

Date of Hearing: April 26, 2022

ASSEMBLY COMMITTEE ON JOBS, ECONOMIC DEVELOPMENT, AND THE ECONOMY

Sabrina Cervantes, Chair

AB 2342 (Cervantes) – As Introduced February 16, 2022

**SUBJECT:** Community Economic Resilience Fund Program

**POLICY FRAME:** The individuals most impacted by the coronavirus emergency are also California's most economically vulnerable. As income disparities have grown, these individuals from historically underinvested communities face even greater social-economic challenges. Research shows that the inequality between the residents in low-income communities and those who reside in California's most affluent communities has dramatically increased in the past several decades. For example, the pretax income among the highest 1% of California taxpayers increased from 9.82% in 1980 to 25.1% of total income in 2013. During the last nine years, the pace of these disparities has only increased.

California has responded to this growing crisis in economic disparities through a range of programs addressing unemployment, housing, homelessness, health care deserts, inadequate infrastructure, underperforming schools, underemployment, and other issues related to low-incomes and underinvestment in communities. The state has also advanced policies with substantial funding to adapt and mitigate the impacts of climate change.

In 2021, the Legislature approved and the Governor signed legislation to create the \$600 million California Economic Resiliency Program (CERF) to build an equitable and sustainable economic recovery from the impacts of COVID-19 on California's industries, workers, and communities. [*SB 162 (Budget), Chapter X, Statutes of 2021*] By strengthening the economy, the program intends to help regions buffer the impacts of the state's transition to a carbon-neutral economy.

At the core of the program is the development of a regional plan, from which approximately \$500+ million in implementation dollars will flow. The Governor's proposed budget for 2022-23 aligns other state actions to the program and the implementation of the regional plans specifically.

AB 2342 modifies the CERF Program to clarify certain implementation issues, as well as calling out issues that need to be addressed in order to have an inclusive economic, community, and workforce development grant program. Among the outstanding issues are the program impacts of the shift in funding from federal America Rescue Plan Act dollars to General Fund and the Planning Phase Draft Guidelines published the week of April 18, 2022.

The analysis includes information on the CERF Program, growing income disparities among Californian regions and population groups, regional approaches to increasing economic security, and related



legislation. There is no known opposition to this bill. Suggested amendments are included in Comment 9.

**SUMMARY:** Makes both policy and technical changes to the CERF Program. Specifically, **this bill:**

- 1) Specifies that the requirement that the grant funds be distributed to regional programs and strategies that directly complement state and federal investments, means investments in infrastructure, business, and workforce development.
- 2) Specifically adds state and federally recognized apprenticeship and pre-apprenticeship programs, and other workforce programs that support career pathways to high road jobs as activities eligible for funding.
- 3) Expands the group of community capacity-building programs with which the Regional Collaboratives are required to engage to also include similar state-supported local and regional economic, workforce, and community development programs and initiatives.
- 4) Requires the Regional Collaboratives to specifically identify and invite into the regional engagement process other local and regional planning efforts whose missions are aligned with the purposes of CERF.
- 5) Expands on the workforce development components of the regional economic recovery plans to specifically include career pathways for individuals with less than a two-year degree and career pathways to high road jobs. The current program could be interpreted as only serving those workers who are already skilled to be in high jobs.
- 6) Requires a copy of the report to the Joint Budget Committee to be also be submitted through the Chief Clerk's Office and copies provided to related policy committees.
- 7) Requires a copy of the CERF annual report to be available for public review through the internet websites of each agency of the Inter-Agency Leadership Team.
- 8) Makes other technical and organizational adjustments.

**EXISTING LAW:**

- 1) **Program Formation:** Establishes the Community Economic Resilience Fund Program, within the Workforce Services Branch of the Employment Development Department, to build an equitable and sustainable economic recovery from the impacts of COVID-19 on California's industries, workers, and communities, and to provide for the durability of that recovery by fostering long-term economic resilience in the overall transition to a carbon-neutral economy.
- 2) **Administration:** Specifies that the program is to be jointly administered by an inter-agency leadership team comprised of the Labor and Workforce Development Agency, the Office of Planning and Research, and the Governor's Office of Business and Economic Development. The Inter-Agency Leadership Team is directed to jointly be responsible for planning, oversight, and decision-making, including, but not limited to all of the following:

- a) Identifying the geographic boundaries of regions in a way that prioritizes economic recovery and transition strategies and is consistent with other state definitions of regional economic and labor markets.
  - b) Creating program guidelines and evaluation metrics that, at a minimum, support federal reporting.
  - c) Designing a competitive grant structure for CERF investments.
  - d) Developing technical assistance and evaluation infrastructure.
  - e) Tracking and reporting progress and deliverables.
- 3) **Program Design:** Expresses legislative intent that CERF be designed to build a more robust, sustainable, and equitable recovery across all sectors of California's economy.
- 4) **Policies to Guide Implementation Grants:** Requires the Inter-Agency Leadership Team to develop policies to distribute grant funds to regional programs and economic development strategies that directly complement state and federal investments in multiple sectors, including housing, transportation, advanced energy, broadband, and natural resources, and connect, in each of those sectors, to any existing or emerging high road training-partnerships.
- 5) **Role of the State CERF Office:** Requires CERF to do all of the following:
- a) Provide financial support to establish and support high road transition collaboratives in designing region- and industry-specific economic recovery and transition strategies.
  - b) Focus on those regions and communities most affected by the economic impact of COVID-19, as specified, and whose economic distress has been exacerbated by COVID-19 and compounded by macroeconomic impacts, such as the global transition to carbon neutrality or the western US state's acute vulnerability to climate change impacts.
- 6) **Role of the Regional Collaboratives:** Requires each Regional Collaborative to:
- a) Support a transparent and inclusive processes for shared problem solving to advance long-term prosperity and equity.
  - b) Work directly with the community capacity-building programs initially established the regional climate collaborative program to support active and equitable community engagement.
  - c) Have a balanced representation from labor, business, community, government, and other stakeholders, including, but not limited to, economic development, philanthropy, education, and workforce partners. The issue of balanced representation will be addressed more through program guidelines.
- 7) **Planning Grants:** Requires the planning grants to be awarded on a competitive basis to areas of the state disproportionately impacted by COVID-19 with at least one Regional Collaborative being awarded in each of the state's 13 regions.
- a) **State Planning Priorities:** Requires the planning grant evaluation criteria to be consistent the state planning priorities, which are intended to promote equity, strengthen the economy, protect the environment, and promote public health and safety in the state, including in urban, suburban, and rural communities, shall be as follows:

- i) To promote infill development and equity by rehabilitating, maintaining, and improving existing infrastructure that supports infill development and appropriate reuse and redevelopment of previously developed, underutilized land that is presently served by transit, streets, water, sewer, and other essential services, particularly in underserved areas, and to preserving cultural and historic resources.
  - ii) To protect environmental and agricultural resources by protecting, preserving, and enhancing the state's most valuable natural resources, including working landscapes such as farm, range, and forest lands, natural lands such as wetlands, watersheds, wildlife habitats, and other wildlands, recreation lands such as parks, trails, greenbelts, and other open space, and landscapes with locally unique features and areas identified by the state as deserving special protection.
  - iii) To encourage efficient development patterns by ensuring that any infrastructure associated with development, other than infill development, supports new development that does all of the following:
    - (1) Uses land efficiently.
    - (2) Is built adjacent to existing developed areas to the extent consistent with the priorities specified pursuant to subdivision (b).
    - (3) Is located in an area appropriately planned for growth.
    - (4) Is served by adequate transportation and other essential utilities and services.
    - (5) Minimizes ongoing costs to taxpayers.
- b) **Federal Guidelines:** Requires the evaluation criteria to be consistent with any applicable guidelines set by the federal government, as specified.
- c) **State Guidelines:** Requires the Inter-Agency Leadership Team to establish additional criteria and detailed metrics in the program guidelines, consistent with the goals of the program, as specified, including for the following core activities:
- i) Identification of a skilled and impartial convener to build an inclusive planning table, as specified, and facilitate and collaborate with each designated partner entity to develop the transition plans; to solicit, consider, and respond to comments from collaborative members; and to provide equitable public participation and input.
  - ii) Development of one or more regional and subregional economic recovery and transition plans which meet all the following criteria:
    - (1) Address essential elements of a high road strategy, including economic diversification, industry planning, workforce development, and the identification and integration of current or supplemental safety net programs.
    - (2) Include industry cluster and labor market analysis, with actionable research and consultation from the University of California or other expert institutions.
    - (3) Focus on economic recovery, growth, and resilience across multiple sectors.
    - (4) Prioritize the creation of high-quality jobs and equitable access to them, and emphasize, where possible, the development of sustainable and resilient industries, such as renewable

energy, energy efficiency, carbon removal, and zero-emission vehicles, advanced manufacturing, agriculture and forestry, and climate restoration and resilience.

iii) Dissemination of the transition plans to all interested parties. The plan or plans provided by each high road transition collaborative are required to be posted on the Labor and Workforce Development Agency's website.

8) **Implementation Grants:** Require implementation grants to be informed by the work of the Regional Collaborative and awarded on a rolling and competitive basis. Implementation grants will provide for a small initial tranche of funding to be awarded to economic diversification pilots in those regions already engaged in economic recovery and transition planning.

d) **Timelines:** Sets the following funding deadlines for implementation grants:

i) A majority of the funding is to be used by June 30, 2024.

ii) Each grant recipient must provide a plan to fully spend or obligate funds by December 31, 2024 and shall pay all obligations by December 31, 2026.

e) **Grant Criteria:** Requires that implementation grants meet all of the following requirements:

i) Support work is prioritized through the high road transition collaborative planning process.

ii) Demonstrate support of the regional intermediary and alignment with the high road transition collaborative plan.

iii) Support labor standards, where applicable, such as prevailing wage, project labor agreements, or community workforce agreements.

iv) Address geographic equity, accounting for differences in urban, suburban, rural, and tribal communities, and emphasize investment in underserved jurisdictions.

v) Organize strategies by industry or geography, or both, within and across regions, with the potential to focus on region-wide strategies or on one or more specific priority projects within a region.

vi) Include a range of activities related to economic diversification, including, but not limited to, creating innovation hubs for key growth industries, expanding incubator or accelerator programs that provide technical assistance for small business owners to connect to larger industry clusters, and other projects and activities that advance a high road economy.

vii) Coordinate with, advance, and complement, without supplanting, state and federal infrastructure investments.

viii) Align with regional workforce needs by linking directly to high road training partnerships or partnerships, high road construction careers training programs, and other workforce training initiatives that support career pathways to high road jobs, wherever such partnerships exist or emerge in the region.

9) **Defining the Grant Award Process:** Requires the Labor and Workforce Development Agency, working with the Office of Planning and Research (OPR), and the Governor's Office of Business and Economic Development (GO-Biz), to manage the design and operation of all program solicitation and award processes, including the administration of and accountability for both the planning and implementation grants.

- 10) **Role of the Workforce Services Branch:** Requires the Workforce Services Branch of the Economic Development Department (EDD) to manage funds and contracts under the direction of the Inter-Agency Leadership Team. This includes, but is not limited to, all of the following:
- a) Solicitation, management and execution of all grants and contracts, based on guidelines developed by the Inter-Agency Leadership Team.
  - b) Oversight and monitoring for fiscal integrity.
  - c) If necessary and as applicable, federal reporting and compliance are consistent with the federal American Rescue Plan Act of 2021 (Public Law 117-2) and Department of the United States Treasury guidance and regulations.
  - d) Quarterly reporting to the Inter-Agency Leadership Team.
  - e) Annual reporting to the Legislature.
  - f) Procurement of a comprehensive third-party evaluation to be completed, with guidance and oversight from the Inter-Agency Leadership Team, no less than six months after all available outcome data is available.
- 11) **State-Level Reporting:** Requires annual reporting to the Legislature:
- a) Commencing December 31, 2022, and annually thereafter, a report is to be submitted to the Joint Legislative Budget Committee and the applicable Senate and Assembly budget subcommittees. The report is to include:
    - i) A detailed summary of grants awarded;
    - ii) Fiscal and federal compliance; and
    - iii) Progress on individual program objectives and related high road metrics, including equity, inclusivity, job quality, and sustainability, as designated in program guidelines and assessed by inter-agency program staff.
  - b) Commencing June 31, 2023, and annually thereafter, a supplemental report is to be submitted to the Legislature, which includes key findings on regional trends in sustainable economic recovery, and common challenges in the development and implementation of high road transition strategies.
- 12) **Grantee Reporting:** Requires all CERF grantees to fulfill the CERF outcome and reporting requirements, as specified. Copies of these reports are required to be posted on the website of each member of the Inter-Agency Leadership Team. The reports are to include:
- a) A detailed analysis of grantee challenges and achievements, whether relating to convening an inclusive regional planning process, developing a comprehensive high road recovery plan, or implementing a strategy to create high road jobs.
  - b) Reports on the grantees' measurable progress toward target outcomes, including job creation, increase in the number of jobs per region, average increases in hourly wages of entered employed individuals placed in jobs, job retention, number of individuals impacted through services, such as training, supportive services, or job placement, as specified.
  - c) A more general discussion of the challenges and opportunities of designing and implementing a high road transition vision in a particular place or industry.

- d) At a minimum, grantees are required to report the number and types of stakeholders directly involved in CERF planning or investing, the nature and extent of their participation, and related efforts to build capacity among community, labor, local government, or other key stakeholder groups.

13) **Definitions:** Defines the following terms:

- a) “High road” means a set of economic and workforce development strategies to achieve economic growth, economic equity, shared prosperity, and a clean environment. The strategies include, but are not limited to, interventions that:
  - ix) Improve job quality and job access, including women and people from underserved and underrepresented populations.
  - x) Meet the skill and profitability needs of employers.
  - xi) Meet the economic, social, and environmental needs of the community.
- b) “High road construction careers” are high road training partnerships that invest in regional training partnerships comprised of local building trades councils, workforce, community, and education interests that connect to state-approved apprenticeship programs, that utilize the standard Multi-Craft Core preapprenticeship training curriculum and provide a range of supportive services and career placement assistance to women and people from underserved and underrepresented populations.
- c) “High road transition collaboratives” or “collaboratives” are broad-based regional groups convened by a skilled and impartial intermediary to plan for economic recovery and transition to a sustainable and equitable economic future. These collaboratives shall prioritize equity, sustainability, and job quality, and advance a shared prosperity where workers and communities across California’s diverse regions share equally in the benefits of a carbon-neutral future. Minimum membership and representation shall be as described in subdivision (c).
- d) “High road training partnerships” means an initiative or project that models strategies for developing industry-based, worker-focused training partnerships, including labor-management partnerships. High Road Training partnerships operate via regional, industry- or sector-based training partnerships comprised of employers, workers, and their representatives, including organized labor, community-based organizations, education, training, social services providers, and labor market intermediaries. High Road Training partnerships demonstrate job quality standards and employment practices that include, but are not limited to, the following:
  - i) Provision of comparatively good wages and benefits, relative to the industry, occupation, and labor market in which participating workers are employed.
  - ii) Payment of workers at or above local or regional living wage standards as well as payment at or above regional prevailing wage standards where such standards exist for the occupations in question.
  - iii) A history of investment in employee training, growth, and development.
  - iv) Provision of opportunities for career advancement and wage growth.
  - v) Safe and healthy working conditions.
  - vi) Consistent compliance with workplace laws and regulations, including proactive efforts to remedy past problems.

vii) Adoption of mechanisms to include worker voice and agency in the workplace.

- 14) **Exemptions from Administrative Review:** Exempts all criteria, guidelines, and policies developed for the administration of CERF to be exempt from the state’s standard rulemaking provisions.
- 15) **Contingent Enactment:** Specifies that activation of the CERF Program is dependent upon an appropriation by the Legislature, as specified. Once activated, the Workforce Services Branch of EDD is required to post notice of the appropriation on its home page and send notice of the appropriation to the Legislative Counsel, as specified.

**FISCAL EFFECT:** Unknown

**COMMENTS & CONTEXT:**

- 1) **CERF Examined:** AB 2342 makes modifications to the California Economic Resiliency Program, which was established in 2021 to build an equitable and sustainable economic recovery from the impacts of COVID-19 on California’s industries, workers, and communities. In addition, the program is intended to provide for the durability of that recovery by fostering long-term economic resilience in the overall transition to a carbon-neutral economy.

These goals are achieved through a two-part competitive grant program. In phase one, 13 High Road Transition Collaboratives (Collaboratives) are selected to develop region- and industry-specific economic recovery and transition strategies (transition strategies). Each of the regions is provided with a \$5 million grant to financially support the establishment of inclusive planning tables within which public and private sector stakeholders can address and resolve significant community development issues. Tribal Governments will be awarded \$20 million to support their planning activities and they are also welcome and encouraged to participate in the work in 13 regional Collaboratives.

In phase two, upwards of \$500 million will be awarded to projects, including construction of infrastructure and facilities, enhanced services, and other initiatives that flow from the transition strategies. In order to qualify for implementation funding, the project has to be consistent with the transition strategy.

CERF is intended to build on and help operationalize policies and actions related to GO-Biz “Regions Rise Together Initiative,” California Workforce Development Board’s high road training partnerships and transition work; OPR’s Climate Equity Program, including the Regional Climate Collaborative Program; and the state’s overall work on achieving a net-zero energy transition.

Chart 1 - CERF Implementation Timelines	
Month	Program Progress
April 2022	<ul style="list-style-type: none"> <li>• Release Planning Phase Draft Guideline for Round 2 of public input</li> <li>• Host <a href="#">Guideline Workshops for Public Input</a></li> <li>• Release Evaluation/TA RFP for Phase 1 - Planning Phase Solicitation</li> </ul>



May 2022	<ul style="list-style-type: none"> <li>• Incorporate comments from Round 2 Public Comment Period</li> <li>• Release Planning Phase Solicitation</li> <li>• Host Bidders Conference</li> <li>• Announce Tribal Set-aside and Host Tribal Listening Session</li> </ul>
July 2022	<ul style="list-style-type: none"> <li>• Award Planning Phase Grants and Initiate Contracting Process</li> <li>• Begin Drafting Phase 2 – Implementation Phase Guidelines</li> <li>• Begin Drafting Tribal Set-aside Guideline</li> </ul>
Fall 2022	<ul style="list-style-type: none"> <li>• Release Implementation Phase Draft Guidelines for Public Comment</li> <li>• Incorporate Comments on Implementation Phase Guidelines</li> <li>• Host Phase 2 - Implementation Phase Guideline Workshops</li> </ul>
Winter 2023	<ul style="list-style-type: none"> <li>• Release Implementation Phase Solicitation</li> <li>• Release Tribal Set-aside Solicitation</li> </ul>
February 2024	<ul style="list-style-type: none"> <li>• Phase 1 - Planning Phase Encumbrance Deadline</li> </ul>
September 2024	<ul style="list-style-type: none"> <li>• Phase 1 - Planning Phase Expenditure Deadline</li> </ul>
December 31, 2026	<ul style="list-style-type: none"> <li>• All Obligation Paid Deadline (<i>from statute</i>)</li> </ul>
<ul style="list-style-type: none"> <li>• Source: <a href="https://opr.ca.gov/economic-development/just-transition/docs/20220325-CERF_Timelines.pdf">https://opr.ca.gov/economic-development/just-transition/docs/20220325-CERF_Timelines.pdf</a></li> </ul>	

With the [draft planning phase guidelines](#) released less than a week ago, there are many discussions as to how the shift in funding and the state’s record breaking recovery from the economic impacts of COVID-19 have impacted CERF’s focus and implementation requirements. Among other issues, the committee should consider deeper engagement on CERF to ensure that committee priorities such as small businesses and entrepreneurship will be addressed.

Further, while this economic transition to a carbon-neutral economy is driven by the need to address climate change, it also represents an opportunity to redress historical inequities. Equal is not equitable. If those that have historically been excluded are not placed front and center during this regional economic transition planning exercise, the result of the expenditure of \$600 million could be to intensify current economic disparities and systemically place these Californians further back in the line.

- 2) **Growing Income Inequality:** In the pre-coronavirus economy, California’s dominance in innovation-based industries was unquestionable, however, even with 120 months of uninterrupted economic growth, the divide between the middle and lower-income households and the top income earners was accelerating. The coronavirus has only deepened California’s income inequality, with the state’s most vulnerable being at the greatest risk for poor health outcomes, having the least amount of savings to survive the economic impacts of the Stay-at-Home Order, and being most likely to work in low-paid and least protected essential businesses.

According to April 2020 research by the McKinsey Institute, 57 million jobs are at risk in the US due to the necessary, but extreme, steps that are taking place to stop the spread of the coronavirus. In California, McKinsey estimates that certain sectors will be more severely impacted than others. As examples of sectors with the highest vulnerability, in the accommodation and food service sector, an estimated 1.6 million jobs are at risk (95% of all jobs in the sector), and, in the arts and entertainment sector, 287,000 jobs (87% of all jobs) are at risk. The economic impacts are, however, much more

widespread. The McKinsey Institute reports that 48% of jobs in the construction sector, 49% of jobs in real estate, and 37% of jobs in manufacturing are at risk, to name only a few sectors identified as having more than 30% of their jobs at risk.

In addition to losing their jobs, many of these impacted workers have little formal education beyond high school and possibly a few additional years of higher education coursework and/or occupational training. In the last recession, individuals without four-year degrees faced the greatest challenges in becoming reemployed and remained unemployed for significantly longer time periods.

3) **California's Robust Economic Recovery:** In March 2022, statewide unemployment is 4.9%, with a labor participation rate of 61.8, based on a substantially similar employment base of 18.1 million. Sector employment was up from the prior year in every industry sector. Governor Newsom released a statement highlighting the following regarding the March 2022 employment data:

- In March, California added 60,200 nonfarm payroll jobs to the economy. Fewer than one million Californians are unemployed for the first time since February 2020.
- California has now regained nearly 90 percent (2,463,400) of the 2,758,900 nonfarm jobs lost during March and April of 2020 due to the COVID-19 pandemic.
- Of the 431,000 nonfarm jobs the nation gained in March, California accounted for 14 percent of those gains, surpassing the state's 11.5 percent share of employment in the U.S.
- California has enjoyed month-over-month gains in nonfarm jobs in 13 of the past 14 months totaling a 1,380,100 job gain over that time period.
- For the second month in a row, none of California's 11 industry sectors lost jobs, and Leisure & Hospitality (+14,800) once again posted the largest job increase, with Limited-Service Eating Places being its main driver.
- Four of California's 11 industry sectors have now fully regained all jobs lost due to the COVID-19 Pandemic in March and April 2020: Education & Health Services, Professional & Business Services, Trade, Transportation, and Utilities, and Construction.

More than 82% of workers were in full-time employment, with 776,000 (4.3%) individuals working part time involuntarily. Involuntarily part-time employment is down 30.3% from March 2021. The number of persons who are not in the labor force, but want a job decreased by 12.7% from the prior year. Based on aggregate employment data, California is having a robust economic recovery, which has consistently outpaced the rest of the US.

4) **The Challenge of Income Inequality during COVID-19:** 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 when California's unemployment rate was at historic lows pre-pandemic, unemployment within certain geographic regions and population groups remained significantly higher, as did the number of people in the state who were not participating within the core economy.

The coronavirus has deepened California's income inequality, with the state's most vulnerable being at the greatest risk for poor health outcomes, having the least amount of savings to survive its economic impacts, and being most likely to work in low-paid and least protected essential businesses.

A closer look at disaggregated employment data reveals a bifurcated economic recovery. In March 2020, California reported an unemployment rate of 5.1% as compared to the US rate of 4.5%. From the employment side, this represents 18.1 million people in California, with 82.5% being employed in full-time work (*based on a 12-month moving average*). During this same period, three of California’s 58 counties had unemployment, below 3.0%, with San Mateo County reporting the lowest at 2.5% (*based on not seasonally adjusted data*). Colusa County (21.4%) was reported as having the highest unemployment rate among counties in March 2020.

Two years later (March 2022), statewide unemployment is 4.9%, just slightly lower than 5.1% reported in March 2020. As noted in the prior comment, employment by industry sector is up in every sector, and three of the 11 sectors having recovered all jobs. However, the disparities have grown.

**Chart 1 – Selected Data on Unemployment** shows geographic and demographic unemployment-related information for the year the World Health Organization announced the that COVID-19 was a global pandemic and the following two years.

Chart 1 - Selected Data on Unemployment (March 2020, 2021, and 2022)							
Unemployment Rate (Not Seasonally Adjusted)				Unemployment Rate (Not Seasonally Adjusted) (12 month moving average)			
	March 2020	March 2021	March 2022		March 2020	March 2021	March 2022
California (comparable rate)	5.1%	8.2%	4.2%	California (comparable rate)	4.1%	11.1%	6.3%
Colusa County	21.4%	15.4%	12.5%	Blacks	5.2%	13.9%	10.5%
Imperial County	20.4%	15.7%	12.3%	Hispanics	4.7%	12.5%	6.9%
Los Angeles County	5.6%	10.9%	4.9%	Whites	4.0%	10.8%	5.9%
Orange County	4.19%	7.0%	3.1%	16 to 19 years old	15.1%	24.5%	13.6%
Riverside County	4.7%	7.7%	4.3%	20 to 24 years old	7.6%	17.5%	10.1%
Sacramento County	4.3%	7.4%	4.0%	25 to 34 years old	4.1%	11.7%	6.1%
San Bernardino County	4.4%	7.8%	4.3%	*The Employment Development Department reports a March 2021 (12-month moving average) Labor Participation Rate (LPR) of 61.8%. The LPR for veterans is 43.2% vs nonveterans LPR of 64.6%.			
San Luis Obispo County	3.5%	5.8%	2.8%				
San Mateo County	2.5%	5.0%	2.3%				
Tulare County	13.2%	11.6%	8.4%				

Source: [www.edd.ca.gov](http://www.edd.ca.gov)

As illustrated in Chart 1, the disparities among population groups continued, and most cases increased for certain areas of the state and individuals from certain demographics. For example, unemployment among Blacks in March 2020 was at a historic low of 5.2%, which was still above the state average of 4.1%. One year into COVID-19 and the disparity between the rate of Black unemployment and the statewide rate substantially increased (13.9% compared to 11.1%). Two years since the beginning of the pandemic, the unemployment rate for Blacks is reported as 10.5% versus 6.3% for the workforce as a whole. From the beginning of the pandemic to March 2022, the disparity between the unemployment rate for Blacks has grown from 1.1% in March 2020 to 2.8% in March 2021 to 4.2% in March 2022.

The disparities shown in these charts are driven by and also influence a range of poor economic and societal outcomes, including, but not limited to, limited educational attainment, economic insecurity, poor health outcomes, negative engagements with law enforcement, and lack of a safety net for the elderly and individuals with special needs. COVID-19 magnified these effects, further putting strains on already struggling low-wage workers, particularly in the Black and Latinx communities.

The California Latino Economic Institute released a policy brief in December 2020, which provides further data on the disparate and growing negative impact of COVID-19 on Latinos in California. Among other findings, the briefing noted the following:

- Latinos are overrepresented among California’s COVID-19 cases and deaths—59% of cases and 49% of the state’s deaths.
- Latino overrepresentation in California’s cases has increased since April 2020.
- Nearly 12% of California Latinos are currently uninsured—double the rate of other groups.
- Latino unemployment rates are double those from the same time last year.
- Nearly two-thirds of California Latinos report experiencing a loss of employment income since March 2020.
- Over 40% of Latinos currently report that it is somewhat or very difficult to pay their usual household expenses in the last seven days.
- Over three-quarters of California small business owners report that COVID-19 has had a moderate to large effect on their businesses.

There are a number of reasons that contribute to the disparate health impacts of COVID-19, including economic differences. During COVID, Latinos and Blacks have comprised a significant component of the state’s essential workforce. While a majority of White workers have jobs that allow them to work from home and decrease potential COVID-19 exposure, Latinos and Blacks, due to economic circumstances, have jobs in high-risk environments.

This increased exposure to COVID-19, combined with the socio-economic impacts on underlying health, resulted in a statistically higher number of cases and deaths compared to the group’s percent of the population. *Chart 2* provides information from the California Department of Public Health relating to COVID-19 cases in California by race and ethnicity. Data is current as of April 21, 2022.

<b>Chart 2 - COVID-19 Case Loads and Outcomes by Race and Ethnicity</b>				
<b>Race/Ethnicity</b>	<b>Percent Cases</b>	<b>No. Deaths</b>	<b>Percent Deaths</b>	<b>Percent CA population</b>
Latino	47.5%	38,156	43.7%	38.9%
White	24.5%	29,973	34.4%	36.6%
Asian	8.9%	9,523	10.9%	15.4%
African American	5.3%	6,049	6.9%	6.0%
Multi-Race	1.1%	1,302	1.5%	2.2%
American Indian or Alaska Native	0.5%	410	0.5%	0.5%
Native Hawaiian & other Pacific Islander	0.7%	546	0.6%	0.3%
Other	11.6%	1,293	1.5%	---
Total with data	100%	85,751	100%	100%

Source: [California Department of Public Health](#), accessed April 21, 2022

The chart above, *All Cases and Deaths Associated with COVID-19 by Race and Ethnicity*, represents data from 8,566,404 total cases, with 19% of those cases missing race/ethnicity. There are a total of 89,255 deaths, with approximately 2% of those deaths missing race/ethnicity.

- 5) **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/region partnership model 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, among other investors, in identifying communities that 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 that serve low-to-moderate-income populations, and other small and medium-sized businesses. The increase in investor interest is driven, in part, by the recognition of the changing demographics in the US, 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. The 2020 California investment report was prepared for CalPERS by Pacific Community Ventures, who is also a small business lender that participates in programs provided through the Small Business Finance Center. In 2020, CalPERS' total investment in California was \$43.6 billion or 11.0% of its \$395.8 billion investment portfolio, as of June 30, 2020. Further, an estimated 168,086 jobs were supported as a result of CalPERS' private markets investments in California. CalPERS private equity invested in 144 companies for approximately \$800 million resulting in 38,314 new, retained, or otherwise supported jobs.

California has no other similar program that could possibly outpace the volume of investments large institutional investors can make. Experience shows that adopting policies and programs that support investment by institutional investors is sound economic policy.

- 6) **Examples of Regional Approaches to Upward Mobility:** In February 2019, the Assembly Committee on Jobs, Economic Development, and the Economy (JEDE) began a series of hearings examining how public and private sector initiatives were being used or could be used to support

upward mobility, reduce racial disparities, and address climate change. Three primary themes emerged from these hearings, being the need to:

- Upskill individuals to meet market challenges;
- Establish integrated and accountable governance structures to better support businesses, program and service providers, and individuals; and
- Remove barriers for start-ups, entrepreneurs, and expanding businesses, including manufacturers.

In order to advance the JEDE Committee’s understanding of how sustainable and inclusive economic strategies can actually be implemented in the real world, a field hearing was conducted outside of the confines of the State Capitol, which highlighted regional initiatives in the Inland Empire. The keynote presentation by Dr. Karthick Ramakrishnan, Chair of the Center for Social Innovation at the University of California, Riverside, highlighted a number of regional initiatives being conducted within the Inland Empire. Among other initiatives presented, Dr. Ramakrishnan discussed Inland California Rising, an initiative he co-launched in February 2019 and which hosted summits in both of its partner regions, the Inland Empire and the San Joaquin Valley. The following is a selection of other initiatives discussed in the course of the hearing:

- ***GenerationGO/Vision2Succeed***: An initiative of San Bernardino County using its local workforce board as the facilitator. The purpose of GenerationGO is to connect K-12 schools, community colleges, and businesses to create and enhance career pathways and provide hands-on training. After several successful years, both the scope and geographic footprint are being expanded.
- ***Consortium for Excellence in Logistics***: The mission of this initiative, facilitated by the Inland Empire Economic Partnership, is to leverage the region’s large number of warehouses and strategic location to position the Inland Empire as a supply chain and logistics hub. By fully embracing the leadership role, the consortium believes the Inland Empire can drive innovation within the sector resulting in economic growth and better paying jobs while still providing environmental and societal benefits.
- ***Inland Economic Growth & Opportunity (IEGO)***: This initiative, supported by the Community Foundation, is a network of business, government, educational, and nonprofit institutions, working to better align workforce and economic development efforts. Their objective is to increase high-paying quality jobs, increase opportunities for advanced manufacturing, and accelerate the growth of promising emerging industries (such as IT, cybersecurity, and battery storage).

JEDE’s hearing aligned with Governor Newsom’s Region’s Rise Together, which was led by GO-Biz. Core components of CERF grew from these increasingly more inclusive regional engagements and initiatives.

- 7) **Roadmap to Shared Prosperity**: The CERF Program is the culmination of several interesting initiatives, including COVID-19 economic recovery, a transition to a carbon-neutral economy, and the regional work of the California Economic Summit. The California Economic Summit is a year-round collaboration of over 750 public and private stakeholders who annually meet to share their work, be inspired, and plan for the following year’s activities. The Work of the Economic Summit is facilitated by California Forward and the Roadmap to Shared Prosperity. The 2021 Roadmap to Shared Prosperity outlined the California Economic Summit’s plans for a comprehensive agenda to address the state’s biggest challenges with a triple bottom line approach.

- Supporting the training and upskilling of workers within a strategic plan tied with the Commission on the Future of Work and efforts to increase worker engagement and empowerment.
- Creating the California Dream Index, a new scorecard for tracking the state's progress toward improving economic mobility.
- Issuing recommendations to guide Community Development Financial Institutions, governments, financial institutions, and other capital providers to help strengthen businesses by transforming pathways to capital and addressing social, racial, and institutional systemic issues.
- Advancing the implementation of a regional, scalable, data-driven prototype for employer engagement with community colleges meant to address systemic barriers students face in accessing work-based learning and job placement opportunities, while strengthening relationships between colleges, employers, industry associations and regional business intermediaries like local economic development corporations.

A key impediment to moving forward on these initiatives is the limited capacity of regional collectives. While many policymakers call for emphasizing interconnectivity, collaboration, and equity to help regions create economic recovery strategies in the wake of COVID-19 and growing income inequality, few public programs support these activities. Under the CERF Program, each of the 13 regions will receive \$5 million for preparing inclusive planning efforts.

8) **What would Inclusive Planning Look Like:** In developing CERF Program guidelines, several rounds of public comments were held and at least one more is planned. Among other organizations, Assemblymember Cervantes, who chairs the JEDE Committee, submitted comments calling for:

- ***Starter Kits with Basic Demographic Profiles:*** Each region should begin its engagement and planning process with a state-provided Starter Kit, including a basic demographic profile. Regions should be encouraged to supplement this data while also identifying its source and how the data provides for a more inclusive and sustainable understanding of who comprises the region...The mission of the Starter Kit is to lay the foundation for a regional transition plan that is inclusive of all members of the community, including those participating in the formal and informal economy; attending school, college, and workforce training; working from home; with a known disability; or being served by a social service agency or nonprofit, among others. Much of this data is held by or can most cost-effectively be accessed by state government entities.
- ***Benchmark for Inclusion:*** The Starter Kits will provide regions with immediate data from which they can prepare written outreach plans that also set benchmarks for tracking and evaluating whether all community members have sufficient representation at the planning table...The success of CERF is dependent on deep community engagement. People, especially those who have been historically overlooked, will need to see concrete evidence that the project “sees” who they are and the realities of their life. Collaboratively developed benchmarks are foundational to an inclusive planning table.
- ***Technology Supports Inclusion:*** In cases where broadband penetration is low or more community input is desired, low cost and broadly available technologies can be loaded into tablets and smartphones so community members can canvas door-to-door or at high traffic locations such as parks.

- ***Building On-ramps to the High-road:*** A central tenant of the CERF Program is the creation of quality jobs and the development of a high-road transition to a carbon-neutral economy. Achieving this important goal will require specifically designed on-ramps for those individuals who may not currently have the skills to participate in training for a high-road job today. With 20% of Californians having a high school diploma/GED or less formal education, building on-ramps to viable career pathways is essential.

In addition to public comment opportunities, the Irvine Foundation has funded a series of regional forums to help communities prepare for CERF. The Irvine Foundation has funded a partnership between PolicyLink and California Forward so that they can jointly convene, share information, and then document conversations within the regions. More information on these gatherings can be found [here](#). As of the publication of this analysis, convenings have been held in the San Joaquin Valley, Eastern Sierra, Orange County, Inland Empire, and the Redwood Coast.

One of the reoccurring themes of these gatherings is how will this engagement process be different. How will historically excluded voices get heard this time. Several groups have recommended that inclusive planning tables can only be achieved if there are multiple ways in which people can directly participate in meetings, discussions, and prioritization of projects. There must be benchmarks with metrics so inclusion and participation can be respectfully tracked and evaluated to ensure diverse representation and participation actually occur. If certain groups or geographic regions are found to have lower levels of participation, specific additional steps should be required to encourage broader participation. Even the best intentions can sometimes fail to bring everyone into the process. Tracking and monitoring through set benchmarks will also alert the region when their selected outcomes are not the result of an inclusive decision making process.

- 9) **Proposed Amendments:** Below is a list of amendments the committee members may wish to review when considering the bill.
- Require representation on the Collaboratives to reflect the people and economy of the region.
  - Require that part of the shared problem solving the Collaboratives will be undertaking to advance long-term prosperity and equity include the needs of underserved geographic areas and demographic groups.
  - Specifically include how small business development and entrepreneurship play a role in the regional strategy.
  - Specifically require regions to propose and implement methods for backtesting issues and priorities included in the regional plans.
  - Make other technical and changes.
- 10) **Related Legislation:** Below is a list of bills from the current and prior sessions.
- AB 29 (John A. Pérez, Feuer, and V. Manuel Pérez) Office of Business and Economic Development:*** This bill established GO-Biz to include the newly codified California Business Services and the existing Office of the Small Business Advocate. Status: Signed by the Governor, Chapter 475, Statutes of 2011.
  - AB 27 (Parra) California Partnership for the San Joaquin Valley:*** This bill would have codified 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.

- c) **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 (SJV) 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.
- d) **AB 106 (Salas) Regions Rise Grant Program:** This bill establishes the Regions Rise Grant Program, administered by the Governor's Office of Planning and Research for the purpose of supporting inclusive, cross jurisdictional, and innovative processes that lead to inclusive strategies to address barriers and challenges confronting communities in creating economic prosperity for all. Status: Pending in the Senate Committee on Business, Professions, and Economic Development.
- e) **AB 119 (Assembly Budget Committee) Elimination of State Economic Strategy:** This bill eliminated, commencing January 1, 2012, the responsibility of the Secretary of Labor and Workforce Development Agency to lead the preparation of a biennial California Economic Development Strategic Plan and to biennially convene an Economic Strategy Panel to provide recommendations regarding the plan. Status: Signed by the Governor, Chapter 31, Statutes of 2011.
- f) **AB 358 (Greyson) Regional Economic Development Areas:** This bill would have enacted the Regional Economic Development Area Act for the purpose of certifying regional economic development areas that include, but are not limited to, active and inactive military bases. Status: Died without action in Assembly Committee on Jobs, Economic Development, and the Economy, 2018.
- g) **AB 742 (Cervantes) Office of Place-Based Strategies:** This bill would have established the Office of Place-Based Economic Strategies within GO-Biz for the purpose of supporting local and regional economic development entities to access programs and implement place-based and other community- and neighborhood-level strategies. Status: Held in the Assembly Appropriations Committee, 2019.
- h) **AB 844 (Grayson) Contra Costa County Green Empowerment Zone:** This bill establishes the Green Empowerment Zone for the Northern Waterfront area of the Counties of Contra Costa and Solano. Status: Pending in the Assembly Committee on Jobs, Economic Development, and the Economy.
- i) **AB 906 (Cooley, Cervantes, Kiley) State Action 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 Strategy based on regional priorities. Status: Held in the Assembly Committee on Appropriations, 2019.
- j) **AB 1171 (Arambula) California Partnership for the San Joaquin Valley:** This bill establishes the California Partnership for the San Joaquin Valley for the purpose of supporting regional collaboration among individuals and public and private entities committed to improving the quality of life in the San Joaquin Valley. Status: Pending in the Assembly Committee on Jobs, Economic Development, and the Economy.
- k) **AB 1233 (V. Manuel Pérez) State Economic & Workforce Development Strategy:** This bill would have required GO-Biz to prepare a five-year Economic and Workforce Development

Strategy. The blueprint will help the state set a strategic path forward by prioritizing and coordinating state activities, supporting local and regional economic development activities, and better leveraging private and public sector resources. Status: Held in the Assembly Committee on Appropriations, 2012.

- l) **AB 1274 (Arambula and Salas) California Partnership for the San Joaquin Valley:** This bill establishes the California Partnership for the San Joaquin Valley for the purpose of supporting regional collaboration among individuals and public and private entities committed to improving the quality of life in the San Joaquin Valley. Status: Held in the Senate Committee on Business Professions, and Economic Development, 2020.
- m) **AB 3205 (Salas) Regions Rise Grant Program:** This bill establishes the Regions Rise Grant Program, administered by the Governor’s Office of Business and Economic Development, for the purpose of supporting inclusive, cross jurisdictional, and innovative processes that lead to inclusive strategies to address barriers and challenges confronting communities in creating economic prosperity for all. Status: Held in the Senate Committee on Appropriations, 2020.
- n) **AB 2596 (Cooley, Kiley, Quirk-Silva) State Action 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 Strategy based on regional priorities. Status: Vetoed by the Governor. The veto message stated: *“Since its inception, GO-Biz has expanded direct foreign investment, created opportunities for small businesses, identified incentives for growth, and helped resolve barriers for businesses navigating the government. These successes are due, in part, to the ability of GO-Biz to nimbly respond to rapidly changing economic factors including unpredictable federal decisions, natural disasters and more. I don’t believe an ongoing costly study and report will provide any additional benefit to these efforts.”*
- o) **SB 162 (Senate Budget) Community Economic Resilience Fund Program:** This bill establishes the Community Economic Resilience Fund Program within the Employment Development Department to make competitive planning and implementation grants to build an equitable and sustainable economic recovery from the impacts of COVID-19 on California’s industries, workers, and communities, and to provide for the durability of that recovery by fostering long-term economic resilience in the overall transition to a carbon-neutral economy. Status: Signed by the Governor, Chapter 259, Statutes f 2022.

## REGISTERED SUPPORT / OPPOSITION:

### Support

California Association of Local Conservation Corps  
 CAMEO - California Association for Micro Enterprise Opportunity  
 Coalition of Small and Disabled Veteran Businesses  
 Microenterprise Collaborative of Inland Southern California  
 National Small Business Advocacy Council  
 Riverside Community College District  
 San Gabriel Valley Economic Partnership

### Opposition

None on File

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