

Assembly Committee on Jobs, Economic Development,  
and the Economy

# 2019 Current and Emerging Issues in Economic and Workforce Development

Tuesday, February 26, 2019



Sabrina Cervantes, Chair  
Jordan Cunningham, Vice Chair

## **Assembly Committee on Jobs, Economic Development, and the Economy**

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# **2019 Current and Emerging Issues in Economic and Workforce Development**

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## 2019 Current and Emerging Issues in Economic and Workforce Development

On Tuesday, February 26, 2019, the Assembly Committee on Jobs, Economic Development, and the Economy (Assembly Jobs Committee) will be convening its first informational hearing of the 2019-20 legislative session.

### **Hearing Overview**

In the global race for innovation and economic growth, California has many advantages which have resulted in the state consistently being ranked among the largest economies in the world. However, the prosperity of the post-recession economy is not benefiting all areas of the state and certain population groups are falling farther behind. California is not unique in its experience with growing income inequality. Many business and public policy leaders, including Governor Gavin Newsom and the World Economic Forum, have placed income inequality and its related social and economic disruptions as one of the primary issues impeding long-term economic growth.

In this first hearing of the session, Assembly Jobs Committee members will be briefed and have an opportunity to engage with stakeholders on current and emerging issues in the California economy. The hearing is organized around three panels, following opening comments from Chair Sabrina Cervantes, Vice Chair Jordan Cunningham, and other members of the committee.

Presentations during the first panel will provide an overview of California's \$2.7 trillion economy and its place within the national and global economies. **John Rothfield**, Investment Director and Head Economist with the Investment Office of the California Public Employees Retirement System (\$350 billion of assets under management) will focus on national and international trends, while **Carolyn Chu**, Deputy Legislative Analyst for State and Local Finance in the Legislative Analyst's Office, will emphasize issues impacting the state's economy, including shifts in the disbursement of personal income, educational attainment, and their relationship to state tax revenues.

Presentations in the second panel will discuss economic and workforce issues that drive the economic trends and outcomes discussed in the first panel. **Jim Mayer**, President and CEO of California Forward, the opening speaker, will highlight outcomes from the 2018 California Economic Summit and the recently released "*2019 Roadmap to Shared Prosperity – A Plan to Elevate California*" (Roadmap). Among key recommendations to enhance resiliency and support inclusive economic growth, the Roadmap calls for improved regional collaboration, the formalizing of a state economic strategy, and the development of a California Dream Index – a new scorecard for tracking the state's progress toward improving economic mobility.

The second speaker, **Bob Lanter**, Executive Director of the California Workforce Association (CWA), will discuss the future of apprenticeships and their role in closing the opportunity gap. CWA is in year-two of a multi-year work plan for examining how youth apprenticeships can be a game changer for both high schoolers preparing for the world of work, as well as businesses in need of specially skilled workers.

The final speaker on the panel, **Rona Sherriff**, Co-Director of the California EDGE Coalition, will present strategies for closing the skills and equity gap in California through the implementation of an agenda endorsed by over 40 business, labor, community-based, educational, and workforce organizations. This

effort is being led by EDGE in partnership with the National Skills Coalition, under grants provided through the James Irvine Foundation and The Ballmer Group.

In the final panel, formal presentations will be set aside in order to provide committee members with an opportunity to engage in an open dialogue with stakeholders on issues influencing key industry sectors, small businesses, and different regions within the state. Panelists include:

- *Scott Hauge, President of CAL Insurance and Associates, Inc.*
- *Paul Granillo, President & CEO of the Inland Empire Economic Partnership*
- *Representative from the California Manufacturers and Technology Association*

A public comment period will be held upon the conclusion of the final panel. An agenda for the hearing can be found in **Appendix A** (page i), and **Appendix N** (page lxix) includes biographies of the invited speakers.

## **To Provide Public Comments**

The public and individuals representing organizations and businesses are encouraged to add their voices to this important dialogue. Individuals interested in providing testimony during the public comment agenda item may reserve a space through the Office of the Assembly Jobs Committee prior to the hearing or sign-up on the day of the hearing on the public comment sheet that will be available at the Sergeants' Desk during the hearing.

In addition to the public comment period during the hearing, written comments may be submitted through the Office of the Assembly Jobs Committee until April 15, 2019.

## **Background on California's Economy**

This section includes background on the state's economy, including information on major industry sectors, economic trends, job creation, and the challenges California faces in creating an inclusive economy.

### **The Fundamentals of the California Economy**

California is home to nearly 40 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 2017, this diverse group of business owners and workers produced \$2.7 trillion in goods and services; \$171 billion of which were exported to over 220 countries around the world.

California's economy ranked fifth largest in the world in 2017 – only the national economies of the United States, China, Japan, and Germany being larger. Historically, a number of factors have contributed to California's significant position within the global marketplace, including its strategic west coast location, the size of its consumer base, the strength of its dominant industry sectors, its economically diverse regional economies, its skilled workforce, and its culture of innovation and entrepreneurship, particularly in the area of technology.

#### **Leader in Patents**

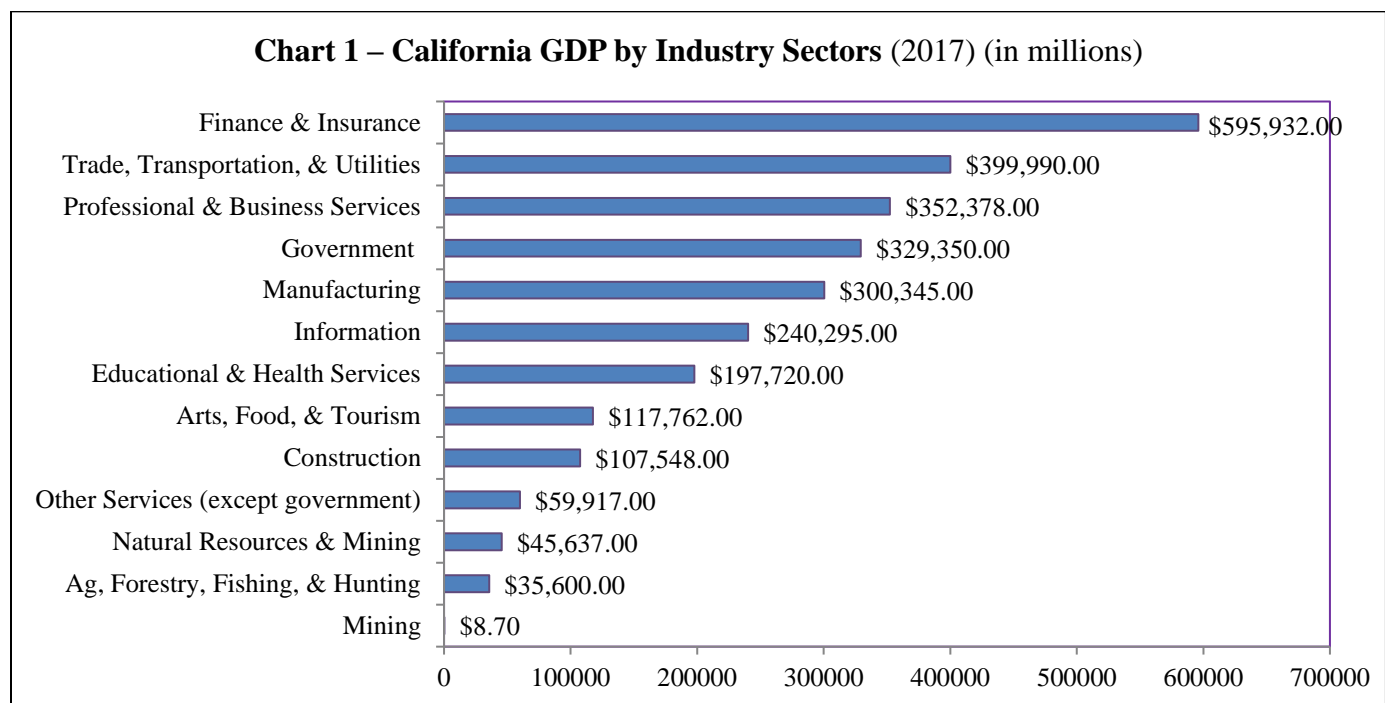
California consistently ***rank***s ***first*** in the nation for the number of patents – 45,175 in 2016. Texas, ranking second with 9,934, had less than a quarter of the number of patents filed during the same period, followed by New York with 8,464.

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. This economic diversity is one of the reasons California was able to move out of the Great Recession so aggressively, ranking number two, by

*Business Insider* for fastest growing economies in the nation in August 2014 and as having the fourth best overall economy in March 2015. The following year, Bloomberg, a financial news service, reported that without California, the U.S. economic growth rate would have been flat in 2016. Today California has regained all 1.1 million jobs lost in the Recession and has added, since February 2011, over three million jobs.

In 2017 (most recent data), California's largest industry sectors were: Finance, Insurance, Real Estate, Rental, and Leasing (21.6% of state GDP); Trade, Transportation, and Utilities (14.5%); Professional and Business Services (12.8%); Manufacturing (10.9%); Information (8.7%); Tourism and Arts (4.2%); and Construction (3.9%).

**Chart 1 – California GDP by Industry Sectors** shows state GDP in dollars displayed by industry sector. One of the unique qualities of California's economy is its multiple dominant industry sectors. The state's three largest industry sectors in terms of GDP – Finance and Insurance; Trade, Transportation, and Utilities; and Professional and Business Services – also provide a foundation to other industry sectors, including Manufacturing and Information.



Due to its economic impact exceeding its proportional share of the U.S. population, California's economy has been described as "hitting above its weight." As an example, while California's population comprises 12% of the U.S. population, the state contributed 16% of total job growth between 2012 and 2017. More specific post-recession job growth data is displayed in **Appendix J** (page iv).

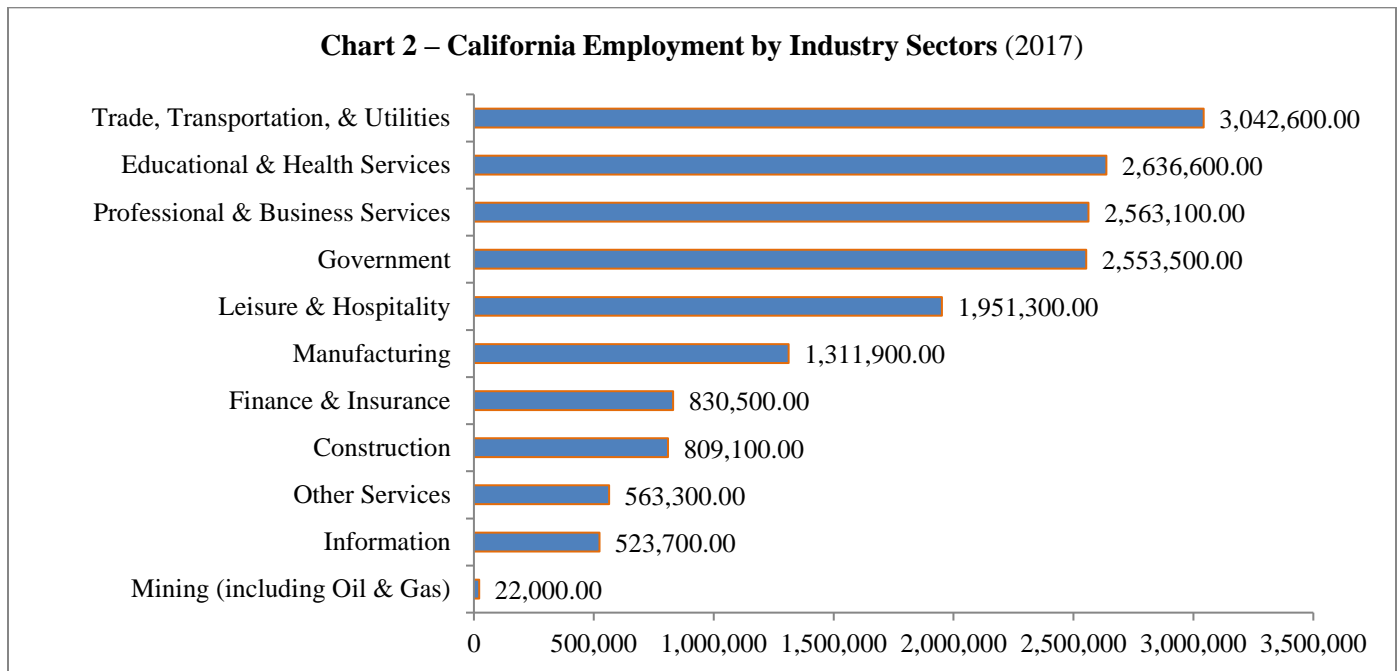
Among other qualities, an important driver of California's economy has historically been the quality of its workforce. The Legislature has undertaken significant work in the past few years to better align education and training resources and prepare a competitive workforce. The state uses a number of workforce strategies designed to support California's dominant and emerging industries. These strategies include:

- Sector strategies that focus on a particular industry, such as manufacturing, or subindustry, such as biotechnology. Success of these strategies, however, is highly reliant on the quality of the industry partnerships;

- Career pathway models focusing on skills attainment that can be initiated as early as the middle and high school levels and continue through higher education and workforce training programs;
- Regional partnerships across industry sectors and among geographically clustered industry leaders, including organized labor, workforce professionals, education and training providers, and economic development leaders; and
- “Earn and learn” strategies that combine classroom and applied learning opportunities with financial compensation linked to skills development.

An increasing number of California’s workforce programs include options for accessing supportive services, such as childcare, transportation, and counseling, that are designed to facilitate program completion by individuals who may otherwise face substantial barriers to training. While significant work remains, creating training and remedial education programs that meet the needs of historically overlooked individuals has become a legislative priority for an increasing number of Members. These efforts are supported by the growing body of research that demonstrates the broader economic advantages of an inclusive economy. **Appendix C** (page v) includes legislation from the current and prior sessions which were intended to support upward mobility by removing impediments to education/training and entrepreneurship.

**Chart 2 – California Employment by Industry Sectors** shows employment data within the same industry sectors as are measured in Chart 1. In 2017 (most recent available), the Trade, Transportation, and Utilities sector represented the industry with the largest number of employees in California, followed by jobs in Education and Health Services.



Although **Chart 2** displays aggregate data on employment by industry sector, this data does not reflect California workers who are self-employed, work as unpaid family workers, and those working in private households. Further, **Chart 2** reflects both full- and part-time employment. The Employment Development Department estimates that 18% of California workers hold part-time jobs. Individuals who hold more than one job may be counted more than once. Given the rapidly changing global and domestic markets, these data limitations can be problematic for policy makers, as well as the public, in understanding our economy.



## Economic Trends

While speakers in the first panel will be discussing current and emerging economic trends, it is worthwhile to provide general background on longer-term economic developments that continue to alter our society and economy.

California's economy is in transition. Some have named it the dawning of the Fourth Industrial Revolution (4IR) and others the second machine age. Regardless of the term being used, there is little doubt that the combination of advances in science and technology are disrupting industries around the world and transforming not only systems of production, but also creating new opportunities for businesses, governments, and individuals. Examples of these technologies include such things as Big Data, the Internet of Things (IoT), artificial intelligence and machine learning, blockchain, autonomous vehicles, advanced robotics, additive manufacturing, advanced materials, nanotechnologies, next-generation biotechnologies and genomics, as well as new energy technologies. In harnessing these opportunities, however, new issues are arising around privacy, displacement of workers, ethics, morality, and equity, in general.

Similarly, the power of national governments are giving way to growing regional influence. Advances in information and transportation technologies are allowing the public and private sectors to build global networks based on shared economic, social, and environmental interests. The growth of subnational collaborations around climate change, manufacturing supply chains that rely on globally-sourced partially assembled components, and Internet platforms that link researchers and developers in different hemispheres, are just a few examples.

As regions become more dominant, barriers to trade are expected to continue to decline among developed and emerging economies. Even as the U.S. federal government moves toward economic isolationism, individual states and other nations seek ways to increase the free flow of capital, business, and people. A significant driver of these changes is that decades of globalization have resulted in over 80% of the world's purchasing power and 92% of the world's economic growth being located outside the boundaries of the U.S. This diminishes the exclusivity of the U.S. as a major market and increases the economic viability of many areas around the world. These changes also offer new opportunities for small businesses, which can now be a global business on day one. In order to compete in this broader market, economies will need to rethink international trade and foreign investment strategies. California has an opportunity to begin this work with the adoption of a new International Trade and Foreign Investment Strategy by July 1, 2019.

Economies, like California's, will also need to realign programs and services to support regional competitiveness and strengthen areas of historical weakness in order to support more inclusive economic growth. Legislation proposed this year, **AB 906 (Cooley, Cervantes and Kiely)**; calls for a new state economic development strategy to support regional economies competing in an increasingly connected and complex global market driven by changes in technologies, demographics, and geopolitics.

### The Forth Industrial Revolution (4IR)

The mechanization of production through water and steam power characterizes the First Industrial Revolution, which began in Great Britain in the mid-1700s. In the Second Industrial Revolution, beginning in the late 1800s, electric power and the combustion engine provided a step change to mass production. Automation of production beginning in the mid-1900s supported by electronics and information technology is a key characteristic of the Third Industrial Revolution (3IR).

Economist Klaus Schwab describes the 4IR as the fusion of technologies that result in a "blurring of the lines between the physical, digital, and biological" and stating that it is distinct from the 3IR in its velocity, scope, and systems impact.

The 4IR, similar to previous revolutions in technology, "will disrupt industries around the world and transform not only systems of production, but also management and governance."

Increased globalization and integrated markets also mean more demand for infrastructure to move people and goods. The U.S., including California, has significant infrastructure deficits. Updating and modernizing the state's goods movement capabilities is essential to the health of the state economy. As a first step, the Assembly Jobs Committee will be considering **AB 371 (Frazer)** in April of 2019, which proposes the undertaking of a new statewide economic vitality assessment of the freight industry.

Another significant risk affecting major global economies, including the California economy, is climate change. While the direct impact of climate change is environmental, solutions often require significant economic and social responses. Current state climate policies focus too heavily on one-off projects rather than providing for a broader transition to a lower carbon economy. Given that nearly 90% of businesses in California have under 20 employees, small businesses need to have sufficient access to resources to be part of the transition. While scarcity and rising prices of resources are increasing pressure on the development and deployment of cleaner technologies, the state still needs to focus on removing barriers to innovation and supporting research and development. Command and control policies will only move business so far. In a globally linked world, the development of clean technologies, such as solar, are no longer the unique domain of California.

Changing demographics is also creating challenges and opportunities. In 2014, California became the ninth state in the U.S. to have the size of the Hispanic population surpass the white population. That same year, Millennials became the largest cohort within the workforce. As the large and primarily white Baby Boomer population retires, a much smaller, less trained, and more diverse workforce is taking their place.

These demographic shifts in age and race/ethnicity are having a profound impact on the availability of a skilled workforce. California (and the rest of the world) is facing a significant gap between available labor and potential need for middle skill workers. California has set a goal under its implementation of the federal Workforce Innovation and Opportunity Act (WIOA) to double the number of individuals participating in apprenticeship-type programs and to deliver one million middle-skill industry-valued and recognized postsecondary credentials between 2017 and 2027. **Appendix D** (page xi) includes additional information used to prepare this report, including the state WIOA plan. **Chart 3 – California By the Numbers** includes additional demographic information.

Chart 3 - California By the Numbers		
	California	United States
Population estimates (July 1, 2017)	39,536,653	325,719,178
Population Characteristics		
Black or African American alone	6.5%	13.4%
American Indian and Alaska Native alone	1.6%	1.3%
Asian alone	15.2%	5.8%
Native Hawaiian & Other Pacific Islander alone	0.5%	0.2%
Hispanic or Latino	39.1%	18.1%
White alone, not Hispanic or Latino	37.2%	60.7%
Veterans, 2013-2017	1,661,433 (8.7% of U.S.)	18,939,219
Foreign born persons 2013-2017	27.0%	13.4%

Much more work, however, needs to be done to address the workforce training needs of individuals from historically underserved regions and population groups. In the near future, access to middle-skill workers will likely be a driver of domestic and global competitiveness.

The global financial crisis, followed by the Great Recession, fueled an expanding income inequality and increased competition over limited resources. Within this context, the World Economic Forum released a new Global Competitiveness Index 4.0 in 2018, based on the needs of the 4IR. Under the Competitiveness Index 4.0 criteria, the U.S. ranked highest with 84 points. The report, however, cautions that rapidly

evolving conditions require all countries, even those ranked in the top 10, to take strategic actions now if they are to remain competitive and take advantage of global economic opportunities. A more specific selection of report findings and recommendations include:

- Openness is good for growth economies.
- Agility and future-readiness are key in a changing world.
- Ignoring the needs of those who lose out to globalization could serve as a damper on continued economic growth.
- Attempting to address inequality by reversing globalization is counterproductive for the sustained economic growth of the economy.
- By enhancing the fundamentals of competitiveness today, economies will become more resilient to economic shocks.
- In practice, technology-based leapfrogging remains elusive.
- A formula for innovation remains obscure for most economies.
- The financial system continues to be a source of weakness in some economies including India, China, Russia, and Italy, all with a score of 84 or less. As these countries are among the G20 economies, they present specific vulnerabilities in their financial systems.
- Achieving equity, sustainability, and growth together is possible, but requires proactive, far-sighted leadership.

As illustrated by the list above, the Global Competitiveness Index 4.0, puts forth a very comprehensive set of findings and recommendations that move beyond a narrow interpretation of economic conditions that contribute to economic competitiveness. Sustaining California's future economic growth will also require investments in these broader measures of competitiveness today.

## Income Inequality

While California's dominance in innovation-based industries is unquestionable, the divide between the middle and lower income households and the top income earners is accelerating. Even as California's unemployment is at historic lows, unemployment within certain geographic regions and population groups remains significantly higher, as does the number of people in the state who are not participating within the core economy. **Chart 4 – Selected Data on Unemployment** shows unemployment-related information by selected counties and population groups.

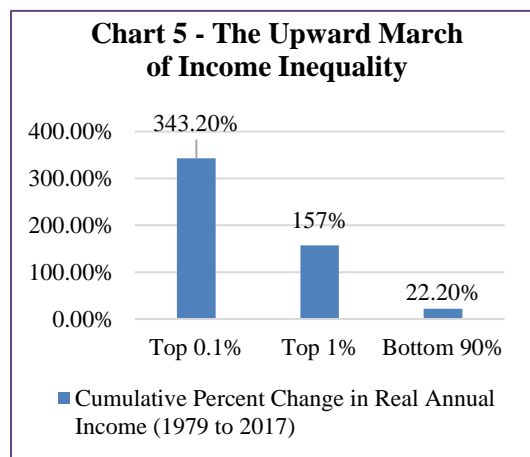
<b>Chart 4 – Selected Data on Unemployment (December 2018)</b>						
	<b>Unemployment Rate December 2018</b>	<b>Unemployment Rate December 2017</b>			<b>Unemployment Rate December 2018 (12-month moving average)</b>	<b>Unemployment Rate December 2017 (12-month moving average)</b>
California	4.1%	4.2%		California	4.2%	4.8 %
Colusa County	15.7%	15.8%		Blacks	6.5%	6.8 %
Imperial County	17.3%	17.0%		Hispanics	5.1%	5.6%
Los Angeles County	4.6%	4.1%		Whites	4.1%	4.7 %

Riverside County	4.1%	4.4%		16 to 19 year olds	16.2%	17.7%
Sacramento County	3.7%	3.9%		20 to 24 year olds	7.1%	7.8 %
San Bernardino County	3.8%	4.0%		25 to 34 year olds	4.4%	4.9%
San Luis Obispo County	2.8%	3.0%		**The Employment Development Department reports a December 2018 labor participation rate (LPR) of 62.5%, representing 11.7 million people in California who were not participating in the workforce. The LPR for veterans is 45.1% vs. nonveterans LPR of 66.0%		
San Mateo County	2.0%	2.2%				
Tulare County	9.6%	10.2%				
*Source: <a href="http://www.edd.ca.gov">www.edd.ca.gov</a>						

The data shows income disparities are increasing, which is impacting a range of economic and societal issues. California is not unique in experiencing a rise in income inequality. National data shows that while the top 1% of income households were significantly impacted by the recession, by 2017 annual revenues had risen to the highest levels ever. Between 1979 and 2017, the income for the top 1% of income households cumulatively rose by 157%.

**Chart 5 – The Upward March of Income Inequality** is based on data from “*Working Economies*,” a blog of the Economic Policy Institute, and shows the significant divergent increases in income between three groups during the period of 1979 through 2017. For the top 0.1% of income households, earnings had increased by 343.2%, as compared to the earnings of the bottom 90% of households, which experienced an increase of only 22.2%.

The Economic Policy Institute also reviewed income inequality by state and major metropolitan area. Based on 2015 data, every state had a sizable gap between the top 1% and the bottom 99%, with the national average being a top-to-bottom ratio of 26.3-to-1. In eight states, plus the District of Columbia (30.4-to-1), the top-to-bottom ratio exceeded the national average, including California which received a 30.7-to-1.



Other states with above national average income inequality included New York (44.4-to-1); Florida (39.5-to-1); Connecticut (37.2-to-1); Nevada (32.7-to-1); Wyoming (31.2-to-1); Massachusetts (30.9-to-1); and Illinois (27-to-1).

These income discrepancies were also reported by metropolitan areas, where 45 of the 916 major metropolitan areas in the U.S. had income gaps wider than the national average.

In order to qualify as a top 1% household in 2015, family income needed to be above \$421,926. There were 13 states and 107 metro areas in the U.S. with 1% household incomes above the national average, themselves averaging a 1% household income of \$514,694. Further, of all income that accrued to 1% households in 2015, a full 50% accrued to households in five states, including California.

The average annual income in California for a top 1% household was \$1.69 million. The top 1% took home 23.7% of all income in California. By comparison, the average income for the other 99% of households in California was \$55,152. The San Jose-Santa Clara metro area had the most unequal income distribution in the state, with the top 1% making 34.6 times the income of the bottom 99%. Overall, California ranks 7<sup>th</sup> of all 50 states in income inequality.

According to the report, “The New Gilded Age,” these findings are particularly significant, as the rise of top incomes relative to the bottom 99% represents a reversal of the trend that prevailed in the U.S. during the mid-20th century. From 1928 to 1973, the share of income held by the top 1% declined in every state for which data was available.

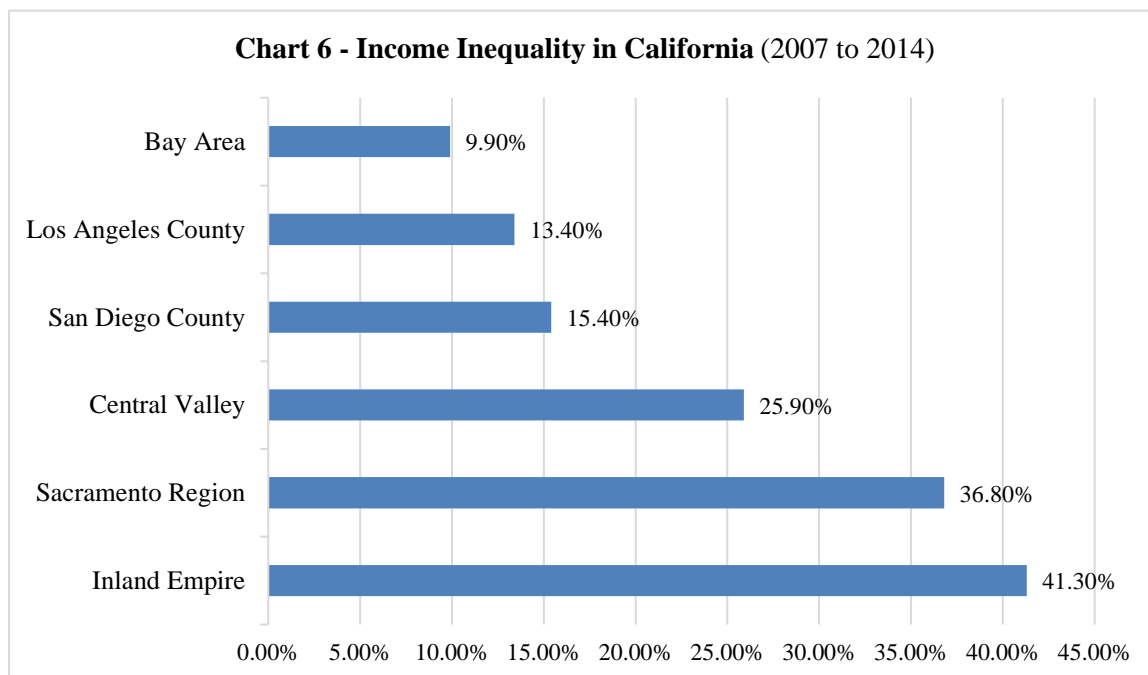
### What Happened to the California Dream?

The impact of this expanding income inequality is being felt broadly across our society. The ability to get an education, pursue a career, purchase a home, and live-out old age with some level of economic security is being challenged. While median income remains above \$71,000 a year, 5.1 million people in California have incomes below the federal poverty line, including 18.1% of all children. For too many people, a big medical bill or an unforeseen home repair, could result in a downward spiral potentially even ending in homelessness.

In 2016, McKinsey issued a study that found that for the first time since WWII – across the top 25 most developed economies in the world – household incomes had actually decreased. Historically, every generation had experienced an increase in income. However, between 2005 and 2014, real incomes were flat or fell for 65% to 70% of households.

The Public Policy Institute of California published data for a similar time span for households in California. **Chart 6 – Income Inequality in California** shows the growing income inequality within six major regions in the state. Between 2007 and 2014, the income gap grew most significantly in the Inland Empire, followed by the Sacramento Region.

In addressing income inequality and creating inclusive economic growth, the Legislature undertook a range of actions. Some actions focused on the needs of California’s lowest income residents, while others addressed the loss of the middle class. Legislation is described in **Appendix C** (page v), and budget actions are outlined in **Appendix M** (page lxiii).



Some impacts are easy to be seen, such as the rise in poverty. Additional information about the California economy can be found in **Appendix B** (page iii).

## **Framing the Issues**

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 domestic and international commerce, as well as challenges to ensuring prosperity and upward mobility are reasonably available to all Californians. Impediments to accessing business capital, hiring a workforce skilled in emerging technologies, and utilizing a modern infrastructure network to support the exchange of products, services, and ideas only serve to dampen the state's potential economic growth.

While not the only driver, state and local governments have an important role in establishing the conditions that support a vibrant and inclusive economy where both workers and entrepreneurs are prosperous. Among other issues, the Members may want to consider the following:

- Where are the opportunities for enhancing California business and worker global competitiveness?
- What actions can the state take to reduce de facto barriers to business start-ups, support re-shoring of manufacturing, and encourage expansion of research and development facilities in California?
- How can the public and private sectors address the needs of regions and groups of individuals who have historically been left behind when economic development and workforce preparation activities are undertaken?
- How can the state enhance the specific conditions necessary to support young entrepreneurs, microenterprises, and small business development?
- Can the state's education and workforce development systems meet the challenges of the 21<sup>st</sup> Century economy? How can the state help to transcend historic divisions between career tech, college degrees, and employer needs?
- Does the state have an appropriate game plan to engage private investors in helping to meet California's significant challenges in providing a modern infrastructure network that can sustain the production and movement of goods, services, and workforce throughout the state, country, and across the world?
- What role can the state play in supporting California businesses within an evolving federal policy on international trade and investment?
- How can e-commerce platforms, technical assistance, and the development of better regulatory implementation methods reduce government impediments to economic growth?

## **Materials in the Appendices**

The appendix includes a summary of the California economy and other related background materials.

- Appendix A – *Agenda for the February 26, 2019, Hearing*
- Appendix B – *Fast Facts on the California Economy*
- Appendix C – *Selection of Related Legislation*
- Appendix D – *Selection of Related Reports*
- Appendix E – *The 2019 Roadmap to Shared Prosperity*
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- Appendix N – *Biographies of the Speakers*

### **Committee Contact Information**

The Assembly Committee on Jobs, Economic Development, and the Economy is the standing committee of 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 at 1020 N Street, Room 359. The phone number for the Committee is (916) 319-2090.





# APPENDICES



# **Appendix A**

## ***Agenda for the Hearing “2019 Current and Emerging Issues”***

*The Assembly Committee on Jobs, Economic Development, and the Economy (Assembly Jobs Committee), is convening its first informational hearing of the 2019-20 Session. The objective of today's hearing is to provide Assembly 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**

*Members of the Assembly Jobs Committee 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**

*California's \$2.7 trillion economy is one of the largest and most diversified economies in the world. If California were a country, its 2017 GDP would rank it 5th among nations in the world. The two presentations on 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 nations, and identification of economic trends.*

- **John Rothfield**, Investment Director and Head Economist of the CalPERS Investment Office
- **Carolyn Chu**, Deputy Legislative Analyst of State and Local Finance of the Legislative Analyst's Office

### **III. Workforce Development – Key Driver of the State's Economic Growth**

*While California is clearly a dominant player within the global economy, certain areas of the state and population groups have not equitably participated in this prosperity. California's workforce is one of the state's competitive advantages. Key stakeholder groups will discuss their analysis and recommendations for using workforce and training programs to advance a prosperous and more inclusive economy. Remarks will be provided by:*

- **Jim Mayer**, President & CEO of California Forward, which serves as one of two lead partners for the California Economic Summit
- **Bob Lanter**, Executive Director of the California Workforce Association
- **Rona Sherriff**, Co-Director of the California EDGE Coalition

### **IV. Rapid Fire Panel on Business Development**

*California has many economic strengths from which to build its competitive position within the U.S. and globally. Stakeholders representing several key components of the state's economic position have been asked to participate on a rapid fire panel that will highlight top trends, key issues, and possible next steps toward a more inclusive economy. The panelists include:*

- **Scott Hauge**, President of Small Business California and the small business CAL Insurance and Associates, Inc.
- **Paul Granillo**, President & CEO of the Inland Empire Economic Partnership
- **Nicole Rice**, Policy Director with the California Manufacturers and Technology Association

### **V. 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 Office of the Assembly Jobs Committee.*

### **VI. Closing Remarks**

*Assemblymembers will make closing remarks and offer recommendations for further actions.*



## Appendix B

### *Fast Facts on the California Economy*

Compiled by: Assembly Committee on Jobs, Economic Development, and the Economy  
Assemblymember Sabrina Cervantes, Chair

#### **California Gross Domestic Product (GDP)**

- California's economy in 2017 ranks as the fifth largest in the world – larger than the UK, Russia, Italy, India, and Canada.<sup>i</sup>

- California's largest private industry sectors in 2017 were: Finance, insurance, real estate, rental, and leasing (21.6% of state GDP); trade, transportation, and utilities (14.5%); professional and business services (12.8%); manufacturing (10.9%); information (8.7%); tourism and arts (4.2%); and construction (3.9%).<sup>iii</sup>

Comparison of 2017 GDPs			
Country	GDP	Country	GDP
United States	\$19.39 trillion	Brazil	\$2.06 trillion
China	\$12.02 trillion	Italy	\$1.94 trillion
Japan	\$4.87 trillion	Canada	\$1.65 trillion
Germany	\$3.69 trillion	Korea	\$1.54 trillion
California*	\$2.75 trillion	Russia	\$1.53 trillion
United Kingdom	\$2.63 trillion	Australia	\$1.38 trillion
India	\$2.61 trillion	Spain	\$1.31 trillion
France	\$2.58 trillion		

Source: Department of Finance<sup>ii</sup>

#### **Firms, Employment, and Wages**

- There were 3,206,958 firms in California that had no employees in 2015, representing 82% of all firms in California (3,906,497 in total). Of firms which have employees (699,539 in total), 49.9% had 1 to 4 employees, 78.0% had less than 20 employees, 87.0% had less than 100 employees, and 89.0% had less than 500 employees (federal small business definition). Approximately 6,115 firms in California had 500 employees or more.<sup>iv</sup>
- There were 19.5 million workers in the California labor force in December 2018 with 18.7 million individuals employed, a month-over increase of 68,000 jobs. This represents a 259,000 (1.4%) increase in jobs over the prior 12-month period.<sup>v</sup>
- Nonfarm employment rose in ten sectors in 2018, including: Professional and business services (3.2%); leisure and hospitality (2.8%); construction (2.6%); education and health services (2.5%); information (1.5%); government (1.2%); mining and logging (0.9%); financial activities (0.5%); manufacturing (0.4%); and trade, transportation, and utilities (0.4%). The only sector that lost jobs in 2018 were business in the other services sector (0.7%).<sup>vi</sup>
- California exported \$171.9 billion in products in 2017 to over 220 foreign countries. Mexico (\$26.7 billion) and Canada (\$16.8 billion) are the state's largest export markets.<sup>vii</sup> California imported \$440.7 billion in products from other countries, accounting for 18.8% of total U.S. imports in 2017. China (\$159.2 billion) and Mexico (\$46.4 billion) are the state's largest import markets.<sup>viii</sup>
- California median household income was \$71,805 (\$60,336 for U.S.)<sup>ix</sup> with 13.3% of individuals in the state (13.4% for U.S.) living on incomes at or below the federal poverty designation.<sup>x</sup> Using the federal Supplemental Poverty Measure, which accounts for geographic differences, transfer payments, and out-of-pocket expenses, 19% of California residents live in poverty, as compared to 14.1% nationally using a three-year average of 2015 through 2017.<sup>xi</sup>

## **Future California Job Market**

- The Employment Development Department is responsible for assessing future employment needs based on regional industry clusters. By 2026, it is estimated that total civilian employment (including self-employment, farm employment, and private household workers) will increase by 1.9 million jobs (10.7%) over the 10-year projected period of 2016-2026. The chart below displays projected growth in civilian employment for 2014-2024, including new and replacement jobs.<sup>xii</sup>

<b>Projected Job Growth in Employment from 2016-2026</b> <i>(ranked by number of jobs)</i>							
	<b>Industry Sector</b>	<b>Percent Change</b>	<b>Increase in Jobs</b>		<b>Industry Sector</b>	<b>Percent Change</b>	<b>Increase in Jobs</b>
1	Educational Services, Health Care, and Social Assistance	23.9%	607,400	7	Information	14.6%	76,600
2	Professional and Business Services	11.1%	280,200	8	Other Services (excludes private household services)	10.1%	55,900
3	Leisure and Hospitality	13.3%	252,300	9	Financial Activities	5.2%	42,600
4	Trade, Transportation, and Utilities	6.7%	200,000	10	Total Farm	3.5%	15,000
5	Construction	20.5%	158,600	11	Manufacturing	0.1%	1,300
6	Government	4.6%	116,100	12	Mining	-8.0%	-1,800

## **December 2018 Unemployment** (most recent data)

- In December 2018, the California seasonally adjusted unemployment rate was 4.2%, which represents a 0.1% increase from the prior month. This unemployment rate represents approximately 814,000 unemployed workers reflecting a labor force participation rate of 62.5%.<sup>xiii</sup> Over the same period, the comparable national unemployment rate was 3.9%.<sup>xiv</sup>
- For December 2018, the counties with the highest not seasonally adjusted unemployment were Imperial (17.3%), Colusa (15.7%), and Tulare (9.6%). Eight out of 58 counties had unemployment rates below 3%, including San Mateo (2.0%), Marin (2.2%), San Francisco (2.2%), Santa Clara (2.4%), Sonoma (2.6%), Alameda (2.8), Orange (2.8%), and San Luis Obispo (2.8). The comparable non-seasonally adjusted state unemployment rate was 4.2%.<sup>xv</sup>
- The highest not seasonally adjusted unemployment rates by race and ethnicity were among blacks (6.5%), Hispanics (5.1%), and whites (4.1%) in December 2018. The comparable state non-seasonally adjusted 12-month moving average unemployment rate was 4.2%.<sup>xvi</sup>
- Most Californians, 82%, generally worked full time. There were 725,000 persons in California who worked part time involuntarily in December 2018, comprising 3.9% of all employed workers during the survey week and down 7.2% from the prior 12-month period.<sup>xvii</sup> California's labor participation rate was 62.5% in December 2018, representing over 11.7 million people not participating in the labor force.<sup>xviii</sup>
- By age group, the highest unemployment group in December 2018 was among workers 16 to 19 years of age (16.2%).<sup>xix</sup> The largest group of unemployed persons, when sorted by duration, were individuals unemployed for less than five weeks, which represented 263,000 persons or 29.6% of those unemployed. These are not seasonally adjusted rates.<sup>xx</sup>

## **Appendix C**

### ***Selection of Related Legislation***

This appendix includes summaries of selected legislation related to the Assembly Jobs Committee’s informational hearing – “2019 Current and Emerging Issues.” These bills relate to upward mobility and inclusive economic growth.

#### **Active Legislation from the Current Session**

***AB 186 (Cervantes) Apprenticeship Tax Credit:*** This bill authorizes, beginning in tax year 2020 through 2023, a tax credit of up to \$10,000 which can be claimed on taxpayers’ Personal Income Tax or Corporation Tax for the hiring and training of registered apprentices. Apprentices are required to be at least 16 years old and currently enrolled in high school or a General Educational Development (GED) test preparation program, or receive a high school diploma or GED credential while participating in the apprenticeship. An individual taxpayer is authorized to claim no more than ten apprentices per year. The maximum aggregate amount of credits to be allocated in a single tax year is limited to \$10 million. Status: Introduced, pending referral to a policy committee.

***AB 371 (Frazer) Statewide Economic Vitality Assessment of the California Freight Industry:*** This bill requires the Governor's Office of Business and Economic Development, in consultation with the State Air Resources Board, the California Transportation Commission, and the Transportation Agency, to prepare a statewide economic vitality assessment of the California freight industry on or before December 31, 2021, and to update the assessment at least once every five years. The bill further requires the Transportation Agency to incorporate the findings of the assessment into the state freight plan, as specified. Status: Pending in the Assembly Committee on Jobs, Economic Development, and the Economy.

***AB 424 (Muratsuchi) California Aerospace Commission:*** This bill enacts the California Aerospace and Aviation Act of 2018, which establishes the seventeen-member California Aerospace and Aviation Commission (Commission) for the purpose of serving as a central point of contact for related industries and supporting the health and competitiveness of these industries in California. The Commission is placed under the administrative purview of the Governor's Office of Business and Economic Development. Status: Introduced, pending referral to a policy committee.

***AB 417 (Arambula) Agriculture and Rural Prosperity Act:*** This bill establishes a position within the executive office of the California Department of Agriculture to advise on matters relating to rural agricultural economies, including, but not limited to, increasing broadband access; providing technical, resource, and regulatory compliance assistance; advancing agricultural innovation and technology; establishing programs for education and workforce development; and evaluating recreation and tourism opportunities. Status: Introduced, pending referral to a policy committee.

***AB 459 (Kiley) State Government Commission on Artificial Intelligence:*** This bill expresses the Legislature’s intent to enact legislation that would create an artificial intelligence commission that is comprised of knowledgeable professionals and experts in the field of artificial intelligence from private industry, government, nonprofit organizations, trade unions, and academia. The purpose of the commission is to: develop artificial intelligence-related demonstration projects for critical state services; incorporate successful artificial intelligence-related demonstration projects into state government; and further advance

how data science can be effectively used by state government. Status: Introduced, pending referral to a policy committee.

***AB 906 (Cooley, Kiley, Cervantes) California Economic Development Strategic Plan:*** This bill requires the Governor's Office of Business and Economic Development to take the lead in preparing a five-year California Economic Development Strategic Action Plan (Action Plan). The purpose of the Action Plan is to identify economic challenges and provide a set of actions to address the shifting economic landscape, changing demographics, and unique strengths of California's industries, businesses, workers, and entrepreneurs. Status: Introduced, pending referral to a policy committee.

### **Legislation from the Prior Session**

- ***AB 75 (Steinorth, Quirk-Silva) Personal income taxes: earned income credit:*** This bill would have expanded the definition of "earned income" for the California Earned Income Tax Credit (CalEITC) to include specified earnings from self-employment, and set the CalEITC adjustment factor at 85%. Legislative actions related to the 2017-18 Budget made a number of similar changes to the CalEITC. Please refer to ***Appendix M*** for more details on the budget. Status: Died in the Assembly Committee on Revenue and Taxation, 2017-18 Session.
- ***AB 316 (Waldron, Salas) Workforce development:*** This bill would have appropriated \$200 million for the purpose of implementing the Employment Revitalization Initiative through the California Workforce Development Board (CWDB), \$100 million for performance-based contracts awarded through the Employment Training Panel (ETP), and \$10 million for specified Workforce Accelerator Grants. In expending these funds, the bill would have expanded ETP contracts for training middle-skill workers in priority industry sectors and established a new CWDB grant program to assist individuals who face multiple employment barriers to receive remedial education and work readiness skills that ultimately lead to their successful participation in middle-skill training programs. Status: Died in the Assembly Committee on Appropriations, 2017-18 Session.
- ***AB 427 (Muratsuchi) California Aerospace Commission:*** This bill would have enacted the California Aerospace and Aviation Act of 2018, which would have established the seventeen-member California Aerospace and Aviation Commission (Commission) for the purpose of serving as a central point of contact for related industries and supporting the health and competitiveness of these industries in California. The Commission would have been under the administrative purview of the Governor's Office of Business and Economic Development. Status: Vetoed by the Governor during the 2017-18 Session.
- ***AB 490 (Quirk-Silva) Taxation: credits: College Access Tax Credit:*** This bill extends for five years the sunset date (2018 to 2023) for the College Access Tax Credit, which authorizes a taxpayer to claim a credit in an amount equal to 50% of the amount contributed to the College Access Fund. The credit may be applied to the taxpayer's liability under the Insurance Tax Law, Personal Income Tax Law, and the Corporation Tax Law, as specified. Status: Signed by the Governor, Chapter 527, Statutes of 2017.



- ***AB 755 (Eduardo Garcia) Capital Investment Incentive Program:*** This bill extends the authorization for cities and counties to establish a Capital Investment Incentive Program (CIIP) from January 1, 2018, to January 1, 2019. Existing law authorized a local government to offer a partial property tax abatement incentive for qualified manufacturing facilities for assessed property taxes. In order to qualify for the partial tax abatement, the manufacturer is required to have made an investment of at least \$150 million. The incentive may be offered only after the proponent and the local government agree to a “Community Services Agreement” that requires the proponent to meet certain criteria, such as job creation numbers, wages paid at least to the state average weekly wage, and local fees. Should the manufacturer fail to meet these requirements, the local government is entitled to repayment of any amounts paid. Status: Signed by the Governor, Chapter 709, Statutes of 2017.
- ***AB 778 (Caballero) Community Development Investment Tax Credits:*** This bill would have re-established the California Organized Investment Network (COIN) tax credit. The COIN program provided a tax credit equal to 20% of the qualified amount invested in a state-certified community development financial institution (CDFI). The total for all credits for all recipients was capped at \$10 million per year, which is required to leverage \$50 million in eligible investments. CDFIs work as financial intermediaries providing access to credit, loans, and investments to small businesses and non-profits that serve economically disadvantaged communities. Status: Vetoed by the Governor during the 2017-18 Session.
- ***AB 809 (Quirk-Silva) Priority Enrollment for Veterans:*** In instances where registration uses multiple criteria, this bill, as it passed the Assembly, required that the priority registration for enrollment of members and former members of the Armed Forces of the United States and of members and former members of the State Military Reserve be applied. Status: Priority registration was included in the 2018-19 State budget and the vehicle was amended to serve another purpose.
- ***AB 863 (Cervantes and Quirk-Silva) Buy Local and Train Local:*** This bill would have required the Strategic Growth Council to seek methods for integrating local entrepreneurs and the workforce training and certification of workers when evaluating and approving projects. The bill would also have required reporting on small business activities related to program expenditures. Status: Provisions amended into the program guidelines in August 2017.
- ***AB 916 (Quirk-Silva, Arambula) California Work Opportunity Tax Credit:*** This bill would have established the California Work Opportunity Tax Credit (CalWOTC), which would have authorized a credit under the personal income tax and the corporate tax of up to 40% of a qualified worker's wages, not to exceed \$2,400 per employee. The Assembly Committee on Jobs, Economic Development, and the Economy was the sponsor of this bill. Status: Died in the Senate Committee on Appropriations, 2017-18 Session.
- ***AB 1111 (Eduardo Garcia, Arambula, Baker, Eggman, Cristina Garcia, Maienschein, Quirk-Silva, Reyes, Santiago, Steinorth) Removing Barriers to Employment Act:*** This bill establishes the Breaking Barriers to Employment Initiative for the purpose of assisting individuals who have multiple barriers to employment to receive the remedial education and work readiness skills to help them to successfully participate in training, apprenticeship, or employment opportunities that will lead to self-sufficiency and economic stability. The Assembly Committee on Jobs, Economic Development, and the Economy is the sponsor of this bill. Status: Signed by the Governor, Chapter 824, Statutes of 2017.
- ***AB 1376 (Caballero) Pre-Apprenticeship Programs for Women:*** This bill would have required the Division of Apprenticeship Standards within the Department of Industrial Relations to develop curricula

for, and to provide certification for, pre-apprenticeship programs for women in the construction trades. Status: Died in the Assembly Committee on Appropriations, 2017-18 Session.

- ***AB 1553 (Cervantes, Gomez) Capital Access Loan Program:*** This bill makes changes to the California Americans with Disabilities Act Small Business Capital Access Loan Program, as follows:
  - a) Authorizes the use of existing program moneys to be used for incentive payments to participating financial institutions or borrowers in order to encourage participation in the ADA program;
  - b) Allows program moneys to include contributions and non-reimbursable payments made directly to borrowers or participating programs administered by the California Pollution Control Financing Authority as part of the California Capital Access Loan Program.

Status: Signed by the Governor, Chapter 644, Statutes of 2017.

- ***AB 1716 (Committee on Jobs, Economic Development, and the Economy) Sales and Use Taxes:*** This bill would have extended the California Competes Tax Credit for five years. The Assembly Committee on Jobs, Economic Development, and the Economy was the sponsor of this bill. Budget actions supported by JEDE implemented similar provisions as part of the 2017-18 Budget. Status: Died in the Assembly Committee on Appropriations, 2017-18 Session.
- ***AB 1900 (Brough) Capital Investment Incentive Programs:*** This bill extends the Capital Investment Incentive Program (CIIP) from January 1, 2019, to January 1, 2024. Existing law authorized a local government to offer a partial property tax abatement incentive for qualified manufacturing facilities for assessed property taxes. In order to qualify for the partial tax abatement, the manufacturer is required to have made an investment of at least \$150 million. The incentive may only be offered after the proponent and the local government agree to a “Community Services Agreement” that requires the proponent to meet certain criteria, such as job creation numbers, wages paid at least to the state average weekly wage, and local fees. Should the manufacturer fail to meet these requirements, the local government is entitled to repayment of any amounts paid. Status: Signed by the Governor, Chapter 382, Statutes of 2018.
- ***AB 1904 (Cervantes) Apprenticeship Income Tax Credit:*** This bill would have authorized, beginning in tax year 2019 through 2022, a tax credit of up to \$10,000 which could be claimed on taxpayers’ Personal Income Tax or Corporation Tax for the hiring and training of registered apprentices. Apprentices would have been required to be at least 16 years old and currently enrolled in high school or a General Educational Development (GED) test preparation program, or receive a high school diploma or GED credential while participating in the apprenticeship. An individual taxpayer would have been authorized to claim no more than ten apprentices per year. The maximum aggregate amount of credits to be allocated in a single tax year would have been limited to \$10 million. Status: Died in the Assembly Committee on Appropriations, 2017-18 Session.
- ***AB 2041 (Caballero) Diversity of Investment Staff at the University of California:*** This bill urges the University of California (UC) Regents to direct their Office of the Chief Investment Officer (OCIO) to take specified steps to increase diversity within that office as well as in the venture capital industry, and requires the OCIO to issue a report to the Legislature by January 2020 with information about progress the OCIO has made to improve diversity. Status: Signed by the Governor, Chapter 912, Statutes of 2018.
- ***AB 2312 (Eduardo Garcia) California Competes Tax Credits:*** This bill would have authorized the California Tax Credit Committee to make preliminary awards of California Competes Tax Credits to

local governments for the purpose of attracting and retaining manufacturing facilities with significant numbers of jobs. Status: Died in the Assembly Committee on Appropriations, 2017-18 Session.

- **AB 2463 (Quirk-Silva, Cervantes) - Small Business Assistance Act of 2018:** This bill would have expanded the definition of an eligible grant applicant under the Small Business Technical Assistance Expansion Program (Small Business TA Program) administered by the Governor's Office of Business and Economic Development. As this bill passed the Assembly, AB 2463 authorized the establishment of the Small Business TA Program. Subsequent budget actions established a substantively similar Small Business Program. Status: Held on the Senate Floor, 2017-18 Session.
- **AB 2596 (Cooley, Kiley, Quirk-Silva) California Economic Development Strategic Plan:** This bill would have required the Governor's Office of Business and Economic Development to take the lead in preparing a California Economic Development Strategic Action Plan (ED Action Plan). The purpose of the ED Action Plan was to identify economic challenges and provide a set of actions to address the shifting economic landscape, changing demographics, and unique strengths of California's industries, businesses, workers, and entrepreneurs. Donations were authorized to fund the development of the ED Action Plan. The ED Action Plan was to be updated every five years and include policy recommendations and evaluation criteria. Status: Vetoed by the Governor during the 2017-18 Session.
- **AB 3030 (Caballero) CEQA Exemption for Housing in Opportunity Zones:** This bill would have exempted certain residential and mixed-use projects from the California Environmental Quality Act. In order to qualify, the project would have needed to be comprised of at least 50% affordable housing, be financed by a "qualified opportunity fund," and meet other additional specified requirements, including that it be consistent with the local land use plan, development of the project meet prevailing wage requirements, and the project not have any significant impacts that have not been publicly disclosed, analyzed, and mitigated. Status: Died in the Senate Committee on Appropriations, 2017-18 Session.
- **SB 551 (Hueso) Capital Access Loan Program for Small Businesses:** This bill would have transferred certain funding and loan portfolios from the California Pollution Control Financing Authority (CPCFA) to the Small Business Finance Center administered by the California Infrastructure and Economic Development Bank. These transfers related to moneys and loan portfolios associated with the \$84 million awarded to the CPCFA through the federal Small Business Credit Initiative (SSBCI) and the 2010 General Fund appropriation of \$6 million under Assembly Bill 1632 of the 2009-10 Regular Session, Chapter 731 of the Statutes of 2010, as specified. Status: Died in the Assembly Committee on Appropriations, 2017-18 Session.
- **SB 635 (Hueso) Office of the Promise Zone Coordinator:** This bill authorizes the Governor's Office of Business and Economic Development (GO-Biz) to develop and post information on its website, as well as undertake other outreach activities, which support Promise Zones and Opportunity Zones, as specified. This bill also requires GO-Biz to convene representatives from various state and federal programs to discuss how California can leverage the federal Promise Zones or Opportunity Zones to meet state and local community and economic development needs, as specified. Status: Signed by the Governor, Chapter 888, Statutes of 2018.
- **SB 826 (Jackson) Corporate Boards of Directors:** This bill requires a publicly held corporation with a principal executive office located in California to have a minimum number of women on its board of directors, as specified. It further requires the Secretary of State to review and issue reports regarding corporations' compliance with the bill's provisions and to impose fines for violations of the bill, as specified. Status: Signed by the Governor, Chapter 954, Statutes of 2018.

- ***SB 964 (Allen) Climate-related Financial Risk and Public Pension Fund Investments:*** This bill requires the California Public Employees' Retirement System and California State Teachers' Retirement System to report every three years on the climate-related financial risk of their respective public market portfolios. Among other things, the analysis is required to include information on the alignment of the fund with the Paris climate agreement and with California climate policy goals, as well as information on the exposure of the fund to other long-term risks. The first report is due on or before January 1, 2020. Status: Signed by the Governor, Chapter 731, Statutes of 2018.

## **Appendix D**

### ***Selection of Related Reports***

This appendix includes summaries of key reports related to the Assembly Jobs Committee’s informational hearing “2019 Current and Emerging Issues.”

1. ***Advancing Equity in California Climate Policy: A New Social Contract for Low-Carbon Transition*** (2016): This report by the UC Berkeley Center for Labor Research and Education examines the relationship between climate change policies and equity. As California makes the hard choices in meeting its greenhouse gas reduction goals, the costs of these actions should not disproportionately be borne by the low-income and working class. To address these concerns, the report proposes a Climate Equity Framework, comprised of three equity criteria:
  - Equity principles and goals are articulated as a means to guide design.
  - Key criteria is presented to analyze how close a particular climate policy or program comes to meeting these equity goals.
  - Indicators are proposed that point the way to mechanisms and strategies to advance climate equity.<http://laborcenter.berkeley.edu/advancing-equity/>
2. ***California’s Future*** (2019): This report by the California Public Policy Institute reviews a range of issues impacting California, including climate change, prisons and the incarcerated population, health care, higher education, housing, K-12 education, political landscape, impact of demographic trends, and the economy. Among the key findings related to the economy, the report stated that the economy was strong, but that persistent disparities could affect the state’s long-term growth. While unemployment is at historic lows, labor force participation also remains historically low. Growing economic differences among the regions and the quality of jobs are driving income inequality. While jobs in construction and service industries are expected to continue increasing, higher paying manufacturing jobs will remain stagnate. Looking forward, the report recommends pursuing policies to build a skilled workforce and spur economic growth; addressing barriers to work; and recognizing that broad labor market indicators often mask challenges. <https://www.ppic.org/publication/californias-future/>
3. ***The Global Competitiveness Report*** (2018): This report, prepared for the World Economic Forum, provides a comprehensive assessment of 140 world economies through the use of 98 indicators spread out among 12 pillars representing key drivers of competitiveness, including institutions, infrastructure, ICT adoption, macroeconomic stability, health, skills, product market, labor market, financial system, market size, business dynamism, and innovation capability. The 2018 report launches a new Global Competitiveness Index 4.0, the foundation of which is the Fourth Industrial Revolution. In this inaugural release, the global average score was 60, which the report stated as suggesting that many economies have yet to implement the measures that would enhance their long term growth and resilience. Under the new rating and ranking system, the U.S. ranks highest with a competitiveness score of 85.6, followed by Singapore (83.5), Germany (82.8), Switzerland (82.6), Japan (82.5), Netherlands (82.4), Hong Kong SAR (82.3), the United Kingdom (82.0), Sweden (81.7) and Denmark (80.6). Among other findings, the report notes that weak institutions continue to hamper competitiveness, business development, and well-being in many countries. In this instance, institutions are defined as including security, property rights, social capital, checks and balances, transparency and ethics, public-sector performance, and corporate governance. <https://www.weforum.org/reports/the-global-competitiveness-report-2018>

4. ***The Global Risks Report*** (2019): This report prepared for the World Economic Forum presents the survey results of the Global Risks Perception Survey, in which nearly 1,000 decision-makers from the public sector, private sector, academia, and civil society assess the risks facing the world. Among other findings, the survey found that nine out of 10 respondents expect worsening economic and political confrontations between major powers this year. Inequality was also seen as an important driver of the global risks landscape with “rising income and wealth disparity” ranking fourth in respondents’ list of key underlying trends. Further, over the next decade, extreme weather and climate-change policy failures are seen as the gravest threats. The report also includes survey results on “what-if” scenarios that examine quantum computing, weather manipulation, monetary populism, emotionally responsive artificial intelligence, and other potential risks. <https://www.weforum.org/reports/the-global-risks-report-2019>
5. ***Income Inequality and the Safety Net in California*** (2016): This report, prepared by the Public Policy Institute of California, examined the rise of income inequality in California between 2007 and 2014. During this period, unemployment continued to decline and jobs were added at rates exceeding the rest of the country. The report found that income inequality had been growing for decades and remained at a higher point than before the Great Recession. The report also examined the role of social safety net programs and found that they had successfully reduced income inequality by 40%. <https://www.ppic.org/publication/income-inequality-and-the-safety-net-in-california/>
6. ***The New Gilded Age: Income inequality in the U.S. by state, metropolitan area, and county*** (2018): This report, the fourth in a series prepared by the Economic Policy Institute, looked at trends in income inequality. The report examined income for the top 1% and the bottom 99% in each state over the years 1917–2015. The report found that income inequality has risen in every state since the 1970s and, in most states, it has grown in the post–Great Recession era. From 2009 to 2015, the incomes of the top 1% grew faster than the incomes of the bottom 99% in 43 states and the District of Columbia. The top 1% captured half or more of all income growth in nine states. In 2015, a family in the top 1% nationally received, on average, 26.3 times as much income as a family in the bottom 99%. These findings are significant, as rise of top incomes relative to the bottom 99% represents a reversal of the trend that prevailed in the mid-20<sup>th</sup> century. From 1928 to 1973, the share of income held by the top 1% declined in every state for which data was available. <https://www.epi.org/publication/the-new-gilded-age-income-inequality-in-the-u-s-by-state-metropolitan-area-and-county/>
7. ***Poverty: 2016 and 2017***: This report, prepared by the U.S. Census Bureau under its American Community Survey Briefs series, highlights changes in poverty at a national, state, and region scale. In 2017, 13.4% of the U.S. population had income below the poverty level, a decline from 14.0% in 2016. The poverty rate declined in 20 states, including California between 2016 and 2017. Poverty in California dropped from 14.3% to 13.3% in the report period, representing 365,316 fewer individuals. Certain areas of California, including the San Joaquin Valley and Imperial County, still experienced poverty rate at or above 27%. <https://www.census.gov/library/publications/2018/acs/acsbr17-02.html>
8. ***Roadmap to Shared Prosperity*** (2019): This report prepared by California Forward while serving as the secretariat for the California Economic Summit represents the collective vision of more than 500 participants at the 2018 Economic Summit, as well as hundreds of others who contributed through policy task forces and related events. The 2019 Roadmap to Shared Prosperity outlines the California Economic Summit’s plans for a comprehensive agenda to address the state’s biggest challenges with a triple bottom line approach.
  - Creating the California Dream Index, a new scorecard for tracking the state’s progress toward improving economic mobility.

- Developing a poverty prescription through innovative “two generation” strategies and system change efforts that can improve results with adequate investments in a smarter safety net and put the CA Dream within reach of every child.
- Encourage early childhood strategies that support community, regional, and state efforts to coordinate and expand high quality learning and nurturing for all children age 0 to 5 through system change strategies, partnerships, and adequate investments.
- Continuing the Summit’s “One Million Challenges,” ongoing initiatives to close gaps in skilled workers, livable communities, and well-paying jobs.

<http://caeconomy.org/resources/entry/2019-roadmap-to-shared-prosperity>

9. ***Skills Attainment for Upward Mobility; Aligned Services For Shared Prosperity*** (2018): This report was prepared by the California Workforce Development Board to serve as the state’s unified plan under the Workforce Innovation and Opportunity Act (WIOA) for program years 2016-2019. The plan outlines a comprehensive four-year strategy for the investment of federal workforce training and employment services dollars in a manner intended to align, coordinate, and when appropriate, integrate service delivery for the six core programs funded under WIOA, including: Title I Adult, Dislocated Worker, and Youth programs; Title II Adult Basic Education and Basic Skills programs; Title III Wagner-Peyser Employment Services programs; and Title IV Vocational Rehabilitation services. By state statute the plan is required to foster the building of regional alliances between employers and workforce and educational professionals to develop programs that meet industry’s workforce needs. The plan has three policy objectives:

- Fostering demand-driven skills attainment.
- Enabling upward mobility for all Californians, including populations with barriers to employment.
- Aligning, coordinating, and integrating programs and services to economize limited resources, while also providing the right services to clients.

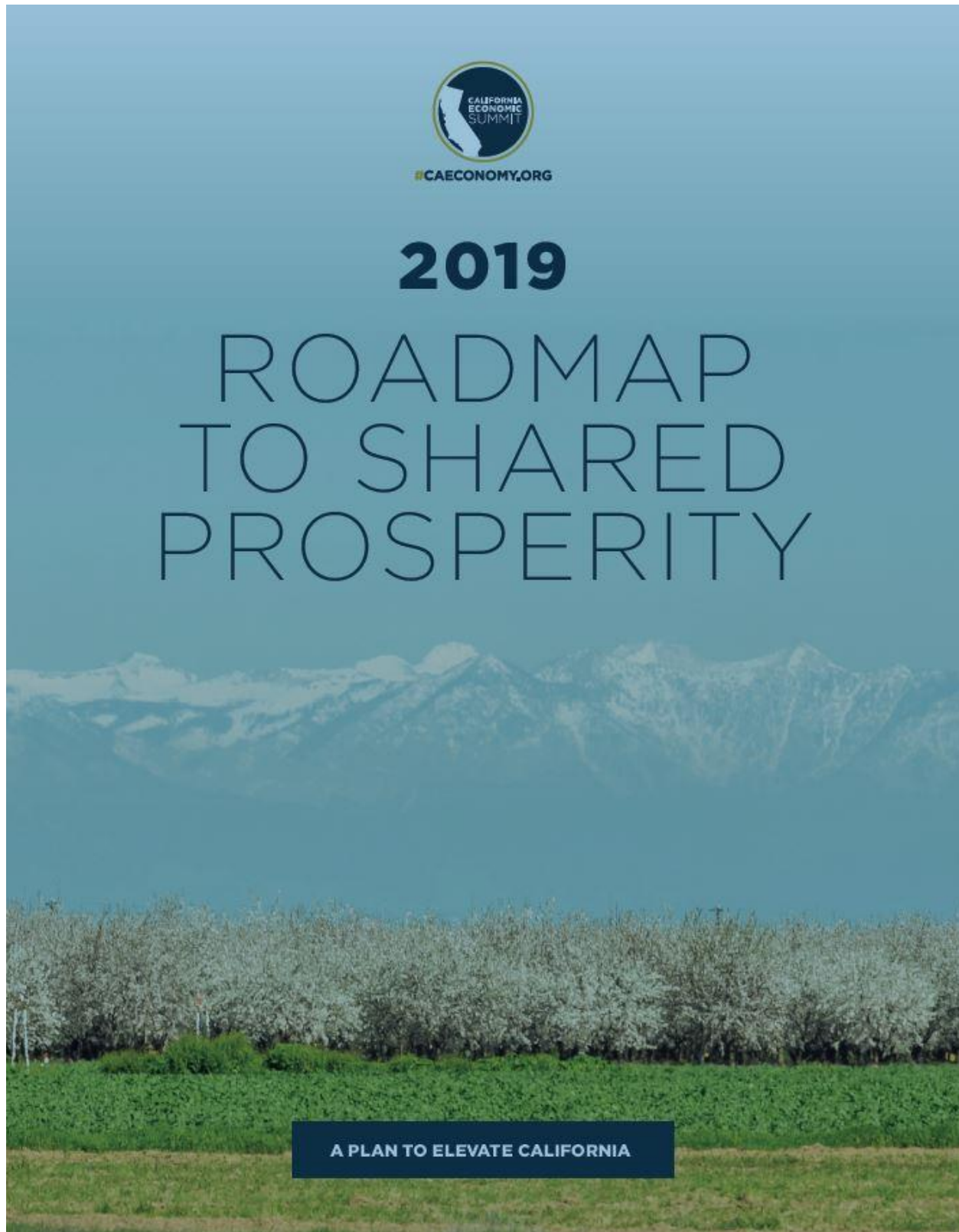
The goal of the plan is to produce a million “middle skill” industry-valued and recognized postsecondary credentials and to double the number of people enrolled in apprenticeship programs between 2017 and 2027. Collectively, the federal funds represent hundreds of millions of dollars annually, a substantial portion of which is administered at the local and regional levels. The plan also aligns other relevant state and federally funded workforce, education, and human services programs.

[https://cwdb.ca.gov/plans\\_policies/](https://cwdb.ca.gov/plans_policies/)





**Appendix E**  
*The 2019 Roadmap to Shared Prosperity*



## INTRODUCTION

# THE CALIFORNIA WE HAVE

California's economy is among the world's most productive—with innovative companies in almost every industry defining global trends and creating enormous wealth. But with each passing year, it has become clear this unprecedented engine of growth, which has attracted people eager to live the "California Dream" for generations, is not working for far too many Californians.

### Rising inequality, high costs, a changing climate stand in the way

It's not just that one in five Californians—7.4 million people—are living in poverty. It's not just that the high cost of living is making it difficult for millions more to make ends meet—with fully half of California households now struggling to rent or buy a home in their community. It's not just that a changing climate is threatening more communities with more frequent—and more extreme—natural disasters, or that the wealthiest 5 percent of Californians are earning almost as much as the next 60 percent.

It's not just any one of these issues. It's all of them. All of these challenges—rising income inequality, a growing sense of economic insecurity, and a dramatic decline in upward mobility—are at the heart of the existential crisis facing California today: While millions of people in this state are prospering, millions more do not have a clear path to the California Dream—or the confidence that they can hold on to it if they reach it.

### The Summit: A platform for harnessing energy, promoting action, measuring progress

The California Economic Summit has emerged as California's only statewide venue for capturing the best ideas from every region—and forging a comprehensive

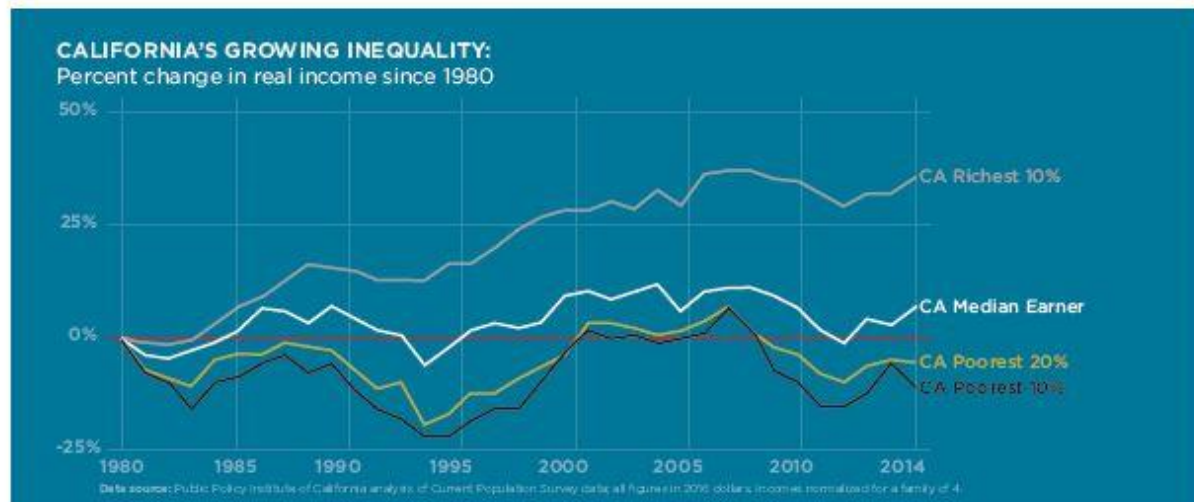
action plan for taking on these threats to our prosperity. Since the first Summit in 2012, this valuable network of public, private, and civic sector leaders has championed initiatives aimed at triple bottom line solutions: simultaneously advancing economic growth, environmental quality, and opportunity for all.

The Summit's "Million Challenges" have highlighted the need to expand California's skilled workforce, lower housing costs, and invest in sustainable water systems. And as these challenges have expanded, so have the Summit's responses. When the new governor campaigned on the need to produce 3.5 million new homes, the Summit highlighted ways to hit this new target. When research found that for every region to have one median wage job in each household, the state must create one million more such jobs, the Summit put a livable wage plan at the center of its agenda.

### A place to start: Measuring progress toward the California Dream

At the 2018 Summit in Santa Rosa, more than 500 participants discussed how they could work together to take on these challenges—and advance a broader agenda to "Elevate CA," promote rural economic development, and make every California community more resilient. They also agreed that to make progress on any of these issues, the state will need to set an explicit target for promoting economic mobility—and measure progress toward achieving it. The Summit has introduced a place to start with its proposed new California Dream Index (see page 8).

All of these ideas are outlined in more detail in this *2019 Roadmap to Shared Prosperity*, along with a set of priority actions for each initiative that will guide the Summit's efforts to work with the new administration and Legislature to close the growing gap between the California we have, and the California we need.





## THE SUMMIT'S 2019 INITIATIVES

# THE CALIFORNIA WE NEED

## THE CALIFORNIA DREAM INDEX

For California to thrive, restoring economic security and upward mobility must be an explicit state priority—and policy choices should be measured against defined goals. That's the idea behind the Summit's proposed new California Dream Index, a scorecard for tracking state progress.

### ELEVATE CA

California's steady job growth and low unemployment clearly haven't been enough to lift millions of people out of poverty. To Elevate CA, it will take more than that.



In 2019, the Summit will lead initiatives to help struggling Californians receive high quality services and move up the income ladder—from early childhood programs to new partnerships expanding the safety net.

## CROSS-CUTTING INITIATIVES

To make progress toward these goals, the Summit is championing four initiatives that seek to better align state and local government, urban and rural economies, and resources from the public and private sectors. These cross-cutting efforts will push for adoption of a statewide regions-up prosperity strategy, promote resiliency models for fire-impacted communities, advance new approaches to rural economic development, and capitalize on the potential of new, federally-designated Opportunity Zones.





# PRINCIPLES GUIDING THE CALIFORNIA ECONOMIC SUMMIT



Working through the California Economic Summit, steward leaders have agreed to the following principles to unify leaders as they seek to improve the social, economic, and environmental conditions in California, the nation, and the world. These principles can help guide public actions and private choices that contribute to a vibrant, just, and sustainable future—a prosperity shared among us and with future generations.



*"I know that we are united by our triple-bottom-line values and our understanding and commitment that California's future will be shaped in large part by the vibrancy of its richly diverse regions."*

—Governor Gavin Newsom

## CROSS-CUTTING PRINCIPLES

### FOCUSING ON THE TRIPLE BOTTOM LINE

- The triple-bottom-line framework needs to be applied to policy decisions, not just business ones. We must align public resources and regulations to simultaneously advance equity, prosperity, and sustainability. And we cannot afford major policies that prioritize one or even two at the expense of the third.
- Triple-bottom-line solutions can also promote greater understanding—across ideologies and interests, geographies and generations—building society's capacity to reduce conflict and to develop inclusive and resilient communities and regions.

### RURAL-URBAN CONNECTIONS

- Sustainable urban communities are reliant on sustainable rural communities. Vibrant urban economies benefit from vibrant rural economies. And equitable and just economies must be equitable and just within regions and among regions.

Endorse the Principles  
to Elevate CA at  
[caeconomy.org/endorse](http://caeconomy.org/endorse)





## EQUITY

- Improving equity will require reducing income inequality, increasing economic security, bolstering wealth generation, and restoring upward mobility.
- Equal opportunity—always a moral imperative—is now a social and economic imperative. As the population gets older—and grows more slowly—as many Californians as possible need to be engaged in the economy and contribute to their communities.
- Improving resiliency will require lifting up lower-income Californians, enabling more workers to reach median incomes and stability, and accelerating innovation and entrepreneurship.
- Public programs—from the safety net to workforce development—must more effectively help impoverished Californians achieve self-sufficiency and resiliency.

## PROSPERITY

- Attracting private capital and seizing opportunities for high-wage growth will require public-private partnerships that create value for investors, communities, and regions.
- Attracting private capital to generate valuable and in-demand jobs will require state agencies to collaborate more with local agencies at the regional level—to align public investments and regulations in support of projects that advance the triple bottom line.
- Technological and other disruptions will require public agencies and their civic partners to be nimble and adaptable—and to proactively help individuals and families adapt and thrive.

## SUSTAINABILITY

- California's environmental leadership—on climate change, public health, and biodiversity—will have the greatest impact if California can demonstrate how to reduce carbon use and restore ecosystems while creating more equitable, just, and resilient regional economies.
- Developing truly sustainable communities will require a radical integration of new technology and community design, deep and strategic collaboration among public agencies, and resilient local enterprises and regional economies.

To promote sustainable prosperity, special attention is required to ensure the millions of people living in poverty receive high quality services to help them achieve economic security and upward mobility. The Summit has committed to leading three initiatives to “Elevate CA” in 2019.



## EARLY CHILDHOOD

The research is compelling: A viable strategy to reduce poverty and increase economic security must ensure that the youngest Californians are nurtured in ways that preserve and grow their individual potential to thrive.

### 🔗 CONNECTION TO THE ROADMAP

In recent years, many of the Summit’s regional partners have identified child care, early learning, and related services as critical to the long-term economic vitality of individuals and communities.

### ✅ SUMMIT ACCOMPLISHMENTS

In 2018, the Summit partnered with First 5 leaders to distill the research and connections among family-focused programs, economic strategies, and business practices. This engagement produced a summary of the research, a draft “values and common understanding” statement, and recommendations for consideration at the 2018 Summit.



## Priority Actions for 2019

- **Support community/regional efforts:** The Summit will support community and regional efforts to coordinate and expand high quality learning and nurturing for all children age 0 to 5 through system change strategies, partnerships, and adequate investments. The Summit will affirm best practices, data-driven and cross-sector initiatives. It will convey the importance of early childhood services and support First 5 Commissions as innovation partners in developing effective services for children and families.
- **Promote state action:** The Summit will support state actions to prioritize effective and coordinated learning, nurturing, and support for the youngest Californians. It will support early learning and child care recommendations of the Lifting Children and Families Out of Poverty Task Force and communicate the benefits of high-quality child care and preschool, two-generation family supports such as home visiting programs, and the expansion of the Earned Income Tax Credit (CalEITC).

## THIS IS US

How can California move past the partisan rhetoric of national politics and ensure everyone in the state will benefit—as we have for generations—from embracing all people in our communities, whatever their ethnicity, their party affiliation, their education and income level, or their immigration status? At the 2018 Summit, participants discussed this challenge and rallied around the idea that “This is Us”—and that all of us will need to be part of a solution.

In 2019, a new Summit initiative will consider several avenues for action, from adopting integration efforts developed by Midwestern states and cities like San Jose to promoting inclusion across every other initiative in the Roadmap. The Summit will seek to demonstrate how all Californians will be safer, healthier, and more productive if everyone feels they belong, participates in civic life, and works together to improve the state we all call home.





## THE MILLION CHALLENGES

# ONE MILLION MORE SKILLED WORKERS



To restore upward mobility and meet employers' needs, California requires one million more graduates with bachelor's degrees and one million more workers with middle-skilled credentials over the next ten years.

### ✎ CONNECTION TO THE ROADMAP

The Summit is dedicated to improving education and workforce systems that help workers and families achieve financial security and a higher quality of life—so more people can access well-paying jobs, live where they work, and pursue the California Dream.

### ✔ SUMMIT ACCOMPLISHMENTS

With the support of the Summit, California's education and training systems are starting to think creatively about the infrastructure needed to support people who need to learn new skills quickly to be competitive in the job market. Summit accomplishments include:

- **Strong Workforce Program:** In 2016, the Summit led a coalition that supported the creation of a new \$200 million Strong Workforce Program, an effort that encourages community colleges to tailor their career technical education programs to meet the needs of regional employers.
- **Regional partnerships:** In the last two years, the Summit has helped regional workforce, education and business leaders consider how to adjust their systems to prepare for the impact of technology

and automation in their workplaces. Through its Partnerships for Industry and Education Contest, the Summit has also highlighted the success of 37 innovative regional public-private partnerships achieving results for students and workers.

- **Online community college:** In 2018, the Summit supported the design and adoption of California's new online community college.



### Priority Actions for 2019

- **Support gig workers:** Summit partners will assess and redefine a modern social compact for irregular ("gig") workers to support a stranded segment of the job market.
- **Expand employer partnerships:** The Summit will work with innovators in every region to understand, replicate, and grow effective institutional-employer partnerships.
- **Improve regional collaboration:** The Summit will work to increase support for regional workforce intermediaries as a way to invest in public-private or collective action initiatives.
- **Promote lifelong learning:** The Summit and its partners will amplify the need for investment in "upskilling" infrastructure and identify and support real solutions.



For more information and to read 2018 Summit session notes, go to: [caeconomy.org/workers](http://caeconomy.org/workers)



## THE MILLION CHALLENGES ONE MILLION MORE HOMES

With the supply of housing lagging far below demand—and with half of Californians now unable to rent or buy a home in their communities—the Summit has highlighted the need for California to produce at least one million more homes of all types in the next 10 years than it is currently producing.

### 📍 CONNECTION TO THE ROADMAP

Housing has become the primary obstacle to livability in almost every region, with high costs pushing millions of people below the poverty line or into homelessness, ever-longer commutes negatively impacting air quality and workers' health, and more and more employers struggling to attract and retain skilled workers.

### ✔️ SUMMIT ACCOMPLISHMENTS

After the Summit used its "One Million Homes Framework" to help advance the 2017 housing package and support implementation this year, the new governor has raised the bar—calling for the production of 3.5 million units to bring California's housing supply into balance with demand. At the 2018 Summit, participants reviewed a draft framework highlighting all of the policy levers that could be used to achieve this goal (see box).



### Priority actions for 2019

The Summit will continue to support proposals that advance its "all of the above" agenda—from accelerating approvals and promoting affordable housing development to improving renter protections. A CA Fwd team will also develop solutions on two "threshold" issues identified at the Summit as critical next steps to address the housing crisis:

- **Define where to build:** Whether the target is one million or 3.5 million units, CA Fwd will highlight where new incentives could be targeted to have the most impact—from "unclogging" hundreds of thousands of projects already in the statewide development pipeline to identifying infill opportunities in expensive job centers where both affordable and market-rate housing are sorely needed, while supporting and investing in existing residents and communities.
- **Help communities pay for new housing:** To get this housing built, CA Fwd will work with regional partners to produce a set of fiscal incentives that encourage production of housing on the scale needed to meet state goals and at a price point Californians of all incomes can afford. Strategies will be developed that support both rural and urban regions.



### HOW TO BRING COSTS DOWN: MAJOR ELEMENTS OF THE SUMMIT'S "ALL OF THE ABOVE" AGENDA

#### 1 Build the housing Californians need—and people of all incomes can afford

- Define where to promote development—and on what scale
- Promote all types of housing, including affordable and market-rate
- Speed up the approval process
- Lower the cost of development
- Develop the workforce needed to build new housing

#### 2 Ensure new housing growth is sustainable for communities

- Help local governments pay for new housing and related infrastructure
- Protect environmental quality
- Ensure equal opportunity for all residents



For more information and to read 2018 Summit session notes, go to: [caeconomy.org/homes](http://caeconomy.org/homes)





## THE MILLION CHALLENGES

# ONE MILLION MORE ACRE-FEET OF WATER

(each year for a decade)

Californians continue to use more water each year than the state's infrastructure can sustainably provide. To create a reliable and environmentally-sound water supply—for residents, business, and farms—California needs to conserve, capture, and re-use one million more acre-feet of water each year for a decade.

### ➤ CONNECTION TO THE ROADMAP

In the last five years, California has witnessed the extremes that define its water challenge—severe droughts, followed by unusually wet years. While the volatility of the water system associated with a changing climate has contributed to more extreme wildfires and depletion of groundwater resources in agricultural areas, it also presents an opportunity to rethink the connections between urban and rural regions—and to better manage the water resources needed to support job and housing growth.

### ✓ SUMMIT ACCOMPLISHMENTS

With the Summit's support, many regions are integrating operations and investments to increase resilience and sustainability. Summit accomplishments include:

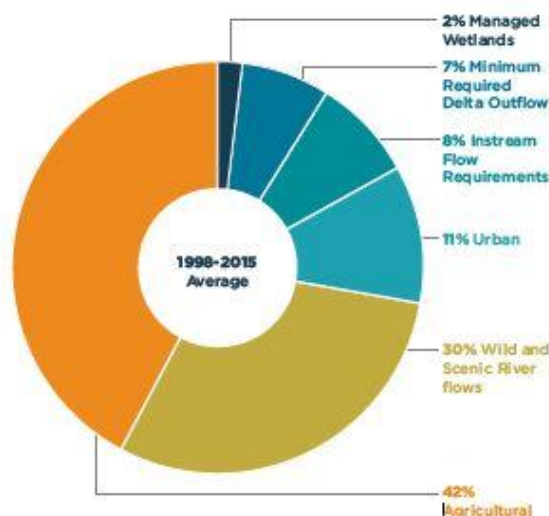
- **Financing tools:** The Summit has played an integral role in developing a new generation of tools for financing water infrastructure, including Enhanced Infrastructure Financing Districts, which allow communities to capture and reinvest a portion of economic growth generated by new investments.
- **Regional models:** In 2018, the Summit partnered with the North Coast Resource Partnership and the California Department of Water Resources (DWR) to highlight how local and regional stakeholders, government agencies, and Tribes can improve regional watershed management. The Summit also worked with the Pacific Institute and Santa Ana Watershed Project Authority to quantify opportunities for improving water efficiency, stormwater retention, and groundwater recharge on commercial and industrial property across the watershed.
- **Working landscapes and rural development:** A Summit partnership with the University of California Division of Agriculture and Natural Resources (UCANR) resulted in a set of state policy proposals that will encourage investments in ecosystem services, including groundwater recharge. Through its Elevate Rural CA initiative, the Summit and its partners are working to identify priority actions for bolstering rural water infrastructure and better managing forest headwaters.



### Priority Actions for 2019

- **Support regional/watershed sustainability:** The Summit will continue work with DWR, other state agencies, and regional leaders to identify and support policy recommendations to improve state-regional partnerships, regulatory alignment, funding mechanisms to support regional/watershed sustainability and resilience, and performance indicators to measure progress.
- **Promote groundwater recharge:** In partnership with UCANR and regional leaders, the Summit will advocate for state and local water and land use policies that protect and increase groundwater recharge.
- **Pilot ecosystem services initiatives:** The Summit will assist regional partners in Sonoma, Fresno, and Santa Ana as they refine plans to launch pilot initiatives to develop ecosystem services financing and payment structures.

### HOW CA WATER IS USED—AND WHY MANAGING ACROSS URBAN & RURAL REGIONS MATTERS



Data source: CA Department of Water Resources



For more information and to read 2018 Summit session notes, go to: [caeconomy.org/water](http://caeconomy.org/water)



## THE MILLION CHALLENGES

# ONE MILLION MORE LIVABLE WAGE JOBS



For every region to have at least one median-income job in every household, California needs to create nearly one million more livable wage jobs.

### CONNECTION TO THE ROADMAP

Sustainable job growth is a critical element of the triple bottom line, a pathway for every California to move up and improve their quality of life—and the only way to ensure everyone in the state can pay for housing, food, health care, child care, and other basic necessities.

### SUMMIT ACCOMPLISHMENTS

The Summit has made it a priority to support regional partners' strategies for producing well-paying wage jobs in promising industry clusters, and at the Summit participants discussed two key elements of job creation: focusing first on the unique strengths of each California region—and then increasing the state government's role in communicating the value of distinct regional economic engines and matching public policy to support them.



### Priority Actions for 2019

- **Promote a regions-up prosperity strategy:** The Summit will support state efforts to develop a regions-based plan for growth—to avoid harmful inter-regional competition and to maximize the potential of each region to be competitive in global markets. (See next page for more detail.)
- **Address workforce shortages:** With the job market rapidly shifting in fields from health care and technology to advanced manufacturing, the Summit will push to improve the connections between workforce development programs and the needs of employers.
- **Capitalize on high standards to attract investment:** California's high standards for everything from environmental quality to consumer and worker protections have attracted millions of people to live and work in the state. To promote the creation of more livable wage jobs, the Summit will support state efforts to attract targeted investments in Opportunity Zones and other high-potential areas, where tailored state intervention can produce public-private partnerships that create more jobs that achieve state goals for equity, environmental quality, and economic growth.



For more information and to read 2018 Summit session notes, go to: [caeconomy.org/jobs](http://caeconomy.org/jobs)



# CROSS-CUTTING INITIATIVES

To make progress on a new California Dream Index and achieve the goals of Elevate CA and the Summit's Million Challenges, California must improve the alignment of state and local governments, the economies of urban and rural regions, and the investments of resources from both the public and private sectors. In 2019, the Summit has committed to advancing four initiatives that cut across all of its existing efforts to promote prosperity.

## REGIONS-UP PROSPERITY STRATEGY

Because of its size and the diversity of its regions, California state government has struggled to develop a coherent strategy to align its economic, social, and environmental policy goals and leverage public investments to produce sustainable and inclusive prosperity.

### 🔗 CONNECTION TO THE ROADMAP

The Summit has intentionally modeled a process in which government, business, and civic leaders identify regional priorities, share innovations, and align state investments and other policies to target the root causes of economic insecurity and unsustainable resource management.

### ✅ SUMMIT ACCOMPLISHMENTS

The Summit has demonstrated the power of this approach—in areas from workforce development to watershed management.



### Priority action in 2019

- **Formalize strategy in state policy:** The Summit will work with the Governor and the Legislature to formalize in state policy a plan for developing and advancing a regions-based state strategy for inclusive and sustainable growth. This formal state policy will be predicated on strong analytics to inform decision-making at community, regional, and state levels—and it should encourage proactive coordination among state agencies and in partnership with regions to drive shared goals.




For more information and to read 2018 Summit session notes, go to:  
[caeconomy.org/prosperity\\_strategy](http://caeconomy.org/prosperity_strategy)

*"Scores of state, regional and local programs strive to develop skilled workers [and] attract and grow employers. Billions of dollars are spent each year on infrastructure. Dozens of programs promote industries and encourage commerce. Yet California lacks a strategy that explicitly links state and regional priorities with goals and metrics, investments, and programs. To align these goals, California needs a "Triple-Bottom-Line" strategy that advances an inclusive economy through equity, prosperity, and sustainability while responding to market forces."*

**-Intent language supported by Summit leaders in AB 2596 (Cooley, 2018)**





*"As we focus at this moment in time on rebuilding more resilient communities across California, we have a unique opportunity to provide greater mobility and economic opportunity for those who have been left out historically. This is our chance to do this right—and to ensure everyone is included."*

—Oscar Chavez, co-chair,  
California Stewardship Network

## RESILIENCY IN EVERY COMMUNITY

Wherever they live, Californians recognize their communities are now facing two fundamentally new kinds of disruptions: the social and economic dislocations caused by rising costs and changes in the workplace—and a wide range of increasingly frequent natural disasters associated with climate change.

As the state continues learning hard lessons about how to help residents and businesses get back on their feet after a disaster, the Summit has focused on the longer-term challenge: institutionalizing joint state-local systems and strategies that have broad benefits beyond specific disasters—and that can move all communities toward lasting resiliency.

### 🔗 CONNECTION TO THE ROADMAP

True resiliency requires more than just reopening schools and businesses after a disaster and returning to the status quo. It means finding ways to be *more* economically vibrant, *more* environmentally sustainable, and *more* socially equitable than before. Or better yet, before a disaster happens at all.

### 🎯 SUMMIT ACCOMPLISHMENTS

In 2018, the Summit worked closely with the City of Santa Rosa and Sonoma County to develop a new state-local partnership for addressing community needs in the wake of the 2017 wildfires.

### 🌟 Priority actions for 2019

- **Develop resiliency models:** After participants in Santa Rosa reviewed a draft model for resiliency, the Summit will continue to develop working models of intergovernmental agreements, state participation, and the involvement of the private sector.
- **Promote in other communities:** The Summit will advance these ideas at the local level and in the Legislature—and share them with other willing communities.



For more information and to read  
2018 Summit session notes, go to:  
[caeconomy.org/resiliency](http://caeconomy.org/resiliency)



## ELEVATE RURAL CA

Rural California is the locus of three overwhelming state priorities: increasing economic security for California's stuck in low-wage jobs, transforming forest management to reduce catastrophic fires, and adapting watersheds and water systems to climate change.

### 🔗 CONNECTION TO THE ROADMAP

Enduring solutions will require—and have the alluring potential of—simultaneously creating quality jobs, improving forest health, bolstering water reliability, and improving the quality of life for all Californians, while also improving connections between rural regions and the urban coast.

### 🎯 SUMMIT ACCOMPLISHMENTS

The Summit has documented previous rural vitality efforts and the status of rural communities. It has distilled existing efforts in forest resiliency, community-scale water infrastructure, and broadband access. And it has identified how the Summit can support those activities to accelerate progress.

### 🌟 Priority actions for 2019

- **Support a new forest management effort:** The Summit will monitor, communicate, and advocate for the full range of public actions required to develop economically viable and environmentally sustainable forest-product industries.
- **Partner to advance water solutions:** The Summit will work with water agencies and local and state governments to provide the statutory authority, technical assistance, and seed-funding needed to develop economically viable community water systems.
- **Join broadband coalition:** The Summit will work with the Regional Broadband Consortia to advance strategic broadband corridors, encourage comprehensive county plans, and, document and resolve statutory and regulatory issues so broadband infrastructure can make a significant contribution to rural economic development.



For more information and to read 2018 Summit session notes, go to: [caeconomy.org/ruralca](http://caeconomy.org/ruralca)

*"The voice from the vast expanses of rural California is small. Our once thriving natural resource based economies are still transitioning to something new. This initiative gives us a way to do it, but it will require deep partnerships with urban areas—we cannot do it alone."*

**—Kathleen Moxon, Redwood Coast Rural Action**

## OPPORTUNITY ZONES

To be competitive with other states, California has a narrow window in 2019 to take advantage of the potential of new, federally-designated "Opportunity Zones." Recent tax changes have made 3,500 low-income census tracts in the state—home to more than three million people—eligible to benefit from billions of dollars in new private investment.

### CONNECTION TO THE ROADMAP

The Summit is working with the administration and other partners, including Accelerator for America, Bay Area Council, Kosmont Companies, and the Milken Institute to identify actions the state and local agencies should take to support development of these new zones—and to connect state policy and programs with projects that promote the triple bottom line.

### SUMMIT ACCOMPLISHMENTS

At the 2018 Summit, participants refined a policy framework that will allow the state to maximize the potential of Opportunity Zones—and align planning, regulatory, and tax structures to produce a pipeline of attractive projects that can compete for new investment capital.

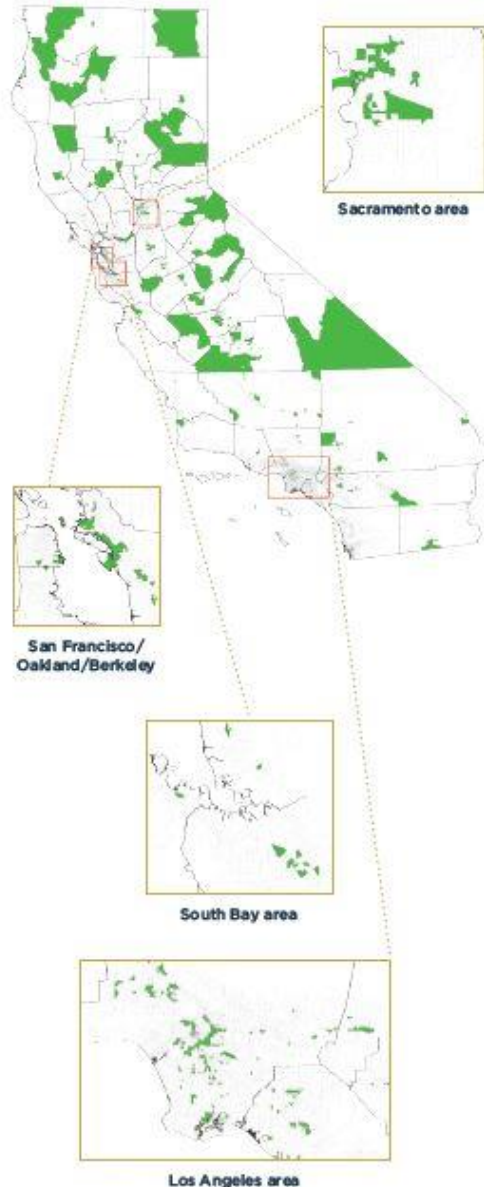
### Priority actions for 2019

- **Convene stakeholders:** The Summit will bring together equity groups, investors, and other stakeholders to craft a shared agenda.
- **Share proposals with governor:** A list of actions that can be taken by the new governor in the first 100 days to promote Opportunity Zone investment will be shared with the new administration.
- **Support legislation:** The Summit will support legislative and executive efforts to advance proposals that encourage an investment regime focused on the triple bottom line.



For more information  
and to read 2018 Summit  
session notes, go to:  
[caeconomy.org/oppzones](http://caeconomy.org/oppzones)

## CALIFORNIA'S DESIGNATED OPPORTUNITY ZONES



Data source: CA Department of Finance



# 2019 CALIFORNIA ECONOMIC SUMMIT

NOVEMBER 7-8 | FRESNO

Photo: Eddie Garcia

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## Appendix F

*Flyer for 2019 Economic Summit in Fresno on November 8 and 9*



The flyer features a background image of a city skyline at night, with the Spire of the Transamerica Pyramid prominently lit up. The text is overlaid on the left side of the image.

  
#CAECONOMY.ORG

**2019**  
**CALIFORNIA**  
**ECONOMIC**  
**SUMMIT**

**Save the Date:**  
**NOV 7-8**  
**FRESNO**

Registration opens August 1  
at [CAEconomy.org](http://CAEconomy.org)



## LINKING LEADERS AND SOLUTIONS

The 2019 California Economic Summit takes place in Fresno on November 7-8, marking the eighth annual gathering of private, public and civic leaders from across California's diverse regions. The Summit's bipartisan network of business, equity, environmental and civic organizations is unique in championing solutions that meet the triple bottom line—simultaneously growing the economy, improving environmental quality and increasing opportunity for all.

The **2019 Roadmap to Shared Prosperity**, based on the input of more than 500 participants at the 2018 Summit in Santa Rosa, combines the best thinking and strategies from across the state for bringing about change that can make the CA Dream a reality for more Californians:

- An updated **strategy to Elevate CA** that invests in early childhood education and builds a smarter safety net to help millions of California move out of poverty
- **The Summit's One Million Challenges**—targeted initiatives to expand the state's skilled workforce, lower housing costs, create more livable wage jobs, and invest in sustainable water infrastructure
- **Cross-cutting initiatives** for encouraging rural economic development, promoting resiliency, and helping more communities tap the potential of new federally-designated Opportunity Zones
- The **CA Dream Index**, a new scorecard to track progress on all of these fronts

## THE EVENT

The two-day Summit is designed to accelerate coordinated implementation of the **Roadmap** action plans and strengthen the Summit network.

### Thursday, November 7

Interactive plenary and breakout sessions to advance Summit goals. Box lunch and evening reception included.

**Registration: \$250\***

### Friday, November 8

Plenary session featuring state policy leaders with regional business and civic leaders on critical issues facing California

Participants in past Summits include Governor Gavin Newsom, Controller Betty Yee, Treasurer John Chiang, UC President Janet Napolitano, Chancellor Eloy Ortiz Oakley and dozens of legislative members. Buffet breakfast and seated lunch included.

**Registration: \$250\***

**Registration opens August 1 at [www.CAEconomy.org](http://www.CAEconomy.org).**

**For more information contact [info@caeconomy.org](mailto:info@caeconomy.org)**

*\*20% discount for early bird registration through September 1, 2019.*



**Appendix G**  
***PowerPoint for Legislative Analyst's Office Presentation***

# California's Economy and State Revenues



Presented to:  
**Assembly Committee on Jobs, Economic  
Development, and the Economy**

Carolyn Chu  
Legislative Analyst's Office

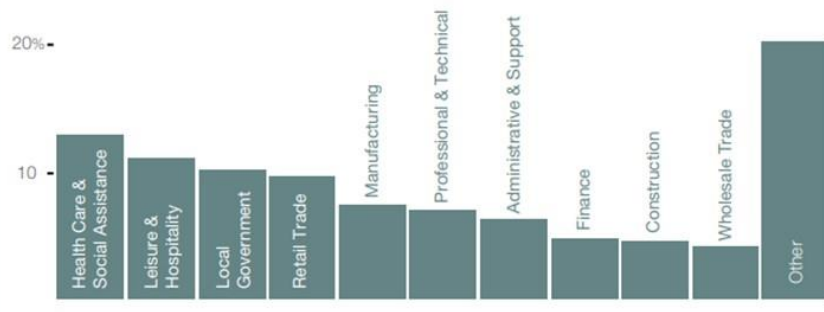
## California's Economy is Big

- **Fifth largest economy in the world (GDP \$2.7 trillion in 2017).**
- **State population represents about 12 percent of the U.S., but its share of the national economy is over 14 percent.**

## Economy is Relatively Diverse

### California's 17 Million Jobs Spread Across Many Sectors

2018



## Certain Areas Have Higher Concentrations of Particular Sectors

### Key Sectors Vary Across Regions of California

Regional Share of Statewide Jobs in **All Sectors**



Regional Share of Statewide Jobs in **Key Sectors**



## Incomes Higher Than the Rest of U.S....

### California Incomes Higher Than U.S.

Household Income, 2016

#### Median

**\$64,000** California

**\$55,000** U.S.

#### Top 10 Percent

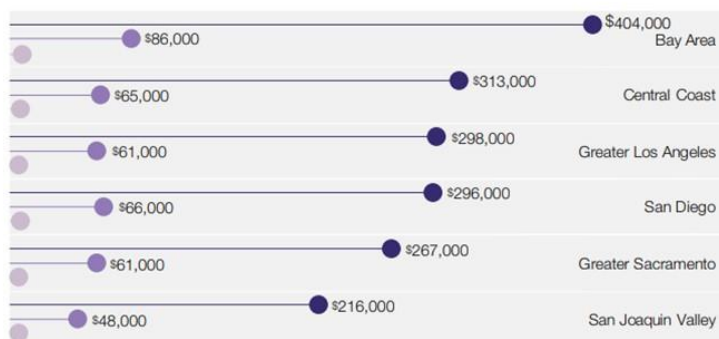
**\$314,000**

**\$265,000**

## ...But Also Vary Widely

### Incomes Vary Across Regions of the State

Bottom 10%, Median, and Top 10% Household Incomes

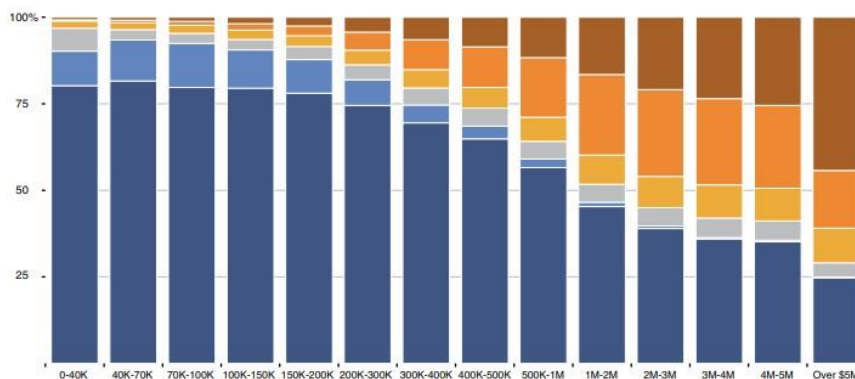


## About Two-Thirds of Income Comes from Wages and Salaries

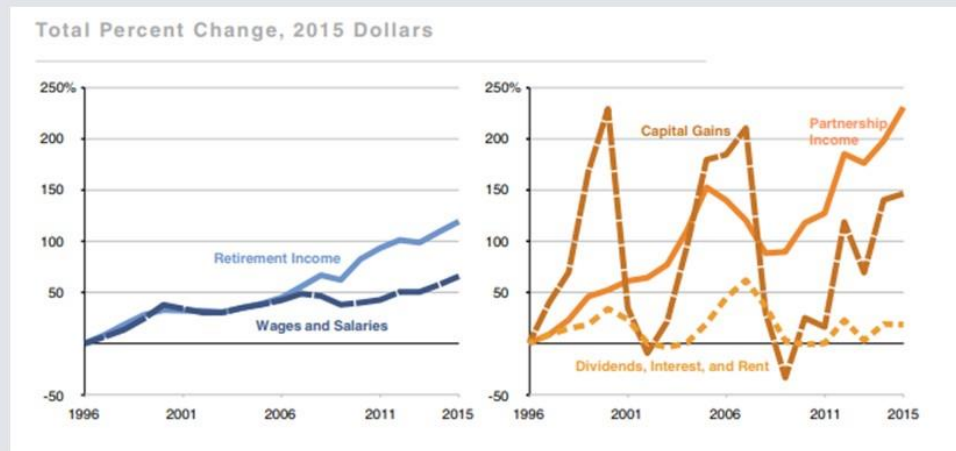


## Income Makeup Different for Low- and High-Income Earners

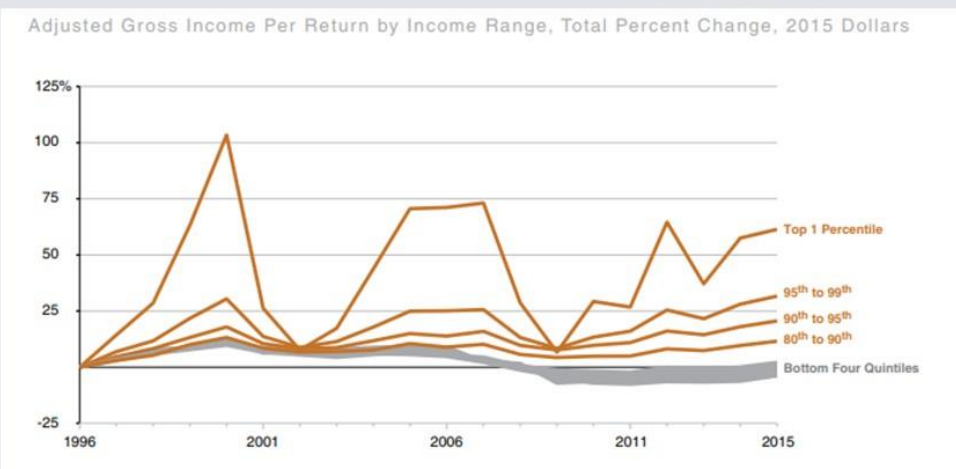
The graphic below shows how taxpayers in different income groups derive their income. Some types of income, including **wages and salaries** and **retirement income** (pensions, annuities, and IRA distributions) make up the majority of low- and middle-income taxpayers' incomes. These sources, however, account for a minority of the total incomes of the highest-income taxpayers, whose incomes are derived mostly from **capital gains**, **partnership income**, and **dividends, interest, and rent**. (All other income—mostly proprietors' income—is shown in grey.)



## High-Income Earners Rely More on Volatile Sources of Income



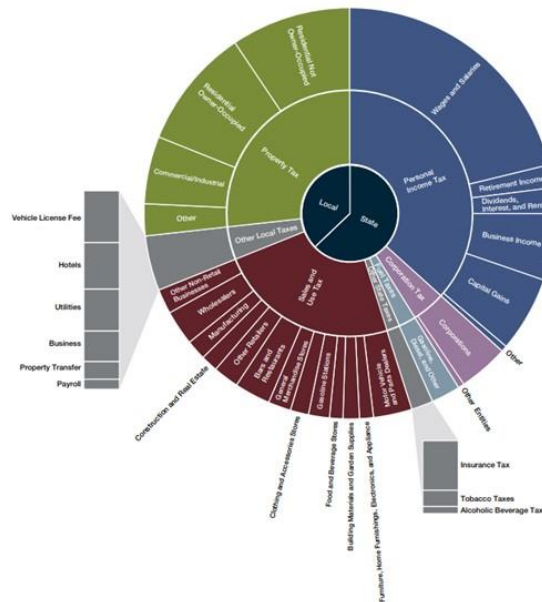
## Bulk of Income Growth Has Gone to High-Income Earners



# Overview of California's Tax System

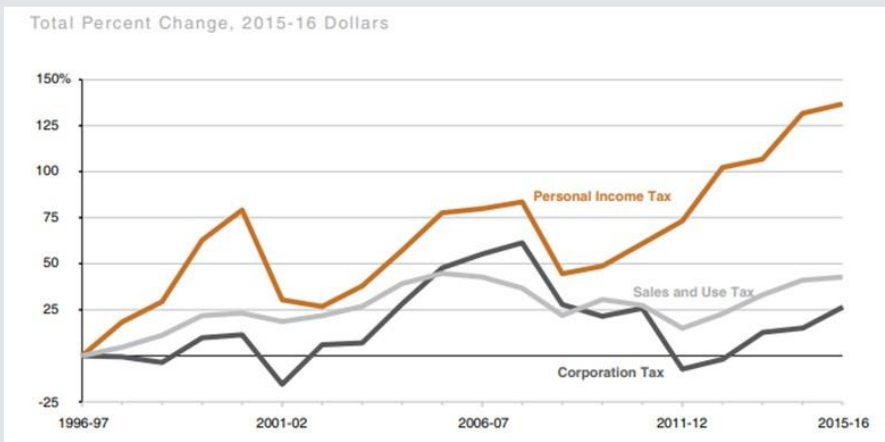
## State and Local Taxes

Personal Income Tax, Corporation Tax, and Sales Tax are the three largest state taxes.



11

## Personal Income Tax Revenues Have Grown Much Faster Than Other State Taxes

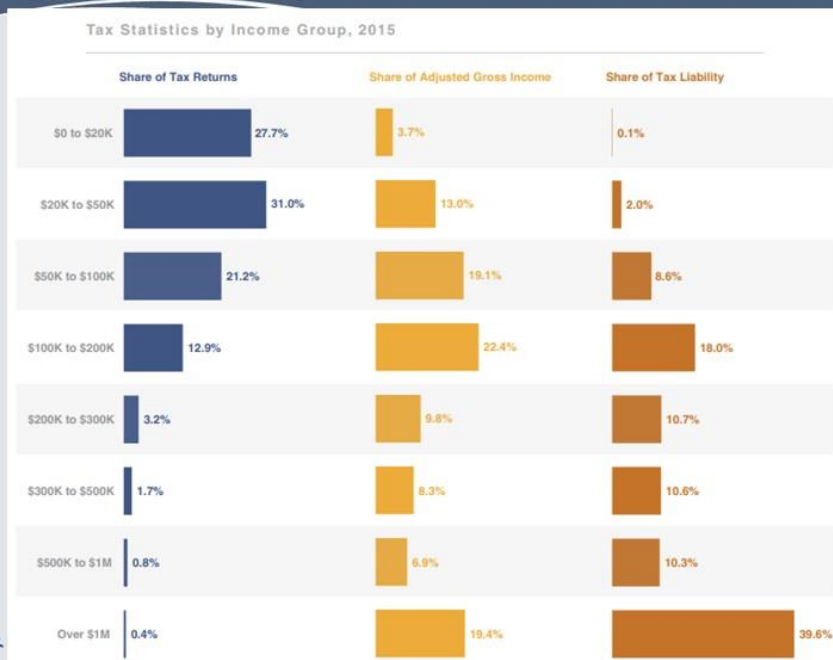


LAO

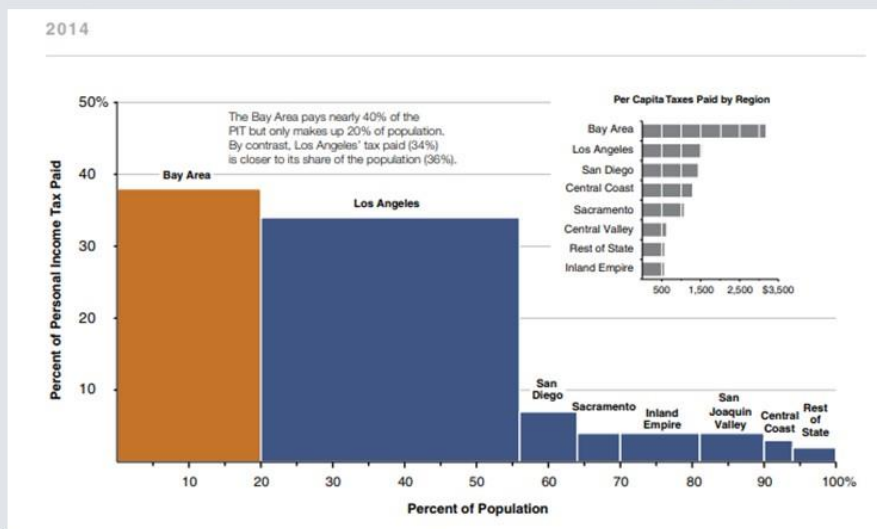
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# Personal Income Tax Liability Concentrated Among Top Earners



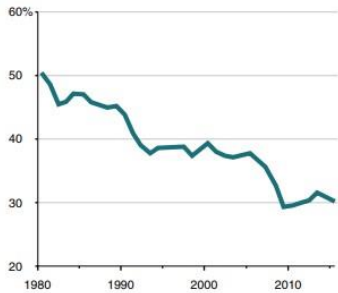
# Bay Area Contributes Disproportionately to Personal Income Tax Collections



# Sales Tax Growth Slower than Personal Income Tax

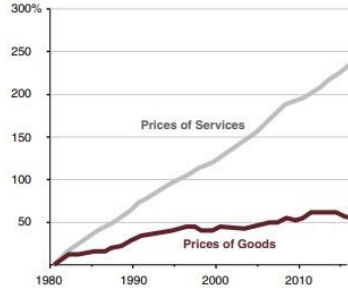
## One Reason: Taxable Sales Have Shrunk as a Share of the Economy...

Taxable Sales as Share of Personal Income



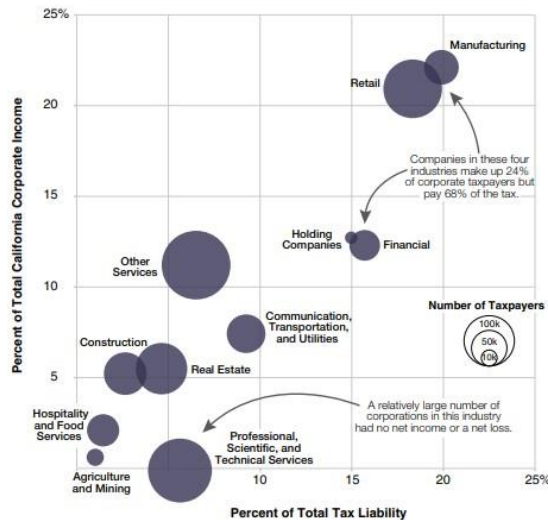
## ...Because Prices of Goods Have Grown More Slowly Than Prices of Services

Total Percent Change



# Corporation Tax Filers Vary

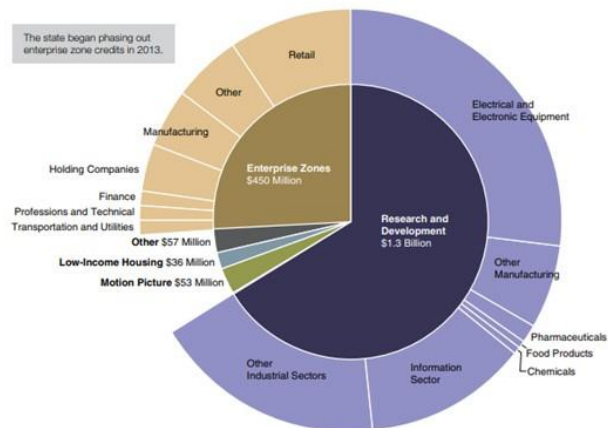
California levies a tax on net corporate income. For most corporations, the tax rate is 8.84 percent. California only taxes the portion of income that was earned in California.



# Research and Development Tax Credit is the Largest State Corporation Tax Credit

## Corporation Tax Credits by Industry

Corporations may apply a credit against their taxes for investing money in ways that further certain policy goals. In the figure below, the darker, inner pie shows a breakdown of credits in 2015. The lighter, outer segments show the distribution of the two largest credits among various types of corporations.



**lao.ca.gov**



## Appendix H

### *2018 Survey of Small Businesses by Small Business California*



For Immediate Release

Press Release  
January 4, 2019

Press Contact: Scott Hauge (415) 680-2109  
[shauge@cal-insure.com](mailto:shauge@cal-insure.com) or  
Lori Kammerer (916) 716-5674  
[LoriKammerer@gmail.com](mailto:LoriKammerer@gmail.com)

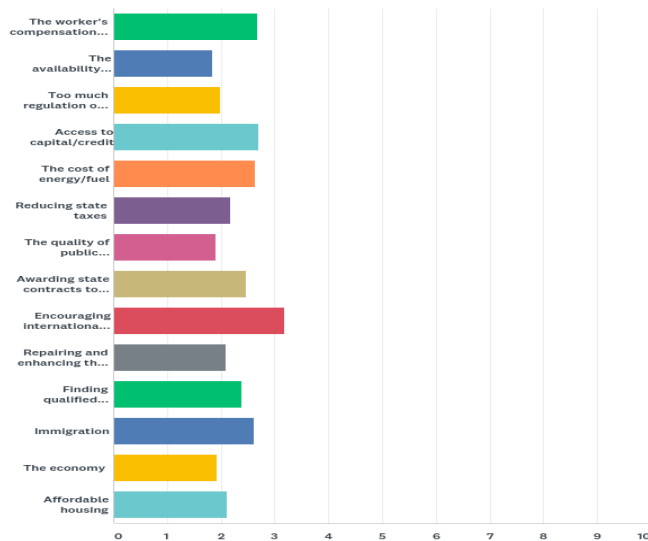
### **Small Business California Releases 2018 Survey Results**

SAN FRANCISCO, CA—Small Business California has once again released its Small Business Climate Survey for 2018 with all 58 counties reporting. “Despite a relatively well-performing economy, a lot of small business owners feel the benefits haven’t been passed on to their own businesses,” said SB-CAL President Scott Hauge. “Decision-makers in Sacramento need to better understand and address the issues that matter most to small businesses if they hope to have their support in 2019.”

Other highlights from the 2018 survey:

- For the third year in a row, the availability and rising cost of healthcare is the highest priority issue for small business owners. Some 54% of those surveyed said that they support publicly funded health insurance, often called single-payer, that provides access to medical care and relieves businesses of health insurance responsibilities.
- The other highest priority issues affecting small business owners were excessive small business regulation, the quality of public education, the economy and affordable housing.
- Encouraging international trade was the least important issue for small business owners, with 23% calling it low priority and 15% calling it not a priority at all.
- Small businesses say their revenues have either increased or stayed the same over the last 12 months with 33% saying the economy has improved and 32% saying the economy has stayed the same.
- In 2018, 65% of small businesses have kept their number of employees the same.
- The 2018 SB-CAL Small Business Survey received input from small businesses across all 58 counties in California.

**Q11 Here are some issues affecting California small businesses that people have said should be addressed by your elected officials in Sacramento. For each one, please tell us whether you think it should be the top priority for your elected officials, a high priority, a medium priority, a low priority, or not a priority at all for your elected officials in Sacramento.**



	TOP PRIORITY	HIGH PRIORITY	MEDIUM PRIORITY	LOW PRIORITY	NOT A PRIORITY AT ALL	TOTAL	WEIGHTED AVERAGE
The worker's compensation system	14.73% 75	29.86% 152	33.99% 173	15.13% 77	6.29% 32	509	2.68
The availability and rising cost of health care	45.51% 238	32.89% 172	14.15% 74	5.74% 30	1.72% 9	523	1.85
Too much regulation of small businesses	43.76% 228	27.64% 144	17.08% 89	9.21% 48	2.30% 12	521	1.99
Access to capital/credit	20.74% 107	21.71% 112	32.75% 169	17.25% 89	7.56% 39	516	2.69
The cost of energy/fuel	17.74% 91	26.32% 135	34.50% 177	17.15% 88	4.29% 22	513	2.64
Reducing state taxes	38.10% 197	24.37% 126	22.63% 117	11.03% 57	3.87% 20	517	2.18
The quality of public education	42.69% 222	32.50% 169	18.65% 97	4.81% 25	1.35% 7	520	1.90
Awarding state contracts to small businesses	24.95% 130	28.41% 148	28.98% 151	10.17% 53	7.49% 39	521	2.47
Encouraging international trade	8.91% 46	18.60% 96	34.30% 177	22.87% 118	15.31% 79	516	3.17
Repairing and enhancing the State's infrastructure	31.35% 163	35.96% 187	25.77% 134	5.00% 26	1.92% 10	520	2.10
Finding qualified workers	25.29% 131	32.63% 169	26.45% 137	10.04% 52	5.60% 29	518	2.38
Immigration	27.83% 145	19.00% 99	27.26% 142	15.16% 79	10.75% 56	521	2.62
The economy	38.48% 197	35.35% 181	22.46% 115	2.54% 13	1.17% 6	512	1.93
Affordable housing	39.46% 206	26.44% 138	21.26% 111	8.43% 44	4.41% 23	522	2.12

The small business survey's results were collected from small business owners from around the state from mid-November to December 31. The complete results of this year's survey can be found on the SB-CAL website:

<http://www.smallbusinesscalifornia.org/>.

*Small Business California represents the interests of small businesses in California. Its Board of Directors is comprised of leading advocates for small business and represents thousands of small businesses in every part of the state.*

#####

# Appendix I

## PowerPoint for CalPERS Presentation

Assembly Committee on Jobs, Economic Development and the Economy  
February 26, 2019

## Economic and Market Overview

John Rothfield, Lead Economist  
CalPERS Investment Office



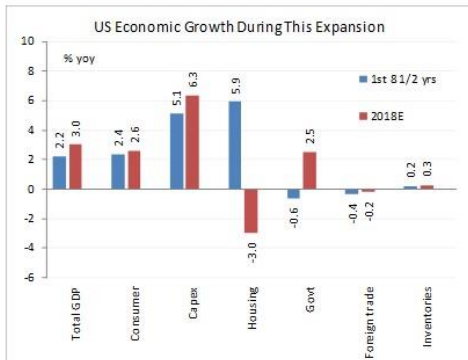
## Trending

Positives tend to be more backward looking

↑ Positive	↔ Same Trend	↓ Negative
<ul style="list-style-type: none"> <li>- <b>US jobs market</b> 18: labor supply kept up with strong demand. Less involuntary part time and more quitting for better jobs.</li> <li>- <b>US productivity</b> Productivity this cycle has been volatile but the 2018 trend was improving.</li> <li>- <b>US GDP growth accelerated</b> 3.1%E during 2018 vs expansion average of 2.2%. Importantly supply side indicators improved too.</li> <li>- <b>US consumer: spending, cushion, sentiment</b> Stable at 5% growth, with only small drop in savings ratio. Lower personal taxes gave one-time support.</li> <li>- <b>Small businesses remain determined to build</b> To expand and hire... despite difficulties in finding qualified workers.</li> <li>- <b>Resilient US corporate earnings and sales</b> 2018 saw +5% sales, +8% profits S&amp;P500 ex Fin/Energy. Not too far below 8%/12% during 2017.</li> <li>- <b>State and Local on the improve</b> 7 year high in state revenue growth supported improved S&amp;L construction and hiring.</li> </ul>	<ul style="list-style-type: none"> <li>- <b>US leverage</b> US non financial debt is stable at ~250%/GDP, right through the expansion</li> <li>- <b>External imbalances</b> Stable US external deficit (2 to 2.5%/GDP) broadly matched by combined surplus of Euro area, Japan and</li> </ul>	<ul style="list-style-type: none"> <li>- <b>Soft US consumer, housing and credit, no capex uplift</b> Activity clearly slowed in Winter (GDP growth halves?). Stocks say its an aberration, bonds not so sure</li> <li>- <b>Late cycle behavior</b> US cycle close to record 10 years, Japan at post WW2 record 75 months. U-rates low everywhere</li> <li>- <b>World Trade, PMIs etc</b> World trade was boosted pre tariffs but falling off and correlated with PMIs, trucking activity etc</li> <li>- <b>US debt trajectory and debt ceiling</b> Going into a 2020 election year there are fiscal cliff and debt ceiling problems that will be hard to resolve</li> <li>- <b>QEnd</b> QE unwind meets still-rising debt, especially in EM and some DM (US corporates, \$ bloc/Scandi housing).</li> <li>- <b>Negative sum game trade wars</b> Significant misunderstanding of trade imbalance drivers ignites policies where everybody loses.</li> <li>- <b>Disruptive geopolitics</b> Nationalism and bloc realignments create uncertainty that bleeds into the economic sphere</li> </ul>



## 2018 was a good year for the US



Consumer – one-time impact from lower personal taxes but possible bleed into 2019.

Capex – acceleration has been underwhelming.

Housing – reasons for its smaller role in this cycle.

Government – S&L/ defense lead the way and has momentum into 2019 (TCJA17 then BBA18).

Foreign trade – a drag due to desynchronized growth and pre-tariff goods flows.

US GDP grew by an estimated 3.1% during 2018, vs the expansion average of 2.2%.

The chart above shows the contributions to what is expected to be a temporary uptick in growth.

3

## “So What” for Markets



### Why?

- ☐ Crowding Out
- ☐ CB takes away the Punchbowl
- ☐ Markets are forward looking
- ☐ Don't forget Rest of World
- ☐ “High-pressure” growth could compress business cycle

4

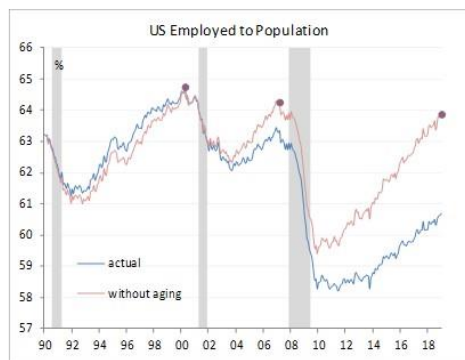


## Topic: Have Administration policies compressed or extended the US expansion?

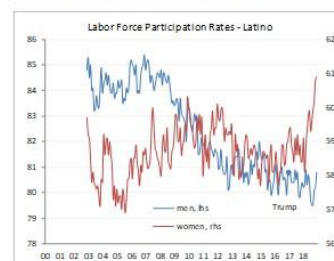
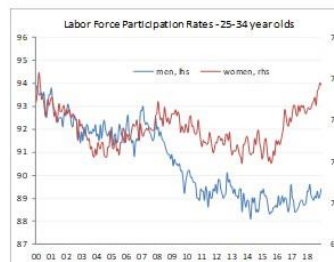
- ☐ Demand vs Supply.
- ☐ 'Sugar high' vs 'Tax Reform'.
- ☐ 2018 was a good year for supply side.
- ☐ Watch ...
  1. Labor force participation;
  2. Productivity;
  3. Fed "flexibility".

5

### (a) Labor force participation



Adjusted for demographics, upside in US labor force may be limited



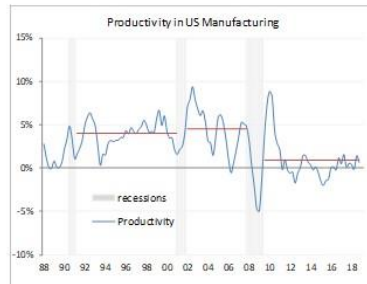
Participation by males continues to lag

6

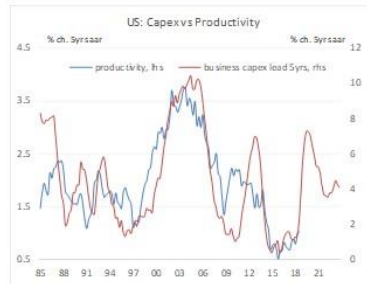
## (b) Productivity



The current economic expansion is characterized by low measured productivity growth.



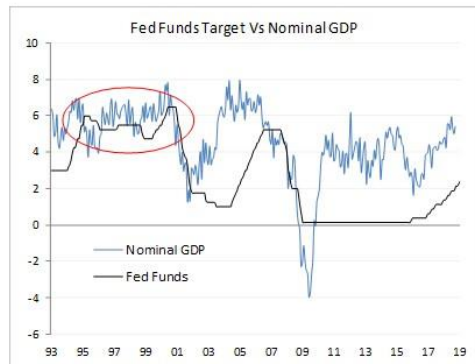
Early stage of manufacturing rebound has been hiring new workers.



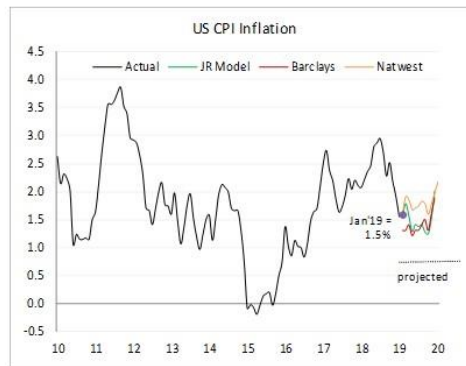
It's possible that past capex improvement will deliver a productivity boost

7

## (c) Fed flexibility



Greenspan's Fed was able to cut rates twice during the 1990s tightening cycle in both '95 and '98



Benign inflation, if realized, would help Fed's flexibility on rates

8

## Wage inflation unlikely to 'alarm' Fed



Wages growth in the economy is finally accelerating as the jobs market tightens. That said, employee income as a share of the economy is still very low

9

## Challenging backdrop for economies/ markets

### Ageing business cycles

- US expansion is within months of a record 10 years.
- Japan's expansion just reached post-WW2 record 74 months.
- Euro Area's expansion is a relatively short six years to date. But the current slowdown is not in the PIGS, but the Big 3. Europe can no longer rely on US growth as a catalyst for its own growth.
- China growth slowdown appears deeper than the official data show.
- There is less runway for policy calibration

**Trade engagement, US debt trajectory and pockets of leverage concern, QE and policy errors, European populism, pockets of leverage in certain markets.**

10

# Challenge: Ageing Business Cycles

US Business Cycle assessment

Labor Market	Early	Late	%
Want A Job per Job Offer			98%
Unemployment Rate			95%
Small Business Hard to Fill			100%
KC Fed Labor Market Conditions			12%
Emp/Pop ex aging			83%
Activity	Early	Late	%
National Activity Index			34%
Personal Savings Ratio			61%
Consumer confidence			76%
Real Personal Disp. Income			35%
US Yield Curve (2yr vs 10yr)			82%
Quarterly	Early	Late	%
Profit share of GDP			25%
Current Account/GDP			40%
Leverage less core CPI YoY			31%
Net Worth/DI			100%
Housing affordability			57%

United States		
Mid	Late	Recession
Chicago Fed NAI	Fed tightening	
Real Disp. Income	Employed to Pop	
Personal Savings Ratio	Job Offers vs Prod	
Small Business Plans	Unemployment Rate	
Profit share	SBQ: Hard to Fill	
Leverage + External	Consumer Confidence	
Housing affordability	Net Worth/DI	
US Yield	Output gap	
Housing affordability	World Curve	
Labor Market Conditions		
Credit cycle		
Plans to Buy Home		
China		
SOP/ GASP	LA TE	Mid+
Investment	Mid	Mid
Li Keping index	Economy Watchers	Credit growth
Steel output	Unemployment rate	Output gap
Carap. rail electrify	BoJ Policy	Consumption
Consumer confidence	Trade	Employment
China PMI	Output gap	U rate
Decelerating	Turkish Factor UTR	ECB taper (Apr 17)
Fixed Asset Invest.	EUR Leading Index	Capex
Exports, imports/PMIs		Capex
Monthly flows		World export growth
CPI, PPI		Unemployment
M2, TSP growth		Consumer Confidence
Flat to Neg.		Late
Residential		Market PMIs
Car sales		Business factors
		EU/ES

External Manager Business Cycle assessment

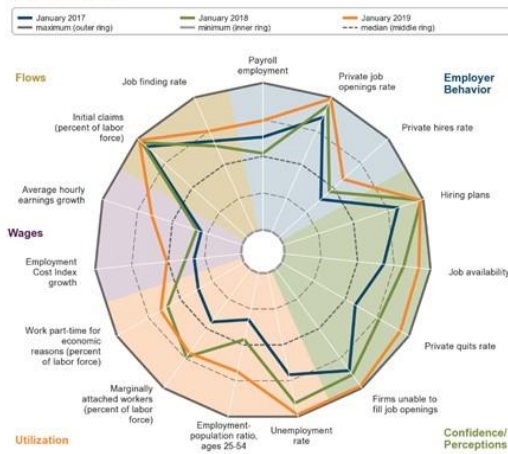
US	EU	UK	JN	China
5	5	5	N/A	N/A
5	4	5	5	5
5	4	4	5	5
4	3	3 (4)	3	5 (4)
4	4	5 (4)	5 (4)	N/A
5 (4)	5	5	5	7
5	3	5	5	5
4	3	4	4	5

11

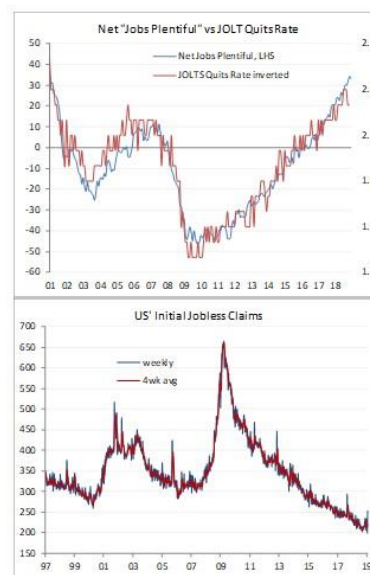
# Challenge: US labor market constraints

Labor Market Distributions Spider Chart

Data since March 1994



Some labor market indicators are pushing against post 1994 maximums.

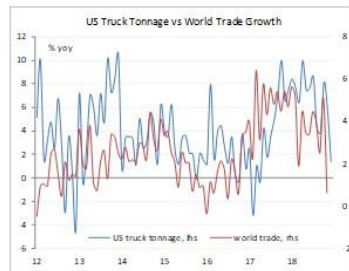


Households see a strong sellers market for their labor.

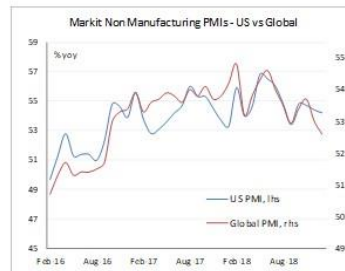
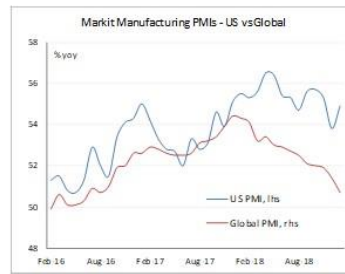
Record low jobless claims

12

## Challenge: Trade wars are a US own-goal



Boost to US from global trade faded into year end



US divergence from rest of world has held up .. In manufacturing

13

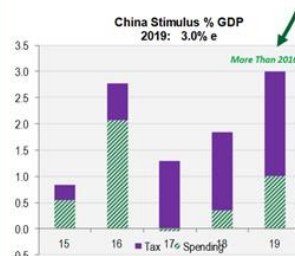
## Challenge: China slowdown ....

Broad measures show pronounced slowing



Official data show smooth soft landing to 6.4% but proprietary aggregations show much slower

Policy response has been incremental



Fiscal expansion accelerates

Impossible Trinity:

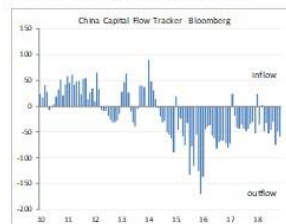
- Can China control capital outflows as it pulls policy levers?
- '14 reversal took two years

Chart 4: Credit growth (total social financing + government debt, y/y, %)



Source: Both Merrill Lynch Global Research

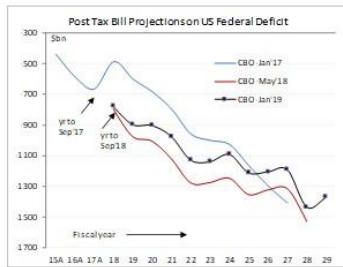
...and more room to accelerate credit



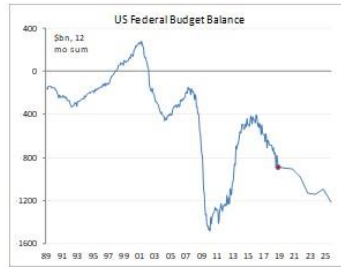
14



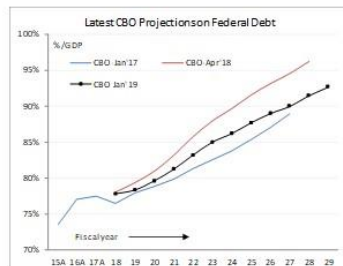
## Challenge: US debt trajectory



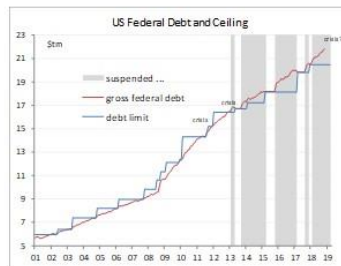
US tax packages (Tax Cuts and Jobs Act 2017 and Bipartisan Budget Act 2018) sharply increased prospective deficits



Setting up focus this year on the US debt ceiling

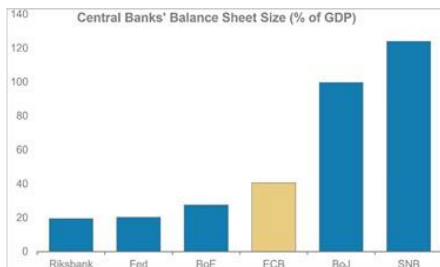


... although the January 2019 CBO update favorably modified future spending on emergencies and debt interest



15

## Challenge: Central bank liquidity withdrawal



Central banks have begun to end QE or to start QT



It may already have had some impact on global assets pricing.

16

# Challenge: European populism

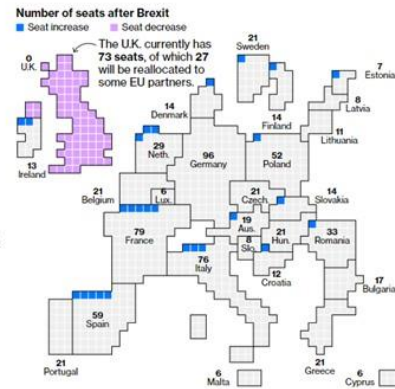
## May EU Parliament Elections

- The EU Parliament traditionally has split center-left/ center-right and pro/anti-EU.
- The anti-EU faction has had little power and ability to maneuver.
- However, if the UK leaves the EU, France, Spain, and Italy gain seats in the next EU Parliament.
- All three countries have non-mainstream parties that are more skeptical of the EU-project.
- Germany, while does not gain seats, has a more anti-EU balance of power, with AfD now the third largest party in the Bundestag
- Risk for the elections: The elections become a vote around the future to Europe or its priorities.

## Risks

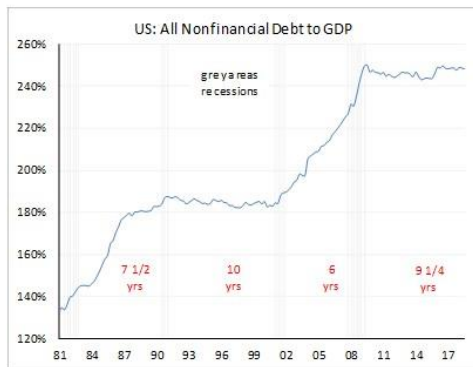
If anti-populist parties gain traction:

- Parliament becomes fragmented; policies are blocked (e.g. migration and the budget); and forward movement is curtailed.
- League of Leagues may emerge (anti-populist parties form a coalition).



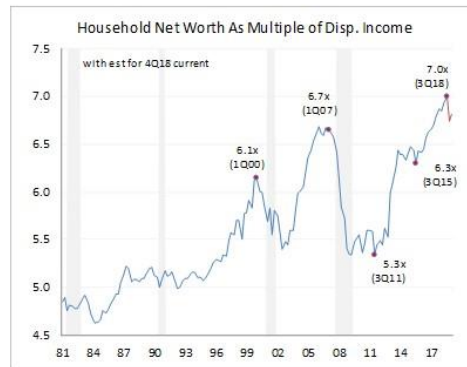
17

# Challenge: Leverage and Valuation



## Specialized risk

FOMC (Nov 7-8): "vulnerabilities from leverage in the nonfinancial business sector elevated and ... a pickup in the issuance of risky debt and the continued deterioration in underwriting standards on leveraged loans."



## Higher risk

FOMC (Nov 7-8): "vulnerabilities associated with asset valuation pressures continued to be elevated"

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# Scenarios

Downside (45%)	Central (40%)	Upside (15%)
"Valuation and policy risks"	"Shaking off distractions"	"Positive Synchronicity"
US' disruptive engagement threatens global upswing and balance of payments recycling.	Modest rise in US potential growth sustains expansion for now.	Self reinforcing acceleration in US productivity, helping tax reform to partly 'pay for itself'.
'Virtuous' cycle of balance sheet repair and spending unwinds.	Momentum in global economy levels out but does not fall away.	US and China realize mutual interest in backing off confrontation
China's kitchen sink approach to stimulus fails to rally that economy.	China and US corporates can manage the downside from trade disruptions.	
"Free lunch" in early stage of fiscal stimulus gives way to pre-election tactical chaos.	Well signaled (and flexible) removal of stimulus here and abroad.	

## Appendix J

### *Post-Recession Jobs Growth (July 2011-July 2015)*

Table 1: California's Fastest Growing Industries Over the Last Three Years of the Economic Expansion (July 2012 - July 2015; Not Seasonally Adjusted Data)			
<u>Largest Job Gains</u> (Three-Year Change in in Number)		<u>Fastest Job Growth</u> (Three-Year Change in Percent)	
Individual and Family Services	188,900	Other Information Services	55.7%
Limited-Service Eating Places	98,800	Motor Vehicle Manufacturing	50.0%
Employment Services	91,900	Individual and Family Services	49.3%
Full-Service Restaurants	72,300	Building Material and Garden Equip. and Suppliers	34.6%
Computer Systems Design and Related Services	59,100	Data Processing, Hosting and Related Services	33.6%
Management, Scientific and Technical Consulting Svcs.	45,300	Building Finishing Contractors	30.4%
Building Equipment Contractors	40,500	Electronic Shopping and Mail-Order	30.3%
Other Information Services	29,600	Used Merchandise Stores	28.3%
Building Finishing Contractors	29,100	Amusement Parks and Arcades	26.8%
Offices of Physicians	27,200	Computer Systems Design and Related Services	25.7%
Grocery Stores	22,300	Building Equipment Contractors	25.0%
Management of Companies and Enterprises	20,400	Employment Services	24.5%
Investigation and Security Services	20,300	Management, Scientific and Technical Consulting Svcs.	24.1%
Residential Building Construction	19,100	Lessors of Nonfinancial Intangible Assets	24.1%
Architectural, Engineering and Related Services	18,700	Residential Building Construction	23.5%
State Government Education	18,400	Lumber and Other Const Materials Merchant Wholesalers	22.9%
Building Foundation and Exterior Contractors	17,300	Building Foundation and Exterior Contractors	22.3%
Automobile Dealers	17,300	Offices of Real Estate Agents and Brokers	21.7%
Services to Buildings and Dwellings	17,000	Nonresidential Building Construction	20.5%
Accounting, Tax Preparation and Bookkeeping Services	15,700	Other Personal Services	20.4%
Outpatient Care Centers	15,400	Electronic Computer Manufacturing	20.0%
Accommodation	15,200	Apparel, Piece Goods and Notions Merchant Wholesalers	19.6%
Nursing Care Facilities	14,700	Performing Arts, Spectator Sports, and Related	19.4%
Elementary and Secondary Schools	13,700	Limited-Service Eating Places	19.3%
Other Amusement and Recreation Industries	12,900	Special Food Services	18.7%
Amusement Parks and Arcades	12,500	Specialized Design Services	18.6%
Warehousing and Storage	12,200	Facilities Support Services	18.3%
Nonresidential Building Construction	12,100	Offices of Other Health Practitioners	18.0%
Offices of Other Health Practitioners	12,100	Other Financial Investment Activities	17.7%
Community Care Facilities for the Elderly	11,800	Other Specialty Trade Contractors	17.5%
Scientific Research and Development Services	11,500	Elementary and Secondary Schools	17.4%
Other General Merchandise Stores	11,000	Warehousing and Storage	17.2%
Agencies, Broker and Other Insurance Related Activities	10,500	Advertising and Related Services	17.0%
Advertising and Related Services	10,200	Investigation and Security Services	16.7%
Special Districts	10,200	Other Schools and Instruction	16.3%
County Government	10,000	Drinking Places (Alcoholic Beverages)	16.2%
Electronic Computer Manufacturing	9,600	Motor Vehicle and Parts Merchant Wholesalers	16.0%
General Freight Trucking	9,600	Commercial and Industrial Machinery Rental and Leasing	16.0%
Special Food Services	9,500	Automobile Dealers	15.9%
Wholesalers Electronic Markets Agents and Brokers	9,200	Independent Artists, Writers and Performers	15.9%
Other Specialty Trade Contractors	9,100	Land Subdivision	15.6%
Electronic Shopping and Mail-Order	9,100	Nonmetallic Mineral Product Manufacturing	15.4%
Colleges, Universities and Professional Schools	9,000	Community Care Facilities for the Elderly	15.2%
		Nondepository Credit Intermediation	14.8%

Source: California Unified Plan for WIOA Compliance





## Appendix K

### *2019 Goals for the California EDGE Coalition*



#### **MAKING CERTIFICATE AND DEGREE COMPLETION MORE AFFORDABLE AND ACCESSIBLE FOR LOW-WAGE WORKERS**

FEBRUARY 2019



One quarter of California's workforce – almost 5 million workers – earned an average of \$13 per hour in 2018. Often, low-wage workers do not have the education or training they need to move into higher-wage jobs making it difficult to obtain the skills needed to advance in their current job or transition to higher-wage employment in another field.



While California has made a commitment to college for all, many Californians still face significant financial, educational and navigational barriers to completing the education and training they need to succeed in today's labor market. Many of these workers are supporting families making it difficult to return to college and for those that go back to college for a certificate or degree, it often takes years to successfully complete and many fail to complete at all.



California's 114 community colleges account for 59% of higher education enrollment in the state. In 2016-17, California community colleges produced almost 85,000 certificates and 139,000 associate degrees. But significant achievement gaps exist, and students often take more college units and spend more time reaching their personal goals than necessary and many are unable to reach their goals.

California needs to take bold steps to tackle college affordability, achieve greater transparency around pathways and credentials, and make college more accessible for all.

We have made progress addressing these barriers in recent years. With the ongoing support of policymakers, practitioners, advocates, business and labor we are now poised to close the significant skill and equity gaps facing our state and achieve a broadly shared prosperity.

### **Tackling college affordability**

There is widespread recognition that California needs to retool how the state invests in financial aid and, more broadly, how we make post-secondary education and skills training affordable. California's financial aid program, the Cal Grant program, was originally designed to assist recent high school graduates with the tuition-related costs associated with college attendance.

Now almost 40% of California community college students are adults, over 25 years of age. Many of these students are returning to school to obtain skills, credentials, and degrees needed to compete in today's labor market. They are often employed in low-wage work and are self-supporting or family-supporting, making the cost of college attendance – which is far greater than just tuition and fees – a major barrier. And some students are facing problems of homelessness and hunger in order to get the education and skills they need to earn middle-class wages and achieve greater prosperity. California must do a better job of supporting lower income students' ability to pay for non-tuition costs such as housing, food, childcare, transportation and textbooks.

Governor Newsom's proposed budget calls for California to make a "down payment" toward college affordability. The proposed budget would provide supplemental awards for student-parents, create a modest expansion of the number of competitive awards typically utilized by non-traditional students who are often older and from lower-income households, and extend the California College Promise program that waives enrollment fees for first-time, full-time students for a second academic year. Also of note, is the Administration's stated intent to build on these investments to work toward making the total cost of college more affordable for all students, but particularly for the lowest income students in our state.

### **Next steps:**

- Provide greater need-based financial aid to help cover the total cost of college attendance and ensure that aid is provided regardless of age, time out of high school, or prior academic history.
- Address housing, transportation, childcare, and food insecurity issues facing low-income college students.
- Develop additional counseling and advising services to assist students with career and academic planning to ensure that they move efficiently towards their personal goals.

**Almost 5 million  
California  
workers earn  
an average of  
\$13 per hour.**





**Roughly 40%  
of community  
college  
students are  
over 25 years  
of age.**

### **Achieving greater transparency on education and training pathways and credentials**

All Californians – students, workers, practitioners, policymakers, and employers – benefit from easy-to-navigate, transparent and accessible information on the pathways and credentials offered in both the public and private sectors. The implementation of guided pathways – a process of redesigning college programs and student supports to facilitate student choice, progress, and certification or degree completion – should result in more transparent and easy-to-navigate pathways that ensure students are better able to make good decisions on programs of study and more rapid progress towards certificate or degree completion. Students also need better information on what credentials and degrees are available and the labor market returns on their investment of time and money.

#### **Next steps:**

- Create roadmaps for stackable credentials and pathways in high-demand occupations and fields.
- Develop a process for identifying educational and occupational credentials and their related competencies for programs offered by public and private educational and training entities in California.
- Publish data on the quality of program offerings, including time-to-completion and outcome information on programs of study.

### **Making college accessible for all**

Adult students often need smooth pathways into college and the flexibility that the traditional college schedule does not easily provide. More than 140,000 California students per year are enrolled in GED or high school equivalency programs. These students failed to finish high school when they were minors and are taking high school coursework in adult education classes. Offering them an easy pathway to co-enrollment in credit-bearing community college courses, particularly career education courses, could jump-start their post-secondary education and increase their chances for college and career success. Adult

students also benefit from clearly articulated courses that minimize the taking of excess units, evening and weekend classes, and a process for awarding credit for competencies they may have already acquired at the workplace. Another promising strategy is the creation of a new online college that beginning in the fall of 2019 will offer short-term, affordable credentials to Californians who lack a college degree or certificate. When fully up and running, this new college will offer an array of courses designed for working adults who don't have the flexibility to go to a college campus. The intent is to offer stackable, industry-valued credentials that can lead to upward mobility for low-skilled workers. The college also plans to develop a competency-based learning process to reward workers with college credit for the skills they have acquired on the job.

**Next steps:**

- Simplify the dual enrollment process to provide easy transitions from high school Career and Technical Education (CTE) and adult education programs into the community college.
- Ensure that the online college develops stackable credentials with employer engagement, wrap-around supports, and a focus on economic mobility.
- Develop and scale-up credit-for-prior learning models to make it easier for adults to earn college credit in areas of competency attainment.



**California Hospital Association**  
**California Labor Federation, AFL-CIO**  
**California Manufacturers and Technology Association**  
**California Workforce Association**  
**Career Ladders Project for the CA Community Colleges**  
**Los Angeles Area Chamber of Commerce**  
**PolicyLink**  
**State Building and Construction Trades of California**  
**UnidosUS**

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# Appendix L

## *Skills for California: 2019 Policy Agenda Action Plan*



## 2019 POLICY ACTION AGENDA

California's economy is at a crossroads. The state's GDP is now the fifth largest in the world, but with one in four Californians living in or near poverty, the state's prosperity stands on shaky ground. California's policy leaders can secure an economic future that works for all of California by investing in the state's greatest asset: its people. A stable, well-paying jobs is a top priority for Californians who struggle to make ends meet. Meanwhile, a skilled and diverse workforce is a key asset to California companies competing in a global marketplace.

Governor Newsom and the Legislature must work together in 2019 to develop and implement solutions to strengthen our economy and support broadly shared prosperity. This 2019 Policy Action Agenda for California identifies three immediate, actionable strategies for achieving this goal. These strategies are aligned with our state workforce development policy agenda: Securing a Strong Economic Future for all Californians, which has been endorsed by a network of over 40 business, labor, community-based, educational, and workforce organizations.

**Create more training opportunities for low-wage workers and other low-income Californians.** Almost 5 million working Californians earn less than \$14/hour. Many of these Californians want to increase their skills to move into higher-paying jobs with better opportunities for career advancement. And many more low-income Californians face challenges — such as financial constraints, limited literacy, numeracy, digital skills, and English language skills, criminal records, and limited work experience — that must be addressed so they can participate in job training and the workforce.

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**ACTION:** Leverage existing public funding streams — such as the Employment Training Panel, Workforce Investment and Opportunity Act, and infrastructure investments — to provide training and upskilling in high-demand industries that offer economic mobility for low-wage workers and other workers with barriers to employment.

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(Continued on back)



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**ACTION:** Invest in high quality pre-apprenticeship programs tightly linked to apprenticeship opportunities in high-demand fields in order to expand and diversify the apprenticeship pipeline;

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**ACTION:** Support community-based organizations that can remove barriers to work and expand industry-based training and support services.

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**Transform financial aid so that more low-income Californians can afford to build in-demand skills.** While California waives community college tuition and fees for low-income students, additional costs — from books and supplies to housing, transportation, and childcare — make post-secondary career education and training unaffordable, particularly for working adults who need to balance the costs of training with work and family needs. The net cost of attending California community colleges can be higher than UC or CSU because non-tuition costs are less likely to be covered.

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**ACTION:** Increase state investments in financial aid provided through the Cal Grant program to better reflect students' financial needs beyond tuition and expand access to financial aid to more people, including working adults.

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**Create data systems that work across California's workforce, education, human services, and corrections systems while protecting individuals' privacy.** High-quality, cross-sector data systems can help practitioners, policymakers, and the public make informed decisions about education, training, and economic mobility strategies. They can be used to understand educational progress and outcomes, close equity gaps, and improve workforce outcomes. Statewide data systems should provide up-to-date information and produce tools that people, decisionmakers, and providers can use. These data systems and tools should not report personally identifiable information, should protect the privacy of individuals, and should maintain data security.

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**ACTION:** Create state longitudinal data systems (SDLS) to inform policymaking, close equity gaps, and improve educational, workforce, and other outcomes. Data systems for education and workforce programs should "talk" with one another and with data from social services, corrections, and other programs that that impact Californians.

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Finally, as California's leaders build on the strengths of the existing system to take workforce development to a new level, they should do so in full conversation and partnership with workers and students, industry, labor, community leaders, and education and training providers who are committed to ensuring that workforce development is one of key levers for equity, economic opportunity and growth.

## **Appendix M**

### ***Summary of Selected Budget Actions 2017-2018***

This appendix includes summaries of the 2017-18 and the 2018-19 California Budget actions related to economic, community, and workforce development.

#### **2017-18 Budget Highlights**

##### **Investments in Economic and Small Business Development**

- **Approved the expansion** of the **Earned Income Tax Credit (EITC)** to include self-employment income and increased the maximum income for which EITC is allowed from \$14,161 to \$22,300. The increase represents just slightly more than the annual income of a fulltime minimum wage worker. Under this proposal, the number of families participating in this program is expected to quadruple.
- **\$3 million** for the **Capital Infusion Program**, administered through the Governor's Office of Business and Economic Development. This is \$1 million above the Governor's May Revise Proposal.
- **\$5 million** in ongoing (General Fund) to support and expand **Veteran's Resource Centers**. Additionally provides **\$7 million** in one-time funding to create and expand **Veterans Resource Centers**, of which \$2 million one-time will go to support the veteran center at Norco Community College.
- **\$1.5 million** in one-time (Proposition 98) funding for the Department of Education to establish the **California-Grown Fresh School Meals Grant Program** to incentivize schools to purchase California-grown food and expand the number of freshly prepared meals.
- **\$49,000 for 2017-18, and \$16,000 in 2018-19 and ongoing** to support the additional workload associated with the offering of **four insurance licensing exams in Spanish**, mandated through AB 1899 in 2016.
- **\$2.4 million** from the Business Programs and Modernization Fund to continue implementation of the **California Business Connect**. The total project cost of 2017-18 is \$4.11 million, with \$2.04 million coming from existing resources of the Secretary of State.

##### **Investments in the Current and Future Workforce**

- **\$150 million** in one-time (Proposition 98) funds to implement the **Guided Pathways Program** to improve student outcomes at Community Colleges.
- Provides **\$200 million** in 2017-18 in one-time (Proposition 98) funds for the **Career Technical Education Incentive Grant**.

- **Rejected the Governor's** proposal to eliminate funding for the **Career Technical Education Pathways Program**. Provides **\$15.3 million** in ongoing (Proposition 98) funds for the Department of Education to retain the program.
- **\$8 million** one-time to the **Economic Workforce Development Program**, located within the Community College Chancellor's Office, to fund the creation and expansion of career technical education programs in areas with high unemployment.
- **\$57.8 million** from the **Clean Energy Job Creation Fund** (Proposition 39 funds) to support projects in the areas of lighting efficiency, systems efficiency, and other energy efficiency programs, including **workforce training**.
- **Approved trailer bill language** that ensures that **veterans** are eligible to pay **in-state tuition** rates at California Community Colleges.
- **\$3 million** in one-time General Fund moneys to support the **Career Online High School program** offered through the California State Library.
- **\$670,000** in additional General Funds for the **Work for Warriors program**, administered through the California Military Department.
- **\$2 million and necessary trailer bill language** for the **Supervised Population Workforce Training Grant funded** programs to develop competitive workforce training programs for individuals on parole, probation, mandatory supervision, and post release community supervision. In addition, \$250,000 one-time General Fund for expansion of the **Underground Scholars program** to the community colleges.
- **\$5 million** in one-time (General Fund) moneys to provide the necessary equipment and technology to support career technical education programs at the Department of Corrections and Rehabilitation. In addition, the budget **continues the \$5.5 million** in existing restorative justice and innovative long-term offender programming.
- **Approved trailer bill language** to create a **CalWORKs Outcomes and Accountability** effort that will assist with evaluating the strengths and areas for improvement in the program over time.
- **\$4 million** (General Fund) for 2017-18 on a one-time basis to fund **allied health educational awards** and stipends for qualified individuals completing their high school diploma or enrolled in an eligible educational or training program leading to a career technical education program certificate, an associate's degree, or a bachelor's degree.
- **Adopted trailer bill language** which requires that performance objectives included in regional center contracts measure progress and outcomes in implementing the **Employment First policy**. Updates the rate paid for vouchered community-based training services and specified supportive employment services to \$14.99 per hour and \$36.57 per hour, respectively, to reflect the rate increases provided in 2016 enacted legislation: Assembly Bill X2 1 (Thurmond), Chapter 3, Statutes of 2016.

- **Approved one permanent full-time position** to support the management of the **California Innovations Program**, which is funded through a six-year, \$9 million federal Work-Based Learning Grant for Students with Disabilities.
- Approved **trailer bill language** to align statute with the requirements of the **\$500 million in Proposition 51**, a 2016 state General Obligation bond, designated for facilities that support K-12 career technical education programs.
- **\$15 million** (General Fund) loan to cover the necessary start-up and administrative costs of **Secure Choice Retirement Savings**, a retirement program open to small business owners and workers with deposits made through payroll deductions.
- **\$877,000 in federal funds** from 2016-17 and **\$923,000** on 2017-18, for the purpose of expanding existing **apprenticeship programs** and creating new programs in nontraditional fields. An additional \$300,000 is provided for apprenticeship programs in collaboration with the California Firefighter Joint Apprenticeship Committee to develop a pilot program.
- **Authorizes funding** from the Road and Accountability Act for **pre-apprenticeship programs**, including those targeting underserved communities and women in nontraditional fields.

## 2018-19 Budget Highlights

### *Investments in Economic and Small Business Development*

- **\$17 million** annually (General Fund) to GO-Biz for five years to establish a new **Small Business Technical Assistance Expansion Program** to support one-on-one counseling and training.
- **\$3 million** annually (General Fund) to GO-Biz for five years to continue funding the **Small Business Access to Capital Program**.
- **\$3 million** one-time (General Fund) to GO-Biz to establish a matching grant program to help draw down federal small business technical assistance dollars and fund one-on-one counseling and training.
- General augmentation to the Department of Food and Agriculture **for grants to small businesses for refrigeration units**.

### *Investments in Industry-Level and Regional Economic Development Activities*

- **\$180 million** in annual tax credit allocation authority and a **five-year extension** of the **California Competes Tax Credit** program through 2022-23.
- **\$330 million** in annual tax credit authority and a **five-year extension** of the **Film and Television Tax Credit**.

- **\$6.5 million** for the **California Autotech Testing and Development Project** at Castle Air Force Base in Merced County.
- **\$1 million** for the Green Business Network Program, administered through the California Environmental Protection Agency.
- **\$5.1 million** Business Fees Fund for the continuation of resources needed to maintain an average of **5 business days or better turnaround/processing time for business filings** and statements of information until California Business Connect is implemented.

#### **Investments in Building a More Inclusive Economy**

- **\$8.5 million** in one-time General Fund to the **County Veteran Resource Centers**.
- **\$10 million** in Proposition 64 funds to GO-Biz for a community and economic development program to serve **communities impacted by the state and federal war on drugs**.
- **\$10 million** to GO-Biz for a program to **assist underserved business owner groups** in participating in legal cannabis production, wholesale, and retail business opportunities. Funding is subject to the Governor signing a bill.
- Expands the **Earned Income Tax Credit (EITC)** to cover working individuals who are aged **18 to 24** or are **over the age of 65** and also **increases the qualifying income range** for the credit so that employees working up to fulltime at the 2019 minimum wage of \$12 per hour would qualify for the credit.
- **\$2.5 million** General Fund loan to the Secure Choice Retirement Savings Program for the program's startup and administrative costs. Also changes the name of California Secure Choice Retirement Savings Program to CalSavers. This program requires small businesses to **set up retirement accounts** for employees through CalSavers. Business owners and employees **are authorized, but not mandated**, to participate.

#### **Investments in the Current and Future Workforce**

- **\$1 billion** in federal and state funds over four years for **early childhood** education to add 13,400 child care and 2,947 preschool slots, increase rates for providers, and make new quality investments.
- **\$100 million** in one-time non-Proposition 98 General Fund for **facility grants** for local educational agencies that want to implement **full-day kindergarten** programs.
- **\$78.4 billion** in Proposition 98 funding to provide record-level funding for **K-14 education** and fully fund the Local Control Funding Formula. **Proposition 98** funding climbs to **\$11,639 per K-12 student** — up more than \$1,000 per student since 2016-17.
- **\$1 million** in one-time General Fund to support and expand the **Career Online High School** program. The program offers free GED courses for students and has nearly 650 libraries participating.
- **\$314 million** for **K-14 Career Technical Assistance**:



- **\$150 million** ongoing Proposition 98 funds for the **Career Technology Education Incentive** grant program, administered through the Department of Education.
- **\$150 million** ongoing Proposition 98 funds for the Governor's **K-14 CTE Program**, administered through the Community Colleges' Strong Workforce program.
- **\$14 million** ongoing Proposition 98 funds to support Workforce Pathway Coordinators, K-14 Technical Assistance Providers, and the consortia administrative costs.
- Authorizes **charter schools to participate** in **College and Career Access Pathways programs** and clarifies that a charter school participating in a College and Career Access Pathways dual enrollment agreement – like a school district or community college district – not be funded for the same instructional time.
- **\$100 million** in one-time costs and **\$20 million in ongoing costs to create an online college to provide industry-valued credentials** to meet the vocational and educational needs of Californians who are not currently accessing higher education.
- **\$21.6 million increase** for the **Adult Education Block Grant** to reflect a cost-of-living adjustment, and requires adult education providers to participate in regional planning consortia and report adult education services and funds to the state as a condition of receiving these and other state or federal funds.
- **\$10 million** to establish the **California STEM Pathways Grant Program** to provide students in grades 9-14 with educational pathways focused on STEM programs, and establish partnerships between community colleges, high schools, and industry.
- Provides significant funding increases for the **CSU and UC systems**.
  - **\$92 million** ongoing General Fund increase for the **UCs**, as well as additional increases of \$177 million in one-time General Fund and \$5 million ongoing from the General Fund. In combination with actions from the 2017-18 Budget, UC will **increase California enrollment by 2,000 students** in the 2018-19 academic year.
  - **\$92 million** ongoing General Fund increase for the **CSUs**, as well as additional increases of \$105 million from the General Fund, plus another \$167 million of one-time General Fund resources. The one-time CSU funding includes \$120 million to support a cohort of **3,641 new students** at about \$30 million per year over the next four years.
- **\$5.2 million** in General Fund to support a Cal Grant expansion for **foster youth**. This will allow former foster youth up to age 26 to be eligible for the **Cal Grant entitlement program** and allow these students to receive a Cal Grant for up to eight years.
- **\$5 million** increase in funding for a **reentry grant program** at the **California Community Colleges** to provide support for currently and formerly incarcerated students.

- **\$10 million** in one-time General Fund to fund the **Workforce Education and Training Program** which funds **stipends for psychiatric nurse practitioners and social workers**, and for residency and training slots for psychiatric mental health nurse practitioners.
- **\$1 million** one-time Mental Health Services Act State Administration Fund and budget bill language to create **scholarships for primary care physicians** in medical shortage areas of California to enroll in UC primary care psychiatric fellowship programs.
- **\$16 million** in General Fund in 2018-19 and **\$20 million** in 2019-20 to the California Workforce Investment Board to administer a revised form of the Breaking Barriers in Employment program called the **Prison to Employment program**. This program is designed to provide a stronger connection between education and job training activities in prison and post-release employment; integrate services of reentry service providers and career centers; and fund regional integration, direct services, and post-release supportive services.
- **\$15 million** in General Fund over a two-year period to the California Workforce Investment Board through the **Breaking Barriers in Employment Program** for training programs that serve farmworkers and veterans.
- **\$1.5 million** to the California Workforce Investment Board through the **Breaking Barriers in Employment Initiative** for training programs targeted to **serve adults with autism**.
- **\$8.2 million** to the California Department of Corrections and Rehabilitation to expand **Career Technical Education programming and refresh core equipment** statewide.
- **\$26.6 million** to the California Department of Corrections and Rehabilitation to establish the Ventura Training Center to provide **firefighting training and certification** for people on parole.
- **\$5 million** in one-time Proposition 98 funds for a **Refugee Career Pathways** program.
- **\$1 million** in ongoing Proposition 98 funding for the California College Guidance Initiative's **Student Friendly Services** project.

## **Appendix N**

### ***Biographies of Speakers***

#### ***Carolyn Chu, Deputy Legislative Analyst, State and Local Finance, Legislative Analyst's Office***

Carolyn Chu is the Deputy Legislative Analyst for State and Local Finance at the Legislative Analyst's Office. In this capacity, Carolyn leads the office's work on the California economy, state revenues, overall General Fund expenditures, pensions and employee compensation, local government issues, and others. Prior to her role as deputy, Carolyn worked on education and local government issues at the LAO. Previously, Carolyn worked at the U.S. Defense Department and the RAND Corporation. Carolyn received her master's degree in public policy from UC Berkeley and her undergraduate degree from Bowdoin College.

#### ***Paul Granillo, President & CEO of the Inland Empire Economic Partnership***

Paul Granillo became President and CEO of the Inland Empire Economic Partnership in 2010 and restructured the organization with a vision for bettering the quality of life and business climate of Riverside and San Bernardino counties. He is a board member and past Chair of Mobility 21, which is a coalition that brings together public, business and community stakeholders to pursue regional solutions to the transportation challenges facing Southern California. He also serves on the board and is Past-Chair of the California Stewardship Network, which develops innovative regional solutions to the state's most pressing economic, environmental, and community challenges.

Additionally, Mr. Granillo serves on the Southern California Association of Governments Global Land Use and Economics Committee and sits on the boards for The Community Foundation serving Riverside and San Bernardino counties, the California State University San Bernardino Foundation, the Leonard Transportation Center, the Regional Economic Association Leaders of California, the KVCR Foundation, the Campaign for College Opportunity, Californians Dedicated to Education Foundation, and Rail to Redlands. He has also served as Past-Chair of the California Economic Summit and is a member of its Steering Committee. In 2018, Mr. Granillo was named Regional Steward of the Year by the California Economic Summit for his work on behalf of businesses and residents of the Inland Empire.

Before coming to IEEP, Mr. Granillo served as Director of Alumni Relations at the University of Redlands. Previous to this, he served as a priest of the Diocese of San Bernardino. During his time with the diocese, he was assigned as the Priest Secretary to Bishop, Director of Communication, Director of External Relations, and oversaw the development efforts on behalf of the diocese.

A native of the Inland Empire, Granillo was born and raised in Redlands. He received a B.A. from California State University San Bernardino, a Master of Divinity from St. John's Seminary in Camarillo and a Licentiate in Canon Law from the Catholic University of America in Washington, D.C.

#### ***Scott Hauge, President of CAL Insurance and Associates, Inc.***

Scott is a leading advocate for small and medium-size businesses. He has introduced government legislation that affects business on local, state and national levels. He was named the 2007 Small Business Advocate of the Year by the National Small Business Association and the 2014 Small Business Advocate of the Year by the California Association for Micro Enterprise Opportunity.

Scott serves on more than 10 boards and commissions. He is the founder and president of Small Business California, a nonprofit, nonpartisan advocacy and education group for small businesses. He is co-founder and vice president of Clinic by the Bay and on the board of advisers at Insure the Uninsured Project.

***Bob Lanter, Executive Director of the California Workforce Association***

Bob Lanter is currently the Executive Director of the California Workforce Association leading the way in workforce strategy and the implementation of the Workforce Innovation and Opportunities Act for the state of California. Bob has 25+ years' experience in the public sector and non-profit industry, with experience in the field of workforce development and job training. He has held various positions in local workforce investment systems from case manager to the Executive Director of the Contra Costa County Workforce Board. He gained national/federal experience working for the U.S. Department of Labor's Employment and Training Administration as a Federal Project Officer. Before taking over as Executive Director at CWA, Bob owned and managed a national consulting practice where he and his team facilitated organizational retreats, team building meetings, strategic planning and assessment projects for local, state, and national workforce development, government and non-profit organizations. He also has developed and delivered training curriculum and keynote addresses in multiple topics of workforce development that have helped inspire thousands of professionals in the industry. He graduated from California State University, East Bay with a Bachelor's Degree in Personnel Administration and Industrial Relations; additionally he is a Certified Master Facilitator from the Institute of Cultural Affairs. Bob can be reached at [blanter@calworkforce.org](mailto:blanter@calworkforce.org)

***Jim Mayer, President & CEO of California Forward***

Jim Mayer is President & CEO of California Forward, a bipartisan public interest effort to bolster democracy and improve the performance of government in California. Working with civic and governmental partners statewide, CA Fwd has been the consistent advocate for comprehensive governance reforms that will lead to better results and accountability. As its chief executive, Mayer has helped to usher California's modernization of redistricting, primary elections, term limits, ethics and transparency laws – to empower voters, encourage bipartisan solutions and restore public trust. He shepherded CA Fwd's efforts to build capacity within governments to improve outcomes, and to advance a shared agenda among private, civic and public sector leaders to sustainably and equitably increase prosperity.

For a decade, Mayer was a daily newspaper journalist chronicling public problems. For another decade, Mayer staffed and led an independent and bipartisan state commission charged with reviewing programs and policies and recommending reforms to the Governor and the Legislature. And for the most recent decade, Mayer has helmed a civic effort to close the gap between what state and local agencies are getting done – and what they need to get done to reduce poverty and restore upward mobility, to create sustainable and equitable communities, and to support competitive and resilient regional economies.

As a journalist with The Press-Tribune in Placer County, The Bakersfield Californian and The Sacramento Bee, Mayer was recognized statewide for his coverage of education and natural resource issues. While a project manager, deputy director and executive director of the Little Hoover Commission, he was involved in more than 30 comprehensive reviews of government policies and operations.

At CA Fwd, he has worked with volunteer leaders and a statewide team of staff and consultants to mature solutions from ideas to implementation – from fiscal procedures to specific programs focused on public health, safety and education.

He is a graduate of Diablo Valley College and California Polytechnic State University, San Luis Obispo. He earned a master's in public policy from California State University, Sacramento and was a fellow at the University of Michigan. JAMES P. MAYER  
President & CEO, California Forward

***John Rothfield, Investment Director and Head Economist, CalPERS Investment Office***

John Rothfield is CalPERS' lead Economist and an Investment Director in Global Fixed Income. As such John is involved in briefing the Investment Strategy Group, the Portfolio Allocation Sub-Committee and the Board on US and global economic and policy developments and their impact on asset market pricing and investment opportunities.

Prior to joining CalPERS in 2012 John had an 18-year career in Global Markets Research and Strategy at Bank of America -Merrill Lynch and, before that, at First Chicago Bank and the Australian Treasury, including a stint at the International Monetary Fund in Washington DC. John completed a graduate degree in Economics from UCLA in 1985-87.

***Rona Levine Sherriff, Co-Director of the California EDGE Coalition***

Rona is Co-Director of the California EDGE Coalition - a coalition of business, labor, social justice, education, and workforce organizations - engaged in education, advocacy and coalition focused on closing the skills and equity gap in California. She worked for over fifteen years in the California State Senate where as Deputy Director of Research for the Senate Office of Research she managed the work of a legislative policy team responsible for education, labor, workforce development, and public employment and retirement policy. She also worked as a consultant to the Senate Industrial Relations Committee and the Senate Select Committee on Workforce Preparation. While in the Senate she authored a series of reports and publications and served on various state and national boards.





# End Notes

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