

Date of Hearing: April 23, 2013

ASSEMBLY COMMITTEE ON JOBS, ECONOMIC DEVELOPMENT AND THE ECONOMY

Jose Medina, Chair

AB 53 (John A. Pérez) – As Amended: February 20, 2013

SUBJECT: Governor's Office of Business and Economic Development: Biennial California Economic Development Strategic Plan

SUMMARY: Requires the Governor's Office of Business and Economic Development (GO-Biz) to lead the preparation of a biennial California Economic Development Strategic Plan (ED Strategy), as specified. In addition, the bill requires a copy of the federally required Worker Adjustment and Retraining Notification Act (WARN) notice be provided to GO-Biz. Specifically, this bill:

- 1) Directs GO-Biz to lead in the preparation of a biennial ED Strategy. In fulfilling this duty, GO-Biz is directed to do the following:
  - a) Make recommendations regarding a two-year ED Strategy that includes:
    - i) A statement of economic goals;
    - ii) A prioritized list of significant issues learned from proposals for legislation, regulations and administrative reforms necessary to improve the business climate and economy of the state;
    - iii) An evaluation of the effectiveness of the state's economic development programs;
    - iv) A list of key industries in which the state shall focus its economic development efforts; and
    - v) Strategies to foster job growth and economic development covering all state agencies, offices, boards, and commissions that have economic development responsibilities.
  - b) Convene a biennial stakeholder meeting, as specified, to provide recommendations regarding the ED Strategy. At the meeting there is to be an discussion on:
    - i) The strengths and weaknesses of the California economy;
    - ii) Existing, emerging and declining industries in California and elsewhere;
    - iii) Effectiveness of California's current economic development programs;
    - iv) Adequacy of state and local physical and economic infrastructure;
    - v) Government impediments to economic development; and
    - vi) The development of a system of accountability for use in the annual state budget process and in the legislative process to ensure the performance of all state policies, programs, and tax expenditures intended to stimulate the economy.
  - c) Deliver copies of the recommended ED Strategy to every constitutional officer, legislator, member of the Governor's cabinet, and every state agency, office, board, and commission that have economic development responsibilities.
- 2) Requires the accountability system addressed in the biennial stakeholder meeting and due by January 1, 2015, include:
  - a) A standard definition of economic development;
  - b) A standard measurement for real per capita income, jobs growth and retention, new business creation, private sector investment, minority entrepreneurship, and income inequality;

- c) A survey and evaluation of efforts by other states to develop accountability measures for public investments in economic development;
  - d) A determination as to whether a return on investment calculation is feasible for public investments in economic development;
  - e) A comparative study of the statutory of various methodologies for preparing the economic development sections of the state budget, as specified; and
  - f) A study on the feasibility of statutory disclosure requirements on specified publicly funded subsidies to private sector businesses.
- 3) Requires an employer that is making a mass layoff, relocation, or termination provide a copy of the federal WARN notice to GO-Biz at the same time that notice is provided to other state and local government entities.

### 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) Requires a copy of the federal WARN notice be provided by a covered employer to specified state and local government entities 60 days prior to initiating a mass layoff, termination, or relocation.
  - a) Covered employers include those that have employed more than 75 individuals during the prior 12-months.
  - b) State and local government entities include the Employment Development Department (EDD), the local workforce investment board (WIB) and the chief elected official of each city and county government within which the termination, relocation or mass layoff occurs.
  - c) A mass layoff is defined as any 30-day period in which 50 or more employees at a covered establishment are separated from the business for a lack of funds or a lack of work.
  - d) Relocation is defined as the removal of all or substantially all of the industrial or commercial operations in a covered establishment to a different location 100 miles or more away.
  - e) Termination is defined as the cessation or substantial cessation of industrial or commercial operations in a covered establishment.

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).

AB 53 requires the development of a statewide economic 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. Recognizing the need to better assist businesses in California and to attract new and emerging companies to California, the AB 53 strategic plan requirement seeks develop recommended actions that will assist in this effort and it will draw input from labor unions, local government leaders, academics, Chambers of Commerce, and other business organizations and government agencies.

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 53, 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 in-state business operations."

- 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 the individual activities are coordinated to achieve a desired end result. As the ninth 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 with the state's nine regional economies.

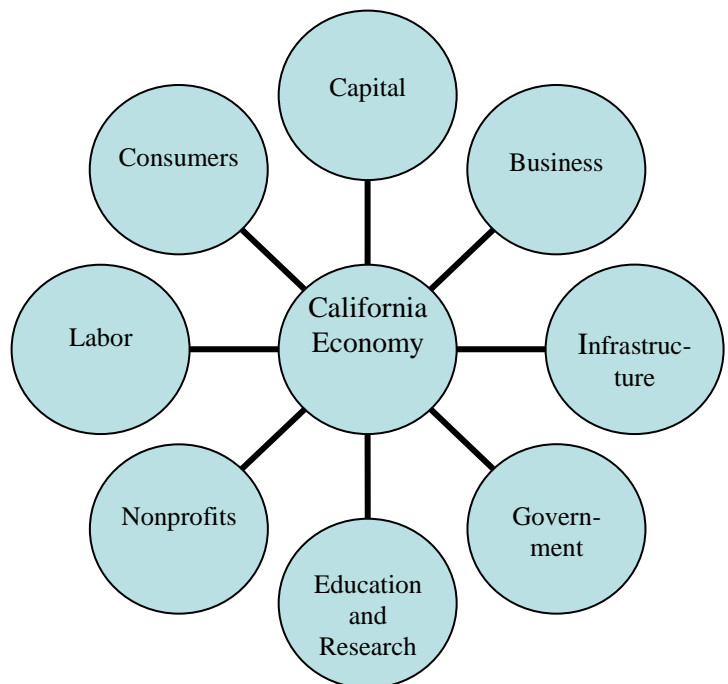
This analysis includes additional information on the advantages of a strategy, the interrelationships between state planning and funding, key elements of the bill (including WARN notice), and the role of GO-Biz. Suggested amendments are discussed in comments 4 and 7.

- 3) What the Strategy would Accomplish: There are eight key drivers of the California economy: capital, infrastructure, labor, business, education, consumers, nonprofits, and government actions. Each of these drivers has both its own unique characteristics and also qualities that they share in common. In addition, each of the drivers is inextricably linked within the overall economy. A weakness within any one of the drivers affects the others.

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 and the higher costs of transportation 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 this challenge 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.

The ED 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*, substantially similar to the ED Strategy proposed in AB 53. Based on an evaluation of current conditions, the required updates were designed to allow the Administration and Legislature to monitor the effectiveness of programs and initiatives on an ongoing basis. The last ED Strategy was prepared in 2002 and its statutory mandate was eliminated as part of the 2011-12 budget actions. AB 53 would re-establish a requirement for a comprehensive strategy that could support job creation, business development and attraction of private sector investment.

4) Strategy for the Post-Recession Economy: AB 53 is modeled after an earlier law which called on a government board, the California Economic Strategy Panel, to facilitate the development of a biennial ED Strategy. This measure takes a more modern approach by calling for direct stakeholder engagement to inform the development of the strategy. In moving forward, it may be useful to expand the language to direct or encourage GO-Biz to collaborate with existing broad-based stakeholder engagements, such as the California Stewardship Council and the REAL Coalition, among others. With so many regionally-based statewide networks it doesn't seem necessary to require GO-Biz to convene its own meeting or limit engagement to a single meeting. 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 ED Strategy;
- Extend the term of the ED Strategy from two to five years, while still recognizing the need for an annual review of progress and possible adjustment;
- Refresh the accountability language to reflect what the state has learned since the last time these provisions were law;
- Specifically identify economic developers among the groups invited to the stakeholder meeting; and
- Expand the stakeholder engagement to discuss leveraging federal funds, strategies for supporting regional economies and entrepreneurship, methods for attracting private capital, and nongovernmental impediments, such as the cost of energy.

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 53 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), Five-Year Infrastructure Plan (Infrastructure Plan), the International Trade and Investment Strategy (ITI Strategy), and the Economic Development Strategic Plan.

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 ITI Strategy.

Currently the EGPR and Infrastructure Plan are out of date. The requirement for an Economic Development Strategic Plan, as noted earlier, was removed a budget action. Governor Brown has, however, committed to preparing a Strategic Growth Plan in 2013, which could serve as a partial Infrastructure Plan. Chair Jose Medina introduced AB 1081 to update the content of the five-year plan and the ITI Strategy to include goods movement-related infrastructure. AB 53 reinstates the ED Strategy to bring together the state's planning and funding paradigm.

- 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 directly assisted 5,308 companies, resulting in the creation and/or retention of 9,050 jobs and \$1.45 billion in investments.

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 12 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' position as the state's lead in economic development. Effective July 1, 2013, GO-Biz will have 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) Responding to Sever Economic Circumstances: Existing law requires specified notice to employment-related resources and local officials in instances where a significant number of workers will become unemployed. This notice allows EDD and the local WIB to organize and provide essential assistance to potentially unemployed individuals. AB 53 adds GO-Biz to this notice for the purpose of potentially addressing the challenges facing the covered business and averting the layoff. The author may want to consider having GO-Biz notified 30 days prior to WARN notice in order to give GO-Biz time to respond.

- 8) Related Legislation: Below is a list of related legislation.

- a) 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.

- b) 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 requires it be submitted to the Legislature by May 1, 2010. Status: Held in Assembly Appropriations Committee in 2009.

- c) 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 in 2012.
- d) AB 1606 (Arambula and Lieu) Update Economic Strategy Version I: This bill would have updated the requirements the Economic Strategy Panel (ESP) 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 in 2007.
- e) AB 1916 (Portantino, Arambula, Price, Salas, and Caballero) Update Economic Strategy 2: This bill would have updated the membership and requirements of the ESP, especially in the areas of technology and innovation, and required that the next ED Strategy be submitted to the Legislature by January 1, 2010. Status: Vetoed by the Governor in 2008.

REGISTERED SUPPORT / OPPOSITION:

Support

None received

Opposition

None received

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