more economic development related programs and services including the Small Business Loan Guarantee Program and the Infrastructure and Economic Development Bank.

- 7) WARN Notice: The purpose of the state and federal WARN Act is to provide protection to affected workers, their families, and communities by requiring employers to give advance written notice of plant closings, mass layoffs, or relocations. The advance notice provides workers and their families some transition time to adjust to the prospective loss of employment, to seek and obtain alternative jobs and, if necessary, to possibly enter skill training or retraining that will allow these workers to successfully compete in the job market and continue vital financial support to their families. Additionally, the notice gives state agencies, such as EDD, the opportunity to ensure dislocated worker assistance can be promptly provided.
- 8) Related Legislation: AB 2176 is similar in intent, but not identical in language to AB 53 (John A. Pérez), which was vetoed in 2013. Below is a list of related legislation from the current and prior sessions.
- a) Related bills from the 2013-14 Legislative Session:
- i) *AB 53 (John A. Pérez) California Economic Development Strategic Plan*: This bill would have required GO-Biz to lead the preparation of the biennial California Economic Development Strategic Plan, as specified. In addition, the bill required a copy of the federally required Worker Adjustment and Retraining Notification Act notice be posted on the EDD website and be provided to GO-Biz. Status: Vetoed by the Governor, 2013.
  - ii) *AB 1543 (Holden) Layoff Notices*: This bill includes GO-Biz in the required written notification from an employer ordering a mass layoff, relocation, or termination and requires the EDD to post the notice on its Internet Web site, upon receipt. Status: Pending in the Assembly Committee on Appropriations.
- b) Related bills from prior legislative sessions:
- i) *AB 29 (John A. Pérez, Feuer and V. Manuel Pérez) Office of Business and Economic Development*: This bill established GO-Biz to include a newly codified California Business Services and the

existing Office of the Small Business Advocate. Status: Signed by the Governor, Chapter 475, Statutes of 2011.

- ii) *AB 699 (Portantino and V. Manuel Pérez) Update State Economic Strategy 3*: This bill would have updated the requirements for the development of a State Economic Development Strategy, especially in the areas of technology and innovation, and required it to be submitted to the Legislature by May 1, 2010. Status: Held in Assembly Appropriations Committee, 2009.
- iii) *AB 1233 (V. Manuel Pérez) State Economic & Workforce Development Strategy*: This bill would have required the Director of the Governor's Office of Business and Economic Development to prepare a five-year economic and workforce development strategy. The blueprint will help the state set a strategic path forward by prioritizing and coordinating state activities, supporting local and regional economic development activities, and better leveraging of private and public sector resources. Status: Held in the Assembly Appropriations Committee, 2012.
- iv) *AB 1606 (Arambula and Lieu) Update Economic Strategy Version 1*: This bill would have updated the requirements of the Economic Strategy Panel and required the development of a targeted set of actions to increase private investment in California's historically underserved communities, also known as emerging domestic markets. Status: Vetoed by the Governor, 2007.
- v) *AB 1916 (Portantino, Arambula, Price, Salas, and Caballero) Update Economic Strategy Version 2*: This bill would have updated the membership and requirements of the Economic Strategy Panel, especially in the areas of technology and innovation, and required that the next Economic Development Strategic Plan be submitted to the Legislature by January 1, 2010. Status: Vetoed by the Governor, 2008.

REGISTERED SUPPORT / OPPOSITION:

Support

None Received

Opposition

None Received

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