

Date of Hearing: April 23, 2019

ASSEMBLY COMMITTEE ON JOBS, ECONOMIC DEVELOPMENT, AND THE ECONOMY

Sabrina Cervantes, Chair

AB 1274 (Salas) – As Amended April 10, 2019

SUBJECT: California Partnership for the San Joaquin Valley

POLICY FRAME: California is not only one of the largest economies in the world, it is also one of the most economically diverse. 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, water technology and agribusiness drives growth in others. In the last three decades, the San Joaquin Valley (SJV) has experienced exceptional growth in its population, often ranking among the fastest growing areas of the state. Economic growth, however, did not keep pace in what was already a lower middle-income area. Significant stress continues to be placed on public and private resources as market forces transform this historically rural region into “affordable” residential neighborhoods for sleep deprived Bay Area workers.

Even with these economic, social, and environmental challenges, residents of the SJV have retained their communitarian spirit. The SJV is one of those regions with active civic leaders who still see themselves as having a responsibility to the broader well-being of the community. Recognizing the deepening issues for SJV residents, in 2005, the state established a formal partnership with the SJV and committed to supporting their efforts to improve the region, which some had labeled the “Appalachia of the West.”

AB 1274 proposes to codify this relationship, which has until now existed through Governors executive orders. The analysis includes information on the origins and activities of the California Partnership for the San Joaquin Valley (Partnership), including data on how state moneys have been leveraged over the past decade to support local and regional projects. Suggested amendments are included in Comment 5.

SUMMARY: AB 1274 codifies the Partnership, a public/private partnership established for the purpose of collaboratively undertaking activities to improve the economic vitality of the SJV. Specifically, this bill:

- 1) **Partnership Continuation:** Codifies the continued existence of the Partnership, which was initially established by Executive Order S-5-05, and continued by Executive Orders S-22-06, S-17-08, and S-10-10.
- 2) **SJV Region:** Requires the Partnership to include the following SJV counties:
 - a) The County of Fresno.
 - b) The County of Kern.
 - c) The County of Kings.
 - d) The County of Madera.
 - e) The County of Merced.
 - f) The County of San Joaquin.
 - g) The County of Stanislaus.

h) The County of Tulare.

3) **Duties:** Sets the Partnership's duties as follows:

- a) Identification of projects and programs that will best utilize public dollars and most quickly improve the economic vitality of the SJV, especially those that leverage federal, state, local, and private sector resources in a coordinated effort to address critical needs in the SJV.
- b) Work with members of the state's congressional delegation and federal officials, including the federal Interagency Task Force for the Economic Development of the Central SJV, to gain federal support for projects identified by the partnership as critical to the region.
- c) Partner with the University of California, the California State University, community colleges, and the state's other research and educational institutions, as well as private foundations, to provide guidance, advice, and encouragement in support of studies of particular interest and importance to the SJV.
- d) Review state policies and regulations to ensure they are fair and appropriate for the state's diverse geographic regions, including the SJV, and determine whether alternative approaches can accomplish goals in less costly ways.
- e) Recommend to the Governor changes that would improve the economic well-being of the SJV and the quality of life of its residents.

4) **Governing Board:** Requires the Partnership to be governed by a board of directors consisting of the following members:

- a) A board chair and two deputy chairs who shall be voting members of the board.
- b) Requires the Governor to appoint the following members:
 - i) One member from a state agency.
 - ii) One member from a local agency located within one of the specified counties.
 - iii) One member from the private sector.
- c) Requires the Governor to appoint members representing the following groups:
 - i) Eight Class A state government directors representing various state agencies, appointed to the board as ex officio voting directors. These members serve at the pleasure of the Governor.
 - ii) Eight Class B local government directors, one from each of the specified SJV counties. These directors shall be appointed by the Governor from lists of candidates nominated by each of the eight corresponding councils of governments. Requires the nominees from each council of governments be made from among the mayors and members of city councils representing cities located within the county and members of board of supervisors of the county.
 - iii) Eight Class C private sector directors, one from each of the eight SJV counties.
 - iv) Five Class D liaisons to government agencies and commissions, which shall be a resident of one of the eight SJV counties and who serve on one of the following state agencies and commissions: the State Air Resources Board, the California Transportation Commission or the California Workforce Development Board.
 - v) 12 Class E representatives of consortia, who shall be representatives of regional consortia of existing organizations within the SJV counties. The regional consortia representatives shall be nominated by the board for consideration of appointment by the Governor.
 - vi) Not more than five Class F directors with specialized expertise, who shall be individuals with specialized subject matter expertise and knowledge of San Joaquin Valley issues recommended by the board chair.

- vii) Every member of the Legislature and the United States Congress that represents a SJV county serves as an ex officio nonvoting member. The ex officio nonvoting directors are not subject to term limits.
- 5) **Board Terms:** Specifies that the terms of service for Class B, Class C, and Class D directors is three years and for no more than three terms, including partial terms. Class E and Class F directors serving upon the effective date of this bill are to be based upon the terms of office for that director that were effective on January 1, 2019. In addition, the bill specifies the following:
- a) In the event of a vacancy on the board, which may result from the death, resignation, or removal of a director, a successor is to be appointed by the board to serve until the expiration of the term of the replaced director and until a successor has been selected and qualified.
 - b) Notwithstanding subparagraph (a), a director may be removed at the discretion of the Governor.
 - c) Provides that a director who fails to attend 50% or more of the board meetings in any 12-month period is subject to removal from the board.
- 6) **Board Meetings:** Specifies that board meetings are to be presided over by the chair. In the absence of the chair, one of the two deputy chairs will preside. Other related requirements include:
- a) A majority of the appointed directors constitute a quorum and are necessary for the transaction of business.
 - b) Ex officio nonvoting members are not counted for purposes of determining whether a quorum has been achieved.
 - c) Every decision made by a two-thirds vote of directors participating in a meeting in which a quorum has been constituted shall be regarded as an act of the board.
- 7) **Fiscal Agent:** Authorizes the California State University, Fresno Foundation, as specified, to continue to receive and administer appropriations on behalf of the partnership.
- 8) **Committees:** Authorizes the board to appoint an executive committee, comprised of the chair, the two deputy chairs, and up to four additional board members appointed by the chair. Issues may be delegated to the executive committee except for final action on matters which, under the Nonprofit Public Benefit Corporation Law, require approval of a majority of all directors. The board may also appoint other committees as appropriate.
- 9) **Annual Report:** Requires an annual progress report to the Legislature with the first report due on January 1, 2021, as specified.
- 10) **Foundation of Special Statute:** Makes legislative findings and declarations that:
- a) A special statute is necessary and that a general statute cannot be made applicable, as specified, within the meaning of Section 16 of Article IV of the California Constitution because of the unique challenges faced by the San Joaquin Valley.
 - b) Continuing the California Partnership for the San Joaquin Valley will aid in addressing the needs of the San Joaquin Valley, including areas where the San Joaquin Valley is underserved.

EXISTING LAW, pursuant to gubernatorial Executive Order (EO), provides for the establishment and operation of the Partnership for the purpose of facilitating the implementation of the San Joaquin Valley

Strategic Action Plan. Originally authorized in June of 2005, the Partnership was re-authorized in November of 2006 and again in 2010.

FISCAL EFFECT: None

COMMENTS & CONTEXT:

- 1) **Origins of the Partnership and Leveraging the Initial Investment:** The Partnership was established in June of 2005 through a gubernatorial EO with its board members being appointed by September of the same year. At the Partnership's first meeting, board members adopted a work plan and established 10 working groups. Ultimately, the recommendations from these working groups were combined with testimony offered at almost a dozen public meetings to comprise the basis of a comprehensive regional strategic action plan, *The San Joaquin Valley: California's 21st Century Opportunity* (October 2006).

The Partnership received \$5 million in the 2005-06 Budget Act. Half of the moneys were allocated toward state and local administrative costs and half of the proceeds were allocated as seed grants to jumpstart the implementation of the Partnership's strategic action plan.

In addition to the moneys allocated through the 2005-06 Budget Act, the Partnership has also served as a catalyst for advancing locally defined priority projects identified in their 2006 strategic action plan. By 2008, over \$6 million in existing state program dollars had been targeted for Partnership priorities, including funding for a regional nursing education consortium, Highway 99 improvements, and job training for high-wage occupations, such as manufacturing, logistics, and construction.

From the initial \$5 million in state finds, the Partnership has successfully leveraged over \$13,048,440 in Federal and philanthropic investments. Below is a summary of those new investments, as summarized by the Partnership.

Philanthropic Investments: \$1,991,180

In addition to administrative support from the James Irvine Foundation, other grants have included:

- California Emerging Technology Fund for *San Joaquin Valley Get Connected!* to support advanced communications services; *Fresno County AgTech Pilot Project*; *Frontier* and *Spectrum* new internet adoption projects
- Central Valley Community Foundation for *El Nino is Not Enough: Funding & Solutions for Drought-Stricken Communities* resource workshops and *Water and Climate: A Visual Storytelling Project* to support water quality, supply, and reliability
- Central Valley Community for *Streets Alive* rural community bicycle and walkability audits to support sustainable communities
- JP Morgan Chase for *Central Valley AgPLUS: Food and Beverage Manufacturing Consortium* funders forum and supply chain mapping to support regional industry clusters

Federal Investments: \$11,057,260

Federal agency grants have supported a variety of the Partnership's strategic priorities, including:

- U.S. Department of Labor for *Workforce Training for Target Industry Clusters*

- U.S. Department of Housing and Urban Development for *Smart Valley Places*
- U.S. Economic Development Administration for *Valley Connect*; support for *Regional Industry Clusters*; a *Manufacturing Communities Partnership Planning Grant*; designation for the *Central Valley AgPLUS: Food and Beverage Manufacturing Consortium*; and, support for the *Great Central Valley University Center* (a project with CSU-Chico)
- U.S. Small Business Administration for *Central Valley Business Incubator Small Business Development Center* activities and *Fresno State Small Business Development Center* activities
- U.S. Department of Agriculture, Rural Business Development for *Emerging Small Businesses in San Joaquin, CA*; *Emerging Small Businesses in Orange Cove, CA*; *Emerging Small Businesses in Planada, CA*; *Energizing Small Rural Farmers* energy efficiency workshops and technical assistance; *Central Valley AgPLUS: Food and Beverage Manufacturing Consortium* workshops
- U.S. Department of Agriculture, *Farmers Market Promotion Program* activities in the rural communities of Biola, Firebaugh and Mendota
- U.S. Department of Agriculture, Rural Community Development Initiative for *San Joaquin Valley Pathways to Rural Economic Prosperity* project
- U.S. Department of Agriculture, *Rural Energy for REAPing Benefits in the San Joaquin Valley* small farmer renewable energy outreach and education project
- Promotion Program activities in the rural communities of Avenal, Huron and Orange Cove in support of *Partnership Economic Development and Health Work Groups*

Last year, the Irvine Foundation grant expired and, after more than a decade, the Partnership was allocated \$500,000 in the 2018-19 state budget, which is intended to cover 2.5 years of operating expenses through the California State University Fresno Foundation, which serves as the Partnership's fiscal agent.

- 2) **The Partnership Today:** The Partnership describes itself as an organizational framework for collaboration with others who are committed to improving the quality of life in the San Joaquin Valley. The Partnership website (<http://www.sjvpartnership.org/>), underscores that the Partnership is a regional collaboration, not a governance body or policy maker.

The Partnership comes together to support policies that are regional in scope and that create a prosperous economy, quality environment, and social equity through the San Joaquin Valley. In ranking order, the current strategic priorities for regional collaboration are:

- Water Supply & Quality (*adopted September 2015*)
- Greenhouse Gas Reduction Funding (*adopted September 2015*)
- Higher Education (*adopted September 2015*)
- San Joaquin Rail Service (*adopted September 2015*)
- Regional Industry Clusters Initiative (*adopted September 2015*)
- Broadband (*adopted December 2015*)
- Health (*adopted September 2015*)

The Partnership does its work through 10 regional working groups, including working groups that focus on advanced communications services (broadband); air quality; economic development; energy;

health; higher education and workforce development; housing collaborative; preK-12 education; sustainable communities; and water quality, supply and reliability.

As the Partnership has matured, the composition and administrative structure of the working groups evolved. Two of the work groups spun off and became their own nonprofits, including the San Joaquin Valley Clean Energy Organization and the San Joaquin Valley Housing Collaborative. The Partnership designated three existing regional organizations and a government body to serve as the working group, such as the San Joaquin Valley Air Pollution District serves as the convening body for the air quality working group.

The economic developers in the San Joaquin Valley chose to establish their own collaborative entity, the Central Valley Economic Development Corporation, which serves as the economic development working group. As other areas of the state look to establish regional community and economic development collaborations, the Partnership could serve as a model and case study on how structures need to be flexible, different issues areas have their own unique engagement cultures, and, perhaps most importantly, trust builds over time.

Highlights from the 2016 annual report include:

- **Central Valley AgPLUS**

The Central Valley AgPLUS Food and Beverage Manufacturing Consortium (AgPLUS) was awarded an Investing in Manufacturing Communities Partnership (IMCP) designation through the U.S. Economic Development Administration in July 2015. AgPLUS was one of 24 regions recognized nationally. On Nov 17, 2015, AgPLUS held its kickoff stakeholder meeting in Sacramento. The meeting focused on the IMCP program, strategies moving forward, and goals for each Pillar Work Group. AgPLUS seeks to create a collaborative approach in providing resources to food and beverage manufacturers and partnerships to allow continued growth.

- **Manufacturing Summit**

The 2016 Manufacturing Summit was held on March 3, 2016, at the Fresno Convention and Entertainment Center. Jay Williams, U.S. Assistant Secretary of Commerce for Economic Development, served as keynote speaker. The Summit, which drew more than 650 individuals, including 150 students, focused on innovation and technology trends within the industry. RICCI is seeking to grow the manufacturing industry sector in the San Joaquin Valley; the Summit provided participants networking opportunities for this purpose.

Even with extremely limited funding, the Partnership continues to meet quarterly and serves as a unique gathering place for regional collaboration. Below is a selection of presentations made at Partnership meetings in 2018:

- Available Homeless Funding Resources, Lahela Mattox, Consumer Services & Housing Agency
- Community Choice Energy, Woody Hastings & Barry Vesser, Center of Climate Protection
- Valley Fever, Dr. Karen Haught, Tulare County Public Health
- Upward Mobility Pathways, Pete Weber, Fresno Bridge Academy
- California FreshWorks, Kiel Lopez-Schmidt, Central Valley Regional Manager
- 10th Americas Competitiveness Exchange on Innovation and Entrepreneurship, Gabriel Youtsey, University of California Natural Resources

- 3) **Helping Communities become Investment Ready:** The geographic targeting of economic and community development programs is based on the development principle that focusing significant incentives and other resources to lower income communities allows these communities to more effectively compete for new businesses, retain existing businesses, and stop or slow the spiraling effects of poverty and unemployment. Geographically targeted approaches to economic and community development are designed to result in increased tax revenues, higher rates of private investment, less reliance on public health and social services, and lower public safety costs.

A central component of the state partnership model codified in AB 1274 is its potential to assist at-risk communities in stopping the downward spiral of poverty and (re)build communities with economic and social promise. In the last decade, there has been a renewed interest by institutional investors in identifying communities, which have turned the corner and now represent unique economic opportunities. These communities are sometimes referred to by investors as emerging domestic markets (EDMs).

EDMs are people, places, or business enterprises with growth potential that face capital constraints due to systematic undervaluation as a result of imperfect market information. While not every low income neighborhood in California is ready for private sector investment, many neighborhoods can become investment ready through effective partnerships between the nonprofit, private, and public sectors.

The demographics of EDMs include minority- and women-owned firms, urban and rural communities, companies which serve low-to-moderate-income populations, and other small and medium-sized businesses. The surge in investor interest is driven, in part, by the recognition of the changing demographics in the U.S. which are resulting in a significant increase in minority purchasing power and business development by minority-owned firms.

Both the California Public Employees Retirement System (CalPERS) and the California State Teachers Retirement System adopted EDM investment goals for their entire portfolios. Under its California Initiative, which began in 2001 and focuses on historically underserved areas, CalPERS has directed and invested over \$1 billion in 569 companies primarily located in California. California has no other similar program that could possibly outpace the volume of investments large institutional investors can make. So adopting policies and programs that support investment by institutional investors is sound economic policy.

- 4) **Lower Voting Threshold:** AB 1274 requires a majority of the board members (28) to be present in order to conduct business, which is a general standard for most government and nonprofit bodies. The bill does, however, allow official board acts to be passed without a majority of the members voting in favor of the motion. The bill, instead, allows the board to pass official actions with two-thirds of those present at a meeting in which a quorum is present. Under the provisions of the bill, an action can be taken with only 21 of the 55 members being in support. This provision is identical to the language in the 2010 EO signed by Governor Schwarzenegger.

The committee has not received any information that this minority voting provision has caused issues in the eight years in which it has been in effect. The committee may wish to ask the author or the Partnership to provide more information about how this provision has worked in the past in order to determine its appropriateness within statute.

- 5) **Proposed Amendments:** Below is a list of amendments the committee members may wish to review when considering the bill.
- a) Name the act “The California Partnership Act of 2019.”
 - b) State the purpose of the Partnership is to support regional collaboration among individuals and public and private entities committed to improving the quality of life in the San Joaquin Valley.
 - c) Require votes of the board be recorded and available for inspection by the public.
 - d) Clarify the process for deciding which of the two vice chairs leads the board in the absence of the chair.
 - e) Modify the process for replacing vacated board seats.
 - f) Update the appointment structure.
- 6) **Related Legislation:** Below is a list of bills from the current and prior sessions.
- a) **AB 27 (Parra) California Partnership for the San Joaquin Valley:** This bill codifies the establishment and operation of an up to 64-member California Partnership for the San Joaquin Valley for the purpose of improving the economic, social, and environmental conditions of the San Joaquin Valley. Status: Held on the Suspense File of the Assembly Committee on Appropriations, 2008.
 - b) **AB 31 (Parra) California Partnership for the San Joaquin Valley:** This bill would have created a 24-member California Partnership for the San Joaquin Valley for the purpose of coordinating and improving state and federal efforts in the SJV, in concert with locally led efforts to improve the living standards and overall economic performance of the region. Status: Died on the Senate Floor, August 2006.
 - c) **AB 1606 (Arambula) Emerging Domestic Market Strategy:** This bill would have required the Secretary of Business, Transportation, and Housing to establish a statewide partnership with business and industry to develop a strategy to increase private investment in California with a special emphasis on new investments in emerging domestic markets. The bill also would have centralized the state’s existing economic development programs with the Economic Strategy Panel, in order to improve their coordination and impact on California communities. Status: Vetoed by the Governor, October 2007.
 - d) **SB 765 (Ridley-Thomas) California Partnership for Urban Communities:** This bill establishes the California Partnership for Urban Communities for the purpose of coordinating existing state and federal efforts designed to assist at-risk communities through locally led efforts. Status: Died due to inaction on the Assembly Floor, 2008.

REGISTERED SUPPORT / OPPOSITION:

Support

California Association for Local Economic Development

Opposition

None on File

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