

Date of Hearing: June 22, 2010

ASSEMBLY COMMITTEE ON JOBS, ECONOMIC DEVELOPMENT AND THE
ECONOMY

V. Manuel Perez, Chair
SB 1084 (Liu) – As Amended: June 1, 2010

SENATE VOTE: 22-13

SUBJECT: California Economic Security Task Force

SUMMARY: Authorizes the establishment of the 13-member California Economic Security Task Force (Task Force) for the purpose of analyzing and developing a strategy to increase self sufficiency and reduce poverty in California by 50% by 2020. Specifically, this bill:

- 1) Authorizes, based on sufficient private funds becoming available, the establishment of the Task Force, which shall undertake the development of an interim (July 1, 2012) and final report (July 1, 2013) that includes the following:
 - a) A review of current rates of economic security, as defined.
 - b) An inventory and prescribed assessment of state programs targeted at increasing individual and family economic security and reducing poverty.
 - c) Recommendations on how to:
 - i) Maximize the effectiveness of state programs and services with the objective of reducing poverty in the state by 50% by 2020; and
 - ii) Create a self-sustaining entity to lead and coordinate the state's efforts to reduce poverty including providing detail on its structure, funding and needed statutory changes.
- 2) Requires that the recommendations be politically viable, fiscally responsible, and contain an implementation strategy, a cost/savings estimate and a quantification of the number of individuals that would benefit.
- 3) Defines economic security to mean having the income necessary to cover basic needs using the California Family Economic Self-Sufficiency Standard Index and the California Elder Economic Security Standard Index.
- 4) Specifies that the Task Force include the following members or their designee:
 - a) Two State Senators appointed by the Senate Rules Committee, one of whom must be a member of the minority party;
 - b) Two Assembly Members appointed by the Speaker of the Assembly, one of whom must be a member of the minority party;

- c) A representative from the County Welfare Directors Association;
 - d) A large business representative appointed by the Senate Rules Committee;
 - e) A small business representative appointed by the Speaker of the Assembly;
 - f) Four individuals, appointed by the Governor, representing nongovernmental entities that provide benefits, services or advocacy to people living in poverty including women, children, youth, seniors, working families and the homeless;
 - g) A rural resident appointed by the Speaker of the Assembly and an urban resident appointed by the Senate Rules Committee. Both of these individuals shall have household incomes below the federal poverty threshold; and
 - h) The Secretary of the California Health and Human Services Agency, who shall be a nonvoting member.
- 5) Specifies that the members of the Task Force serve without compensation, however, to the extent funding is available, members may be reimbursed for Task Force expenses.
- 6) Sunsets the Task Force on July 1, 2013.

EXISTING LAW:

- 1) Establishes various federal and state social service programs that provide cash assistance, training and other benefits to qualified low-income families and individuals, including but not limited to the Supplemental Nutrition Assistance Program, National Food Lunch Program, National School Breakfast Program, Child and Adult Care Food Programs, Healthy Families, McKinney-Vento Homeless Assistance Grants, Head Start, and CalWORKS.
- 2) Establishes various federal, state and local education, training and related workforce development programs that provide basic education, skill assessment, employment training, and job placement services to qualified individuals and businesses including the Employment Training Panel, California Workforce Investment Board, local workforce investment boards, Jobs Services Program, Community Colleges, and the K-12 school system.
- 3) Establishes the biennial California Economic Strategy Panel (Panel), chaired by the Labor and Workforce Development Agency (L&WD) Secretary, for the purpose of developing an overall state economic vision and state economic development strategic plan (Plan) that can guide public policy, including the examination of the state's economic regions, industry clusters, and cross-regional economic issues.

FISCAL EFFECT: According to the Senate Appropriations Committee analysis, implementation of this bill would have no cost to the General Fund. The bill provides that it will be funded through private donations.

COMMENTS:

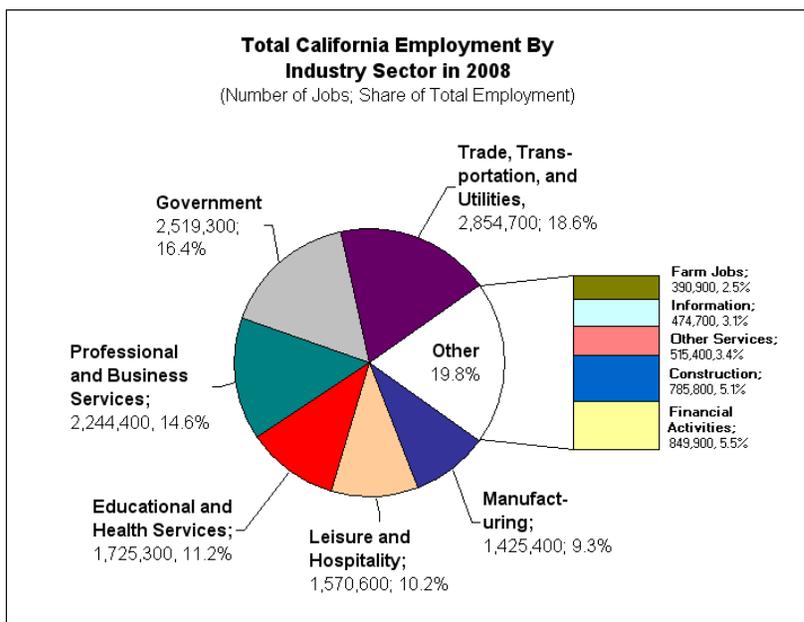
- 1) Author's purpose: Poverty threatens the state's economic health by reducing the tax base, impeding the growth of an educated workforce, and increasing costs for health care, criminal justice, and social services programs. Currently, the state dedicates significant resources to many programs aimed at reducing poverty and increasing economic security among residents. Yet, these programs are spread across many state and county agencies, limiting coordination and overall efficiency. SB 1084 would establish a task force with the purpose of compiling an inventory of statewide antipoverty programs and creating a comprehensive statewide plan to reduce poverty and increase economic security.

Any effort to improve the economic status of Californians cannot just be focused on government programs alone. Therefore, overcoming poverty requires the collaboration of multiple sectors and stakeholders, including legislators, public agencies, businesses, and nonprofit organizations all of which will participate in the Task Force.

In addition, this bill does not require the state to fund the Task Force or any of its operations. Instead, the Task Force will be funded and will receive in-kind contributions from philanthropic and private donors.

- 2) The California economy and the working poor: California is one of the largest and most diversified economies in the world with a state gross domestic product of over \$1.8 trillion in 2008. The efforts of its 38 million people resulted in having the eighth largest economy in the world, ahead of such countries as Spain (\$1.4 trillion), Canada (\$1.3 trillion), and Brazil (\$1.3 trillion).

Historically, the state's businesses and workers have played significant roles in the global marketplace. Some of California's strongest economic qualities include its strategic west coast location; its economically diverse regional economies; its access to a wide variety of venture and other private capital; its broad base of small- and medium-sized businesses; its culture of innovation and entrepreneurship; and its large, ethnically diverse population, representing both a ready workforce and significant consumer base.



The chart to the left, prepared by the California Employment Development Department, provides detail on California's largest industry sectors in 2008 including the total number of jobs and percentage of state employment.

Businesses in this century face increasing challenges to maintaining global and domestic competitiveness, including providing a skilled workforce to

support the changing needs of business and maintaining cost-effective productivity in the face of lower safety and wage standards in emerging foreign markets.

Workers and communities are being affected from both the direct and indirect impact of loss of jobs and, in some instances, the total shift of an industry sector out of California, as in the 18,800 jobs at-risk with the closure of NUMMI automotive assembly plant in May 2010.

In 2008, 14.6% of the population lived in a household with an income below the federal



poverty line of \$22,000 a year. This reflects a statistically significant increase from 2007 when 12.7% of Californians were reported to be living in poverty. The chart to the left further illustrates the change in job growth between certain industry sectors and the relevance of those shifts to worker wage rates since the beginning of

the century.

Significant drops in consumer spending during the recession have also led to greater workforce reductions and business bankruptcies across the state. For much of 2009, the number of unemployed workers rose 40,000 to 60,000 per month, and the year ended with 2.25 million people officially identified as unemployed (excludes those that have stopped looking for work, among others). In May 2010 the seasonally adjusted state unemployment rate was 12.4%, a slight improvement over April's unemployment rate of 12.5%, but still representing 2.27 million unemployed California workers.

While some economists believe California may have emerged from the recession, there is little disagreement among economic forecasters that unemployment in the state is expected to remain above double digits throughout 2010, 2011 and into the first quarter of 2012. Jobs are expected to recover to their pre-recession peak in the first half of 2013; however, unemployment rates are likely to remain above 8% in the state through much of 2014.

The recession has impacted and will likely continue to impact most Californians for the next few years as unemployment and related consumer spending result in a slow flat recovery. Individuals and families living on combined household incomes below \$22,000, the federal poverty threshold, will have been and will be especially hard hit in the coming years.

For perspective, consider that a person working full time at a minimum wage job makes an annual gross income of less than \$17,000 a year. In 2008, of the 5.3 million Californians living on incomes below the federal poverty line, over 80% of the family households had at least one member working a portion of the year. This is why individuals living on poverty level incomes are increasingly called the working poor.

A Duke University study released in January 2010 projected that 2.7 million children, or 27% of California's youth population, are living in poverty. For children in Los Angeles, the estimate is 35% of all children. Similar to the estimates on the state's macro economy, the study estimates that childhood poverty rates will peak in the next 12 months and then slowly start to recede by 2012 (but remaining higher than they were pre-recession).

- 3) Defining a framework for increasing self sufficiency in the next economy: In defining the post-recession economy, think tanks, such as the Brookings Metropolitan Policy Program, encourage policy makers to recognize that coming out of the recession does not mean a return to the past economic structures. The post-recession economy, they say, will be fundamentally different in four key ways. First, the next economy will be led by metropolitan areas – not nations and not states. The economy is expected to be more export oriented and driven by new, lower-carbon energy sources. Lastly, the post-recession economy will be based on a high level of global innovation, which will require "a relentless pace of innovation, adaptation, and embracement of new markets and processes." California metropolitan areas must have the ability to compete within a network of more sophisticated, digitally linked, and globally-connected metropolitan economies.

In designing the ways in which government can help to support the post-recession economy, it may be important that the framework include a process whereby those that currently live in poverty have a clearer path toward self sufficiency. Failing to address the growing number of individuals living below federal poverty thresholds, especially children who will be the leaders and workers of the future, could impair the global competitiveness of the state's metropolitan areas as resources continued to be diverted to the secondary impacts of poverty, such as poor health outcomes, increased crime rates, and an inadequately prepared workforce. Further, given the greater importance of metropolitan areas and regions in the state's overall global competitiveness, policy makers may need to develop strategies and provide resources to strengthen the local capacity.

This bill, as proposed to be amended, would be the first to comprehensively link poverty alleviation with workforce development and entrepreneurship. [A similar public policy, although more limited in scope, was pursued in AB 2004 (Beall) as it applies to the use of Department of Social Services moneys and workforce training.] SB 1084 calls for a Task Force to develop a specific set of recommendations to move individuals and families out of poverty and toward self sufficiency.

In moving forward in the new community development-based self sufficiency paradigm, the state would be working in tandem with changes in the private sector. As an example, the financial sector has already begun to shift some of its investments toward products and companies that provide triple bottom line benefits (economic, social, and environmental). This move among investors is not because they have become philanthropic organizations; rather new research has empirically demonstrated that fundamental interconnections between people, business, and the environment can lead to wealth creation. The nation's two largest

public pension funds, the California Public Employees Retirement System and the California State Teachers Retirement System, both have targeted investment policies for historically financially underserved areas, representing hundreds of millions of dollars in annual new investments. The state can play an important role in setting policies and supporting programs that lead to greater private sector investment in poor communities and increasing access to education and training that can lead to greater individual self sufficiency.

The persistent poverty in many metropolitan regions and the growing number of working poor challenge traditional models of community development. SB 1084 proposes a new path guided by the goal of self sufficiency and designed to provide lasting benefits for all Californians.

- 4) Moving toward self sufficiency: Sometimes definitions can stand in the way of good public policy. In this case, the federal definition of poverty, used by a broad variety of public programs, routinely underestimates the number of individuals and families who live on incomes that are clearly insufficient to cover minimal costs of survival. The federal formula is based on a 1963 methodology used by the U.S. Census to determine the cost of a "minimal food diet" multiplied by three. This methodology grew out of a 1950's notion that a typical household spends approximately one-third of the household income on food.

Moving forward to our modern day, it is likely that many families spend more than one-third of their monthly income on food, especially in the case of lower income households. Underestimations of what constitutes "poverty" hinder policy makers' ability to grasp the depth and breadth of the income gap in California, which then limits the ability of policy makers to propose realistic steps to alleviate poverty and maximize human resources.

SB 1084, as proposed to be amended, addresses this issue by setting a target that moves beyond the issue of poverty and looks towards a goal of self sufficiency. A key tool identified in the bill is the California Family Economic Self-Sufficiency Standard Index and the California Elder Economic Security Standard Index. These indices measure how much income is actually needed, on a per-county level, for an individual and family to adequately meet its minimal basic needs. The index builds on a more comprehensive, locally relevant, set of costs including the cost of housing, food, child care, out-of-pocket medical expenses, and transportation, among others.

As a comparison, the federal poverty limits exclusively use food costs as a determinant of whether household income is sufficient and does not include the other elements contained in the California indices described above. Federal poverty limits are also nationally based; only Hawaii and Alaska have their own poverty limits. Clearly, it does not cost the same to live in California as Iowa, nor are the minimal living costs the same in San Francisco as in Calexico. SB 1084 proposes the state use the more refined set of data from the California indices in addressing the needs of people living in lower income households and developing a set of recommendations to move them out of poverty, including actions related to employment development and entrepreneurship.

- 5) Potential impact of the Task Force: When new task forces and/or commissions are recommended, there is sometimes a concern that the expected outcomes are unclear and the measurement of success has not been defined. This is not a concern with SB 1084.

SB 1084 sets a clear goal of reducing poverty in California by 50% by 2020 and requires the recommendations put forward be politically viable, fiscally responsible, contain an implementation strategy, a cost/savings estimate, and a quantification of the number of individuals that would benefit.

Practical examples of what could be an outcome from the bill would be a recommendation on how the state can better assist currently qualified individuals to access \$3.7 million in food stamps, schools to receive \$600 million to provide hot lunches and breakfasts to currently eligible students, or \$500 million to currently eligible low-income families from the federal Earned Income Tax Credits. Another recommendation could address barriers faced by youth from lower income households to prepare for and attend institutions of higher education and workplace training programs, as well as gaining the skills necessary to start and be successful in their own business.

- 6) Potential amendments: Staff understands the author will be offering a number of amendments to clarify the purpose of the measure. Among other items, the amendments:
 - a) Add legislative intent relating to state poverty and goal to reduce current poverty rates by 50%.
 - b) Clarify that only the Legislative members may send designees.
 - c) Revises the process for establishing the chairperson of the Task Force.
 - d) Adds the Secretary of Labor and Workforce Development Agency as an advisor to the Task Force.
 - e) Expands the types of materials to be considered while developing the recommendations including materials related to workforce development and entrepreneurship.
 - f) Requires state departments to provide information to the Task Force in electronic form, to the extent it is available.
 - g) Expands the mandatory elements of the reports to include each recommendation's impact on regional economies.
 - h) Expands the types of information to be included in the inventory of programs by requiring information on how the poverty alleviation and self sufficiency programs link to create a cost effective and comprehensive network and how each of the programs measures success.
 - i) Limits Task Force member reimbursements to actual travel expenses.
 - j) Makes other related and conforming changes.
- 7) Related legislation and other legislative actions: The following is a list of bills that passed in a prior session or were introduced in this session.

- a) AB 56 (Ma) – Secretary to End Poverty: This bill would have created a cabinet-level Secretary to End Poverty who had the responsibility to review all anti-poverty programs within the state and determine whether or not they were operating in an efficient and effective manner. Status: The bill was held in Assembly Appropriations Committee in 2007-08 Legislative Session.
 - b) AB 690 (Jones) – 2007 Child Poverty Reduction Goal: This bill would have declared that it is the goal of the Legislature to reduce childhood poverty by one half by January 1, 2018 and to eliminate it entirely by January 1, 2028. The bill would have required the Department of Finance to report, as part of the annual budget process, on how the Governor's Budget proposal would impact the state's goal of reducing childhood poverty and required the Legislative Analyst to analyze the report. Status: The bill was held in Senate Appropriations Committee in 2007-08 Legislative Session.
 - c) AB 1118 (Jones) – California Child Poverty Council: This bill would have created the California Child Poverty Council for the purpose of developing a comprehensive plan for reducing child poverty in California by 50% by January 1, 2017 and eliminate it completely by January 1, 2027. Status: The bill was held in Assembly Appropriations Committee in 2007-08 Legislative Session.
 - d) AB 2004 (Beall) – Social Services Funds to Support Workforce Training: The bill would have instructed the Department of Social Services to provide guidelines to the counties on how they may spend the \$1.2 billion in federal relief that had not yet gone out to the counties. Requirements for the funds were limited to reductions in CalWorks caseload. The bill proposed training joint powers agencies for small counties, providing technical assistance, and supporting youth programs with the funds which were not counted against the parents CalWorks grant. Status: The bill was held in Assembly Appropriations Committee in 2009-10 Legislative Session.
 - e) AB 2556 (Jones) – 2006 Child Poverty Reduction Goal: This bill would have declared that there is a legislative goal to eliminate child poverty by January 1, 2026 and required the Department of Finance and the Legislative Analysts to report on the impact of the Governor's proposed budget on the goal of reducing child poverty. Status: The bill was vetoed by the Governor in the 2005-06 Legislative Session.
 - f) SJR 15 (Alarcón) – Revise Calculation of Federal Poverty Levels: This resolution memorialized the President and Congress to establish a better calculation for determining the federal poverty level. The new model was required to be built upon existing models which better reflect geographic costs of housing, child care, health care and transportation. Status: The resolution was adopted in the 2009-10 Legislative Session.
- 8) Double Referral: The Assembly Committee on Rules has referred this measure to both the Assembly Committee on Jobs, Economic Development and the Economy and the Assembly Human Services Committee (HS). Should this measure pass JEDE, it will be referred to HS for further policy consideration.

REGISTERED SUPPORT / OPPOSITION:

Support

California Welfare Directors Association (joint sponsor)
Insight Center for Community Economic Development (joint sponsor)
Western Center on Law and Poverty (joint sponsor)
The Women's Foundation of California (joint sponsor)
American Academy of Pediatrics-California
Asset Building Strategies
Aging Services of California
Board of Supervisors – County of Sacramento
Board of Supervisors – County of San Luis Obispo
Board of Supervisors– County of Yolo
Butte County Department of Social Services
California Alliance for Retired Americans
California Church IMPACT
California Partnership
California Small Business Association
California State Association of Counties
California/Nevada Community Action Partnership
Catholic Charities of California United
Center on Policy Initiatives
Central California Area Social Service Consortium
Children’s Defense Fund – California
City Council of San Luis Obispo
Community Coalition
Congress of California Seniors
Chair of Contra County Board of Supervisors, John Gioia
First 5 San Luis Obispo County
Food Bank Coalition of San Luis Obispo County
Fremont Family Resource Center
Grassroots Leadership Network of Marin
Jericho
Jewish Family Service
La Hermandad Hank Lacayo Youth & Family Center
Long Beach Community Action Partnership
Lutheran Office of Public Policy – California
MomsRising
National Association of Social Workers-California
National Senior Citizens Law Center
Parent Voices
Riverside County Department of Public Social Services
San Luis Obispo County Department of Social Services
Santa Barbara County Department of Social Services
Santa Barbara Women’s Political Committee
Senior Community Centers
Stanislaus County Community Services Agency
St. Mary’s Center
United Way of California
United Way of the Bay Area
Wider Opportunities for Women

Women at Work
Women's Initiative – East Bay
Women's Initiative – North Bay
Women's Initiative – Silicon Valley

Opposition

None received

Analysis Prepared by: Toni Symonds / J., E.D. & E. / (916) 319-2090