

Date of Hearing: April 26, 2022

ASSEMBLY COMMITTEE ON JOBS, ECONOMIC DEVELOPMENT, AND THE ECONOMY

Sabrina Cervantes, Chair

AB 2972 (Committee on Jobs, Economic Development, and the Economy) – As Amended April 19, 2022

SUBJECT: California Business Investment Services Program

POLICY FRAME: This bill is authored by the Assembly Committee on Jobs, Economic Development, and the Economy for the purpose of updating the roles and responsibilities of the California Business Investment Service (CalBIS), which have expanded and evolved since it was first established in 2012.

The policy committee analysis includes information on the Governor's Office of Business and Economic Development (GO-Biz) and the California economy. There is no known opposition to the bill. There are no recommended amendments.

SUMMARY: AB 2972 expands the role of CalBIS to include working with public and private investors who may want to make business investments in California. The bill also adds economic developer and workforce training partners to the list of local and regional groups that GO-Biz and CalBIS engage when helping businesses and investments grow and be successful in California.

EXISTING LAW:

- 1) **GO-Biz:** 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, international trade, 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 to advance statewide economic goals, respond to emerging economic problems, and ensure that all state policies and programs conform to the state's economic and business development goals.
- 2) **California Business Investment Services Program:** Establishes the CalBIS Program within GO-Biz to serve employers, corporate executives, business owners, and site location consultants considering California for business investment and expansion.
 - a) Among other activities, the Director of GO-Biz is required to have a process in place for the convening of teams on key business development situations, including, but not limited to, attracting new businesses, relocation of large manufacturers, or closure of large business employers.
 - b) In addition to assisting in relocating and expanding businesses, the California Business Investment Services Program is to work cooperatively with local, regional, federal, and other state public and private entities in attracting, retaining, and helping businesses grow and be successful in California.

FISCAL EFFECT: Unknown

COMMENTS & CONTEXT:

- 1) **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 GO-Biz. [AB 29 (*John A. Pérez*), *Chapter 475, Statutes of 2010*]

GO-Biz carries out its mission through a number of primary functional areas, including but not limited to the following units: California Business Investment Unit, Zero Emission Vehicles, the Office of Permit Assistance, the Office of the Small Business Advocate, International Affairs and Trade, the California Competes Tax Credit Program, the Community and Local Equity Grants Unit, and the Community-Based Solutions Unit. GO-Biz provides a range of programs and services that support business development, including assisting small businesses in understanding and complying with state regulations, permitting assistance for new and expanding businesses, and assisting the state in building out its zero-emission vehicle infrastructure.

The California Business Investment Unit oversees a number of programs and activities, including serving as the conduit for Warehouse Incentive Reports, which are required to be filed by local governments who approve business incentives over \$100,000 for warehousing projects. To date, only one report has been filed. This report was submitted by the City of Ontario for a NIKE Retail Services project and their approval of a 50% sales tax rebate for an 11.5-year term.

The California Business Investment Unit also administers CalBIS, which assists businesses interested in relocating to or expanding within California. These businesses or site selection consultants provide CalBIS with a list of requirements and preferences. Based on this list, CalBIS issues a request for information (RFI) to local governments and economic development entities serving areas of the state that meet those requirements. The RFI is confidential, meaning the local governments and economic development organizations responding to the RFI do not know the name of the company seeking the information. Businesses appreciate both the breadth of the RFI responses, as well as the confidentiality in which they are distributed and received.

Through CalBIS, businesses can access other services. For example, CalBIS can prepare a tailored-made business incentive guide that identifies existing tax incentives, workforce programs, permitting assistance, and other resources to make relocating, expanding, and operating a business more successful. As a state with a reputation of being "high-cost," marketing California's advantages and business incentives is very important.

In addition to helping businesses, CalBIS works with local and regional economic development departments, offices, and organizations. The California Business Investment Unit includes regionally-assigned staff who are available to attend events, share insights, and work one-on-one with public and private developers of significant economic development projects. Regional staff assignments include: the North State, Bay Area, Central Valley, Central Coast, Greater Los Angeles, and San Diego and Imperial Counties.

CalBIS also facilitates regional initiatives, such as the [2020 MOU for Commercial Space Enterprises](#), as well as hosting resource webinars for economic development stakeholders. For example, during one [webinar](#) held in March 2020, economic developers were updated on the [Regions Rise Initiative](#) and how to access resources available through other GO-Biz units, including the Permit Assistance Unit and the Office of the Small Business Advocate.

Most recently, CalBIS prepared the [California Business Come Back Guide](#) to assist businesses in identifying relevant new and existing state funding resources for recovery and success. State resources are listed by agency, as well as by program. A particularly useful chart within the guide includes information on total funds, maximum awards, eligibility, timing, and contact information.

Also important in understanding the value of CalBIS, is how it relates to other services. GO-Biz has historically used a service delivery model that flows across and through different GO-Biz units, depending on the business' needs. For example, a foreign company planning to expand in California may have initially become acquainted with GO-Biz through an in-bound trade mission hosted by the International Affairs and Trade Office. However, by the time the company opens its new California location, it may have also been served by the Permit Assistance Office and the Business Investment Services Unit, which administers CalBIS.

- 2) **California's Economy:** California is home to nearly 40 million people, providing the state with one of the most diverse populations in the world, often comprising the single largest concentration of nationals outside their native country. In 2020, this diverse group of business owners and workers produced \$3.0 trillion in goods and services, many of which include parts from or are exported to over 220 countries and across the US.

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

Many policymakers and economists describe California as having not a single economy but having a highly integrated network of a dozen or so regional economies. While biotech has a comparative advantage in some regions, information technology drives growth in others. Another distinguishing characteristic of California's economy is its multiple dominant industry sectors. The state's three largest industry sectors in terms of GDP – finance and insurance; trade, transportation, and utilities; and professional and business services – also provide a foundation to other industry sectors, including manufacturing and information. Further, each of these top-performing industry sectors is also distinguished as a tradable industry sector, meaning that it is a sector whose output in terms of goods and services is traded internationally or could be traded internationally given a plausible variation in relative prices. In many cases, California's fourth and fifth largest industry sectors rank as the largest of those industry sectors in the US.

In 2020 (most recent annual data), California's largest industry sectors were: Finance, Insurance, Real Estate, Rental, and Leasing (19.0% of state GDP); Trade, Transportation, and Utilities (14.5%); Professional and Business Services (14.2%); Manufacturing (11.8%); Information (10.5%); Education and Health Services (7.5%); and Construction (4.0%). Tourism and Arts, which were heavily impacted by the COVID-19 pandemic, dropped from contributing 4.5% of GDP in 2019 to 3.3%. **Chart 1** provides additional data on 2020 GDP by industry sector.

Chart 1 - 2020 California GDP by Industry		
Description	2020 GDP (current dollars)	Percent of GDP
All Industry Total	\$3,007,187.7	100%

Resource and Extraction	\$46,819.3	1.50%
Other Services	\$51,440.7	1.70%
Arts, Entertainment, Recreation, Accommodation, and Food Services	\$101,478.7	3.30%
Construction	\$120,389.9	4.00%
Educational and Health Services	\$225,942.2	7.50%
Information	\$317,647.1	10.50%
Government and Government Enterprises	\$350,350.1	11.60%
Manufacturing	\$356,435.8	11.80%
Professional and Business Services	\$427,121.9	14.20%
Trade, Transportation, and Utilities	\$436,368.9	14.50%
Finance, Insurance, Real Estate, Rental, and Leasing	\$573,193.2	19.00%
Source: Bureau of Economic Analysis www.bea.gov		

The strength of the economic diversity is one of the reasons California is recovering so quickly from the economic downturn and loss of jobs related to the COVID-19 pandemic. As an example, California has regained 2.2 million, or nearly 83.6%, of the 2.7 million jobs that were lost in March and April 2020 (based on January 2022 employment numbers).

The California recovery has, however, been very unequal with many areas of the state and industry sectors still in distress. COVID-19 served to increase income disparities with lower-wage workers and small businesses being most impacted by business closures, including workers and businesses owned by people of color, as well as women. One estimate that over 19,000 businesses in California permanently closed their doors during the pandemic.

Chart 2 – California Employment by Industry Sectors shows employment data within the same industry sectors as measured in Chart 1, as well as annualized data for 2021. In 2020 (comparable to GDP), the Trade, Transportation, and Utilities sector represented the industry with the largest number of employees in California, followed by jobs in Education and Health Services.

Chart 2 - California Employment by Industry Sectors		
Description	2020	2021
Civilian Labor Force	18,931,100	18,923,200
Civilian Employment	16,996,700	17,541,900
Civilian Unemployment	1,934,500	1,381,200
Civilian Unemployment Rate	10.2%	7.3%
Total, All Industries	16,594,400	17,115,600
Mining and Logging	20,000	19,000
Other Services	477,400	500,700
Information	535,900	566,500
Financial, Insurance, and Real Estate	817,500	823,100
Construction	856,400	880,300
Manufacturing	1,264,400	1,273,200
Leisure & Hospitality	1,483,900	1,632,600
Government	2,493,300	2,469,200
Professional & Business Services	2,600,600	2,702,700
Educational & Health Services	2,736,700	2,809,100
Trade, Transportation & Utilities	2,901,900	3,031,700
Source: California Employment Development Department https://www.labormarketinfo.edd.ca.gov		

3) **Related Legislation:** Below is a list of bills from the current and prior sessions.

- a) ***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.
- b) ***AB 485 (Medina) Incentives for Warehousing:*** requires local agencies to submit specified reporting to GO-Biz on economic development subsidies valued at over \$100,000 for warehouse distribution centers. Status: Signed by the Governor, Chapter 803, Statutes of 2019.

REGISTERED SUPPORT / OPPOSITION:

Support

None on File

Opposition

None on File

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