

Date of Hearing: April 21, 2009

ASSEMBLY COMMITTEE ON JOBS, ECONOMIC DEVELOPMENT AND THE  
ECONOMY

V. Manuel Perez, Chair

AB 1555 (Economic Development Committee) – As Introduced: March 11, 2009

SUBJECT: Economic development code maintenance

SUMMARY: Adds definitions and makes technical changes to the codes relating to the state's economic development. Specifically, this bill:

- 1) Defines "emerging domestic market" to mean people, places, or business enterprises with growth potential that face capital constraints due to systemic undervaluations as a result of imperfect market information.
- 2) Defines "financial intermediary" to mean an institution, firm, organization, or individual who performs intermediation between two or more parties in a financial context, such as connecting two sources of funds with users of funds
- 3) Defines "community development intermediary" to mean an institution, firm, organization, or individual who performs intermediation between two or more parties in a community development context, such a connecting people and organizations that have a stake in the future well-being of communities and individuals who may not easily have access to these stakeholders;
- 4) Defines "triple bottom line" to mean the economic environmental and social benefits arising fro a project, investment, or community and economic development activity;
- 5) Defines "small businesses" to mean a business with less than 100 employees and with a gross revenue of less than five million dollars (\$5,000,000), or a business that is otherwise targeted by or participating in a federal or state program engaged in programs or services for small businesses. Application of this definition may only be used pursuant to a direct reference;
- 6) Defines "community development" to mean a process designed to create conditions of economic and social prosperity for the whole community, or a targeted subset of the whole community, with the fullest possible reliance on the community's initiative and active participation;
- 7) Defines "financial institution capital" to mean resources of a financial institution, including, but not limited to, a bank or credit union, that are legally available to be used to generate wealth for the financial institution; and
- 8) Defines "California Council on Science and Technology" to mean the council established by California academic research institutions, including the University of California, the University of Southern California, the California Institute of Technology , Stanford University, and the California State University, in support of Assembly Concurrent Resolution No. 162 (Res. Ch. 148, Stats. 1988).

EXISTING LAW:

- 1) Establishes the Business, Transportation and Housing Agency to oversee and coordinate the activities of the economic development programs.
- 2) Does not define the terms, emerging domestic market; financial intermediary; community development intermediary; triple bottom line; small businesses; community development; financial institution capital; and California Council on Science and Technology.

FISCAL EFFECT: Unknown

COMMENTS:

- 1) Purpose of the bill: The bill is a reintroduction of AB 3045 (Economic Development Committee) from last year. To the committee's knowledge, there were no controversial issues, the bill simply fell victim to the budget delay. Committees typically carry measures that are code clean-up bills that contain technical changes. Nothing in the bill is intended to be controversial. If language becomes controversial, it will be removed.
- 2) Defining emerging domestic markets: "emerging domestic market" refers to people, places, or businesses with growth potential, which have historically faced systemic capital constraints. The demographics of emerging domestic markets include ethnic- and women-owned firms, urban and rural communities, companies which serve low- to moderate-income populations, and other small- and medium-sized businesses.

Over the next 40 years, it is estimated that more than 85% of U.S. population growth will come from minority ethnic groups. This shift is already so significant that the combination of African American and Hispanic consumer markets is larger than the GDP of all but nine countries in the world.

With this growing diversity comes a change in the make-up of business ownership in the country. The Milken Institute states that minority-owned firms are growing at a rate six times the growth rate (17% per year) of all other firms, and sales from minority-owned firms are growing more than twice the rate (34% per year) of all other firms.

Driven by these significant demographic changes and their related impacts on markets, institutional investors have begun to target small portions of their portfolios to emerging domestic markets.

To better understand the dynamics of this new and growing investment area the Economic Development Committee convened an advisory group of economic and investment professionals for the purpose of having an extended conversation about what impediments they encounter in trying to invest in emerging domestic markets.

During these discussions, it became apparent that, even with the shifts in market share and business ownership, minority businesses still experience significant impediments in accessing capital. This bill was developed to provide key phrases related to emerging domestic markets, including "emerging domestic market," "financial intermediary," "community intermediary," and "triple bottom line."

A complete progress report on the Emerging Domestic Market Advisory Group's first four months of activities, including its recommendations for state action, is available on the JEDE website at [www.assembly.ca.gov](http://www.assembly.ca.gov).

REGISTERED SUPPORT / OPPOSITION:

Support

Assembly Committee on Jobs, Economic Development, and the Economy (sponsor)

Opposition

None received

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