

Date of Hearing: April 21, 2015

ASSEMBLY COMMITTEE ON JOBS, ECONOMIC DEVELOPMENT, AND THE ECONOMY

Eduardo Garcia, Chair

AB 680 (Atkins) – As Introduced February 25, 2015

**SUBJECT:** Governor's Office of Business and Economic Development: duties

**SUMMARY:** Requires the Governor's Office of Business and Economic Development (GO-Biz) to develop a plan to market the business and investment opportunities available in California. The plan shall be developed in partnership with the California Travel and Tourism Commission.

**EXISTING LAW:**

- 1) Establishes GO-Biz within the Governor's Office for the purpose of serving as the lead state entity for economic strategy and marketing of California on issues relating to business development, private sector investment, and economic growth.
- 2) Establishes the Office of Tourism within GO-Biz and provides for the establishment of the California Travel and Tourism Commission through industry referendum as a nonprofit mutual benefit corporation. The Office of Tourism and the California Commission on Travel and Tourism (now referred to as Visit California) work collaboratively on increasing the number of persons traveling to and throughout California.

**FISCAL EFFECT:** Unknown

**POLICY ISSUE FRAME:**

While California residents and businesses were some of the hardest hit during the financial crisis and later the recession, the state's economic recovery has been breaking records. *Business Insider* ranked California second in the nation for fastest growing economy in August 2014 and as having the fourth best overall economy in March 2015. While California's 2014 GDP will not be officially reported for several more months, its 2013 GDP ranked the size of California's economy as 8th in the world – larger than Canada, Mexico, Russia, India, and Australia.

According to a press release from the California Business Alliance, "It's ironic how other states' governors visit California wanting to steal our jobs while at the same time criticizing our state's policies that contribute to creating the very business climate that has spawned our economic growth. In 2014, California created 498,000 new jobs – more than any other state in the country. California is world-renowned for fostering creativity of entrepreneurs, small businesses, and women-owned companies, and is home to some of the most recognizable large employers on the planet."

This bill proposes to leverage this growing trend in good news by having GO-Biz craft a strategy for marketing the state to businesses and investors. The analysis includes information on the California economy, GO-Biz, and the California Travel and Tourism Commission.

**COMMENTS:**

- 1) **Author's Purpose:** According to the author's statement, "California struggles with its image as a place for companies to do business. Moreover, news of companies leaving California and other states

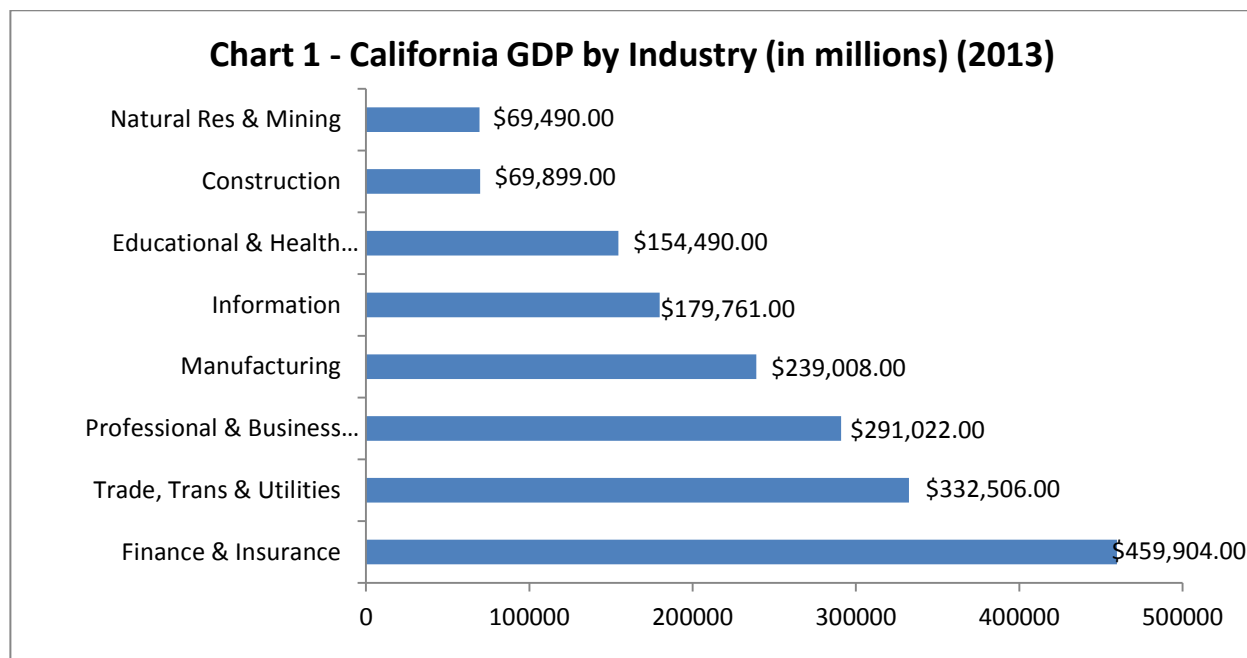
sending their Governors to come poach California businesses continues to tarnish the state’s image. The creation of the Governor’s Office of Business and Economic Development (GO-Biz) and their subsequent outreach, administrative, and promotional work to new and existing California businesses has made great strides in reversing the image of California being a tough place to do business. GO-Biz is the lead entity responsible for marketing of California on issues relating to business development, private sector investment, and economic growth.

Housed within GO-Biz is the Visit California team whose work promoting California as a travel destination has a proven track record. AB 680 will require GO-Biz and Visit California to work together to develop a strategic plan to market the business and investment opportunities available in California. This plan will encourage business development and investment in the state as well as further improve California’s job market and economic recovery."

- 2) **California Economy:** California is home to over 38 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 2013, this diverse group of business owners and workers produced \$2.2 trillion in goods and services; \$168 billion of which were exported to over 220 countries around the world.

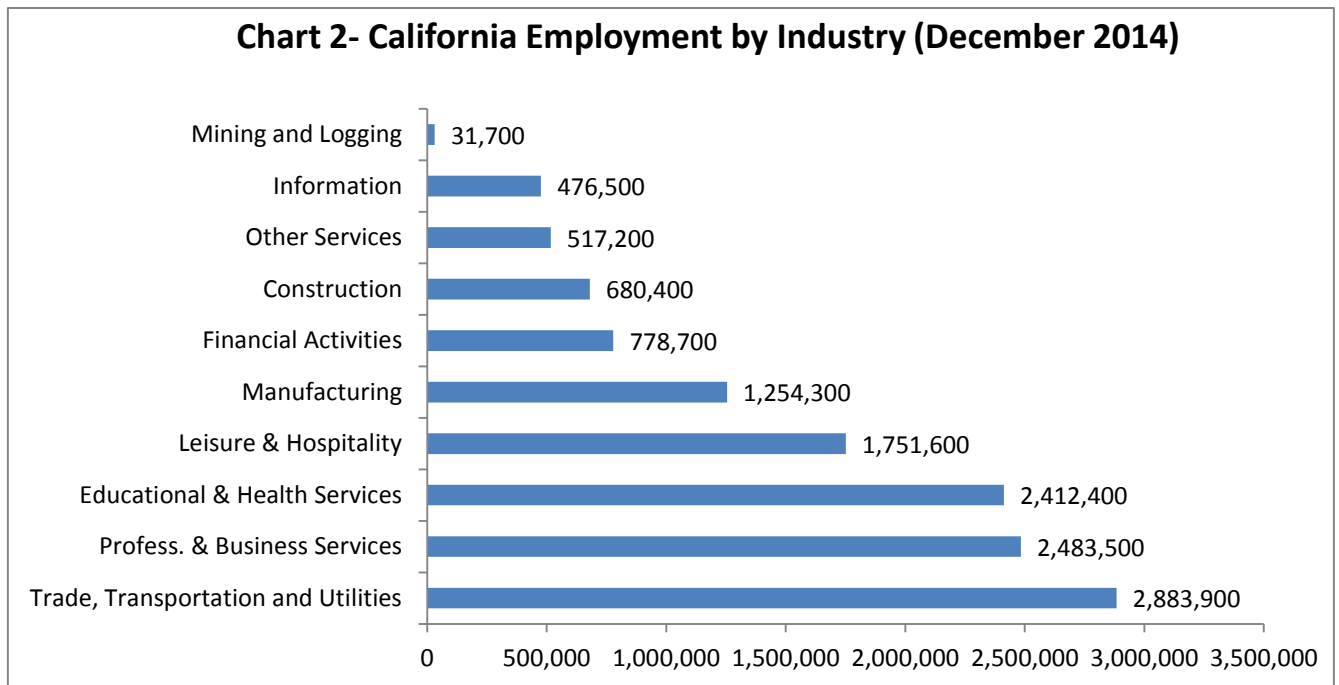
California's diversity advantage also extends to the range of geographies and dominant industry sectors. Many policy makers and economists describe California as having not a single economy, but having a highly integrated network of a dozen or so regional economies. While biotech has a comparative advantage in some regions, information technology drives growth in others. Compared to most other states, California's economy has consistently demonstrated that it has the depth and breadth of workers and businesses to drive markets, especially in the area of technology.

Economies can be described in a number of ways. **Chart 1** shows the financial value of different private industry sectors. In 2013, the most recent year data is available on industry GDP, the finance and insurance sector made the largest economic contribution to the state's overall GDP. Business establishments in this sector are involved in raising funds, pooling risk, and facilitating financial transactions including real estate.



California is unique among other states in that the second through fourth industry sectors in 2013 also provided significant economic value to the economy. As shown in **Chart 1**, these sectors were the trade, transportation, and utility sector, followed by professional and business services and manufacturing sectors.

Another way to look at the state's economy is through employment by private industry sectors. **Chart 2** displays California's largest private industry sectors based on reported jobs in December 2014. As the two charts illustrate, the ranking of high economic value and high employment sectors are similar, but not identical. The trade, transportation, and utility sector employs the largest number of people (ranked 2<sup>nd</sup> as a portion of GDP in 2013), followed by the professional and business services sector



(3<sup>rd</sup>) and educational and health services sector (6<sup>th</sup>).

There are other ways to look at the California economy including, but not limited to, the value of wages paid, comparative future job or economic growth, impact on the environment, relevance to global trade and foreign investment, as well as industry sectors that serve as workforce entry points to youth, workers with limited skills, and immigrants.

In difficult economic times and when tracking economic capacity for growth, policy makers often closely track unemployment rates. During the recession, the state unemployment rate hit a high of 12.4% in February 2010, which was only the second time since the 1970s that the state rate was above 10%. In December 2014, the state reported a seasonally adjusted rate of 7.0% as compared to the U.S. rate of 5.6%. Over the year, the unemployment rate decreased in all of the 58 counties. California's seasonally adjusted unemployment rate for February 2015 was 6.7%.

- 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] In 2014, GO-Biz assisted over 7,500 companies. This number includes assistance provided

by the 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 administering 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.

The Governor's 2012 reorganization plan (GRP2), further aligned the state's economic development-related administrative structure. Key changes included dismantling of the Business, Transportation and Housing Agency (BTH) and the shifting of a number of programs and services to GO-Biz including:

- The Small Business Loan Guarantee Program;
- The California Travel and Tourism Commission;
- The California Film Commission;
- The Film California First Program; and
- The California Infrastructure and Economic Development Bank.

- 4) **Marketing California:** The Travel and Tourism Commission is a nonprofit mutual benefit corporation established in 1996 through the California Tourism Marketing Act, which included a 1997 approval by the travel industry by referendum. The Travel and Tourism Commission and the Office of Tourism at GO-Biz work collaboratively on activities designed to increase the number of persons traveling to California.

The Travel and Tourism Commission is comprised of 37 elected commissioners representing various tourism related industry categories including: Accommodations, Restaurants and Retail, Attractions and Recreation, Transportation and Travel Services, and Passenger Car Rental. The Commission meets three times a year and directs and approves the marketing plan, expenditures, and the overall strategic course for California tourism activities.

The Commission is funded through an industry assessment including fees placed on hospitality and car rentals. Between 1998 and 2003, the state's marketing activities were funded through a private-public joint marketing venture partnership between the Travel and Tourism Commission and State of California. With the elimination of the Technology, Trade and Commerce Agency in 2003, the sole source of California's tourism marketing budget is primarily, if not exclusively, derived from assessed businesses in the travel and tourism industry.

In February 2015, the work of the Travel and Tourism Commission was recognized by the Hospitality Sales and Marketing Association International on key elements of its Visit California strategy with two gold, one silver, and two bronze awards for public relations and digital excellence. California was selected for these prestigious Adrian Awards from more than 1,200 entries from around the world.

One of the strengths of the Visit California strategy is that it goes beyond the one-dimensional view of Hollywood as where movies are made and reminding people about the cable cars in San Francisco.

Recognizing the breadth of attractions and activities California has to offer will also be a key advantage in marketing California for business expansion and investments.

**REGISTERED SUPPORT / OPPOSITION:**

**Support**

None received

**Opposition**

None received

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