

Date of Hearing: April 23, 2019

ASSEMBLY COMMITTEE ON JOBS, ECONOMIC DEVELOPMENT, AND THE  
ECONOMY

Sabrina Cervantes, Chair

AB 1806 (Committee on Jobs, Economic Development, and the Economy) – As Introduced  
February 28, 2019

**SUBJECT:** GO-Biz Information Technology

**POLICY FRAME:** Starting and maintaining a business in California often requires an entrepreneur to apply for and annually renew a range of permits and licenses. Identifying which state applications need to be completed, where to file, and what fees are necessary can be significant challenges, as well as how to hire employees and access capital.

The Internet offers a useful tool for assisting businesses in navigating required state permit requirements, filing applications for state incentives, and identifying existing resources to help their ventures succeed. AB 1806 leverages an existing Governor's Office of Business and Economic Development (GO-Biz) web-based platform to become a single access point for finding information on financial assistance, relocation services, international trade and investment guidance, tax incentive information, registration and permit requirements, information about California regulations, and other information designed to support business development.

The policy committee analysis includes background on the small business economy, GO-Biz and its existing permit assistance activities, and costs of regulatory compliance.

**SUMMARY:** AB 1806 codifies the Information Technology Unit within the Governor's Office of Business and Economic Development (GO-Biz), which is responsible for the design and maintenance of an online Internet platform called the California Business Development Portal (Business Portal).

The bill also recasts provisions related to California Government Online to Desktops (CalGold), renaming the center the California Business License Center. Going forward, the Information Technology Unit will be responsible for supporting the ongoing enhancement of the functionality of the Business Portal, including the California Business License Center, the California Business Navigator, the California Business Mapping Tool, digital resources, and other online products that improve the state government's digital ecosystem.

**EXISTING LAW:**

- 1) Establishes GO-Biz to serve the Governor as the lead entity for economic strategy and the marketing of California on issues relating to business development, private sector investment, and economic growth. Among other duties, GO-Biz is authorized to make recommendations to the Governor and the Legislature on new state policies, programs, and actions, or amendments to existing programs in order to advance statewide economic goals, respond to emerging economic problems, and to ensure that all state policies and programs conform to the state's economic and business development goals.

- 2) Finds and declares that there has been an unprecedented growth in the number of administrative regulations in recent years and that correcting the problems requires the direct involvement of the Legislature, as well as that of the executive branch of the state government. Further, the statute finds and declares that the complexity and lack of clarity in many regulations put small businesses, which do not have the resources to hire experts to assist them, at a distinct disadvantage.
- 3) Authorizes GO-Biz to provide, including, but not limited to, all of the following:
  - a) Economic and demographic data;
  - b) Financial information to help link businesses with state and local public and private programs;
  - c) Workforce information, including, but not limited to, labor availability, training, and education programs;
  - d) Transportation and infrastructure information;
  - e) Assistance in obtaining state and local permits;
  - f) Information on tax credits and other incentives; and
  - g) Permitting, siting, and other regulatory information pertinent to business operations in the state.

**FISCAL EFFECT:** Unknown

**COMMENTS & CONTEXT:**

- 1) **The GO-Biz Information Technology Unit:** GO-Biz, like most departments, has a group of people that undertake information technology work, including developing, maintaining, and updating information technology solutions for GO-Biz programs. GO-Biz also has substantial responsibilities for tracking its service-based programs, including the California Business Investment Services and the Office of the Small Business Advocate. As the Legislature has placed an increasing priority on reporting outcomes and providing greater program transparency, the information technology demands have also increased.

As an example, in February 2018, GO-Biz was notified by the Governor's Office that infrastructure and desktop support services, including the client services software, would no longer be provided by the Governor's Office. In preparing for the transfer, GO-Biz determined that it would be more cost effective to perform these services inhouse.

- 2) **The Role of Small Businesses within the California Economy:** California's dominance in many economic areas is based, in part, on the significant role small businesses play in the state's \$2.7 trillion economy. Two separate studies, one by the U.S. Census Bureau and another by the Kaufman Foundation, found that net job growth was strongest among businesses with less than 20 employees. Among other advantages, small businesses are crucial in the state's international competitiveness and are an important means for dispersing the positive economic impacts of trade within the California economy.

In 2016 (most recent data), of the 4.2 million establishments in California, there were 3.2 million nonemployer establishments as compared to 922,000 employer establishments. The

top three industry sectors with the largest number of nonemployer sole proprietorships included professional, scientific, and technical services (507,000 establishments); transportation and warehousing (297,000); and real estate and rentals (271,000). Total establishments revenues for nonemployer sole proprietorships, across all industry sectors, were \$113 billion in receipts in 2016. As these non-employer businesses grow, they continue to serve as an important component of California's dynamic economy.

Excluding sole proprietorships, businesses with less than 20 employees comprise over 88.3% of all businesses and employ approximately 18.2% of all workers. Businesses with less than 100 employees represent 97.3% of all businesses and employ 35.8% of the workforce. These non-employer and small employer firms create jobs, generate taxes, support important industry sectors, and revitalize communities. Since the recession, these businesses have become increasingly important because they are more flexible and well-suited to meet niche foreign and domestic market needs.

Reflective of their important role within the economy, the JEDE Committee Members regularly hear about the challenges small businesses face meeting the implementation requirements of local, state, and federal regulations. While opponents of regulatory reform accuse small businesses of trying to avert their responsibilities, businesses that have testified before the Committee have repeatedly stated that their goal is to achieve a regulatory environment that encourages small businesses development, while still maintaining public health and safety standards.

- 3) **The Governor's Office of Business and Economic Development:** In April 2010, the Governor's Office of Economic Development was established to provide a one-stop-shop for serving the needs of businesses and economic developers. While initially established through Executive Order S-01-10, the office was later codified and renamed as GO-Biz [AB 29 (John A. Pérez), Chapter 475, Statutes of 2010]. GO-Biz carries out its mission through the activities of six GO-Biz service units: California Business Investment Services, Permit Assistance, the Office of the Small Business Advocate, International Affairs and Business Development, the California Competes Tax Credit Program, and the Innovation and Entrepreneurship Program.

Among other programs, GO-Biz provides permit and other business assistance for new and expanding businesses, as well as administers the California Innovation Hub Program and the state international trade investment program. GO-Biz also oversees the Office of the Small Business Advocate, who advocates for and provides key information to small businesses.

- 4) **Permit Assistance Unit at GO-Biz:** The Permit Assistance Unit within GO-Biz provides businesses with comprehensive permit, regulatory, and compliance assistance. Among other services, the unit schedules pre-application meetings between businesses and the appropriate regulatory agencies to help streamline the permitting process. In some instances, GO-Biz can assign a project manager to personally guide an applicant through the entire permit process. Services are confidential and provided without cost. The goal of the unit is to help businesses solve permitting and regulatory challenges.

The Office of Permit Assistance works in partnership with the California Business Investment Service and other GO-Biz units in serving employers, corporate executives,

business owners, and site location consultants who are considering California for business investment and expansion.

The unit is also responsible for maintaining the California Government Online to Desktops (CalGOLD) website. At [www.calgold.ca.gov](http://www.calgold.ca.gov) businesses can obtain links to federal, state, and local permitting webpages, addresses, and other contact information.

In July 2015, GO-Biz launched the California Business Portal which expanded on the utility and availability of a searchable online application that could provide individualized information to businesses, including application forms and links to fee information (<http://www.business.ca.gov/Programs/Permits.aspx>).

AB 1806 builds on these efforts by formalizing the role of information technology in delivering business development services. By establishing the informational technology unit as separate and distinct from other programs, the Legislature will have a better understanding of the needs and demands of information technology relative to the cost of program and department administration.

- 5) **Cost of Regulations on Business:** There are two major sources of data on the cost of regulatory compliance on businesses: the federal small business administration and the OSBA. For the last 10 years, the federal SBA has conducted a peer reviewed study that analyzes the cost of federal government regulations on different size businesses. This research shows that small businesses continue to bear a disproportionate share of the federal regulatory burden. On a per employee basis, it costs about \$2,400, or 45%, more for small firms to comply with federal regulations than their larger counterparts.

The first study on the impact of California regulations on small businesses was released by the OSBA in 2009. This first in-the-nation study found that the total cost of regulations to small businesses averaged about \$134,000 per business in 2007. Of course, no one would advocate that there should be no regulations in the state. The report, however, importantly identifies that the cost of regulations can provide a significant cost to the everyday operations of California businesses and should therefore be a consideration among the state's economic development policies.

Regulatory costs are driven by a number of factors, including multiple definitions of small business in state and federal law, the lack of e-commerce solutions to address outdated paperwork requirements, procurement requirements that favor larger size bidders, and the lack of technical assistance to alleviate such obstacles that inhibit small business success.

AB 1806 supports the development and maintenance of the Business Portal as a useful tool in assisting businesses, especially small businesses, in navigating the state's regulatory processes.

- 6) **Related Legislation:** Below is a list of bills from the current and prior sessions.
  - a) **AB 767 (Quirk-Silva) California Business License Center:** This bill would have formalized the role of the Information Technology Unit within the Governor's Office of Business and Economic Development (GO-Biz), which is responsible for the design and maintenance of an online Internet platform called the California Business Development

Portal. In addition, the bill would have rebranded the state's permit and licensing application as the California Business License Center and provided dedicated staff to update and expand the California Business Portal. Status: Vetoed by the Governor, 2018.

- b) **AB 978 (V. Manuel Pérez and Logue) Streamlined State Licensing:** This bill requires the State Chief Information Officer (CIO) to collaborate with the Department of Consumer Affairs to acquire a new, integrated, enterprise-wide enforcement and licensing system that will replace the current licensing and monitoring system being used by the Department of Consumer Affairs. Status: The content of the bill was included in the 2010-11 Budget.
- c) **AB 2012 (John A. Pérez) Trade and Internet-Based Permit Assistance:** This bill transfers the authority for undertaking international trade and foreign investment activities from the Business, Transportation, and Housing Agency (BTH) to the Governor's Office of Business and Economic Development (GO-Biz). In addition, the bill transfers the responsibility for establishing an Internet-based permit assistance center from the Secretary of the California Environmental Protection Agency to GO-Biz. Status: Signed by the Governor, Chapter 294, Statutes of 2012.
- d) **AB 2351 (Assembly Ways and Means) Permit Assistance at the Commerce Agency:** This bill, among other actions, eliminates the Office of Permit Assistance at the Governor's Office of Planning and Research and establishes the Department of Permit Assistance at the California Trade and Commerce Agency. The new department was vested with all of the duties and purposes of the Office of Permit Assistance. Status: Signed by the Governor, Chapter 56, Statutes of 1993.
- e) **AB 2582 (Mullin) Update of CALGOLD Program:** This bill requires the CALGOLD website to be updated periodically to include permitting and regulatory compliance information relevant to emerging and evolving industries. The author was particularly interested in adding online resources for the life sciences industry. Status: Signed by the Governor, Chapter 283, Statutes of 2006.
- f) **SB 992 (Garamendi) Office of Permit Assistance:** This bill creates the Office of Permit Assistance within the Office of Planning and Research and delegates certain responsibilities, including providing information to developers and mediating disputes. Status: Signed by the Governor, Chapter 1263, Statutes of 1983.

#### **REGISTERED SUPPORT / OPPOSITION:**

**Support** - California Association for Microenterprise Opportunity

**Opposition** - None on File

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