Assembly Committee on Jobs, Economic Development, and the Economy

February 11, 2015 Legislative Hearing

Overview of the California Economy

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Assembly Committee on Jobs, Economic Development and the Economy

DATE: February 5, 2015

TO: Interested Parties

FROM: The Assembly Committee on Jobs, Economic Development and the Economy

RE: Briefing on the Informational Hearing "*Overview of the California Economy*"

On Wednesday, February 11, 2015, the Assembly Committee on Jobs, Economic Development and the Economy (JEDE) will be convening its first hearing of the 2015-16 Session. The objective of this informational hearing is to provide Members with a foundation from which to undertake the committee's primary missions of overseeing current state programs and evaluating legislative proposals.

Table of Contents

- The California Economy (page 1)
- Framing the Issue (page 6)
- Hearing Specifics (page 7)
- Key Policy Questions (page 7)
- Possible Follow-up Actions (page 8)
- Reports related to Presentations (page 9)
- Materials in the Appendix (page 10)
- Contact Information (page 11)

During the course of the hearing, committee members will be briefed on the California economy by state and federal public policy advisors, an economist, and executives from three California small businesses. Presentations are designed to provide a snapshot of the state economy, including demographic and economic trends that have the potential to have lasting consequences on the state's global competitiveness and access to private investment. A public comment period will follow the six scheduled speakers in order to provide an opportunity for other economic development professionals, businesses, and the general public to add their voices to the dialogue.

This memorandum provides general information on the state economy, the structure of the hearing, invited witnesses, key policy issues, and recommendations for additional follow-up actions. The appendix includes a number of fact sheets developed by the JEDE staff, as well as a chart on federal discretionary and mandatory spending provided by the National Conference of State Legislatures, and a summary of 2015 economic development priorities for nearly a dozen stakeholder groups, compiled by the California Association for Local Economic Development.

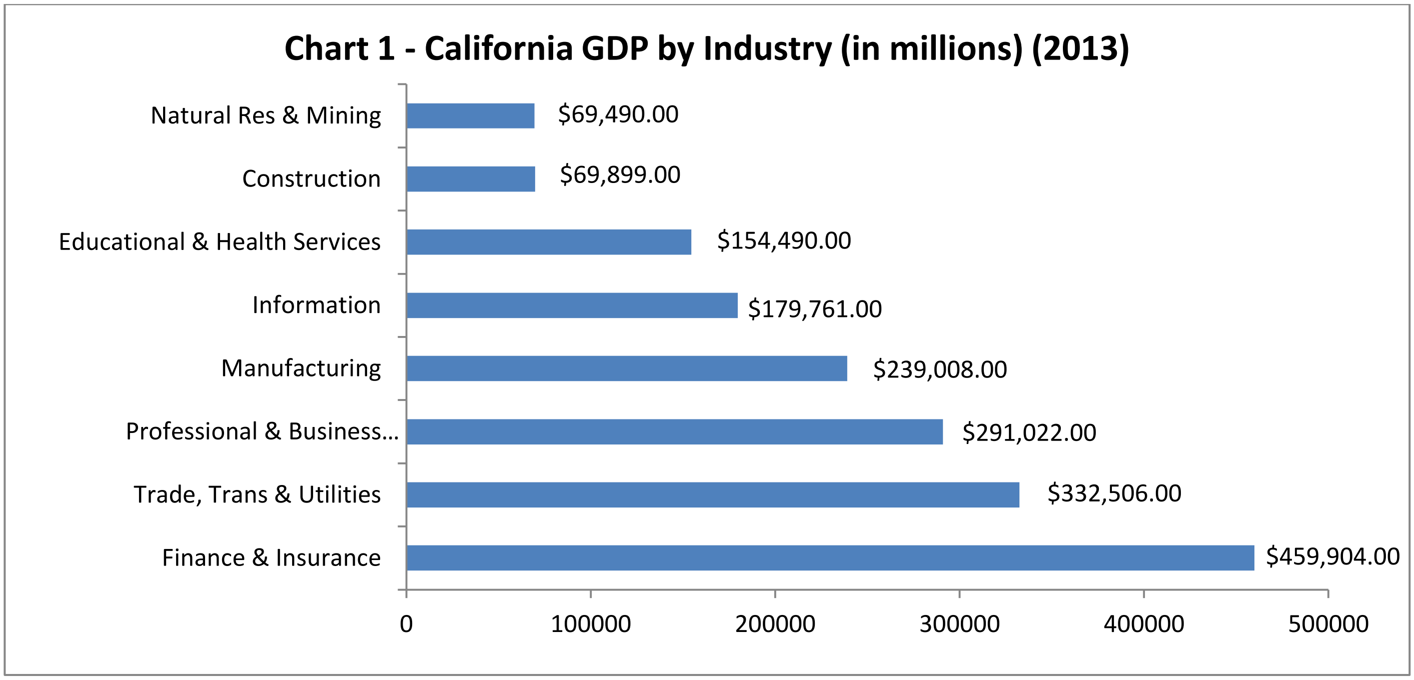
The California Economy

California is home to over 38 million people, providing the state with one of the most diverse populations in the world, often comprising the single largest concentration of nationals outside their native country. In 2013, this diverse group of business owners and workers produced $2.2 trillion in goods and services; $168 billion of which were exported to over 220 countries around the world.

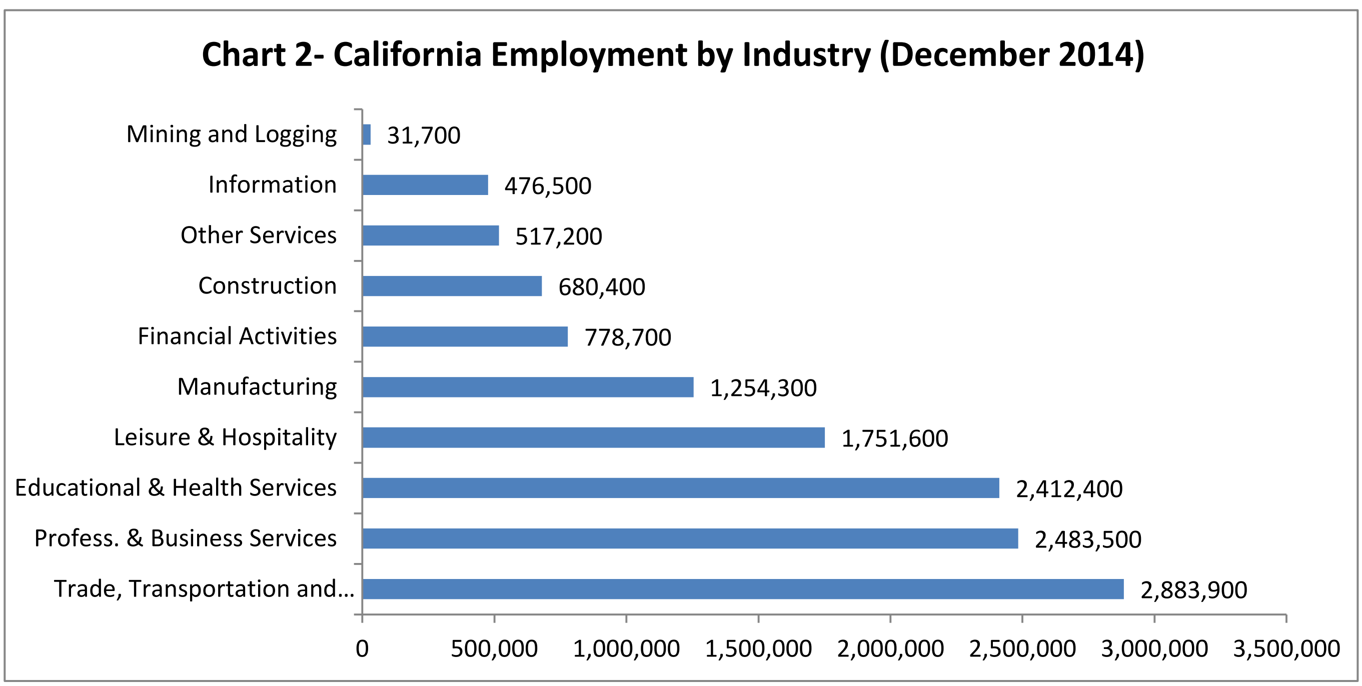
California's diversity advantage also extends to the range of geographies and dominant industry sectors. Many policy makers and economists describe California as having not a single economy, but having a highly integrated network of a dozen or so regional economies. While biotech has a comparative advantage in some regions, information technology drives growth in others. If California were a country, its 2013 GDP would place it 8th in the world – larger than Canada, Mexico, Russia, India, and Australia. Compared to most other states, California's economy has consistently demonstrated that it has the depth and breadth of workers and businesses to drive markets, especially in the area of technology.

Review of the Numbers

Economies can be described in a number of ways. **Chart** 1 shows the financial value of different private industry sectors. In 2013, the most recent data available on industry GDP, the finance and insurance sector made the largest economic contribution to the state's overall GDP. Business establishments in this sector are involved in raising funds, pooling risk, and facilitating financial transactions including real estate. California is unique among others states in that the second through fourth industry positions also provide significant economic value to the economy. In 2013 these sectors were the trade, transportation, and utility sector, followed by professional and business services and manufacturing sectors.



Another way to look at the state's economy is through employment by private industry sectors. **Chart 2** displays California's largest private industry sectors based on reported jobs in December 2014.



As the two charts illustrate, the ranking of high economic value and high employment sectors are similar, but not identical. The trade, transportation, and utility sector employs the largest number of people (ranked 2nd in GDP), followed by the professional and business services sector (3rd in GDP) and educational and health services sector (6th in GDP).

There are other ways to look at the California economy including, but not limited to, the value of wages paid, comparative future job or economic growth, impact on the environment, relevance to global trade and foreign investment, and industry sectors that serve as workforce entry points for youth, workers with limited skills, and immigrants.

In difficult economic times and when tracking economic capacity for growth, policy makers often closely track unemployment rates. In the recession, the state unemployment rate hit a high of 12.4% in February of 2010, which was only the second time since the 1970s that the state rate was above 10%. In December 2014, the most recent studies available, the state reported a seasonally adjusted rate of 7.0% as compared to the U.S. rate of 5.6%.

The lowest unemployment rate among California counties in December 2014 was 3.4% in Marin. Sixteen other counties had rates below 6.0% in December. The highest unemployment rate for the month was 21.0% in Imperial County. The comparable California rate (not seasonally adjusted) was 6.7%. Thirty-eight counties recorded a decrease in their unemployment rate between November and December 2014. Over the year, the unemployment rate decreased in all of the 58 counties.

As the December 2014 numbers show, many areas of the state have recovered from the recession and are experiencing new economic growth. Other areas of the state, however, including counties with substantial inland areas, continue to report unemployment numbers significantly above the state average. Developing polices to address the needs of underperforming and expanding economies can be challenging and require different economic approaches and metrics for measuring success. Supporting business development and job growth for all areas of the state are two of the primary policy issues JEDE Committee Members try to address in overseeing the implementation of state programs and review of legislation. *Additional details on the California economy can be found in Appendix 2*

Agriculture – A Cross Cutting Sector

Another key economic driver in California is the agriculture sector, with 2013 production valued at $46.7 billion, accounting for 17.3% of total U.S. agricultural output. In 2013, agriculture employed an estimated 348,900 people in the state. California is the country's largest agricultural producer and exporter, and a global leader in specialty crops. Agricultural products were one of California's top 5 exports in 2013, totaling $13.7 billion in exports, a $1.8 billion (15%) increase from the previous year.

Agriculture's contribution to the overall state economy is also reflected in the private industry sectors graphed in **Charts 1 and 2** including manufacturing and professional and business services. One estimate, by researchers at Butte Community College, is that California's agriculture value chain contributes nearly $300 billion annually to the economy and accounts for nearly 2.5 million jobs across 800 different job titles. *Appendix 3 includes a fact sheet on California's top ranked agriculture sector.*

Small Business

Small businesses play an essential role in California's regional economies and industry sectors, having generated an annual payroll of $204.1 billion in 2012. One of the challenges public policy makers have in discussing small businesses is the variety of definitions of small business, which often vary by program and industry. Small businesses are in some cases defined by their number of employees and in other cases they are defined by gross receipts and/or other financial data.

As **Chart 3** illustrates, the actual employment size of the greatest number of businesses is very low. Nearly 90% of all businesses have fewer than 20 employees. The 20 employee threshold is also important relative to job creation. Separate research undertaken by the U.S. Census Bureau and the Kauffman Foundation have shown that net new job creation is reported to be highest among businesses with fewer than 20 employees.

Chart 3 - 2011 Business Profile By Size (excludes non-employer firms)

Area Description	**Employment Size**	**Number of Firms**	**Percent of Firms**	**Employees**	**Percent of Jobs**	**Annual Payroll ($1,000)**
United States	Total	5,684,424		113,425,965		$5,164,897,905
California	Total	689,568	12% of U.S. Firms	12,698,427	11% of all U.S. Jobs	$663,570,657
United States	0-4	3,532,058	62% of U.S. Firms	5,857,662	5% of U.S. Jobs	$230,422,086
California	0-4	429,139	62% of CA Firms	702,508	5.5% of CA Jobs	$35,472,447
United States	<20	5,104,014	89.7% of U.S. Firms	20,250,874	17.8% of U.S. Jobs	$732,759,369
California	<20	614,538	89.1% of CA Firms	2,386,296	18.7% of CA Jobs	$99,417,066
United States	0-99	5,585,510	98.2% of U.S. Firms	39,130,875	34% of U.S. Jobs	1,478,844,420
California	0-99	672,360	97% of CA Firms	4,587,628	36.1% of CA Jobs	194,611,832
United States	<500	5,666,753	99.6% of U.S Firms	54,998,312	48.4% of U.S. Jobs	$2,169,353,973
California	<500	683,999	99.1% of CA Firms	6,331,871	49.8% of CA Jobs	$280,857,823
United States	500+	17,671	0.3% of U.S. Firms	58,427,653	51.5% of U.S. Jobs	$2,995,543,932
California	500+	5,569	0.8% of CA Firms	6,366,556	50.1% of CA Jobs	$382,712,834

Source: U.S. Census http://www.census.gov/econ/susb/index.html

Small businesses play differing roles within industry sectors. The bullets below show the top three industry sectors for California small businesses (employing 0-99 employees) by number of businesses:

- The real estate and rental and leasing sector had the highest percentage of small businesses in California, consisting of 98.1% of the firms in the sector.

- The health care and social assistance sector had the second highest percentage of small businesses in California, consisting of 97.8% of the firms in the sector.

- The professional, scientific, and technical services sector had the third highest percentage of small businesses in California, consisting of 97.7% of the firms in the sector.

Based on the number of employees, the top three industry sectors for California small businesses (employing 0-99 employees) are:

- The accommodation and food services sector, which had the highest number of workers employed by small businesses in California, with a total of 676,837 employees, consisting of 48% of employment in the sector.

- The health care and social assistance sector, which had the second highest number of workers employed by small businesses in California, with a total of 574,968 employees, consisting of 33% of employment in the sector.

- The professional, scientific, and technical services, which had the third highest number of workers employed by small businesses in California, with a total of 488,362 employees, consisting of 43% of employment in the sector. *Appendix 4 includes a fact sheet on California small business*.

<u>Future Growth</u>

Future growth of the California economy is highly linked to the state's adaptation to globalization, including the state's ability to link goods and services across state and regional boundaries, as well as to prepare a rapidly changing workforce for the 21st Century economy. The Employment Development Department (EDD) has forecasted that California will add over 18 million jobs between 2008 and 2018, which includes the 1.1 million jobs lost during the recession.

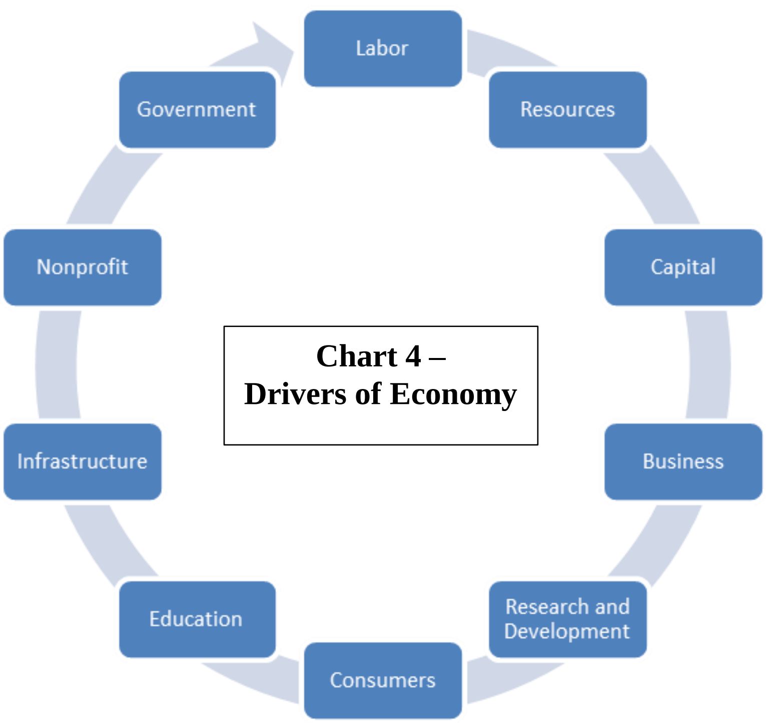


Chart 4 – Drivers of Economy

At a more refined level, the health or quality of the state's future economic growth is linked to the strength of those industry sectors that have external markets, as well as domestic. EDD describes these trade-related sectors as the state's "economic base" sectors, which include professional services, manufacturing, and transportation, among others.

California's anticipated economic growth brings new challenges and competing priorities. **Chart 4** illustrates the inherent link between 10 key drivers of the California economy including capital, resources, labor, and infrastructure. All 10 elements are important to the overall health of the economy. While weakness in one element can be offset by higher capacity in another, overall, all elements must maintain some level of competency. The balance of the entire circle is important. Two challenges to this balance are workforce readiness and infrastructure.

A 2013 report by the Little Hoover Commission (LHC) forecasted that California's workforce will be underqualified to meet the needs of the state's future economy. Based on current student enrollment numbers for certificates and degrees, the deficit of qualified workers will grow to 2.3 million by 2025. In response to this finding, the LHC recommended the development of a new master plan for higher education with the overriding goal of increasing the number of Californians with degrees, certificates, and diplomas to meet the state's future needs.

The 2013 U.S. Infrastructure Report Card by the American Society of Civil Engineers gave California infrastructure an overall grade of "C" and identified a $650 billion investment gap over the next 10 years. In 2006, the same study identified California's annual infrastructure investment need to be $37 billion per year. Six years later, the projected need nearly doubled to $65 billion per year. Compounding the impact of California's investment gap are the substantial new infrastructure investments being made in other states and nations, including the upgrade of the seaports and distribution networks in Southeastern U.S. and the expansion of the Panama Canal.

Framing the Issue: Recognizing Opportunities and Challenges

In the post-recession economy, California faces a national and global economic environment that is significantly different from that of a decade ago. In the future, capital will increasingly become more geographically dispersed and California's singular dominance in technology and innovation has already shifted. Centers of innovation are developing across the globe with the support of new and more agile thinking about the deployment of human, physical and financial capital. In framing these shifts, economic researchers have identified several key trends that are redefining the U.S. economy and its position within the post-recession era:

- Cities and regions will become the dominant drivers of economic growth. State and national policies will need to be modified to reflect these emerging centers economic power.
- Advancing information and transportation technologies are expanding networks, making interregional and global relationships increasingly more important.
- Ideas and products are increasingly designed and assembled within networks that are more collaborative than combative.
- Job growth will be driven by smaller size companies that are better able to meet specialized consumer needs and connect to diverse supply chains within expanding global markets.
- Scarcity and the impact on the environment will continue to put increasing pressure on the development and deployment of alternative and lower carbon fuels.
- Deepening income inequality will result in costly outcomes, most adversely affecting women, minorities, immigrants, the disabled, and the formerly incarcerated, and thus require the diversion of public resources to address unemployment, poverty, social unrest, and violence.
- As the large Boomer population transitions from the workforce, productivity will become even more dependent on accessing middle and high skilled workers that can utilize evolving technologies and systems.

- The available workforce will be substantially smaller, more diverse, and have educational backgrounds that were provided through school systems that lag in other industrialized nations.

While the state has many positive attributes, including a world class public education system, this changing global environment also brings new competitors, business models and societal expectations. Key among California's challenges are the quality of the state's infrastructure and logistic networks, its education and workforce delivery systems, and the business environment for supporting entrepreneurial and small business development fundamentals.

The next economy will potentially require governments, businesses, and workers to transcend old economic and workforce development frameworks. In the next economy, regions will compete for entrepreneurs based on their ability to link high and middle-skilled individuals with smaller and more niche-market positioned businesses that will design and produce goods, services, and ideas across rural and urban communities, regions, state-to-state and state-to-nations.

Hearing Specifics

The JEDE Committee's February 11, 2015, hearing will be organized around six presentations, addressing three themes: Defining the California economy, effective utilization of federal funding, and an assessment of small business development.

The hearing will begin with brief introductory remarks by the Members of the Committee. **Mr. Mac Taylor,** California's Legislative Analyst, and **Dr. Jerry Nickelsburg**, economist with the UCLA Anderson Forecast, will then open the discussion with an overview of the California economy, including data on the current state economy, profile of the private sector, and a forecast of the state's potential economic future. Once framed, Members of the Committee will have an opportunity to further advance the dialogue with the witnesses around key economic and demographic trends.

Expanding on the state revenue discussions in the first panel, **Ms. Molly Ramsdell** with the National Conference of State Legislators will provide an overview of the federal budget, highlight major program areas, and present issues of state interest in the coming year in the economic and workforce development areas. Following these three presentations, the Members will hear from three small business executives including: **Scott Hauge** with CAL Insurance and Associates, Inc, **Dave Petree** with Cloak and Dagger, and **Ehsan Gharatappeh** with Cellpoint Corporation. These executives have been asked to discuss their professional experiences and provide insight into programs, services, and circumstances that support and/or challenge their success. *Presenter background materials available at the time of publication can be found in the Appendices. Appendix 6 includes a chart on federal funding available to states. Appendix 7 has a copy of Dr. Nickelsburg's PowerPoint presentation.*

The hearing schedule also includes a public comment period, which will allow other stakeholders to engage with the Members of the Committee. Persons interested in providing testimony during the public comment period can either sign-up through the JEDE Committee Office at least 24 hours prior to the hearing, or on the sign-in sheet at the Sergeants desk during the hearing. Written comments may also be submitted to the JEDE office up until April 7, 2015.

Key Policy Questions

Rapid globalization in the past two decades has permanently changed the economic development paradigm for California communities. The state's unique location and demographics provide both opportunities for engaging in international commerce, as well as challenges such as obtaining business capital, hiring a workforce skilled in emerging technologies, and accessing quality infrastructure to support the exchange of products, services, and ideas. Among other issues, the Members may want to consider the following:

- Where are the opportunities for enhancing California business and worker competitiveness and support for their economic integration within the broader global marketplace?
- Can the state's existing education and training systems meet the challenges of the post-recession economy? How can the state help to transcend historic divisions between career tech, college degrees, and employer needs?
- How can the state support local and regional efforts to catalyze private investment, especially in historically underserved and emerging areas of the state?
- What actions can the state take to reduce de facto barriers to business start-ups, re-shoring of manufacturing and expansion of research and development facilities in California?
- How can the state enhance the conditions necessary to support business start-ups, microenterprise and small business development?
- Does the state have an appropriate game plan to attract private capital to meet the state's significant infrastructure needs?
- What economic opportunities do trade-related industries represent and how can the state support local and regional efforts to capitalize on those advantages?

Possible Follow-up Actions

As noted earlier, presentations during the February 11, 2015, hearing will provide an overview of the California economy including information on business development; state revenues and expenditures; and discretionary and mandatory federal program funding. During the course of the hearing, a variety of issues will be raised and recommendations for future actions discussed. Below is a list of possible recommendations to help focus the discussion and inspire creative, yet practical next steps. The list is not intended to be adopted in total, but rather to offer suggestions about how these issues may be addressed.

1. ***Infrastructure Finance***: Introduce legislation to strengthen existing and establish new financial tools for developing infrastructure that supports the state's economic development activities. World-class infrastructure plays a key role in business attraction and expansion and state, regional, and national competitiveness suffers as access to and the quality of infrastructure declines. The Committee could host one or more roundtables to learn how communities in California and other states use alternative financing models to build and maintain community and economic development-related infrastructure. Roundtable participants could include economic developers, investors, government leaders, port of entry operators, builders, workers and other stakeholders who would discuss successful models, gaps, and areas for improvement.
2. ***Support Smaller Size Businesses***: Establish and maintain an open dialogue with small and micro businesses. Introduce legislation to encourage state agencies to partner with the existing network of federal technical assistance providers including the Small Business Development Centers, Women's Business Development Centers, and the Veterans Outreach Centers. Among other issues, these centers can provide small businesses with technical assistance on marketing, management, and finance. Introduce legislation to provide the State Small Business Advocate with stronger tools for advocating on the behalf of small businesses before state rule making agencies. Hold a hearing to oversee the state's

use of $168 million in federal small business finance funds. Introduce legislation to provide a new source of private capital to small businesses in lower income communities.

3. ***Reframe Workforce Development***: Work in partnership with related Assembly policy and budget subcommittees on how to reframe the education, training, and workforce development systems. Introduce legislation to support the level of ongoing workforce preparation necessary for workers and businesses to successfully compete in the next economy. Prioritize dominant and emerging industry sectors within the state's regions. Ensure that training and education opportunities are inclusive of the emerging, younger, and more diverse workforce of California's next economy. Include education and workforce development as central features of the state's court ordered activities to reduce and maintain a lesser number of incarcerated individuals. In acting now, the Committee can leverage the unique circumstance resulting from the significant policy alignment of the Governor's workforce initiative, the federal Workforce Innovation and Opportunity Act, the work of the Community College Board of Governors' Task Force on Workforce, Job Creation, and a Strong Economy, and the policy and priorities approved by the Legislature for the Community Colleges and state Workforce Investment Board in 2012 and 2013, respectively.

4. ***Connect to the Global Economy***: Work collaboratively with policy-related Select Committees on economic development policies and programs that foster foreign trade, global supply chains, and private investment. Hold hearings or roundtables to keep abreast of federal funding opportunities for trade promotion, impact of trade agreements on the California economy, infrastructure improvements to the state's goods movement corridors, and changes in immigration rules on EB-5 investment visas and entrepreneurship. Introduce legislation to encourage foreign trade zones and economic development activity in partnership with EB-5 Regional Centers.

Reports related to Presentations

- ***California Facts, by Mac Taylor, California State Legislative Analyst (December 2014)***: The report is prepared as a series of charts and tables that illustrate key components of California's economy, state budget, federal funding, state-local finance and demographic trends. Among other findings, the report includes charts that show that international trade is an important component of the state economy; the gap between high income households and very low-income households in California is greater than in the U.S. as a whole; California has regained the jobs lost between July 2007 and early 2010, but due to population growth, the state still has an unemployment rate above pre-recession levels; in general, California firms received venture capital funding exceeding the capital received in the other 49 states combined; and the state government's largest source of revenue continues to be the Personal Income Tax. www.lao.ca.gov

- ***Five-Year Infrastructure Plan, prepared by the Department of Finance (January 2015)***: The report is a five-year infrastructure plan presenting the Governor's proposal for investing $57 billion in state infrastructure. The plan covers key state infrastructure and maintenance expenditures that have been deferred as a result of the recession. The report recommends the allocation of funds for each of the state agencies towards specified projects. More specifically, projects laid out in the plan include new courthouses in 14 counties, highway and rail system maintenance and improvement, high-speed rail segments, seismic retrofits, CHP and DMV office replacements, new water treatment and plant system upgrades, flood control developments, and renovation projects for several California Community Colleges. www.dof.ca.gov

- ***California's Workforce Strategy (June 2013)***: The federal Workforce Investment Act (WIA) requires the Governor, via the State Workforce Investment Board, to submit a WIA/Wagner-Peyser Act strategic plan to the U.S. Department of Labor that outlines a five-year strategy for the investment of federal workforce training and employment services dollars. California's plan provides a look at the dynamics of California's future economy based on regional industry and occupational trends. A primary objective of the strategy is to reduce the skills gap through enhanced collaboration between the education, training, and workforce development systems. Two of the recommendations are to increase shares of training funds available for emergent science and technology sectors, and to work with businesses and organizations to develop industry recognized skill and readiness standards. www.cwib.ca.gov

- ***Partners Project on Public-Private Partnerships (June 2008)***: The Public-Private Partnerships Project is a two and a half-year initiative by the National Conference of State Legislatures (NCSL) to help state legislatures and their staff better understand public-private partnerships. The initiative, which included two phases from 2008-2011, focused on existing, successful PPP models for public transportation systems and wastewater projects. One outcome of the initiative was that the NCSL produced *A Toolkit for Legislatures*, which is a collection of guidance, counsel and best practices to assist states interested in implementing PPP projects. The NCSL website includes detailed summaries of meetings, research, and other activities of the initiative. http://www.ncsl.org

- ***CALED 2015 Economic Development Legislative Priorities (January 2015)***: This chart summarizes the economic development priorities of various economic development stakeholder groups. The top priorities of The California Association for Local Economic Development (CALED), who hosted the stakeholder meeting, are Enhanced Infrastructure Financing District legislation and ensuring that economic development be considered in the implementation of the federal Workforce Investment and Opportunity Act. Top priorities of Assemblyman Eduardo Garcia, Chair of JEDE, include small business development and leveraging workforce training to lower prison recidivism rates. The California State Association of Counties is focusing on transportation funding, broadband access and adoption, and addressing poverty and homelessness at a county level.

Materials in the Appendix

A brief, fact-packed summary of the California economy and copies of the presenters' PowerPoint presentations are included in the Appendices.

- Appendix 1 - ***Agenda*** for the February 11, 2015 hearing, "Overview of the California Economy"
- Appendix 2 - ***California Economy Fast Facts***, prepared by JEDE
- Appendix 3 - ***California's Agricultural Economy Fast Facts***, prepared by JEDE
- Appendix 4 - ***California Small Business Fast Facts***, prepared by JEDE
- Appendix 5 - ***2015 Economic Development Legislative Priorities***, prepared by CALED
- Appendix 6 - ***Federal Funding: Discretionary and Mandatory*** chart, prepared by Molly Ramsdell, National Conference of State Legislatures
- Appendix 7 - ***Forecast of California Economy*** PowerPoint, prepared by Dr. Jerry Nickelsburg, UCLA Anderson Forecast
- Appendix 8 – ***Biographies of the Speakers***, compiled by JEDE

Committee Contact Information

The Assembly Committee on Jobs, Economic Development and the Economy is the committee in the California State Legislature responsible for overseeing issues related to business formation, foreign trade and investment, industrial innovation and research, and state and local economic development activities.

The Committee Office is located in the Legislative Office Building (LOB) at 1020 N Street, Room 359. The phone number to the Committee is 916.319.2090.

Mail should be addressed to: Assembly Committee on Jobs, Economic Development and the Economy; State Capitol; Sacramento, CA, 95814. For security reasons, mail is not received or delivered to the LOB.

APPENDIX 1

Appendix 1 – Hearing Agenda

Overview of the California Economy

Wednesday, February 11, 2015 at the California State Capitol

AGENDA

The Assembly Committee on Jobs, Economic Development and the Economy is convening its first legislative hearing of the 2015-16 Session. The objective of today's event is to provide Members with a foundation from which to oversee and evaluate state programs and legislative proposals in the coming Session.

I. Welcome, Introductions and Opening Statements

Chair and Members of the Assembly Committee on Jobs, Economic Development, and the Economy will give opening statements and frame the key issues to be examined during the hearing.

II. Overview of the California Economy: Today and in the Future

- ***Mac Taylor**, California Legislative Analyst*
- ***Jerry Nickelsburg**, Adjunct Professor of Economic, Anderson School of Management and Senior Economist, UCLA Anderson Forecast*

California's $2.2 trillion economy is one of the largest and most diversified economies in the world. If California were a county, its 2013 GDP would rank it 8th among nations in the world. The two presentations in the first panel will provide an overview of the California economy including a snapshot of state revenues, a comparison of business development to other states, and an identification of key state programs and economic trends.

III. Impact of Federal Policy and Programs on California Economic Growth

- ***Molly Ramsdell**, Director, Washington Office, National Conference of State Legislatures*

The 2014-15 state budget authorized the expenditure of $98 billion in federal funds to a range of state programs including health care, transportation, and workforce development. Building on the state revenue discussions in the first panel, this presentation will provide an overview of the federal budget, highlight major program areas, and present economic development issues of state interest in the coming year.

IV. Small Business: Drivers of the State's Economic Growth

- ***Scott Hauge**, President, CAL Insurance and Associates, Inc.*
- ***Dave Petree**, CEO, Cloak and Dagger*
- ***Ehsan Gharatappeh**, CEO, Cellpoint Corporation*

California's dominance in many economic areas is based on the significant contributions of small businesses. Their small size also results in certain market challenges including accessing capital, new markets, and professional services. In this panel, three small business executives will discuss their professional experiences and provide insight into programs, services, and circumstances that support and/or challenge their success.

IV. Public Comment

Anyone interested in addressing the Committee may sign up to speak during the public comment period. A sign-up sheet is located at the back of the hearing room. Written comments may also be submitted to the Committee Office.

V. Closing Remarks

Assemblymembers will make closing remarks and offer recommendations on further actions by the Assembly Committee on Jobs, Economic Development, and the Economy.

APPENDIX 2

Appendix 2 - Fast Facts on the California Economy

Compiled by: Assembly Committee on Jobs, Economic Development, and the Economy
Assemblymember Eduardo Garcia, Chair

California Gross Domestic Product (GDP)

- California's economy is the eighth largest in the world – larger than Russia, Italy, India, and Canada.[1]
- In 2013, California GDP grew by 2% ($2 trillion to $2.2 trillion). California's largest private industry sectors: Finance, insurance, real estate, rental, and leasing (20.9% of state GDP); trade, transportation, and utilities (15.1% of total GDP); professional and business services (13.2% of state GDP); and manufacturing (10.9% of state GDP).[3]

Comparison of 2013 GDPs				
Country	**GDP**		**County**	**GDP**
1 - United States	$16.80 trillion		9 - Russian Federation	$2.1 trillion
2 - China	$9.2 trillion		10 - Italy	$2.1 trillion
3 - Japan	$4.9 trillion		11 - India	$1.9 trillion
4 - Germany	$3.6 trillion		12 - Canada	$1.8 trillion
5 - France	$2.7 trillion		13 - Australia	$1.5 trillion
6 - United Kingdom	$2.5 trillion		14 - Spain	$1.3 trillion
7 - Brazil	$2.2 trillion		15 – Mexico	$1.2 trillion
8 - California*	$2.2 trillion			

Source: Department of Finance[2]

Firms, Employment and Wages

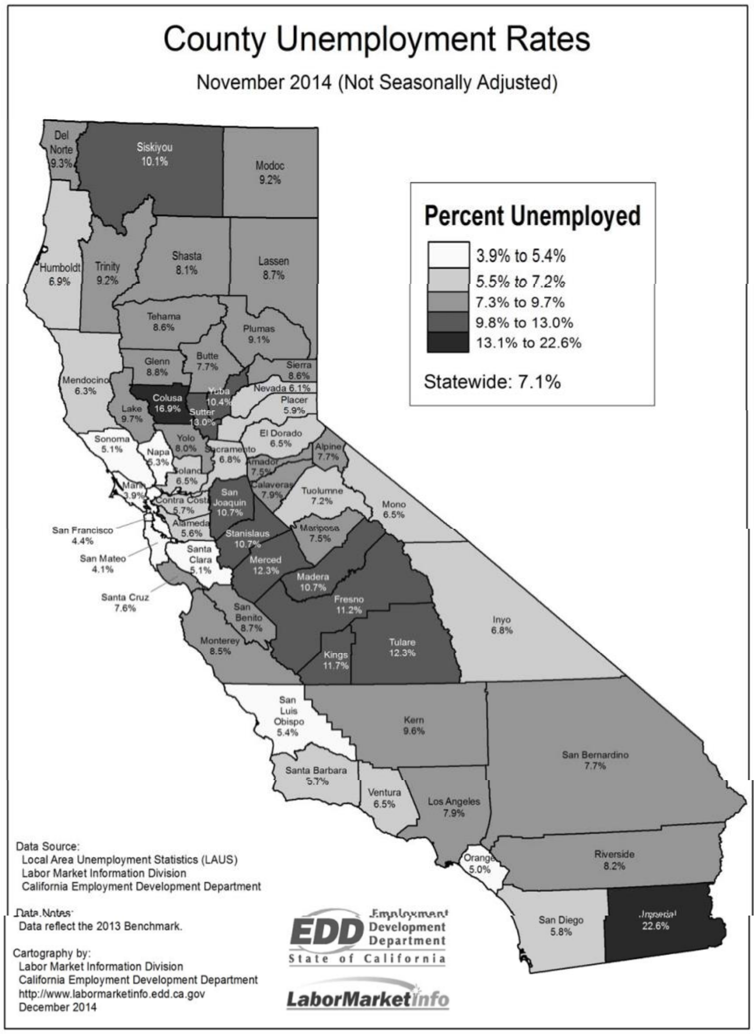
- There were 701,899 firms in California in 2012: 62% had less than 5 employees, 89% had less than 20 employees, 98% had less than 100 employees, and 99% had less than 500 employees (federal small business definition). Less than 690 firms in California had more than 500 employees.[4]
- There were 18.8 million workers in the California labor force in December 2014 with 17.5 million individuals employed. This represents a 489,000 increase in jobs over the prior year.[5]
- In December 2014, nonfarm employment rose in five industry sectors: trade, transportation, and utilities (+2,600); financial activities (+2,300); educational and health services (+4,200); leisure and hospitality (+8,300); government (+1,400).[6]
- California exported $168 billion in products in 2013, up 4% over the 2012 total.[7] Mexico ($23.9 billion) and Canada ($18.8 billion) are the state's largest export markets.[8] California imported $380 billion in products from other countries in 2013, accounting for 16.8% of total U.S. imports in 2013.[9] China ($130 billion) and Japan ($38.3 billion) are the state's largest import markets.[10]
- California median household income in 2013 was $60,190.[11] 16.8% of Californians live in poverty using the federal definition.[12] Using the more comprehensive method, which accounts for geographic differences, transfer payments, and out-of-pocket expenses, 23.8% of residents live in poverty.

Future California Job Market

- The Employment Development Department is responsible for accessing future employment needs based on regional industry clusters. *The chart displays employment projections for 2010-2020, including new and replacement jobs.*

Projections for California employment for 2010-2020						
	Industry Sector	**Net Jobs**			**Industry Sector**	**Net Jobs**
1	Hospitality and Tourism	868,186		6	Information and Technology	322,032
2	Retail	731,292		7	Professional, Scientific, & Technical Services	313,080
3	Health Care Services	584,560		8	Financial Services and Real Estate	275,464
4	Education & Knowledge Creation	525,875		9	Construction	263,157
5	Professional and Business Services	445,157		10	Transportation and Logistics	183,710

Source: Employment Development Department[13]



December Unemployment

In December 2014, the California seasonally adjusted unemployment rate was 7.0, down 0.2% from November and down 1.3% from the prior year.[14] This figure represents 1.3 million unemployed workers.[15] Over the same period, the national unemployment rate was 5.6%. *The map displays unemployment rates by county*.[16]

The highest unemployment rates by race and ethnicity was among blacks (13.6%), Hispanics (8.5%), and whites (7.1%).[17]

Most Californian's, 79.7% generally worked full time. There were 1.1 million persons in California who worked part time involuntarily. They comprise 6.9% of all employed workers during the survey week.[18]

By age group, the highest unemployment group was among workers 16 to 19 (25.9%).[19] The largest group of unemployed persons, when sorted by duration, were those unemployed for 52 weeks or more, which represented 24.6% of all unemployed. [20]

Prepared by: Toni Symonds, Chief Consultant, and Janna Ayoub, 2015 Winter Intern, Assembly Committee on Jobs, Economic Development and the Economy

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APPENDIX 3

Appendix 3 - Fast Facts on California's Agricultural Economy

Compiled by: Assembly Committee on Jobs, Economic Development, and the Economy
Eduardo Garcia, Chair

California is one of only five agricultural regions in the world that has a Mediterranean growing climate, producing over 400 commodities, more than any other state in the nation.[1] California agricultural production was valued at $46.7 billion in 2013,[2] accounting for 17.3% of total U.S. agricultural output.[3]

California Agriculture

Cash Income by Commodity Groups (2012)[4]

Source of Income	Total	% of Cash Income
Fruits and Nut Crops	$17.2 million	35.9%
Livestock, Poultry and Products	$12.1 million	25.4%
Vegetable Crops	$6.8 million	14.2%
Field Crops	$5.02 million	10.5%
Nursery, Greenhouse and Floriculture	$3.5 million	7.4%
Farm Related Income	$3.2 million	6.7%

Source: USDA National Ag Statistics

- The agriculture sector of the U.S. economy grew more rapidly than any other sector in 2013 and accounted for 1.6% of the country's GDP.[5]
- California is the country's largest agricultural producer and exporter. Agricultural products were one of California's top 5 exports in 2013, totaling $13.8 billion in exports, a $1.8 billion (15%) increase from the previous year.[6]
- California's value of agricultural output was $46.7 billion in 2013,[7] with total U.S. output valued at $269.1 billion.[8]
- California accounted for 15% of national cash receipts for crops in 2012 and 7.1% of the U.S. revenue for livestock and livestock products.[9]
- The top 5 counties for agricultural sales in 2012 were: Fresno County ($5 million); Tulare County ($4 million); Kern County ($4 million); Monterey County ($3 million); and Merced County ($3 million).[10]

Job Creation

- California agriculture employed an estimated 348,900 people in 2013.[11]
- The agriculture value chain accounts for nearly 2.5 million jobs in California.[12]
- In 2011, agriculture support was the largest component of the value chain with 1.5 million jobs. This includes activities related to agriculture including farming, veterinary services, implement manufacturing, irrigation, and technical consulting. Other agriculture employers by sector were: Agriculture Distribution (585,014 jobs); Agriculture Processing (226,216 jobs); and Agriculture Production (206,303 jobs).[13]
- In 2011, there was an estimated combined five-year growth of 181,740 total new jobs for California's economy, with an average of 36,348 new jobs in agriculture annually.[14]
- The San Joaquin Valley supports more agricultural jobs than any other sector in California, providing 183,700 jobs in 2013. Agricultural employment by region includes: Sacramento Valley (22,200 jobs); Desert Valley (28,400 jobs); South Coast (59,900); Central Coast (43,400 jobs); and the North Coast (11,300).[15]

California Drought

- California's three-year drought is expected to result in a 6.6 million acre-foot reduction in surface water.[16]
- The statewide economic cost of the 2014 drought is estimated at $2.2 billion, with a total loss of 17,100 seasonal and part-time jobs.[17]
- The Central Valley, where many of the nation's fruits and nuts are grown, is the area expected to be most severely affected by net water shortages.[18]
- As many as 410,000 acres of row and feed crops will not be planted due to loss of water.[19]
- The resulting net water shortage of 1.6 million acre-feet is anticipated to cause losses of $810 million in crop revenue and $203 million in dairy and other livestock value, with additional groundwater pumping costing up to $454 million.[20]

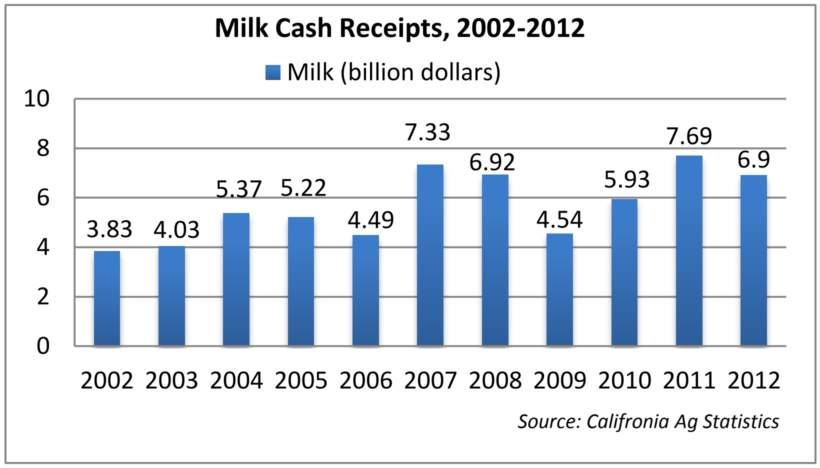
California Farms

- In 2012, 80,500 farms operated in California, 3.7% of the national total.[21]
- During 2012, California devoted 25.4 million acres to farming and ranching,[22] producing nearly two-thirds of U.S. grown fruits and nuts and over a third of U.S. grown vegetables.[23]
- California remained the number one state in cash farm receipts in 2012, representing 11% of the U.S. total.[24]

Agricultural Commodities

- California's agricultural production includes more than 400 commodities, primarily comprised of specialty crops including almonds, grapes, and nursery plants.[25]
- California's top 20 crop and livestock commodities accounted for more than $36.4 billion in 2012 and 11 commodities exceeded $1 billion in value that same year.[26]
- In 2012, the cash receipts of 13 of the top 20 commodities increased in value from the previous year, including grapes, almonds, cattle, and nursery plants.[27]
- California's top-ten valued commodities for 2012 were: Milk ($6.9 billion); Grapes ($4.5 billion); Almonds ($4.4 billion); Nursery plants ($3.5 billion); Cattle, Calves ($3.3 billion); Strawberries ($1.9 billion); Lettuce ($1.5 billion); Walnuts ($1.4 billion); Hay ($1.2 billion); and Tomatoes ($1.17 billion).[28]

Livestock and Dairy



- California's total livestock and livestock products cash receipts were $12.2 billion in 2012, with livestock and poultry accounting for 27% of the state's gross cash receipts.[29]
- California accounts for 7.1% for total U.S. livestock cash receipts, ranking third behind Iowa and Texas.[30]
- California leads the nation in milk production, with dairies from California producing 41.2 billion pounds of milk in 2013, a 1.3% decrease from the previous year.[31]
- California accounts for nearly 21% of the nation's milk supply.[32]
- California ranked number one in the U.S. in the production of fluid milk, butter and nonfat dry milk and was second in total cheese production in 2012.[33]
- California's dairy sector received $6.9 billion for their milk production, a 10% decrease from the previous year (7.68 billion).[34]
- In 2013, 33 counties contributed to California's milk production. The top five milk-producing counties were: Tulare (27.5%); Merced (15%); Stanislaus (10.5%); Kings (10.3%); and Kern (9.9%).[35]
- California places 5th among top egg producing states in the country, producing a total of 425 million eggs in 2013.[36]
- Top producing counties of eggs include San Bernardino, Riverside, San Diego, San Joaquin, Stanislaus, Merced, and Kern counties.[37]

Fruit and Nut Crops

- In 2012, the total U.S. export value of fruit products totaled $7.9 billion, with California accounting for 59.9% of U.S. total exports.[38]
- The nation's largest fruit producing states are California, Florida, and Washington, with California accounting for over half of the harvested fruit acreage in the country.[39]
- California's total value of all fruits and nuts was $18.7 billion in 2012, up 20% from the previous year.[40]
- California accounts for 65% of the U.S. non-citrus fruit and nut production and 73% of the national value.[41]
- The state produced 16.7 million tons of fruits and nuts in 2012, 52% of the national total.[42]
- California's increase in its sales value of products for 2012 was led by the grape industry which generated $4.45 billion in cash receipts, up 15% from the previous year.[43]
- California grapes accounted for over 90% of the United States utilized grape production in 2012.[44]
- California is the number one producer of almonds and pistachios in the world, producing over 80% of the world's almonds and around 40% of the world's pistachios in 2012.[45]

Vegetable Production

- In 2012, the total U.S. export value of vegetables totaled $1.6 billion, with California accounting for 63.3% of U.S. exports.[46]
- California accounted for 44% of the U.S harvested area in 2012, continuing as the leading fresh market vegetable producing state.[47]

- California led the nation in processing vegetable production in 2012, with 25% of the U.S harvested acreage, 70% of the national production and 51% of the total value.[48]
- Total value of California's 2012 fresh and processing vegetable and melon production was $6.8 billion, down 5.6% from the previous year ($7.2 billion).[49]
- Crops that had notable value increases were: Chile peppers (39%); artichokes (13%); broccoli (13%); pumpkins (12%); and bell peppers (11%).[50]

Field Crops

- In 2012, the total U.S. export value of field crops totaled $28.4 billion, with California accounting for 10.2% of exports.[51]
- The total value of California field crop production in 2012 was $5.43 billion, down 7.95% from 2011.[52]
- Field crops are any crops other than fruits or vegetables that are grown for agricultural purposes. These include cotton, corn, hay, rice, and grain.
- California produced approximately 6.65 million tons of alfalfa hay in 2012, valued at $1.38 billion.[53]
- The total value of rice production in California was $771 million in 2012, declining 14% from the previous year.[54]
- Corn for grain production in California totaled $235 million for 2012, a 32% increase from 2011.[55]

Floriculture

- In 2012, California's floriculture crops led the nation in sales with a total value of $974 million, comprising 24.4% of the U.S. total wholesale value in 2012.[56]
- Floriculture is the cultivation of flowering and ornamental plants. California led the country in potted flowering plant value in 2012, with a total value of $245 million wholesale.[57]
- California was the leader in cut flower production, with a value of $261 million for 2012.[58]

Exports and Imports

- In 2013, the total amount of agriculture products exported from California to the world totaled $13.8 billion.[59]
- Tree nuts were the number one agricultural export for California in 2012. The value of U.S. tree nut production in 2012 was over a $7 billion.[60]
- Almond exports were the top commodity from California in 2012, with a value of $3.39 billion in foreign sales.[61]
- Dairy and dairy products ranked second in California exports with a value of $1.31 billion.[62]
- Fruit and nut exports accounted for over 50% of the value of all California agricultural products in 2012.[63]
- In 2013, the top countries to receive agriculture exports from California were: Canada ($2.6 billion); Hong Kong ($1.29 billion); China ($1.22 billion); Japan ($1.02 billion); South Korea ($694 million); and Mexico ($647 million).[64]
- In 2013, California imported $10.8 billion agriculture and livestock products. The top import countries to California were: Mexico ($3.3 billion); China ($878 million); Vietnam ($720 million); Chile ($702 million); and Ecuador ($558 million).[65]

California Agricultural Export Values

Year	Export Value ($Billions)
2013	$13.7
2012	$18.18
2011	$16.77
2010	$14.75
2009	$12.44
2008	$12.90
2007	$11.17
2006	$9.82
2005	$9.37
2004	$8.24
2003	$7.50
2002	$6.55

Source: California Ag Statistics Review

Prepared by Norma Huerta, Assembly Committee on Jobs, Economic Development, and the Economy, Summer Intern 2014

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APPENDIX 4

Appendix 4 - Fast Facts about California Small Business

Compiled by: Assembly Committee on Jobs, Economic Development, and the Economy
Eduardo Garcia, Chair

Small businesses play an essential role in California's regional economies and industry sectors, generating an annual payroll of $204.1 billion in 2012.[1] Definitions of small businesses often vary by program and industry. Small businesses are in some cases defined by their number of employees and in other cases they are defined by gross receipts and/or other financial data. In this fact sheet, we use three small business definitions: non-employer, 0-5 employees, and 0-99 employees. The committee has also prepared a separate fact sheet using the federal definition of small business (1-499 employees).

California Economy

- In 2013, California's gross state product GDP was $2.2 trillion,[2] as compared to the U.S. total GDP of $16.7 trillion.[3]
- If California were a country, its 2013 GDP would place it 8th among the top 10 economies in the world.[4]
- In December 2014, California had a labor force of 18.8 million people and an unemployment rate of 7%.[5]
- California has nine economic regions: Northern California, Northern Sacramento Valley, Greater Sacramento, Bay Area, Central Coast, San Joaquin Valley, Central Sierra, Southern California, and Southern Border.[6]
- California ranks 3rd among 50 states in the 2014 Milken Institute's State Science and Technology Index. The index ranks states based on research and development dollars, number of patents issued, venture capital investment, and business startups.[7]
- California ranked 1st in the nation for number of patents issued by the U.S. Patent and Trademark Office in 2013, with a total 39,139 patents granted. This accounts for 12.9% of all patents issued in the world in 2013.[8]
- The San Francisco-San Mateo-Redwood City region was ranked #1 in the Best-Performing Cities Index over 2014. The professional, scientific, and technical services sector accounted for 45% of all jobs created over the five years ending in 2013.[9]
- In the 2015 State Business Tax Climate Index and Component Tax, California ranks 48th overall in the nation. California ranked 34th in corporate tax rates, 50th in individual income tax, 42nd in sales tax, 14th in property tax, and 14th in unemployment insurance tax.[10]

Small Business Facts in the United States (2012)

- There were 5.6 million small businesses (with 0-99 employees) in the United States, constituting 98.2% of all private firms in the nation.[11]
- California, New York, Florida, and Texas had the largest numbers of small businesses in the nation, and constitute 34% of all U.S. small business.[12]
- California ranked 1st in the nation in the number of small businesses (with 0-99 employees), accounting for 684,183 (12%) of small business in the nation.[13]
- Small businesses (with 0-99 employees) in the United States employed 39.8 million employees, 34% of all private-sector employees in the nation. In California alone, small businesses employed 4.7 million employees, 36% of all California private-sector employment.[14]

Small Business Facts in California (2012)

- Among all private sector employers in California, small businesses (0-99 employees) consist of 684,183 firms (97.5%) of all firms in the state.[15]
- Small businesses (with 0-99 employees) employed 36% of all California's private sector employees and paid 29% of the state's private sector payrolls.[16]
- Change in Small Business Employment in California (from the year 2002 to 2012):
  - The number of small businesses (0-99 employees) increased from 656,371 to 684,183 experiencing a 4.2% increase.[17-18]
  - The number of paid employees employed by small businesses (0-99 employees) decreased from 4.9 million to 4.7 million, experiencing a 4.3% decrease.[19-20]
- In 2012, there were 554,472 (79%) businesses with 9 or less employees; 624,718 (89%) with19 or less employees; and 684,183 (98%) with 99 or less employees.[21]
- Below is a table of business employment size and annual payroll for all business in California from 2012.[22]

California Business Employment Size and Annual Payroll						
No. of Employees	**0-4**	**5-9**	**10-19**	**20-99**	**100-499**	**500+**
Percent of All Firms	62.2%	16.8%	10%	8.5%	1.7%	0.81%
Employment	5.5%	6.0%	7.2%	17.4%	13.9%	50.0%
Annual Payroll	$38 billion	$29 billion	$37 billion	$100 billion	$93 billion	$403 billion
Source: 2012 County Business Partners						

- Top three industry sectors for California small businesses (employing 0-99 employees) by number of businesses: *This data does not include non-employer firm statistics
  - The Real Estate and Rental and Leasing sector had the highest percentage of small businesses in California, consisting of 98.1% of the firms in the sector.[23]
  - The Health Care and Social Assistance sector had the second highest percentage of small businesses in California, consisting of 97.8% of the firms in the sector.[24]
  - The Professional, Scientific, and Technical Services Sector had the third highest percentage of small businesses in California, consisting of 97.7% of the firms in the sector.[25]
- Top three industry sectors for California small businesses (employing 0-99 employees) by number of employees: *This data does not include non-employer firm statistics
  - The Accommodation and Food Services sector had the highest number of workers employed by small businesses in California, with a total of 676,837 employees, consisting of 48% of employment in the sector.[26]
  - The Health Care and Social Assistance sector had the second highest number of workers employed by small businesses in California, with a total of 574,968 employees, consisting of 33% of employment in the sector.[27]
  - The Professional, Scientific, and Technical Services had the third highest number of workers employed by small businesses in California, with a total of 488,362 employees, consisting of 43% of employment in the sector.[28]

Microenterprises in California (fewer than 5 employees and non-employer firms)

- In 2012, there were approximately 3.6 million businesses in the state.[29-30]
- Of the 3.6 million businesses, 2.9 million (80.7%) were non-employer firms and 436,757 (12.0%) were microbusinesses (with less than 5 employees), accounting for 3.4 million (92.7%) of all businesses in the state.[31-32]

Features of All California Businesses *2007: latest available data for owner demographics, includes non-employer firms

- 1.7 million businesses were male-owned, 49% of all business in the state.[33]
- 1 million businesses were female-owned, 30% of all business in the state.[34]
- 596,670 businesses were jointly male/female owned, 17% of all business in the state.[35]
- 137,875 businesses were African American-owned, 4% of all business in the state.[36]
- 509,670 businesses were Asian-owned, 15% of all business in the state.[37]
- 566,567 businesses were Hispanic-owned, 17% of all business in the state.[38]
- 45,734 businesses were Native American/Alaskan-owned, 1.3% of all business in the state.[39]
- 9,339 businesses were Hawaiian/Pacific Islander-owned, 0.3% of all business in the state.[40]
- 239,658 businesses were Veteran-owned, 7% of all business in the state.[41]

Investing in California Microbusinesses

- Early access to capital is one of the chief obstacles to small business development.[42]
- Investing in the success of microenterprises strongly enhances job creation. A December 2014 survey conducted by the California Association of Micro Enterprise Opportunity (CAMEO) found that providing entrepreneurship training and small loans for a pool of 12,000 microbusinesses effectively created 24,000 new jobs and created $888 million in economic activity throughout California.[43]

- From 2007 to 2010, California micro-businesses (0-4 employees) created a net of 329,400 jobs, while the largest businesses (100+ employees) lost 781,051 jobs during the same period.[44]
- In the fiscal year 2012-13, the state awarded $9 billion dollars in contract, with over $2 billion dollars awarded to small businesses.[45]
- Investment in microenterprise development affords much higher returns in job creation, as compared to venture capitalist investments. Microenterprise development organizations invest about $18 per new job created, while venture capitalists invest an average of $1,833 per job created.[46]

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APPENDIX 5

- APPENDIX 5 -
2015 Economic Development Legislative Priorities as Shared by CALED Partners on January 22, 2015

Name	Economic Development Priority
California Association for Local Economic Development (CALED) Gurbax Sahota, President/CEO	2015 Priorities 1. Protect and Look to Improve EIFD Legislation 2. Provide Input and Advocacy, Ensuring Economic Development has a Voice in WIOA Regulations and Legislation 3. Support and Propose Tools and Funding for Economic Development Criteria for Legislative Evaluation 1. Does the legislation have the potential for the creation of jobs? 2. Does the legislation have the potential to hinder the private sector in the creation of jobs? 3. Does the legislation present hurdles or potential hurdles that will hurt development and job creation? 4. Does the legislation have the potential to help California be competitive with other states or hinder California's competitively with other states? 5. Does the legislation add regulations which will hurt or have the potential to hurt local jurisdictions in encouraging and assisting the development of businesses? 6. Does the legislation add regulations and or costs that will hurt/hinder the private sector in the development of new or expanded businesses?
Assemblyman Eduardo Garcia Assembly District 59 Chair, Assembly Committee on Jobs, Economic Development and the Economy	1. Small Business development to help firms access capital, technical assistance, and government procurement opportunities. 2. Leveraging Workforce training to lower prison recidivism rates, which will aid the state in meeting its federal court mandate to reduce its prison population or face indiscriminate prisoner releases. 3. Targeting early childhood education as both a strategy for building better futures for California's youth and as a business and workforce development opportunity in lower income neighborhoods and by women and persons of color.

CA Assembly Committee on Jobs, Economic Development and the Economy Toni Symonds, Chief Consultant	1. Infrastructure Development that supports commerce and goods movement (including air freight) 2. Workforce Development including STEM education and ongoing training and educational opportunities to support the needs of innovation-based business. 3. Regulatory reforms that achieve similar policy objectives, like clean air and water, but do so in a smarter manner. 4. Small Business development to help firms access capital, technical assistance, and government procurement opportunities.
California Workforce Investment Board Tim Rainey, Executive Director	1. Regional Alignment 2. Implementation of Field Strategy through Slingshot grants, Accelerator grants, and local & regional grants.
California Workforce Association Bob Lanter, Executive Director	1. Implementation of WIOA 2. Flexibility of government and elected officials to designate who runs the one-stop centers 3. Advocating for program cooporation of WIOA data is collected and reported using the State's base-wage system
League of California Cities Legislative Director Dan Carrigg	1. Clean up to SB 628 2. Passage of AB 2 3. Passage of CA New Market Tax Credit 4. Supporting more affordable housing funding
CalAsian Chamber of Commerce Sam Driggers, Director of Economic Growth & Programs	1. Recognition of Interest-Charge Domestic International Sale Corporation (IC-DISC) tax credit
Claifornia State Association of Counties Geoffrey Neill, Senior Legislative Analyst	1. Transportation funding 2. Broadband - access & adoption 3. Addressing poverty & homelessness at county level 4. Cap and Trade: 20% to affordable & sustainable communities 5. Federal - Remote Sales Tax - Marketplace Fairness Act
California Economic Summit Susan Lovenburg, Director of Economic Partnership for Prosperity Fred Silva, Senior Fiscal Policy Advisor	1. Workforce and Workplace 2. Infrastructure and Sustainable Communities 3. Governance and Finance
California Manufacturers & Technology Association Michael Shaw, Vice President of Governemental Realtions	1. Attract investments to California 2. Tax policy - increasing tax credit beyond current sunset 3. Modernizing workforce rules

APPENDIX 6

Major Discretionary and Mandatory Program Funding

(dollars in millions)

Major Discretionary	FY 2013 1/	FY 2014	FY 2015 3/	FY 2016 President	FY 2016 President v. FY 2015 Dollar	Percent
Department of Agriculture	**$6,776**	**$6,986**	**$6,902**	**$6,911**	**$10**	**0.1%**
Commodity Assistance Program (CAP)	254	270	279	288	10	3.5%
Women, Infants & Children (WIC)	6,522	6,716	6,623	6,623	0	0.0%
Department of Commerce	**172**	**210**	**213**	**228**	**15**	**6.8%**
Economic Development Administration (EDA)	172	210	213	228	15	6.8%
Department of Education (ED) 10/	**35,341**	**36,514**	**36,547**	**38,903**	**2,356**	**6.4%**
Title I: Education for the Disadvantaged 10/	13,760	14,385	14,410	15,410	1,000	6.9%
Title I: School Improvement Grants	506	506	506	556	50	9.9%
Striving Readers	151	158	160	160	0	0.0%
Ready-to-Learn Television	26	26	26	26	0	0.0%
Mathematics and Science Partnerships	142	150	153	203	50	32.7%
English Language Acquisition	694	723	737	773	36	4.9%
Improving Teacher Quality 10/	2,338	2,350	2,350	2,350	0	0.0%
Teacher Incentive Fund 10/	284	289	230	350	120	52.2%
Educational Technology State Grants	NA	NA	NA	200	NA	NA
Impact Aid	1,224	1,289	1,289	1,289	0	0.0%
21st Century Community Learning Centers	1,092	1,149	1,152	1,152	0	0.0%
State Assessments	369	378	378	403	25	6.6%
Special Education State Grants (Part B-611) 10/	10,975	11,473	11,498	11,673	175	1.5%
Career and Technical Education State Grants 10/	1,064	1,118	1,118	1,318	200	17.9%
Adult Basic and Literacy Education State Grants	575	564	569	569	0	0.0%
Federal Supplemental Ed. Opportunity Grants	696	733	733	733	0	0.0%
Work Study	926	975	990	990	0	0.0%
Race to the Top (RTT) 10/	520	0	0	0	NA	NA
Preschool Development Grants 10/	0	250	250	750	500	200.0%
Department of Health and Human Services 4/	**24,338**	**26,566**	**26,934**	**28,368**	**1,434**	**5.3%**
Substance Abuse Block Grant	1,710	1,820	1,820	1,820	0	0.0%
Mental Health Block Grant	437	484	483	483	0	0.0%
Maternal & Child Health Block Grant	605	634	637	637	0	0.0%
Community Health Centers	1,479	1,495	1,491	1,491	0	0.0%
Preventive Health Block Grant 4/	75	160	160	0	-160	-100.0%
Family Planning	278	286	286	300	14	4.7%
Ryan White AIDS Grants	2,249	2,319	2,319	2,323	4	0.2%
Hospital Preparedness Program (HPP) 4/	358	255	340	255	-85	-25.0%
Public Health Emergency Preparedness (PHEP) 4/	608	640	799	644	-155	-19.4%
Head Start	7,573	8,598	8,598	10,118	1,520	17.7%
Child Welfare Services	263	269	269	269	0	0.0%
Community Services Block Grant	635	674	674	674	0	0.0%
Child Care & Development Block Grant 4/	2,206	2,360	2,435	2,705	270	11.1%
Low-Income Home Energy Assistance 4/	3,255	3,425	3,390	3,190	-200	-5.9%
Refugee Assistance	999	1,486	1,560	1,610	50	3.2%
Administration for Community Living	1,607	1,662	1,673	1,851	177	10.6%
Department of Housing and Urban Development (HUD) 5/	**39,417**	**42,343**	**42,269**	**45,640**	**3,371**	**8.0%**
Community Development Block Grant - Entitlement (CDBG)	2,157	2,123	2,102	1,948	-154	-7.3%
CDBG - Nonentitlement	921	907	898	832	-66	-7.4%
Homeless Assistance Grants	1,933	2,105	2,135	2,480	345	16.2%
HOME Program	948	1,000	900	1,042	142	15.8%
Public Housing Operating Fund	4,054	4,400	4,440	4,582	142	3.2%
Public Housing Capital Fund	1,777	1,875	1,875	1,955	80	4.3%
Tenant-Based Rental Assistance (Section 8)	17,950	19,177	19,304	21,103	1,799	9.3%
Project-Based Rental Assistance (Section 8)	8,851	9,917	9,730	10,740	1,010	10.4%
Housing for the Elderly	355	384	420	452	32	7.6%
Housing for Persons with AIDS	315	330	330	329	-1	-0.2%
Housing for Persons with Disabilities	156	126	135	176	41	30.4%
Department of Energy and EPA	**2,349**	**2,580**	**2,599**	**2,600**	**2**	**0.1%**
DOE Weatherization Assistance Program 8/	64	174	193	228	35	18.3%
DOE State Energy Program 8/	47	50	50	70	20	40.0%
EPA Clean Water State Revolving Fund	1,376	1,449	1,449	1,116	-333	-23.0%
EPA Drinking Water State Revolving Fund	861	907	907	1,186	279	30.8%
Department of Justice (DOJ)	**1,264**	**1,243**	**1,255**	**1,265**	**11**	**0.8%**
Violence Against Women 8/	388	417	430	474	44	10.1%
COPS/21st Century Policing 8/	210	214	208	304	96	45.9%
State Criminal Alien Assistance Program (SCAAP)	237	180	185	0	-185	-100.0%
Byrne Justice Assistance Grants (JAG) 8/	365	376	376	388	12	3.2%
Juvenile Accountability Block Grant (JABG)	23	0	0	30	30	NA
Juvenile Justice-Part B Formula Grant 8/	41	56	56	70	15	26.1%

cont.

Major Discretionary	FY 2013 1/	FY 2014	FY 2015 3/	FY 2016 President	FY 2016 President v. FY 2015 Dollar	Percent
Department of Homeland Security (DHS) 3/	**1,369**	**1,481**	**1,481**	**1,493**	**12**	**0.8%**
National Preparedness Grant Program 3/	NA	NA	NA	1,043	NA	NA
State Homeland Security Grant Program (SHSGP) 3/	365	411	411	0	-411	-100.0%
Urban Area Security Initiative (UASI) 3/	559	600	600	0	-600	-100.0%
Emergency Food and Shelter 3/	114	120	120	100	-20	-16.7%
Emergency Management Performance Grants	332	350	350	350	0	0.0%
Department of Labor (DOL) 6/	**6,176**	**6,181**	**6,066**	**6,657**	**591**	**9.7%**
Dislocated Worker Assistance 6/	956	1,002	1,016	1,021	5	0.5%
Adult Training 6/	731	766	777	816	39	5.0%
Youth Training 6/	781	820	832	873	42	5.0%
Workforce Innovation Fund Programs	47	47	0	0	NA	NA
Employment Service State Administration 6/	664	664	664	1,064	400	60.2%
Unemployment Insurance State Administration	2,996	2,882	2,778	2,883	106	3.8%
Department of Transportation (DOT) 11/	**54,532**	**55,391**	**55,568**	**71,448**	**15,881**	**28.6%**
Airport Obligation Limitation	3,343	3,350	3,350	2,900	-450	-13.4%
Highway Obligation Limitation	39,620	40,256	40,256	50,068	9,812	24.4%
Highway Funding Exempt from Ceiling 2/	700	686	685	739	54	7.9%
Highway Traffic Safety Obligation Limitation	553	562	562	577	16	2.8%
Transit and Bus Grants Obligation Limitation	8,461	8,595	8,595	13,914	5,319	61.9%
Capital Investment Grants (New Starts)	1,855	1,943	2,120	3,250	1,130	53.3%
Subtotal: Discretionary	**$171,734**	**$179,495**	**$179,832**	**$203,514**	**$23,682**	**13.2%**

Major Mandatory	FY 2013 1/	FY 2014	FY 2015	FY 2016 President	FY 2015 v. FY 2014 Dollar	Percent
Child Nutrition 2/	19,891	19,287	21,299	21,587	288	1.4%
Supplemental Nutrition Assistance - State Administration	3,867	3,999	4,123	4,238	115	2.8%
Social Services Block Grant (SSBG) 2/	1,613	1,578	1,576	1,692	116	7.3%
Child Care Entitlements to States 7/	2,917	2,917	2,917	6,582	3,665	125.6%
Temporary Assistance to Needy Families (TANF) 7/	16,589	16,589	16,589	16,589	0	0.0%
TANF Contingency Fund 7/	610	610	583	0	-583	-100.0%
TANF Pathways to Job Initiative 7/	NA	NA	NA	573	NA	NA
Child Support Enforcement Administrative Costs 12/	4,244	4,291	4,220	4,383	163	3.9%
LIHEAP Contingency Fund	NA	NA	NA	1,130	NA	NA
Foster Care 12/	4,135	4,749	4,584	5,206	622	13.6%
Adoption Assistance	2,278	2,450	2,510	2,563	53	2.1%
Independent Living	182	183	183	183	0	0.0%
Promoting Safe and Stable Families (PSSF) 2/	401	395	380	450	70	18.5%
Children's Health Insurance Program (CHIP) State Allotments 9/	8,939	9,718	9,756	14,569	4,813	49.3%
Medicaid Vendor Payments 12/	265,546	306,822	316,511	342,388	25,877	8.2%
Medicaid Administration	17,767	18,640	19,222	17,767	-1,455	-7.6%
Vaccines for Children	3,607	3,557	3,981	4,109	128	3.2%
Payments from States for Medicare prescription drugs	-8,666	-8,727	-8,851	-9,466	-615	6.9%
Vocational Rehab. State Grants 2/	3,066	3,064	3,092	3,392	300	9.7%
Preschool for All	NA	NA	NA	1,300	NA	NA
America's College Promise	NA	NA	NA	1,365	NA	NA
Teaching for Tomorrow	NA	NA	NA	1,000	NA	NA
Subtotal: Mandatory/Entitlement	**$346,987**	**$390,122**	**$402,675**	**$441,599**	**$38,924**	**9.7%**

Total: Selected Grants-In-Aid	**$518,721**	**$569,617**	**$582,507**	**$645,113**	**$62,606**	**10.7%**

Footnotes:

1/ Final FY 2013 funding levels are post-rescissions, post-sequestration and, in most instances, reflect figures from agency operating plans (which include department transfers).

2/ Under the BCA, mandatory programs subject to sequestration received an automatic across-the-board (ATB) cut in FY 2014 and FY 2015. The president proposes to repeal mandatory sequestration in FY 2016.

3/ **DHS footnotes**: FY 2015 appropriations have been enacted for all bills except the Department of Homeland Security (DHS). DHS is being funded under a continuing resolution until February 27, 2015. Figures shown for DHS reflect provisions of H.R. 240, which is currently under consideration. SHSGP figure excludes funds designated for Operation Stonegarden. The National Preparedness Grant Program consolidates the State Homeland Security Grant Program, Urban Area Security Initiative, and other programs. The president's budget requests Emergency Food and Shelter be transferred to the Department of Housing and Urban Development.

4/ **HHS discretionary footnotes**. Amounts exclude funds appropriated in the Affordable Care Act (ACA), either directly or through the Prevention and Public Health Fund (PPHF). The exception is the Preventive Health Block Grant, which is funded entirely from PPHF transfers in FY 2014 and FY 2015. The FY 2015 enacted budget includes $155 million in additional funding for PHEP and $85 million for HPP for Ebola response and preparedness, which is reflected on the table. The budget also includes additional Ebola funding for states for programs not included on the table. The president's FY 2016 budget proposes $100 million for a new child care pilot program under the Child Care and Development Block Grant, and $200 million for a new competitive grant program under the LIHEAP account; neither proposal is reflected on the table.

5/ **HUD footnotes**: Figures are net of transfers to the Transformation Initiative Account. Section 8 receives an advance appropriation.

6/ **DOL footnotes**: Data reflect program years rather than fiscal years. Dislocated Worker Assistance and Adult Training receive an advance appropriation.

7/ TANF, CCDF, and related programs are extended through FY 2015. TANF contingency funds are extended through FY 2016 at $608 million annually, with $25 million transferred to carry out other activities in FY 2015. The president proposes to extend these programs. The TANF contingency fund would be used to continue the $25 million transfers and to fund $10 million in federal monitoring and oversight, with the remainder being repurposed for the Pathways to Job initiative.

8/ Amounts shown do not account for set-asides in several grant programs.

9/ Figures reflect state allotments. The president's budget would extend CHIP through FY 2019, including the contingency fund and performance bonuses.

10/ **ED footnotes**: These programs receive an advanced appropriation: Title I Education for the Disadvantaged, Improving Teacher Quality, Special Education, Career and Technical Education. In FY 2014, all RTT funds were directed to competitive grants to states to develop and improve preschool programs. In the FY 2015 omnibus, preschool grants are funded under the Fund for the Improvement of Education. The FY 2016 budget proposes to change the name of the Teacher Incentive Fund.

11/ **DOT footnotes**: The president’s budget proposes to rename the “Highway Trust Fund” to the “Transportation Trust Fund” beginning in FY 2016 as part of the administration’s GROW AMERICA Act proposal, and to designate most surface transportation programs as mandatory. Highway funding exempt from ceiling is subject to sequestration.

12/ **HHS mandatory footnotes.** Figures for the president's FY 2016 budget reflect a number of legislative proposals: $110 million for child support and fatherhood initiatives (Child Support Enforcement Administrative Costs), $118 million for various foster care proposals and $250 million to address the over-prescription of psychotropic medication (Foster Care), and $7.3 billion for Medicaid proposals (Medicaid Vendor Payments).

APPENDIX 7

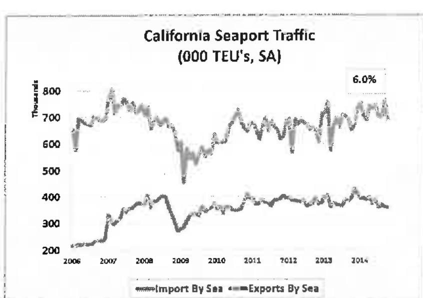
CALIFORNIA
Steady Growth, but
Structural Problems Remain

Jerry Nickelsburg
Adjunct Professor of Economics
Anderson School of Management
Senior Economist
UCLA Anderson Forecast

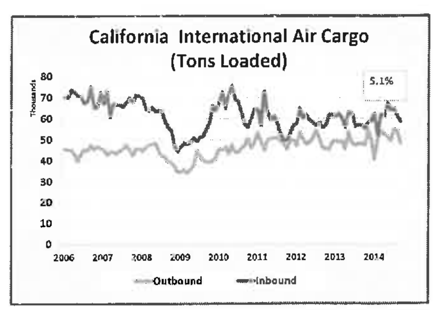
Road Map

- Recent Trends
  - Goods Movement
  - Housing
  - Employment
  - Construction and Manufacturing
- Trend Implications
- Forecast

California Seaport Traffic

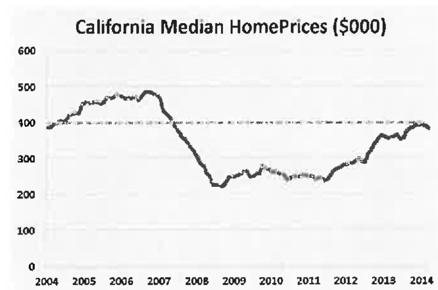


International Air Cargo



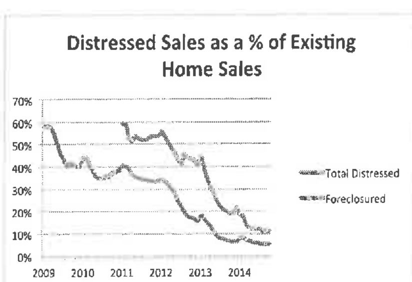
International Arrivals at Record Levels

Median Prices Rise Slows

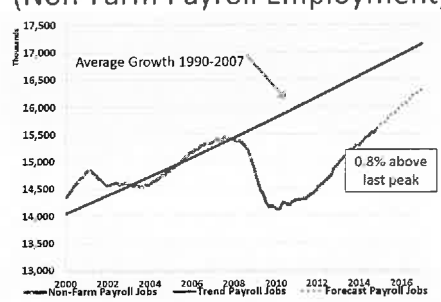


Housing Markets Normalizing

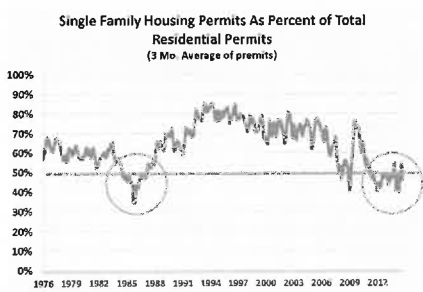
- Distressed Sales At 11% of total
- 2003/2004 at 8% of Total
- But home sales are at 58% of 2003/2004 levels
- Inventory of homes listed for sale increasing, particularly in So. CA



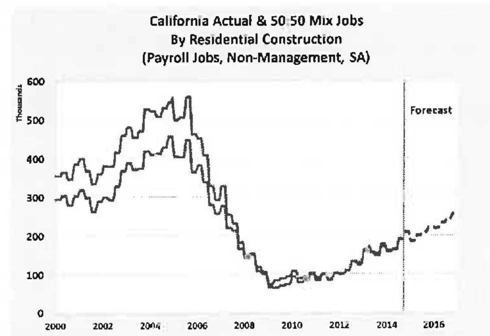
CA Jobs
(Non-Farm Payroll Employment)



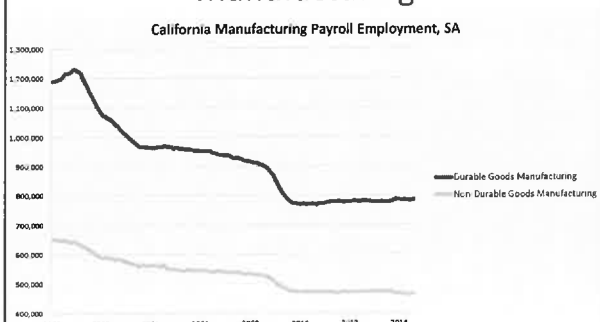
Housing Tastes Have Changed



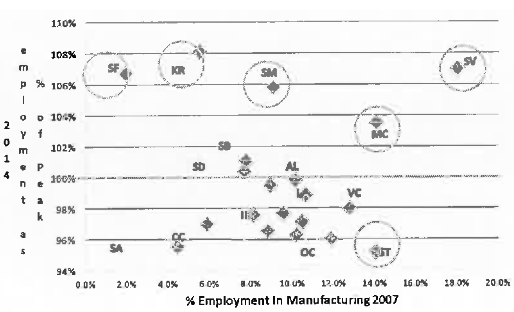
Construction



Manufacturing



Manufacturing & Employment Recovery



Durable Goods Output in CA

Implications For Forecast

- California continued to improve over the last 3 months – but structural problems remain
- No indications in the data that Employment, logistics, housing, trade will do other than continue steady growth

CALIFORNIA FORECAST

	2014	2015	2016
Payroll Employment	2.2%	2.2%	2.2%
Unemployment	7.5%	6.6%	5.6%
Personal Income (real)	3.1%	4.5%	4.5%
Housing Permits (units)	80.0	101.1	121.4

APPENDIX 8

Appendix 8

Assembly Committee on Jobs, Economic Development and the Economy

Overview of the California Economy

Wednesday, February 11, 2015
California State Capitol, Room 444
9:00 a.m. to noon

Witness Biographies

Mr. Mac Taylor
California's Legislative Analyst
Legislative Analyst's Office

Mac Taylor was appointed to the position of Legislative Analyst in October 2008, as the fifth person to serve in that capacity since the office was founded in 1941. In his 30-year career with the office, he has served in various capacities:

- Program Analyst. He worked in the tax area (primarily income-related taxes), authoring reports on state and local spending limits, tax expenditure programs, and tax auditing issues.
- Section Head. Mac managed the General Government section in the office, covering a wide variety of assignments (retirement, employee compensation, labor issues, and housing).
- Deputy. He served for 17 years as deputy to the prior Analyst, Elizabeth Hill, overseeing the work of the K-12 Education, Higher Education, Local Government, State Administration, and Economics and Taxation sections.

As Legislative Analyst, Mac serves as the nonpartisan fiscal advisor to both houses of the California Legislature and oversees the preparation of annual fiscal and policy analyses of the state's budget and programs. His office is also responsible for preparing impartial analyses of all initiatives and constitutional measures qualifying for the state's ballot. Mac earned a bachelor's degree, with highest honors, in political science from the University of California, Riverside, and a master's degree in public affairs from Princeton University. He serves on the Statewide Leadership Council of the Public Policy Institute of California. Mac resides in Carmichael with his wife and they have three children.

Dr. Jerry Nickelsburg
Adjunct Professor of Economic, Anderson School of Management and Senior Economist, UCLA Anderson Forecast

Jerry Nickelsburg joined the UCLA's Anderson School of Management in 2006. He teaches economics in the MBA program with a focus on Asian economies. At the Anderson Forecast he plays a key role in the economic modeling and forecasting of the National, and California economies. He has conducted research in the areas of labor economics, industrial organization, statistics, and international monetary economics, focusing on the development of new data and the application of economic theory and statistical methods to policy issues. His current academic research is on specific skills, structural unemployment, and the seasonal adjustment of time series. He is a regular presenter at Economic Conferences is cited in the national media including the Financial Times, Wall Street Journal, New York Times, Los Angeles Times, and Reuters.

He received his Ph.D. in economics from the University of Minnesota in 1980 specializing in monetary economics and econometrics. He was formerly a professor of Economics at the University of Southern California and has held executive positions with McDonnell Douglas, FlightSafety International, and FlightSafety Boeing during a fifteen-year span in the aviation business. He also held a position with the Federal Reserve Board of Governors developing forecasting tools, and has advised banks, investors and financial institutions.

From 2000 to 2006, he was the Managing Principal of Deep Blue Economics, a consulting firm he founded. He has been the recipient of the Korda Fellowship, USC Outstanding Teacher, India Chamber of Commerce Jubilee Lecturer and is a Fulbright Scholar. He has published over 100 scholarly and popular articles on monetary economics, economic forecasting and analysis, labor economics, and industrial organization and he is the author of two books on monetary economics and exchange rates.

Ms. Molly Ramsdell
Director, Washington Office, National Conference of State Legislatures

Molly Ramsdell, Director, Washington Office, National Conference of State Legislatures

Molly Ramsdell is Director of the Washington, D.C. office of the National Conference of State Legislatures (NCSL) and oversees the Conference's state-federal affairs division. Ms. Ramsdell joined NCSL in 1996 and prior to becoming the D.C. office director in 2010, staffed a number of NCSL standing committees and task forces. In that capacity, she led NCSL's advocacy activities before Congress and the administration on a range of issues including deficit reduction, unfunded mandate reform, surface transportation, the REAL ID, homeland security and emergency preparedness, and clean air and clean water issues. Ms. Ramsdell was the author of NCSL's Mandate Monitor, a publication that tracks federal mandates and the cost shift to states.

Prior to joining NCSL, Ms. Ramsdell was a research associate at the Intergovernmental Health Policy Project at the George Washington University in Washington, D.C. where she tracked state legislation on managed care. Ms. Ramsdell holds a master's degree in public health from the George Washington

University School of Medicine and Health Sciences. She also completed her undergraduate work at George Washington University.

Mr. Scott Hauge
President, CAL Insurance and Associates, Inc.

Scott G. Hauge is the President and owner of CAL Insurance & Associates, Inc. The company was founded in 1927 and currently has 25 employees. Since then, the agency has achieved B Corporation certification while continuing to specialize in providing insurance for small to medium sized businesses.

Mr. Hauge has been a leading advocate in paving the way for small and medium sized businesses. He has introduced government legislation that has affected business on local, state and national levels. He is considered one of the insurance industry's leaders in setting guidelines and has received numerous awards and countless commendations for his efforts. Scott was awarded the 2007 Small Business Advocate of the Year presented by The National Small Business Association (NSBA) and has been named the 2014 Small Business Advocate of the year by the California Association for Micro Enterprise Opportunity (CAMEO).

Mr. Hauge is renowned for his knowledge and how to best protect and serve the business community. He is currently a member of over 20 boards and commissions in San Francisco and California. He is founder and President of Small Business California, a non-profit, non-partisan advocacy and education group for small business in California. It outreaches to 2700 small businesses statewide representing most of the 3.2 million small businesses in California. Mr. Hauge also serves as Co-Founder and Vice President of Clinic by the Bay, and on the Board of Advisors at Insure the Uninsured Project (ITUP). As of 2012, Mr. Hauge has been appointed by Senator Steinberg to be the Vice Chair of the California Commission on Disability Access.

Dave Petree
CEO, Cloak and Dagger

Dave Petree is founder and CEO for the Sacramento start-up software company; Cloak and Dagger which specializes in cyber security for the average computer user. Their namesake product "Cloak and Dagger Encryption" allows someone to encrypt documents with virtually no training.

David has 20 years experience in the tech field. Although a terrible speller, Dave somehow managed to get a Bachelor's degree in business and project management from Colorado Tech and surprisingly an advanced degree in Data and Systems Analysis from Oxford University- yeah, the one in England. His dream is to one day hire someone full time to follow him around "reminding me how awesome I am"

Dave lives in Sacramento, CA with his wife and daughters and calls Sacramento the "best kept secret in California". He spends his time surfing all over the world and watching international soccer matches.

Mr. Ehsan Gharatappeh
CEO, Cellpoint Corporation

Mr. Ehsan Gharatappeh was born and raised in Houston, Texas and is the CEO of CellPoint Corporation, a global manufacturing firm based in Orange County, CA. Cellpoint Corp assists manufacturing companies with creative and innovative solutions to reduce manufacturing costs and increase product value. He enjoys skiing, mountain climbing and general mountaineering. Ehsan lives in Newport Beach with his wife and two children.

Jobs, Economic Development, and the Economy

Eduardo Garcia, Chair
Young O. Kim, Vice Chair
Travis Allen
William P. Brough
Cheryl R. Brown
Ed Chau
Kansen Chu
Mike A. Gipson
Jacqui Irwin

Committee jurisdiction consist of business advocacy within California and the United States; business advocacy of import/export trade; California-Mexico relations; California overseas trade offices; development and expansion of new technologies, except energy; development of international high tech markets; economic disaster relief; economic impact reports; effect of balance of trade issues on California; expansion of overseas markets; foreign investments by California; foreign investments in California; impacts of federal budget on high tech projects; impacts of federal budget on international trade; industrial innovation and research; international capital, including capital formation; international trade, research and import/export finance; interstate commerce; seaports and physical infrastructure; sister state agreements and friendship agreements with other nations; small business development and operations; state and local economic development; women and minority business enterprises.