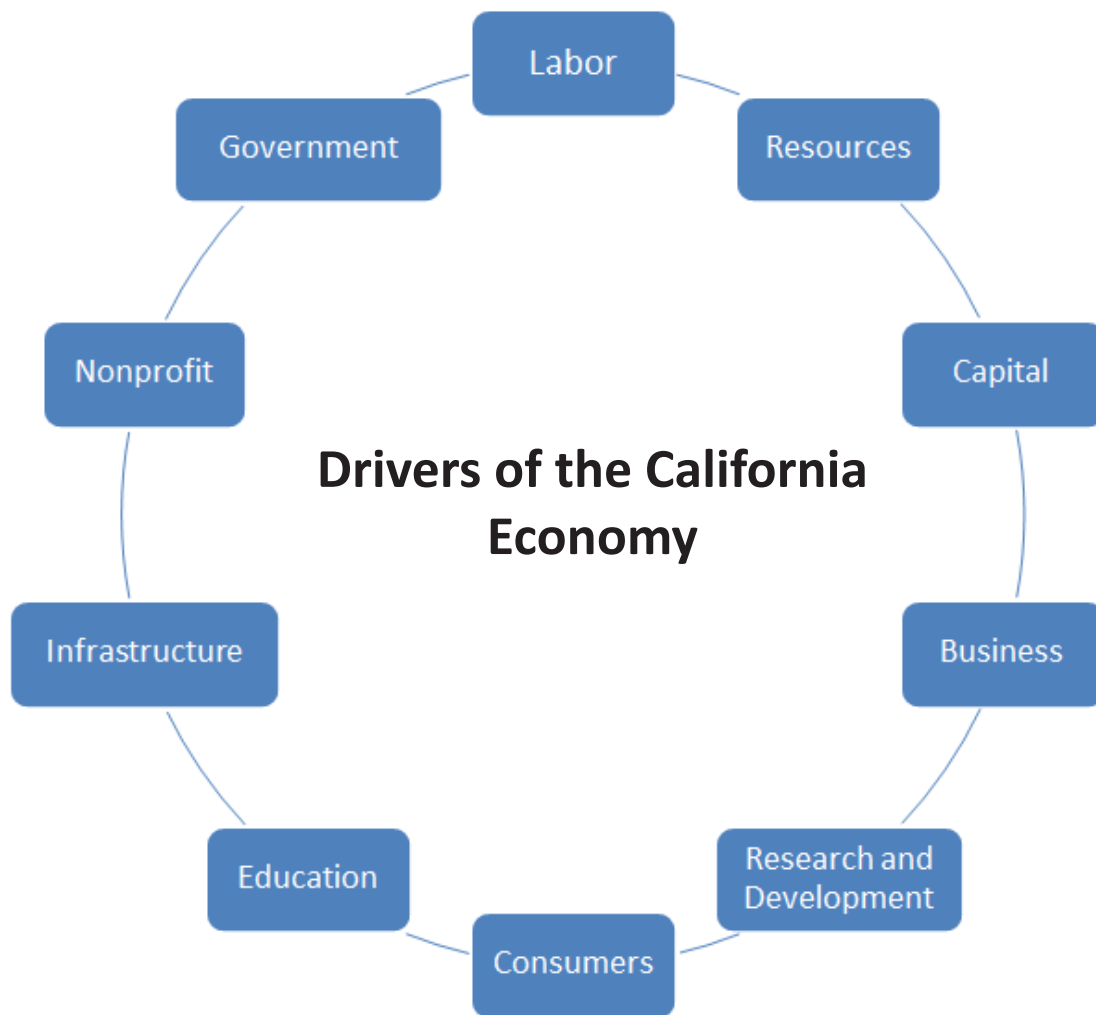


Assembly Committee on Jobs, Economic Development, and the Economy

March 17, 2015 Legislative Hearing

Major Economic Development Policies and Programs in 2015



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Assembly Committee on Jobs, Economic Development, and the Economy

DATE: March 17, 2015

TO: Interested Parties

FROM: The Assembly Committee on Jobs, Economic Development and the Economy

RE: Briefing on the Informational Hearing "*Major Economic Policies and Programs of 2015*"

On Tuesday, March 17, 2015, the Assembly Committee on Jobs, Economic Development, and the Economy (JEDE) will be convening the second in a two-part series of informational hearings designed to provide committee members with a foundation from which to undertake the committee's primary missions of overseeing current state programs and evaluating legislative proposals.

In the first hearing committee members were briefed on the California economy including demographic and economic trends affecting business development. Presentations in the second hearing will focus on policies, programs, and other initiatives intended to enhance California's business climate.

The first panel focuses on two key drivers of the state's economy – the quality of the workforce and the institutions and systems tasked with preparing that skilled workforce. Among other related topics, panelists will discuss current initiatives designed to create a more integrated education and workforce development network that is responsive to the needs of dominant and emerging industries, as well as addressing the needs of workers who face special challenges to employment. Presentations will be made by:

- **Brian McMahon**, Senior Advisor to the California Labor Agency
- **Tim Rainey**, Executive Director of the California Workforce Investment Board
- **Van Ton-Quinlivan**, Vice Chancellor of Workforce and Economic Development of California's Community Colleges and Co-Chair of the Workforce Action Team of the California Economic Summit
- **Jim Mayer**, President & CEO of California Forward, which serves as one of two lead partners for the California Economic Summit

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Using the programs and services of the Governor's Office of Business and Economic Development (GO-Biz) as a framework, presentations in the second panel will address the broader array of economic drivers that form the foundation of the California business climate. Topics will include programs and services to enhance business capital formation, develop infrastructure, open foreign markets, attract new investments, and remove government regulatory impediments. Presentations will be made by:

- **Kish Rajan**, Director of the Governor's Office of Business and Economic Development
- **Paul Granillo**, President & CEO of the Inland Empire Economic Partnership and Co-chair of the California Economic Summit Steering Committee

- *Dorothy Rothrock, President of the California Manufacturers and Technology Association*

A public comment period will follow the seven scheduled speakers in order to provide an opportunity for other economic development professionals, business owners, and the general public to add their voices to the dialogue.

Persons interested in providing testimony during the public comment period can either sign-up through the JEDE Committee Office 24 hours prior to the hearing, or on the Public Comment sheet that will be available at the Sergeants desk during the hearing. Written comments may also be submitted to the JEDE office up until April 30, 2015.

This memorandum provides general information on the state economy, background on key workforce and business development initiatives and programs, and related annual and special reports by state agencies. The appendices include a number of fact sheets and short pieces developed by the JEDE staff, as well as materials provided by witnesses and other stakeholder groups. *Among other appendices, Appendix 2 includes a list, compiled by the California Association for Local Economic Development (CAELD), of 2015 policy priorities for nearly a dozen economic development stakeholders and Appendix 7 includes a list of nearly 40 recently introduced economic development related Assembly bills.*

The 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. This economic diversity is one of the reasons California was able to so aggressively move out of the recession, ranking number two in the nation by *Business Insider* for fastest growing economy in the nation in August 2014 and as having the fourth best overall economy in March 2015. While California's 2014 GDP will not be 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. *Additional details on the California economy can be found in Appendix 2 and Appendix 4 includes charts and economic data by industry sector from JEDE's February 2015.*

The Employment Development Department (EDD) has forecasted that California will add over 18 million jobs between 2008 and 2018, which includes 100% recovery of the number of jobs lost during the recession. A significant portion of this projected growth, however, is dependent on the long-term strength of those industry sectors that are linked to consumers and supply chains outside the state.

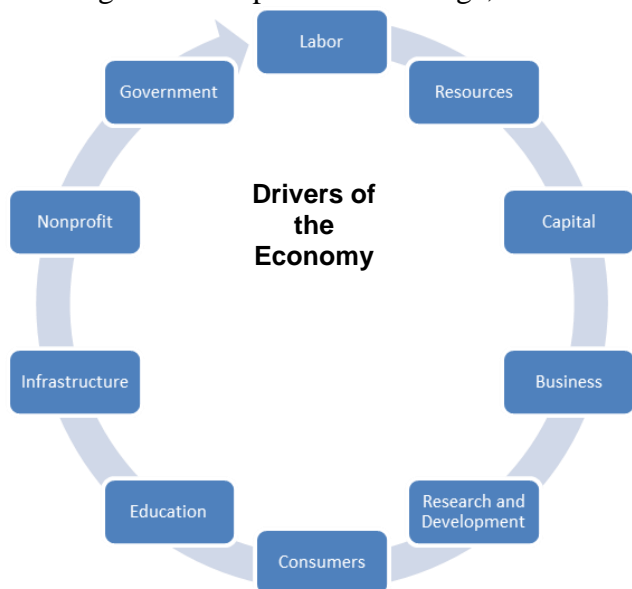
Advances in transportation and communication technologies are encouraging the development of previously undeveloped markets and expanding multinational business opportunities. Today, four of California's top five exports include component parts, which leave the state to be assembled and/or partially assembled before returning.

These trade related industry sectors comprise a majority of what EDD has designated as the state's "economic base" sectors, which include professional services, manufacturing, and transportation, among others. Employment in these economic base industries represents 37.3% of the state's total employment and

employment growth within these sectors grew at twice the pace of the overall state economy between 2010 to 2012.

Framing the Issues

In maintaining a business climate that continues to support the state's economic base sectors, as well as the state's other sectors, strength and weakness of key economic drivers need to be assessed. Strengths should be leveraged for competitive advantage, and weaknesses should be mitigated, where possible and consistent



the state's overall public policies. **Graphic 1** was designed to illustrate the inherent links between the 10 primary drivers of the California economy including capital, resources, labor, and infrastructure. All 10 drivers are important to the overall health of the economy and set the stage for business development and prosperity for both entrepreneurs and workers. While weakness in one area can be partially offset by higher capacity in another, overall, all drivers must maintain some level of competency.

During the February 2015 informational hearing, the Committee heard presentations on how these drivers can affect the longer term economic growth of the state. In this hearing, testimony will focus on the policies and programs the state utilizes to address gaps and increase the quality and quantity of these 10

drivers of the California business climate.

Evaluating the drivers of the California economy also includes an assessment of the demographic and economic context in which these drivers operate. Among other significant trends, competitiveness is expected to create a high demand for nimble and specialized small businesses; the efficiency of infrastructure networks will provide comparative business advantages, and the retirement of high skilled workers will place growing pressure on the education and workforce systems to meet the needs of dominant and emerging industries.

During the course of the hearing, Members will hear from state government officials, trade association representatives, and other economic development stakeholders, who have already tasked themselves with making these types of evaluations. Witnesses have been asked to share their insights on the right mix of policies and programs to help make California a good place to have a career, start and grow a business, and make an investment. *Appendix 9 includes a full list of key demographic and economic trends impact the state and U.S economy. Appendix 6 provides a copy of the Roadmap for a Shared Prosperity, prepared by California Forward for the 2015 Economic Summit.*

California's Education, Training, and Workforce Programs

The Governor's 2015-16 Budget included the announcement of a comprehensive \$1.2 billion initiative to support the development of a new and more coordinated framework for adult education, career technical education, workforce investment, and apprenticeships. The Governor's Budget Summary describes this new initiative as a key step in helping Californians develop the skills necessary for increasing their self-

sufficiency and obtaining greater personal advancement. Core elements of the Governor's workforce initiative include:

- Providing high-quality, job-related instruction, and career exploration and guidance.
- Developing a workforce and education framework that is highly responsive to labor market demands including current and emerging high-wage, high-skill, and high-demand jobs.
- Engaging employers more meaningfully within the workforce development system. This may include earn-and-learn programs, on-the-job training, and other subsidized employment opportunities.
- Using regional collaborations to better align programs that incorporate business-sector input and industry-valued certificates and degrees.
- Improving the alignment of workforce programs with post-secondary education, particularly the community colleges, and the continuing development of career pathways programs.
- Emphasizing non-traditional apprenticeship programs in high-growth industries in emerging and transitioning occupations.
- Targeting education and employment services to special populations including veterans, the disabled, CalWORKs recipients, formerly incarcerated individuals, and other disadvantaged groups most in need of assistance.

If successful, the Governor's initiative will result in a greater alignment among the state's 49 workforce investment boards, 72 community colleges districts, more than 1,000 local education agencies, and employment programs operating in 58 counties. Funding for the initiative is proposed as:

- \$500 million - Adult Education Grant (Prop 98 funds).
- \$250 million - Career Technical Education (Prop 98 funds).
- \$390 million - Workforce Investment Act with \$356.3 million to local workforce investment boards (special funds – federal).
- \$29.1 million - Apprenticeship Program Funding with \$14 million to existing and \$15 million to new programs (Prop 98 funds).
- \$49 million - Enhanced noncredit rate charge for community colleges (Prop 98 funds).

While reframing the state's workforce, education, and training systems is a big task, 2015 may be uniquely positioned to move the initiative forward. The state is already moving forward on other career pathway and integrated workforce and education initiatives, including implementation of the federal Workforce Innovation and Opportunity Act of 2014, the provision of supplemental career technology funding, and the Community College Board of Governor's Task Force on Workforce, Job Creation, and a Strong Economy. *The report section of this document includes a summary and hyper link to the current California Workforce Strategy and a progress report on the use of the \$50 million appropriated to the Career Technical Education Fund in 2014-15 Budget Act. Appendix 12 includes a funding summary chart prepared by the California Community College Association of Occupational Education.*

The Governor's Office of Business and Economic Development

GO-Biz was established to serve as a one-stop-shop for serving the needs of businesses, economic developers, and investors. As initially envisioned, GO-Biz would not directly implement programs, but would instead serve as a referral service and facilitator to help businesses access resources and resolve issues. Very quickly, however, GO-Biz became a popular destination of new programs and state services.

Structurally, GO-Biz is organized around six units and three semi-independent government entities, which GO-Biz has administrative oversight. Each of these units and entities are described below.

The Business Investment Services Unit (seven positions)

The Business and Investment Services Unit (CalBis) serves as the primary point of contact for businesses looking to relocate or expand their business in California. Services are provided without cost to the business. Working through a statewide network of regional and local entities, GO-Biz is able to develop information packets individualized to the needs of each business. Among other things, businesses can obtain information on available tax credits, financial assistance and loan programs, local workforce skills; transportation and infrastructure, and economic and demographic data.

Unit staff are available to meet with businesses throughout the state, with Senior Business Development Specialists assigned to the Bay Area and the Sacramento, Los Angeles, and San Diego regions. <http://www.business.ca.gov/RelocateExpand.aspx>

The Permit Assistance Unit (three positions)

The Permit Assistance Unit 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. <http://www.business.ca.gov/Programs/Permits.aspx>

The unit is also responsible for maintaining the California Government Online to Desktops (CalGOLD) website. At www.calgold.ca.gov businesses can obtain a list of the required federal, state, and local permits; webpage links; addresses; application forms; and other contact information.

GO-Biz Mission

- Making recommendations to the Governor and Legislature on new and existing state policies, programs, and actions
- Advancing statewide economic development goals and responding to emerging economic problems and opportunities
- Coordinating the development of policies and criteria that ensure that federal grants advance statewide economic goals and objectives
- Marketing California's investment and business opportunities
- Serving as a clearing house for information on economic and demographic data, local and state business resources, as well as information on workforce, infrastructure, and permitting and other regulatory information
- Encouraging collaboration among public and private sectors around innovation
- Fostering relationships overseas to enhance the state's image as a good place to do business and invest
- Conducting research on the state's business climate
- Supporting small businesses by providing information about accessing capital and complying with regulations

The Office of the Small Business Advocate (three positions)

The Office of the Small Business Advocate serves as a focal point for issues relating to small business development. Among the Advocate's statutorily defined responsibilities, are the duties to provide advice on legislation and administrative regulations, represent the views and interests of small businesses before other state agencies, and to receive and respond to complaints from small businesses concerning operative effects of state laws and regulations adversely affecting those businesses.

<http://www.business.ca.gov/Programs/SmallBusiness.aspx>

Most recently, the Office of the Small Business Advocate took the lead in implementing a "Made in California" labeling program and a \$2 million grant program to provide technical assistance to small businesses seeking capital. *A summary with more program information and link to the Advocate's annual report is available under the reports section of this document.*

Innovation and Entrepreneurship Unit (one position)

Among other activities, this unit oversees the Innovation Hub Program (iHub). The iHub network supports 16 partnerships between incubators, co-working spaces, non-profit economic development organizations, government entities, universities, businesses and investment networks to accelerate investment and economic development. *Appendix 8 includes a summary of each iHub and a map of California indicating the iHub region and/or main center.* <http://www.business.ca.gov/Programs/Innovation.aspx>

International Trade and Investment (three positions)

The International Trade and Investment Unit provides technical assistance to foreign investors seeking to invest in California. This unit also facilitates the federal EB-5 Immigrant Investor Visa program by providing letters certifying the designation of high unemployment locations. Among other services, this unit helps connect prospective investors with CalBis staff, who can further assist them by identifying potential investment sites and introducing them to local and regional government representatives and economic development professionals. This unit is also responsible for overseeing the California-China Office of Trade and Investment and facilitating the implementation of the state International Trade and Investment Strategy. *The reports section of this report includes a summary with more program information and a hyperlink to the California International Trade and Investment Strategy, as well as the 2014 annual report on the California-China Office of Trade and Investment.*

California Competes Tax Credit Program (seven positions)

The California Competes Tax Credit is an individually negotiated tax credit for businesses that are relocating to, or expanding in California. Awards are based on the number of jobs/amount of investment made by the business relative the amount of credits requested. <http://www.business.ca.gov/Programs/CaliforniaCompetesTaxCredit.aspx>

GO-Biz conducts several allocation rounds per year, with the first round awarding \$30 million in 2013-14. In the budget year, \$150 million is authorized to be awarded and \$200 million for each of the following three years. Twenty-five percent of each fiscal year's awards are required to be awarded to small businesses, defined as having less than \$2 million in gross revenues. *A summary of a Supplemental Budget Report on the first year of the program is included in the reports section of this report. Appendix 10 includes a GO-Biz prepared Frequently Asked Questions list about California Competes.*

A Board, Commission, and Bank under the GO-Biz Purview

In addition to the GO-Biz program units, GO-Biz oversees the California Film Commission, the Travel and Tourism Commission and the California Infrastructure and Economic Development Bank.

The California Film Commission (12 positions)

The California Film Commission serves as a one-stop resource for film and TV production across the Golden State. Among other activities, the Commission awards the Film and TV Tax Credit and links prospective film companies with California's statewide network of more than 60 regional film offices. The Commission also maintains the online permit site for filming on state property, including beaches, parks, roadways, universities and government buildings; and the online location database via CinemaScout.

<http://www.film.ca.gov/>

The Travel and Tourism Commission (52 positions)

The Travel and Tourism Commission (also known as Visit California), is a private-non profit entity, created in 1997 by the California Tourism Marketing Act, for the purpose of working with the State of California.

The budget for the marketing activities is provided through an assessment in the travel and tourism industry.

<http://californiatourism.ca.gov/Home>

The Infrastructure and Economic Development Bank (24 positions)

The Infrastructure and Economic Development Bank (I-Bank) was established in 1994 to promote economic revitalization, enable future development, and encourage a healthy climate for jobs in California. The I-Bank does not receive any ongoing General Fund support, rather it is funded through fees, interest income, and other revenues derived from its public and private sector financing activities.

The I-Bank administers three programs: (1) the Infrastructure State Revolving Fund which provides direct low-cost financing to public agencies for a variety of public infrastructure projects; (2) the Conduit Bond Program which provides financing for manufacturing companies, public benefit nonprofit organizations, public agencies and other eligible entities; and (3) the Small Business Finance Center which helps small businesses access private financing through loan guarantees, direct loans, and performance bond guarantees. Most recently, the I-Bank established the Statewide Energy Efficiency Program to provide low-cost financings to state and local governments for approved energy efficiency projects.

Currently the Small Business Finance Center is overseeing the deployment of both federal and state loan guarantee funds. In fiscal year 2013-14, 176 small business loan guarantees were made to support \$72.2 million in loans using funds from the federal State Small Business Credit Initiative. Borrowers reported over 7,235 jobs being created or retained as a result of these federally funded guarantees. The state guarantee program was used to provide 169 guarantees for \$23 million in loans with 2,823 jobs created or retained as a result of the state program. *The reports section of this document includes a summary with more program information and hyperlink to the I-Bank's 2013-14 Annual and the Small Business Finance Center.*

Key Policy Questions

Rapid globalization in the past two decades has permanently changed the economic development paradigm for California communities. The state's unique location and demographics provide both opportunities for engaging in domestic and international commerce, as well as challenges such as obtaining business capital, hiring a workforce skilled in emerging technologies, and accessing quality infrastructure to support the exchange of products, services, and ideas. While not the only driver, state and local governments have an important role in establishing the conditions that support a vibrant economy where both workers and entrepreneurs are prosperous. Among other issues, the Members may want to consider the following:

- Can the state's various education and workforce development systems meet the challenges of the 21st Century economy? How can the state help to transcend historic divisions between career tech, college degrees, and employer needs?
- How can the state support local and regional efforts to catalyze private investment, especially in historically underserved and emerging areas of the state?
- Where are the opportunities for enhancing California business and worker competitiveness and support for their economic integration within the broader global marketplace?
- What actions can the state take to reduce de facto barriers to business start-ups, re-shoring of manufacturing and expansion of research and development facilities in California?
- How can the state enhance the specific conditions necessary to support young entrepreneurs, microenterprises and small business development?
- Does the state have the appropriate game plan to engage private investors in helping to meet California's significant challenge in providing a modern infrastructure network that can sustain the production and movement of goods, services, and workforce throughout the state, country, and across the world?
- What economic opportunities do trade-related industries represent and how can the state support local and regional efforts to capitalize on those advantages?
- How can e-commerce platforms, technical assistance, and the development of better regulatory implementation methods reduce government impediments to economic growth?

Reports related to Presentations

Information in the hearing presentations and in the preparation of the briefing report came from a number of key documents, which are summarized below. Where possible, the list includes a website where the full report is available.

- ***CALED 2015 Economic Development Legislative Priorities (January 2015)***: This chart summarizes the economic development priorities of various economic development stakeholder groups. The top priorities of the California Association for Local Economic Development (CALED), who hosted the stakeholder meeting, are Enhanced Infrastructure Financing District legislation and ensuring that economic development be considered in the implementation of the federal Workforce Investment and Opportunity Act. Top priorities of Assemblymember Eduardo Garcia, Chair of JEDE, include small business development and leveraging workforce training to lower prison recidivism rates. The California State Association of Counties is focusing on transportation funding, broadband access and adoption, and addressing poverty and homelessness at a county level. *Appendix 2 of the report has a copy of the chart.*
- ***California China Office (May 2014)***: This mandated annual report was prepared by GO-Biz and is a condition of maintaining a foreign trade office. In April 2013, California opened its first international trade office since 2003. The California-China Office of Trade and Investment (CCTO) opened in April 2013 for the purpose of serving the needs of California businesses exporting into China and Chinese investors looking to invest in California. Actions of the CCTO are set forth in a work plan. Among other accomplishments, the trade office met all its administrative milestones including the hiring of staff, officially opening the office, and leading a high-level trade mission to China. Relative to its inbound investment goals, the CCTO participated in doubled the number investment targeted attraction events and is working on converting these activities into new investments and business opening facilities in

California. Relative to increasing outbound trade to China, the CCTO exceeded by 50% the number of outreach events by participating in three during the report year and has sponsored three out of the targeted four business development trips. <http://www.business.ca.gov/International.aspx>

- ***California Competes Tax Credit Program Report (December 2014)***: This mandated report was prepared by GO-Biz in response to a supplemental budget reporting language. The report chronicles the establishment of the program, adoption of regulations, outreach activities, and a summary of the application process. Between the commencement of the program and December 2014, GO-Biz held 29 application workshops throughout the state, including four online webinars. Between the spring of 2014 and October 31, 2014, GO-Biz expended 2,653 hours of California Competes staff and used 2,822 hours of time redirected by other GO-Biz staff. In the first \$45 million round, GO-Biz received 286 applications for a total of \$330 million in tax credits. At the time of the report, first round awards had not been finalized. Two additional allocation rounds are anticipated in the 2015-16 fiscal year for a total of \$106.1 million in tax credits. *Document is not available online. Contact Go-Biz or the JEDE Committee to request a copy.*
- ***California's Future (February 2015)***: This report, prepared by the Public Policy Institute of California, identifies, assesses, and makes recommendations on California's most significant long-term policy challenge including: climate change, corrections, the economy, health care, higher education, housing, K-12 education, political landscape, population, social safety net, and water. Among other assessments, the report notes the significant regional economic differences with inland California continuing to have higher rates of unemployment. A selection of recommendations include the importance of stimulating business development as a means for supporting a skilled workforce; embracing policies that support a range of industry sectors and not just a handful of currently dominant sectors; promoting economic opportunity through education; increase training alternatives to traditional degrees; and continuing to address the state's high prison recidivism rates. A recommendation included within many of the policy areas is the need to collect better data in order to be able assess the effective of policies and programs. <http://www.ppic.org/main/publication.asp?i=895>
- ***California Infrastructure and Economic Development Bank (2013-14 Fiscal Year)***: This is a mandated report prepared by the California Infrastructure and Economic Development Bank (I-Bank). In 2013-14 the I-Bank issued \$95.9 million in revenue bonds based on loans in the Infrastructure State Revolving Fund with a "AAA" rating from all three major credit rating agencies. The I-Bank also revised its program guidelines for selecting infrastructure and economic expansion projects under its revolving loan fund. In total, \$12.05 million in loans were approved under the revolving loan fund. The I-Bank also assisted the California Department of Public Health by making a short-term loan of \$35 million. These moneys were used to make improvements to water systems, including projects that addressed drinking water issues, throughout California. As a conduit issuer, the I-Bank issued \$735.4 million in bonds on behalf of California manufacturing companies, 501(c)(3) nonprofit entities, and for government entities, which used the funds to create and retain jobs, to facilitate research and cultural activities, and other public purposes. <http://www.ibank.ca.gov/annualreports.htm>
- ***California International Trade and Investment Strategy (February 2014)***: The International Trade and Investment Strategy is prepared by GO-Biz every five years for the purpose of guiding the implementation of a comprehensive international trade and investment program for the state. The 2014 governing policy framework is that by increasing trade, the state will create jobs, increase revenues, and improve the state's competitiveness – while still being able to serve as a leader in sustainable development. There are four goals including the expansion of California exports, increasing foreign

investment, supporting California as a gateway for goods and services into the U.S. and out to foreign markets, and working with federal and international entities to expand global market access. Among other key actions, the 2014 Strategy call the establishment of a Trade Advisory Council, reporting on the outcomes of the China Trade Office, and establishing a process to allow California to be more proactive on advocating before the U.S. Congress and the U.S. Trade Representative.

<http://www.business.ca.gov/International.aspx>

- ***California Small Business Finance Center Annual Report (January 2015)***: This mandated annual report was prepared by the California Infrastructure and Economic Development Bank on its activities in managing the Small Business Finance Center and the Small Business Loan Guarantee Program. In fiscal year 2013-14, 176 guarantees for \$72.2 million in loans were made using \$51.4 million of federal State Small Business Credit Initiative funds. Borrowers reported over 7,235 jobs being created or retained as a result of these federally funded guarantees. The state guarantee program was used to provide 169 guarantees for \$23 million in loans with 2,823 jobs created or retained as a result of the state program. Of the 345 loan guaranteed using the federal and state funds, 64.6% were male, 17.1% were women, and 18.26% were co-owned by men and women. The race/ethnicity of small businesses assisted: 62.9% were Caucasian, 10.43% Asian, 8.99% Hispanic, 3.77% African American, 5.22% Asian Indian, and 0.29% Native American. <http://ibank.ca.gov/annualreports.htm>
- ***California's Workforce Strategy (June 2013)***: The federal Workforce Investment Act (WIA) requires the Governor, via the State Workforce Investment Board, to submit a WIA/Wagner-Peyser Act strategic plan to the U.S. Department of Labor that outlines a five-year strategy for the investment of federal workforce training and employment services dollars. California's plan provides a look at the dynamics of California's future economy based on regional industry and occupational trends. A primary objective of the strategy is to reduce the skills gap through enhanced collaboration between the education, training, and workforce development systems. Two of the recommendations are to increase shares of training funds available for emergent science and technology sectors, and to work with businesses and organizations to develop industry recognized skill and readiness standards. www.cwib.ca.gov
- ***Career Technical Enhancement Fund Report (March 2015)***: This a mandated Supplemental Budget Report was prepared by the Workforce and Economic Development Division of the California Community College System. With the enactment of the 2014-15 Budget Act, \$50 million was appropriated to the California Community Colleges for the purpose of expanding, enhancing, and improving career technical education. Among other things, the money could be used for helping community colleges purchase equipment, align and development curriculum, and provide professional development training. Funding was awarded to districts based enrollment related criteria and then further divided between individual community colleges (60%) and regions (40%). Key topics covered in the report include addressing the high cost of career technical training, aligning other resources to create scale and support regional economies and making better use of local and regional labor market information. The report also reports on the use of funds by region and industry sector. The California Community College Chancellor is requesting \$25 million in the 2015-16 budget to continue this work. *Document is not available online. Contact JEDE Committee to request a copy.*
- ***Five-Year Infrastructure Plan, prepared by the Department of Finance (January 2015)***: This mandated report is a five-year infrastructure plan presenting the Governor's proposal for investing \$57 billion in state infrastructure. The plan covers key state infrastructure and maintenance expenditures that have been deferred as a result of the recession. The report recommends the allocation of funds for each of the state agencies towards specified projects. More specifically, projects laid out in the plan include

new courthouses in 14 counties, highway and rail system maintenance and improvement, high-speed rail segments, seismic retrofits, CHP and DMV office replacements, new water treatment and plant system upgrades, flood control developments, and renovation projects for several California Community Colleges. www.dof.ca.gov

- ***Office of the Small Business Advocate Annual Report (January 2015)***: This mandated annual report, prepared by the Small Business Advocate, identifies projects from the report year, as well as activities proposed in the following year. Highlights from the Small Business Advocate's year include her work on establishing two new programs: A \$2 million competitive grant program to fund technical assistance to small businesses looking for capital and a Made in California labeling program to create awareness about goods produced in the state. In addition, the Small Business Advocate managed GO-Biz's Interagency Working Group in collaboration with GO-Biz's Permit Assistance Unit, which works on regulatory issues with departments and agencies including the California Environmental Protection Agency and the Department of Industrial Relations. The Advocate also conducted external outreach activities, including educational workshops for small business owners and maintains a comprehensive list of online resources for small businesses on technical assistance, financial assistance, and state procurement opportunities. <http://www.business.ca.gov/Programs/SmallBusiness.aspx>
- ***Pocket Guide to Transportation 2015 (January 2015)***: This report, prepared by the U.S. Department of Transportation, provides comparative data on a variety of transportation issues including the movement of people and goods, infrastructure performance, safety, and environmental impacts. A significant focus of the information is how the nation's transportation system links to the economy. Highlights about California include: an estimated 10% of bridges in the state are structurally deficient; Sacramento and Los Angeles rank among the top 10 busiest passenger train routes in the nation; Los Angeles and San Francisco rank among the top 10 busiest passenger airports in the nation; Los Angeles Airport ranks in the top 10 busiest passenger airports in the world; San Ysidro and Otay Mesa rank in the top 5 land ports of entry from Mexico with 32.5 million people crossing in 2013; Otay Mesa and Calexico rank in the top 5 truck crossing from Mexico with 1.1 million trucks passing through in 2013; and Los Angeles and Long Beach ranking in the top 10 water ports in U.S. for short tons and twenty-foot equivalent unit in 2013. <http://www.rita.dot.gov/bts/bts/sites/rita.dot.gov.bts/files/Pocket%20Guide%202015.pdf>

Materials in the Appendix

A fact-packed summary of the California economy and copies of other materials related to the presentations are provided in the appendices.

- Appendix 1 - ***Agenda*** for the March 17, 2015 hearing, "Major Economic Development Policies and Programs"
- Appendix 2 - ***California Economy Fast Facts***, prepared by JEDE
- Appendix 3 - ***Overview of California Small Business***, prepared by JEDE
- Appendix 4 - ***California Economy by Industry Sector***, prepared by JEDE
- Appendix 5 - ***2015 Economic Development Legislative Priorities***, prepared by CALED
- Appendix 6 - ***A Roadmap to Shared Prosperity***, prepared by California Forward for the California Economic Summit
- Appendix 7 - ***A Selection of Assembly Economic and Workforce Development Bills***, prepared by JEDE

- Appendix 8 - *An overview of the 16 California iHubs*, prepared by JEDE, and a *map of the iHub locations*, prepared by GO-Biz
- Appendix 9 - *Demographic and Economic Trends*, prepared by JEDE
- Appendix 10 - *California Competes Tax Credits FAQs*, prepared by GO-Biz
- Appendix 11 - *Calendar of Future California Economic Summit Events*, compiled by California Forward
- Appendix 12 - *A Selection of Career Education Programs*, prepared by the California Community College Association of Occupational Education
- Appendix 13 - *Biographies of the Speakers*, compiled by JEDE

Committee Contact Information

The Assembly Committee on Jobs, Economic Development and the Economy is the committee in the California State Legislature responsible for overseeing issues related to business formation, foreign trade and investment, industrial innovation and research, and state and local economic development activities.

The Committee Office is located in the Legislative Office Building (LOB) at 1020 N Street, Room 359. The phone number to the Committee is 916.319.2090.

Mail should be addressed to: Assembly Committee on Jobs, Economic Development and the Economy; State Capitol; Sacramento, CA, 95814. For security reasons, mail is not received or delivered to the LOB.

Appendix 1

March 17, 2015 Hearing Agenda

In today's hearing, Assemblymember Eduardo Garcia and Members of the Assembly Committee on Jobs, Economic Development, and the Economy will be briefed on California's major economic development policies and programs. Presentations will include state agencies, economic development partners, and other stakeholder organizations. This hearing is a follow-up to JEDE's first informational hearing on the California economy held on February 11, 2015.

I. Welcome, Introductions and Opening Statements

Chair and Members of the Assembly Committee on Jobs, Economic Development, and the Economy will give opening statements and frame the key issues to be examined during the hearing.

II. An Overview of Workforce Development Policies and Programs

- *Brian McMahon, Senior Advisor to the California Labor Agency*
- *Tim Rainey, Executive Director of the California Workforce Investment Board*
- *Van Ton-Quinlivan, Vice Chancellor of Workforce and Economic Development of California's Community Colleges and Co-Chair of the Workforce Action Team of the California Economic Summit*
- *Larry Frank, President of the Los Angeles Trade Technical College (invited)*
- *Jim Mayer, President & CEO of California Forward, which serves as one of two lead partners for the California Economic Summit*

One of California's historic strengths is the quality of its workforce. Creating an integrated education, training, and workforce development system that supports the states dominant and emerging industries is a major policy priority for the state. Addressing the needs of workers who face special challenges is also important including individuals requiring remedial education as a first step toward workforce training. Presentations in this panel will discuss the unique opportunity 2015 provides in advancing the state's education and workforce agenda including several collaborative public and private efforts already underway.

III. An Overview of the Policies and Programs Allied with the Governor's Office of Business and Economic Development

- *Kish Rajan, Director of the Governor's Office of Business and Economic Development*
- *Paul Granillo, President & CEO of the Inland Empire Economic Partnership and Co-chair of the California Economic Summit Steering Committee*
- *Dorothy Rothrock, President of the California Manufacturers and Technology Association*

California's \$2.2 trillion economy is comprised of a robust set of businesses and industries. Central in coordinating the state government's activities and engagement with these business and industry sectors is the Governor's Office of Business and Economic Development (GO-Biz). This panel includes an overview of programs, policies, and initiatives that are allied with the GO-Biz mission, including small business development, international trade, permit assistance, infrastructure development, innovation-based manufacturing, and business attraction and retention.

IV. Public Comment

Anyone interested in addressing the Committee may sign up to speak during the public comment period. A sign-up sheet is located at the back of the hearing room. Written comments may also be submitted to the Committee Office.

V. Closing Remarks

Assemblymembers will make closing remarks and offer recommendations on further actions by the Assembly Committee on Jobs, Economic Development, and the Economy.

Appendix 2

California Economy Fast Facts

Compiled by: Assembly Committee on Jobs, Economic Development, and the Economy
Assemblymember Eduardo Garcia, Chair

California Gross Domestic Product (GDP)

- California's economy is the eighth largest in the world – larger than Russia, Italy, India, and Canada.ⁱ
- In 2013, California GDP grew by 2% (\$2 trillion to \$2.2 trillion). California's largest private industry sectors: Finance, insurance, real estate, rental, and leasing (20.9% of state GDP); trade, transportation, and utilities (15.1% of total GDP); professional and business services (13.2% of state GDP); and manufacturing (10.9% of state GDP).ⁱⁱⁱ

Comparison of 2013 GDPs			
Country	GDP	Country	GDP
1 - United States	\$16.80 trillion	9 - Russian Federation	\$2.1 trillion
2 - China	\$9.2 trillion	10 - Italy	\$2.1 trillion
3 - Japan	\$4.9 trillion	11 - India	\$1.9 trillion
4 - Germany	\$3.6 trillion	12 - Canada	\$1.8 trillion
5 - France	\$2.7 trillion	13 - Australia	\$1.5 trillion
6 - United Kingdom	\$2.5 trillion	14 - Spain	\$1.3 trillion
7 - Brazil	\$2.2 trillion	15 - Mexico	\$1.2 trillion
8 - California*	\$2.2 trillion		

Source: Department of Financeⁱⁱ

Firms, Employment and Wages

- There were 701,899 firms in California in 2012: 62% had less than 5 employees, 89% had less than 20 employees, 98% had less than 100 employees, and 99% had less than 500 employees (federal small business definition). Less than 690 firms in California had more than 500 employees.^{iv}
- There were 18.8 million workers in the California labor force in December 2014 with 17.5 million individuals employed. This represents a 489,000 increase in jobs over the prior year.^v
- In December 2014, nonfarm employment rose in five industry sectors: trade, transportation, and utilities (+2,600); financial activities (+2,300); educational and health services (+4,200); leisure and hospitality (+8,300); government (+1,400).^{vi}
- California exported \$174.1 billion in products in 2014 to 229 foreign countries.^{vii} Mexico (\$25.4 billion) and Canada (\$18.2 billion) are the state's largest export markets.^{viii} California imported \$403.4 billion in products from other countries in 2014, accounting for 17.2% of total U.S. imports in 2014.^{ix} China (\$137.7 billion) and Mexico (\$41.2 billion) are the state's largest import markets.^x
- California median household income in 2013 was \$60,190.^{xi} 16.8% of Californians live in poverty using the federal definition.^{xii} Using the more comprehensive method, which accounts for geographic differences, transfer payments, and out-of-pocket expenses, 23.8% of residents live in poverty.

Future California Job Market

The Employment Development Department is responsible for accessing future employment needs based on regional industry clusters. *The chart displays employment projections for 2010-2020, including new and replacement jobs.*

Projections for California employment for 2010-2020					
	Industry Sector	Net Jobs		Industry Sector	Net Jobs
1	Hospitality and Tourism	868,186	6	Information and Technology	322,032
2	Retail	731,292	7	Professional, Scientific, & Technical Services	313,080
3	Health Care Services	584,560	8	Financial Services and Real Estate	275,464
4	Education & Knowledge Creation	525,875	9	Construction	263,157
5	Professional and Business Services	445,157	10	Transportation and Logistics	183,710

Source: Employment Development Department^{xiii}

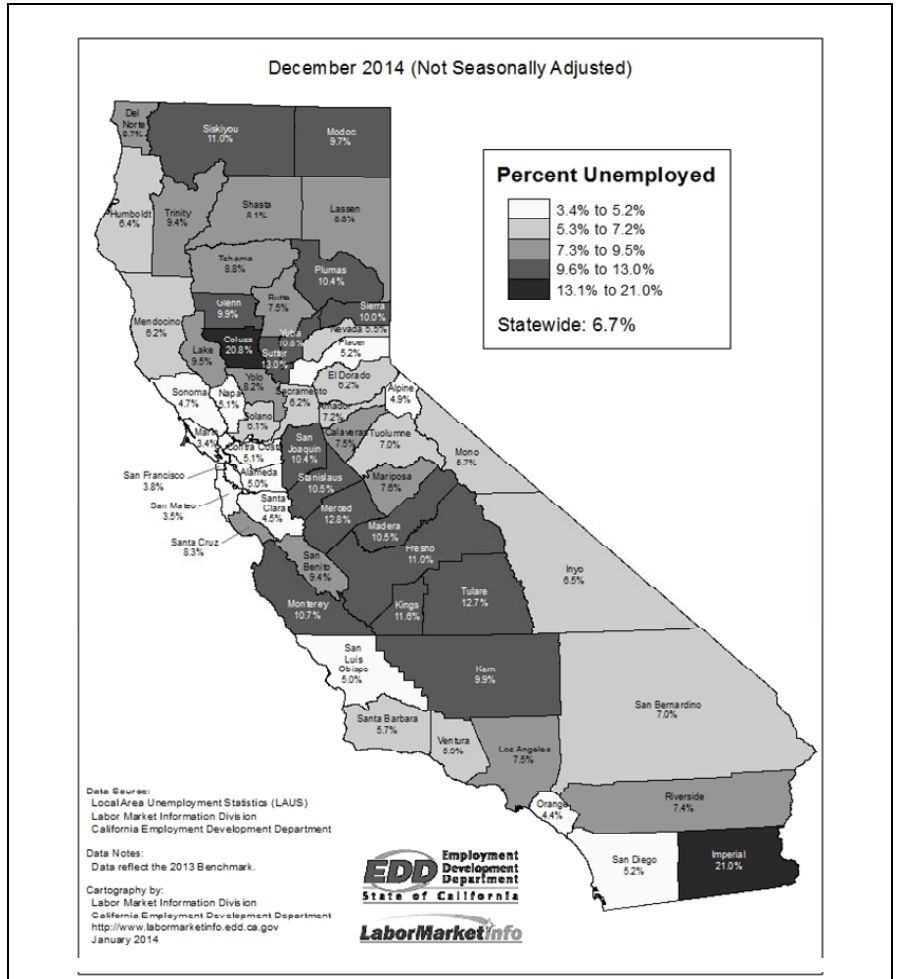
December Unemployment

- In December 2014, the California seasonally adjusted unemployment rate was 7.0, down 0.2% from November and down 1.3% from the prior year. This figure represents 1.3 million unemployed workers. Over the same period, the national unemployment rate was 5.6%.

- The highest unemployment rates by race and ethnicity was among blacks (13.6%), Hispanics (8.5%), and whites (7.1%).

- Most Californian's, 79.7% generally worked full time. There were 1.1 million persons in California who worked part time involuntarily. They comprise 6.9% of all employed workers during the survey week.

- By age group, the highest unemployment group was among workers 16 to 19 (25.9%). The largest group of unemployed persons, when sorted by duration, were those unemployed for 52 weeks or more, which represented 24.6% of all unemployed.^{xiv}



Prepared by: Toni Symonds, Chief Consultant, and Janna Ayoub, 2015 Winter Intern, Assembly Committee on Jobs, Economic Development and the Economy

ⁱ California State Gross Domestic Product 1963-2013, accessed June 24, 2014. http://www.dof.ca.gov/html/fs_data/latestecondata/FS_Misc.htm;

ⁱⁱ http://www.dof.ca.gov/html/fs_data/latestecondata/FS_Misc.htm; Top Countries Ranked by Its GDP, California's World Ranking 2013, accessed 6/24/14

ⁱⁱⁱ http://www.dof.ca.gov/html/fs_data/latestecondata/FS_Misc.htm; California Labor Market Trends; accessed 9/19/14

^{iv} U.S. Census, accessed January 2015, <http://www.census.gov/econ/subs/index.html>

^v EDD, Labor Market Review, December 2014, <http://www.labormarketinfo.edd.ca.gov/> accessed 1/27/15

^{vi} EDD, Labor Market Review, December 2014, <http://www.labormarketinfo.edd.ca.gov/> accessed 1/27/15

^{vii} <http://www.census.gov/foreign-trade/statistics/state/data/ca.html>, U.S. Census, "State Exports for California 2014"; accessed 3/9/15

^{viii} <http://www.census.gov/foreign-trade/statistics/state/data/ca.html>; U.S. Census, "State Exports for California 2014"; accessed 3/9/15

^{ix} <http://www.census.gov/foreign-trade/statistics/state/data/imports/ca.html>; U.S. Census, "State Imports for California 2014"; accessed 3/9/15

^x <http://www.census.gov/foreign-trade/statistics/state/data/imports/ca.html>; U.S. Census, "State Imports California 2014"; accessed 3/9/15

^{xi} U.S. Census ACS, accessed 12/2/14

http://factfinder2.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=ACS_13_1YR_S1903&prodType=table

^{xii} U.S. Census, ACS, accessed 12/2/14,

http://factfinder2.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=ACS_13_1YR_S1701&prodType=table

^{xiii} http://www.calmis.ca.gov/SpecialReports/Statewide_REA_Profile_April2014.pdf, EDD, Quarterly Market Review, April 2014, Accessed 6/24/14

^{xiv} EDD, Labor Market Review, December 2014, <http://www.labormarketinfo.edd.ca.gov/> accessed 1/27/15

Appendix 3

Overview of Small Business

Small businesses play an essential role in California's regional economies and industry sectors, having generated an annual payroll of \$204.1 billion in 2012. One of the challenges public policy makers have in discussing small businesses is the variety of definitions of small business, which often vary by program and industry. Small businesses are in some cases defined by their number of employees and in other cases they are defined by gross receipts and/or other financial data.

The chart below illustrates, the actual employment size of the greatest number of businesses is very low. Nearly 90% of all businesses have fewer than 20 employees. The 20 employee threshold is also important relative to job creation. Separate research undertaken by the U.S. Census Bureau and the Kauffman Foundation have shown that net new job creation is reported to be highest among businesses with fewer than 20 employees.

2011 Business Profile By Size (excludes non-employer firms)						
Area Description	Employment Size	Number of Firms	Percent of Firms	Employees	Percent of Jobs	Annual Payroll (\$1,000)
United States	Total	5,684,424		113,425,965		\$5,164,897,905
California	Total	689,568	12% of U.S. Firms	12,698,427	11% of all U.S. Jobs	\$663,570,657
United States	0-4	3,532,058	62% of U.S. Firms	5,857,662	5% of U.S. Jobs	\$230,422,086
California	0-4	429,139	62% of CA Firms	702,508	5.5% of CA Jobs	\$35,472,447
United States	<20	5,104,014	89.7% of U.S. Firms	20,250,874	17.8% of U.S. Jobs	\$732,759,369
California	<20	614,538	89.1% of CA Firms	2,386,296	18.7% of CA Jobs	\$99,417,066
United States	0-99	5,585,510	98.2% of U.S. Firms	39,130,875	34% of U.S. Jobs	1,478,844,420
California	0-99	672,360	97% of CA Firms	4,587,628	36.1% of CA Jobs	194,611,832
United States	<500	5,666,753	99.6% of U.S. Firms	54,998,312	48.4% of U.S. Jobs	\$2,169,353,973
California	<500	683,999	99.1% of CA Firms	6,331,871	49.8% of CA Jobs	\$280,857,823
United States	500+	17,671	0.3% of U.S. Firms	58,427,653	51.5% of U.S. Jobs	\$2,995,543,932

California	500+	5,569	0.8% of CA Firms	6,366,556	50.1% of CA Jobs	\$382,712,834
Source: U.S. Census http://www.census.gov/econ/subs/index.html						

Small businesses play differing roles within industry sectors. The bullets below show the top three industry sectors for California small businesses (employing 0-99 employees) by number of businesses:

- The real estate and rental and leasing sector had the highest percentage of small businesses in California, consisting of 98.1% of the firms in the sector.
- The health care and social assistance sector had the second highest percentage of small businesses in California, consisting of 97.8% of the firms in the sector.
- The professional, scientific, and technical services sector had the third highest percentage of small businesses in California, consisting of 97.7% of the firms in the sector.

Based on the number of employees, the top three industry sectors for California small businesses (employing 0-99 employees) are:

- The accommodation and food services sector, which had the highest number of workers employed by small businesses in California, with a total of 676,837 employees, consisting of 48% of employment in the sector.
- The health care and social assistance sector, which had the second highest number of workers employed by small businesses in California, with a total of 574,968 employees, consisting of 33% of employment in the sector.
- The professional, scientific, and technical services, which had the third highest number of workers employed by small businesses in California, with a total of 488,362 employees, consisting of 43% of employment in the sector.

Appendix 4

California Economy by Industry Sector

Chart 1 shows the financial value of different private industry sectors. In 2013, the most recent data 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.

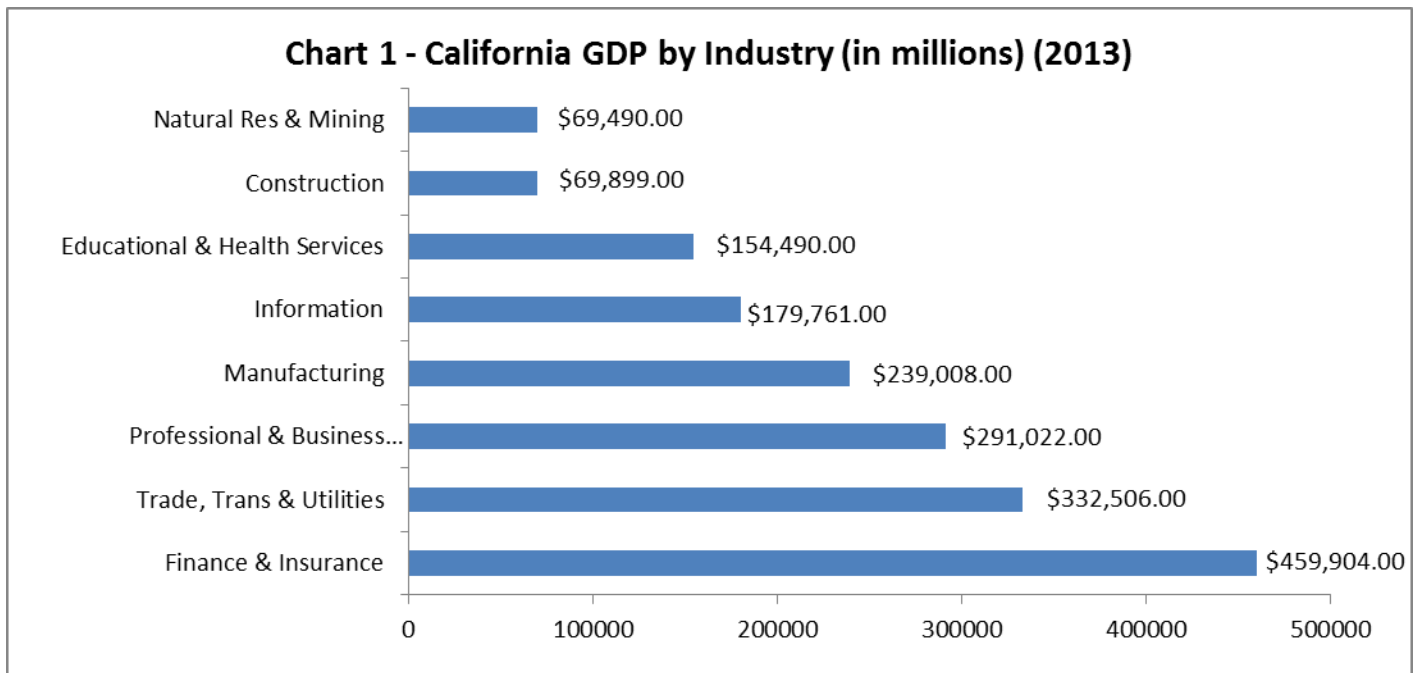
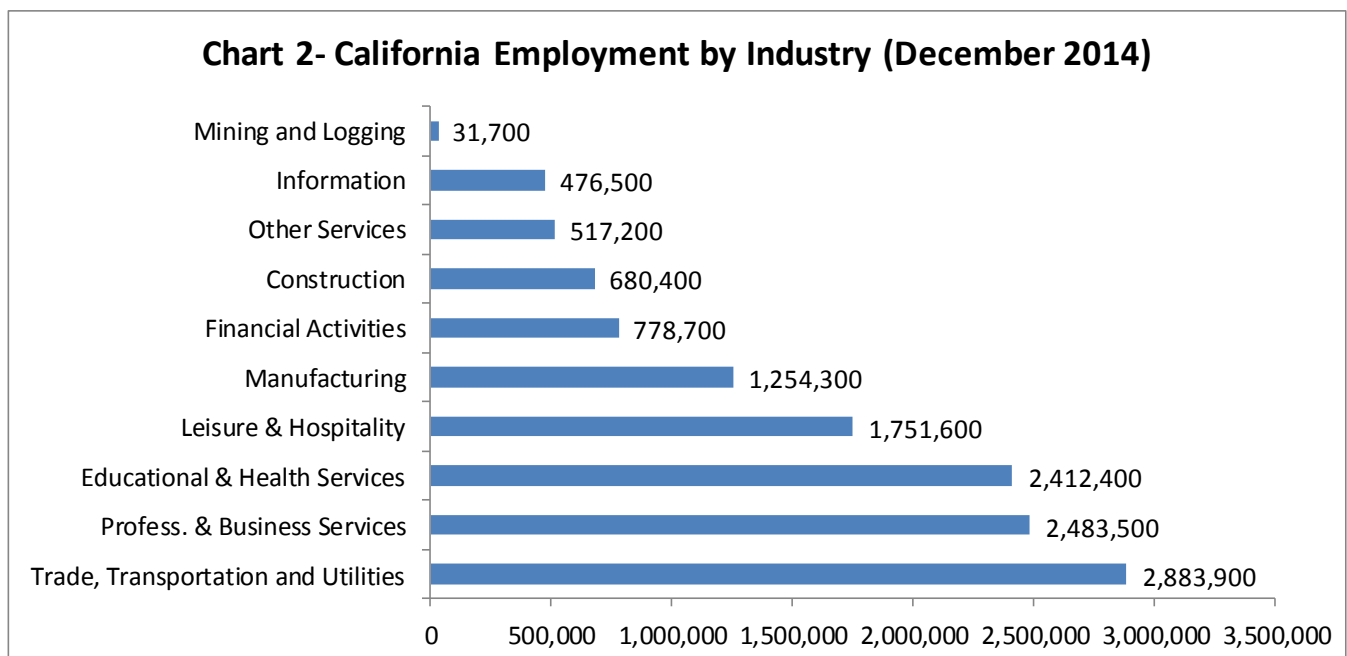


Chart 2 displays California's largest private industry sectors based on reported jobs in December 2014. As the two charts illustrate, the ranking of high economic value and high employment sectors are



similar, but not identical. The trade, transportation, and utility sector employs the largest number of people (ranked 2nd in GDP), followed by the professional and business services sector (3rd in GDP) and educational and health services sector (6th in GDP).

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, and industry sectors that serve as workforce entry points for 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. In the recession, the state unemployment rate hit a high of 12.4% in February of 2010, which was only the second time since the 1970s that the state rate was above 10%. In December 2014, the most recent studies available, the state reported a seasonally adjusted rate of 7.0% as compared to the U.S. rate of 5.6%.

The lowest unemployment rate among California counties in December 2014 was 3.4% in Marin. Sixteen other counties had rates below 6.0% in December. The highest unemployment rate for the month was 21.0% in Imperial County. The comparable California rate (not seasonally adjusted) was 6.7%. Thirty-eight counties recorded a decrease in their unemployment rate between November and December 2014. Over the year, the unemployment rate decreased in all of the 58 counties.

As the December 2014 numbers show, many areas of the state have recovered from the recession and are experiencing new economic growth. Other areas of the state, however, including counties with substantial inland areas, continue to report unemployment numbers significantly above the state average. Developing policies to address the needs of underperforming and expanding economies can be challenging and require different economic approaches and metrics for measuring success. Supporting business development and job growth for all areas of the state are two of the primary policy issues JEDE Committee Members try to address in overseeing the implementation of state programs and review of legislation.

Agriculture – A Cross Cutting Sector

Another key economic driver in California is the agriculture sector, with 2013 production valued at \$46.7 billion, accounting for 17.3% of total U.S. agricultural output. In 2013, agriculture employed an estimated 348,900 people in the state. California is the country's largest agricultural producer and exporter, and a global leader in specialty crops. Agricultural products were one of California's top 5 exports in 2013, totaling \$13.7 billion in exports, a \$1.8 billion (15%) increase from the previous year.

Agriculture's contribution to the overall state economy is also reflected in the private industry sectors graphed in **Charts 1 and 2** including manufacturing and professional and business services. One estimate, by researchers at Butte Community College, is that California's agriculture value chain contributes nearly \$300 billion annually to the economy and accounts for nearly 2.5 million jobs across 800 different job titles.

- APPENDIX 5 -

**2015 Economic Development Legislative Priorities
as Shared by CALED Partners on January 22, 2015**

<u>Name</u>	<u>Economic Development Priority</u>
<p>California Association for Local Economic Development (CALED) Gurbax Sahota, President/CEO</p>	<p><u>2015 Priorities</u></p> <ol style="list-style-type: none"> 1. Protect and Look to Improve EIFD Legislation 2. Provide Input and Advocacy, Ensuring Economic Development has a Voice in WIOA Regulations and Legislation 3. Support and Propose Tools and Funding for Economic Development <p><u>Criteria for Legislative Evaluation</u></p> <ol style="list-style-type: none"> 1. Does the legislation have the potential for the creation of jobs? 2. Does the legislation have the potential to hinder the private sector in the creation of jobs? 3. Does the legislation present hurdles or potential hurdles that will hurt development and job creation? 4. Does the legislation have the potential to help California be competitive with other states or hinder California's competitiveness with other states? 5. Does the legislation add regulations which will hurt or have the potential to hurt local jurisdictions in encouraging and assisting the development of businesses? 6. Does the legislation add regulations and or costs that will hurt/hinder the private sector in the development of new or expanded businesses?
<p>Assemblyman Eduardo Garcia Assembly District 56 Chair, Assembly Committee on Jobs, Economic Development and the Economy</p>	<ol style="list-style-type: none"> 1. Small Business development to help firms access capital, technical assistance, and government procurement opportunities. 2. Leveraging Workforce training to lower prison recidivism rates, which will aid the state in meeting its federal court mandate to reduce its prison population or face indiscriminate prisoner releases. 3. Targeting early childhood education as both a strategy for building better futures for California's youth and as a business and workforce development opportunity in lower income neighborhoods and by women and persons of color.

<p>CA Assembly Committee on Jobs, Economic Development and the Economy Toni Symonds, Chief Consultant</p>	<ol style="list-style-type: none"> 1. Infrastructure Development that supports commerce and goods movement (including air freight) 2. Workforce Development including STEM education and ongoing training and educational opportunities to support the needs of innovation-based business. 3. Regulatory reforms that achieve similar policy objectives, like clean air and water, but do so in a smarter manner. 4. Small Business development to help firms access capital, technical assistance, and government procurement opportunities.
<p>California Workforce Investment Board Tim Rainey, Executive Director</p>	<ol style="list-style-type: none"> 1. Regional Alignment 2. Implementation of Field Strategy through Slingshot grants, Accelerator grants, and local & regional grants.
<p>California Workforce Association Bob Lanter, Executive Director</p>	<ol style="list-style-type: none"> 1. Implementation of WIOA 2. Flexibility of government and elected officials to designate who runs the one-stop centers 3. Advocating for program cooperation of WIOA data is collected and reported using the State's base-wage system
<p>League of California Cities Legislative Director Dan Carrigg</p>	<ol style="list-style-type: none"> 1. Clean up to SB 628 2. Passage of AB 2 3. Passage of CA New Market Tax Credit 4. Supporting more affordable housing funding
<p>CalAsian Chamber of Commerce Sam Driggers, Director of Economic Growth & Programs</p>	<ol style="list-style-type: none"> 1. Recognition of Interest-Charge Domestic International Sale Corporation (IC-DISC) tax credit
<p>California State Association of Counties Geoffrey Neill, Senior Legislative Analyst</p>	<ol style="list-style-type: none"> 1. Transportation funding 2. Broadband - access & adoption 3. Addressing poverty & homelessness at county level 4. Cap and Trade: 20% to affordable & sustainable communities 5. Federal - Remote Sales Tax - Marketplace Fairness Act
<p>California Economic Summit Susan Lovenburg, Director of Economic Partnership for Prosperity Fred Silva, Senior Fiscal Policy Advisor</p>	<ol style="list-style-type: none"> 1. Workforce and Workplace 2. Infrastructure and Sustainable Communities 3. Governance and Finance
<p>California Manufacturers & Technology Association Michael Shaw, Vice President of Governmental Relations</p>	<ol style="list-style-type: none"> 1. Attract investments to California 2. Tax policy - increasing tax credit beyond current sunset 3. Modernizing workforce rules

A ROADMAP TO SHARED PROSPERITY:

The right next steps toward sustainable growth

California has always been the frontier of the possible—for immigrants and entrepreneurs, for infrastructure and environmental protections, for sustainable communities and global markets. The California Dream has been the American Dream, with more rungs on the economic ladder.

For all its progress, California will need to work even smarter in the decades ahead to achieve its promise. Faced with a growing income gap, the next generation of Californians—the most diverse in its history—must be ready to contribute to an ever-changing global economy. To prepare for—and slow—climate change, natural resources must be managed more responsibly. Bigger cities will need less traffic. Regional economies will need both clean air and global trade.

This new prosperity will require more—and more effective—investments in education and infrastructure. It will demand a blend of entrepreneurial thinking, new technology, and innovative public decision-making.

While California has historically led on these issues, the challenge now is that tackling any one of these problems requires taking them all on simultaneously.

This is the aim of the California Economic Summit, a coalition of regional leaders advancing an agenda for shared prosperity. The Summit's five-year prosperity plan is grounded in public and private sector commitments to the “triple bottom line”—simultaneous growth in the economy, improvement in environmental quality, and increased opportunity for all.

The Roadmap focuses on three urgent and overarching priorities that—with action from leaders in 2015—can increase and broaden prosperity for all Californians.

THE 2015 SUMMIT IN THE INLAND EMPIRE:

Restoring upward mobility in every region

Even as the economy recovers, many California communities—urban and rural, coastal and inland—face persistent gaps in employment, education, and opportunity. For too many Californians, these troublesome signs of inequality show no sign of shrinking.

Poverty rates have doubled in the last two decades in regions like the Inland Empire, where fewer than one in five residents have a college degree. Even fast-growing cities are struggling to find the workers they need: California is projected to face a gap of 2 million skilled workers in the next decade.

California cannot thrive unless it finds ways to radically improve upward mobility—in the regions still emerging from the recession and in the stubborn pockets of poverty next to the state's wealthiest neighborhoods.

At the California Economic Summit on **November 12-13 in Ontario**, state and regional leaders will assess progress and sharpen strategies for targeting resources where they are needed most to build the skills and the infrastructure Californians and their communities need to prosper.

2015-2020 PRIORITIES:

⚙️ **WORKFORCE & WORKPLACE**

🏠 **INFRASTRUCTURE & SUSTAINABLE COMMUNITIES**

💰 **GOVERNANCE & FINANCE**



#CAECONOMY.ORG

3 SUMMIT PRIORITIES FOR 2015 AND BEYOND

Having achieved all of the Summit's 2014 goals, Summit leaders looked ahead to identify the priorities for advancing prosperity over the next five years. A shared prosperity agenda emerged that integrates the elements of sustainable and equitable development, identifies goals and the "right next steps," and connects these actions to measurable statewide outcomes. →



WORKFORCE & WORKPLACE

Preparing Californians to compete in a dynamic 21st century

GOAL: The Summit aims to increase opportunity by providing California's workforce—and its businesses and entrepreneurs—with the skills, knowledge, and abilities they need to grow well-paying jobs in changing markets.

THE RIGHT NEXT STEPS IN 2015

1. Align regional workforce training, industry, and community needs by improving responsiveness to students, increasing completion rates, and finding long-term funding for career pathways and career technical education programs.
2. Provide small businesses and entrepreneurs with the tools to grow jobs in changing markets.



INFRASTRUCTURE & SUSTAINABLE COMMUNITIES

Building the communities California needs to thrive

GOAL: The Summit will focus state and regional resource and infrastructure investments on sustainable growth, especially in underserved communities.

THE RIGHT NEXT STEPS IN 2015

3. Expand infrastructure investment through local financing tools and public-private partnerships.
4. Promote sustainable communities including a sufficient housing supply through data-driven land use decisions and by ensuring state cap & trade funds and regional climate plans support adequate affordable housing, integrate urban and rural development, and include long-term goods movement strategies, even in rural regions without existing sustainable communities strategies.
5. Ensure \$7.5 billion in water bond funds go to sustainable, multi-benefit, integrated water projects that address issues across watersheds.
6. Update regulatory processes such as CEQA, water transfers, and air permitting to advance the triple bottom line. Expand use of open data in land use planning.



GOVERNANCE & FINANCE

Improving public decision-making about how to achieve prosperity

GOAL: The Summit will drive more integrated, outcome-oriented decision-making that sustains public and private investments.

THE RIGHT NEXT STEPS IN 2015

7. Identify adequate revenues to make investments in the state's long-term prosperity—from workforce development to infrastructure and sustainable communities.
8. Align regional workforce development systems with industry, including manufacturers.
9. Integrate state climate adaptation efforts in next update of the AB 32 Scoping Plan to ensure sustainable land use, infrastructure development, and drought preparedness.
10. Increase data-driven decision-making at all levels of government. Expand use of open data to drive efficiencies, innovation, and create jobs in new sector.

MOVING THE NEEDLE ON STATEWIDE OUTCOMES

HOW THE SUMMIT ADVANCED PROSPERITY IN 2014

- ✓ Increased workforce training investments
- ✓ Expanded manufacturing partnerships
- ✓ Highlighted regulations in need of streamlining
- ✓ Piloted new investment network for small businesses
- ✓ Enhanced infrastructure financing tools
- ✓ Targeted funding for affordable housing
- ✓ Improved preparation for next drought

A full accounting of the Summit action teams' progress in 2014 can be found at: www.caeconomy.org/progress

ENCOURAGING ECONOMIC GROWTH

Growing good jobs
Rising per capita income
Decreasing poverty
Improving jobs-housing ratio, achieving sufficient supply of affordable housing

IMPROVING ENVIRONMENTAL QUALITY

Decreasing greenhouse gas emissions
Improving air quality
Decreasing electricity consumption, increasing efficiency
Decreasing water use, increasing efficiency, and improving water quality
Maintaining biological diversity

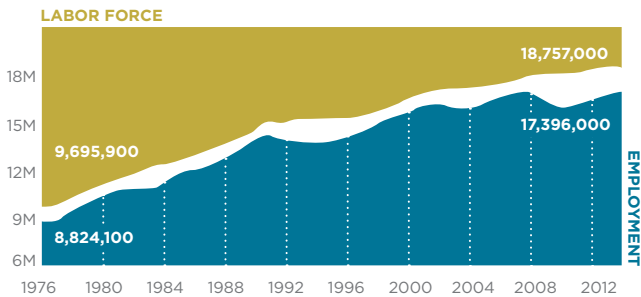
INCREASING OPPORTUNITY FOR ALL

Improving educational attainment
Decreasing income inequality
Adequately funding priority investments

TRIPLE-BOTTOM-LINE PROSPERITY

EMPLOYMENT AND LABOR FORCE

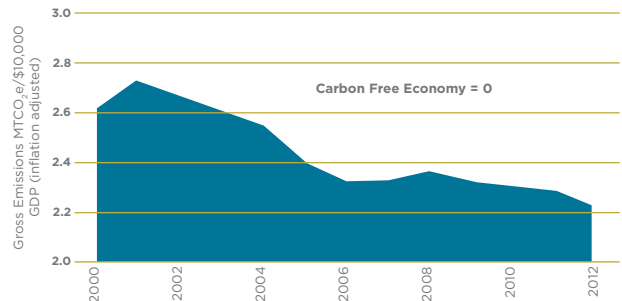
Unemployment falling but gap remains



Data source: California Employment Development Department

CARBON EMISSIONS RELATIVE TO GDP

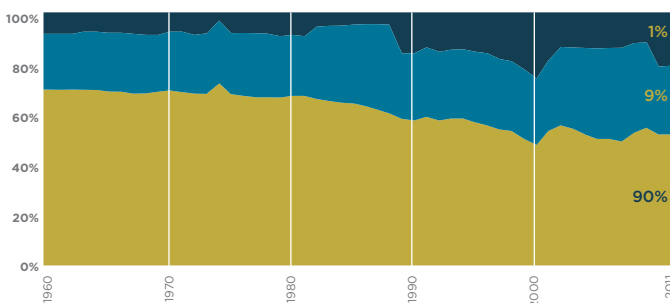
Progress in last decade toward fewer emissions per dollar



Data source: California Air Resources Board, California Greenhouse Gas Inventory - by sector and activity, Bureau of Economic Analysis, U.S. Department of Commerce
Chart design and analysis: Collaborative Economics

INCOME DISTRIBUTION

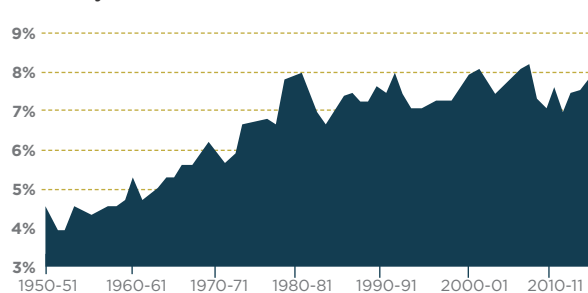
Income inequality has grown over last 50 years



Data source: Frank, Mark W. US state level income data
Chart design and analysis: Collaborative Economics

STATE SPENDING AS SHARE OF ECONOMY

General fund and special funds as share of personal income relatively flat since 1970s



Data source: Legislative Analyst's Office



THE ROAD TO THE SUMMIT

Summit Leaders, Partners, & Action Teams

SUMMIT PARTNERS

The California Economic Summit is a partnership of California Forward, an organization that works with Californians to stimulate the economy, make government more effective, and promote accountability and transparency, and the California Stewardship Network, a civic effort to develop regional solutions to the state's most pressing economic, environmental, and community challenges.



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Hoover Institution,
Stanford University

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The Panetta Institute for
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SUMMIT ACTION TEAMS:

More than 700 experts and practitioners are working through the Summit on action teams committed to the triple bottom line. In advance of the 2015 Summit in Ontario, these teams are broadening their regional networks, while working with state leaders to advance the Summit agenda:

INFRASTRUCTURE

A team is developing new approaches to financing infrastructure projects from transit to water systems—and training skilled workers to build them.

WORKFORCE

A team is integrating the state's segmented education system—and aligning the needs of students and future employers.

ADVANCING MANUFACTURING

A team is expanding career options in fields that provide sustainable, middle-income jobs.

HOUSING

A team is developing affordable, accessible housing for all.

CAPITAL

A team is growing small businesses by connecting investors and entrepreneurs.

WORKING LANDSCAPES

A team is integrating rural and urban development, while preserving the state's unmatched natural resources.

REGULATIONS

A team is driving business growth by making state regulations more transparent.

UNDERWRITERS AND SPONSORS

SUMMIT UNDERWRITERS

A&T
Automobile Club of
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California Airports Council
Edison International
Metabolic Studio

Sempra Energy Utilities
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REGIONAL UNDERWRITERS

Morgan Family Foundation
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SPONSORS

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WORKFORCE & WORKPLACE

Preparing Californians to compete in a dynamic 21st century

TEAM	ACTION TEAM GOALS FOR 2015 AND WHERE EACH TEAM PLANS TO ENGAGE
WORKFORCE	<p>GOAL 1: Better align regional workforce development systems by connecting workforce, industry. Define systems' responsiveness, completion goals, including regional targets for training needs</p> <ul style="list-style-type: none"> • Ongoing state, federal efforts: UC Innovation Council initiative; Workforce Innovation and Opportunity Act (WIOA) Committee. Support implementation of 2014 legislation: AB 86 (adult education transition), SB 1022 (CSU & UC outcome data), and AB 2148 (workforce system dashboard). • New initiatives: CA Community College Board of Governors Task Force. Also support efforts to bridge data systems across K-12, community college, adult education, and workforce investment boards. <p>GOAL 2: Find long-term workforce development funding for K-14 thru higher education—from regions-focused career pathways to career technical education programs (CTE)</p> <ul style="list-style-type: none"> • Implementation of 2014 effort: Work with Board of Governors Task Force to pursue recommendations on alternate funding models.
ADVANCING MANUFACTURING	<p>GOAL: Expand exposure to career options in manufacturing by connecting workforce training programs (K-12 thru higher ed) with manufacturers</p> <ul style="list-style-type: none"> • IMCP: Implementation of Southern California's new Investing in Manufacturing Communities Partnership (IMCP). • Campaign: Contribute to California Manufacturing & Technology Association's Champions of Manufacturing initiative. • CTE funding: Raise awareness about second round of Career Pathways Trust Program. Push for ongoing K-12 CTE funding.
HOUSING	<p>GOAL: Ensure sufficient housing for workforce by supporting housing development, connecting workforce development & worker housing</p> <ul style="list-style-type: none"> • Apprenticeships: Expand homebuilders apprenticeship, Youth Build programs. • Land use: Include land use considerations like jobs-housing ratio & siting in workforce plans. • Housing siting: Site workforce training facilities in multi-family housing complexes, farmworker housing.
WORKING LANDS & INFRASTRUCTURE	<p>GOAL: Promote city-centered development that attracts entrepreneurs, provides construction jobs, and encourages local hiring</p> <ul style="list-style-type: none"> • Cap & trade: Ensure cap & trade funds support city-centered jobs with improved access for workers. • EIFDs: Build EIFD project pipeline that will provide well-paying, local construction jobs.
REGS	<p>GOAL: Make regulations more transparent to drive business creation, growth</p> <ul style="list-style-type: none"> • Open data: Expand existing open data efforts (including the City of Los Angeles, CA Fwd, and Government Operations Agency) to connect workforce & industry, encourage job growth in this new sector. • Streamline business permitting: Build "customer-satisfaction" website, pilot tracking system for applications.
CAPITAL	<p>GOAL: Support growth of small business, entrepreneurs by connecting investors, lenders, and industry clusters</p> <ul style="list-style-type: none"> • Map capital intermediaries: Develop partnership with U.S. Small Business Administration, CAMEO, CALED, Small Business Development Centers, and federal partners. • Implementation: Rollout California Finance Consortium, identify three regional pilots.



THE RIGHT NEXT STEPS & WHO WILL BE INVOLVED

1. Align regional workforce training, industry, and community needs by improving responsiveness to students, increasing completion rates, and finding long-term funding for career pathways and career technical education programs.

- **Higher Ed:** Community Colleges Chancellor's Office, California State University, University of California, University Economic Development Association
- **K-12:** State Department of Education, K-12 regional representatives, Linked Learning Alliance, Association of California School Administrators, California School Boards Association
- **State agencies:** GO-Biz (California Competes, Permit Assistance, iHubs), CalWORKs, Department of Rehabilitation, Department of Veterans Affairs, Department of Housing and Community Development
- **Regions:** Workforce Investment Boards, Regional Consortia, private colleges, equity groups (California Community Economic Development Association), Small Business Development Centers
- **Open data:** Government Operations Agency
- **Labor:** United Food and Commercial Workers, State Building & Construction Trades Council of California, SEIU-United Healthcare Workers West, California Alliance for Jobs
- **Federal:** National Standards Certification Board

2. Provide small businesses and entrepreneurs with the tools they need to grow jobs in changing markets

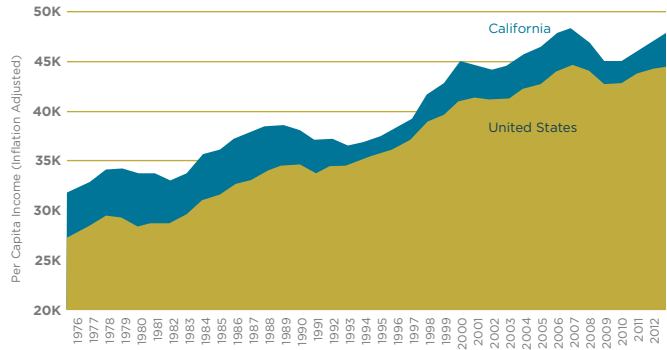
- **Capital team's Impact Economy partners**
- **Manufacturing industry leaders** (especially clean tech with its triple bottom line focus)
- **Small business:** National Federation of Independent Business, California Chamber of Commerce, local chambers
- **State:** GO-Biz, Employment Training Panel



Page 1, top photo: Violeta Vaquero

PER CAPITA INCOME

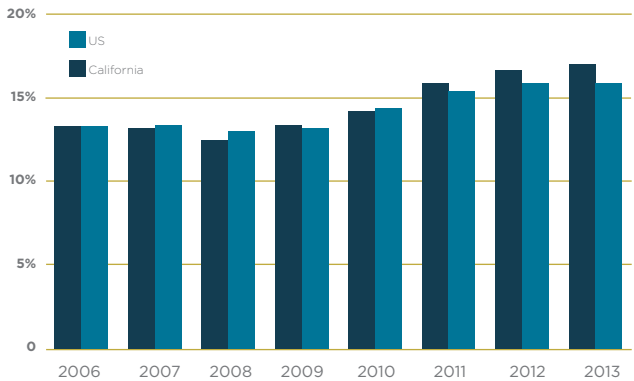
California income continues to outpace U.S. average



Data Source: U.S. Bureau of Economic Analysis, United States Department of Labor, Bureau of Labor Statistics
Chart design and analysis: Collaborative Economics

PERCENT OF POPULATION IN POVERTY

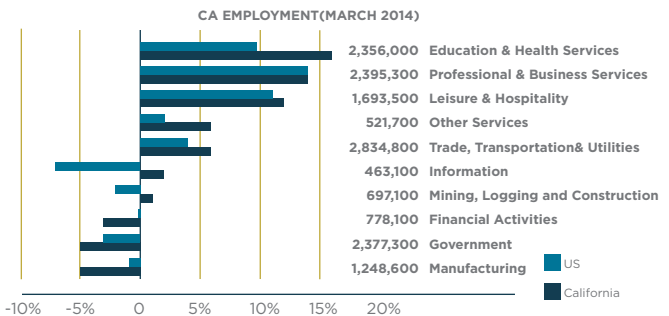
A growing percent of Californians live in poverty



Note: Poverty is defined as income at or below the Federal Poverty Level, defined as \$23,050 per year for a family of four in 2012. Data Source: U.S. Census Bureau, American Community Survey Chart design and analysis: Collaborative Economics

PERCENT CHANGE IN EMPLOYMENT BY INDUSTRY

Some industries rebounding faster in California than other states



*March 2014 data is preliminary.

Note: Data is seasonally adjusted. Data Source: California Employment Development Department, Bureau of Labor Statistics, Current Employment Statistics Chart design and analysis: Collaborative Economics



INFRASTRUCTURE & SUSTAINABLE COMMUNITIES

Building the communities California needs to thrive

TEAM	ACTION TEAM GOALS FOR 2015 AND WHERE EACH TEAM PLANS TO ENGAGE
INFRASTRUCTURE	<p>GOAL 1: Expand use of Enhanced Infrastructure Financing Districts (EIFDs), public-private partnerships</p> <ul style="list-style-type: none"> • Build project pipeline: Expand regional project pipeline, ensure tools' validation. Explore I-bank role, use of EIFDs in conjunction with industrial development bonds. • Legislation: Pursue follow-up to SB 628 in 2015. Explore legislation to extend P3 authority beyond 2017. <p>GOAL 2: Maximize existing resources and identify new revenue sources to support outcomes-oriented infrastructure investments</p> <ul style="list-style-type: none"> • Cap & trade: Support implementation of Strategic Growth Council grant program to promote infrastructure resilience over next 25-50 years. • Water, transportation, housing, K-12 schools: Identify long-term sources of revenue to support programs that can provide demonstrable results to voters.
HOUSING	<p>GOAL 1: Ensure sufficient housing—and specific strategies and initiatives—in regional Sustainable Communities Strategies (SCS) and encourage transit-oriented housing development through cap & trade. Develop ways for rural areas with regional plans to qualify for these funds.</p> <ul style="list-style-type: none"> • SCS updates: Encourage support for effective urban & rural housing strategies in SCSs—especially in next Regional Housing Needs Assessment cycle—to ensure affordability, equity. • Cap & trade: Emphasize value of housing near transit in reducing emissions. Assist regions without SCSs in identifying alternative methods for receiving funding. • VMT: Follow debate over new transportation metrics (including Vehicle Miles Traveled - VMT) for impacts on jobs-housing ratio. <p>GOAL 2: Promote housing development, including dedicated source of statewide funding for affordable housing and provision of market-rate housing at all levels</p> <ul style="list-style-type: none"> • Local tools: Pursue follow-up to SB 628 (EIFDs). Work with cities to update General Plan provisions. Advocate for state matching role in K-12 school construction. • Regional incentives: Scale up successful employer advocacy for housing projects that meet specific standards. Reduce regulatory barriers to building housing. • Dedicated funding: Advocate for dedicated source of statewide funding for affordable housing.
REGULATIONS & MANUFACTURING	<p>GOAL: Update regulatory processes including CEQA, water transfers, air permitting; expand use of open data in land-use planning</p> <ul style="list-style-type: none"> • CEQA: Contribute to Office of Planning & Research update of CEQA Guidelines. Explore convening of environmental, environmental justice, housing groups on VMT. • Water: Work with Department of Water Resources and State Water Resources Control Board on drought response. • Open data: Engage Government Operations Agency, other agencies on open data efforts. • Air: Shorten lead time for clean-tech and other manufacturers seeking air permits.
WORKING LANDSCAPES	<p>GOAL 1: Promote sustainable communities & use of natural capital by integrating urban/rural development, encouraging regional goods movement strategies</p> <ul style="list-style-type: none"> • Water bond: Ensure \$7.5 billion in new funding is distributed to sustainable water projects with watershed-wide focus. • Urban/rural: Expand Rural-Urban Connections Strategy (RUCS) model statewide to encourage integration of natural & traditional infrastructure. Join USDA Rural Opportunity Investment effort. • Cap & trade: Encourage Strategic Growth Council grant guidelines to incorporate cap & trade and USDA efforts in one grant program. Assist rural regions without SCSs in identifying alternative methods for receiving funding for projects that reduce greenhouse gas emissions. • Goods movement: Work with Metropolitan Planning Organizations on goods movement strategies. • Water-energy-broadband: Work with Public Utilities Commission to target resources at rural landscapes. <p>GOAL 2: Document benefits of ecosystem services</p> <ul style="list-style-type: none"> • County grant programs: Expand Sonoma, Santa Cruz, Santa Clara ecosystem services efforts. • Quantifying benefits: Work with Scientific Committee of the California Department of Food and Agriculture.
CAPITAL	<p>GOAL: Expand private capital investment in infrastructure by mapping regional capital intermediaries and creating navigator tool to match supply & demand</p> <ul style="list-style-type: none"> • Mapping: Develop partnership with U.S. Small Business Administration, CAMEO, CALED, Small Business Development Centers, and federal partners. • Implementation: Rollout California Finance Consortium. Expand EIFD project pipeline.

THE RIGHT NEXT STEPS & WHO WILL BE INVOLVED

3. Expand infrastructure investment through local financing tools, public-private partnerships

- **State agencies:** I-bank, Treasurer, Caltrans, Department of Housing and Community Development, GO-Biz
- **Regional investment proponents:** Bay Area Council, Southwest Megaregion Alliance
- **Private investors**

4. Promote sustainable communities including a sufficient housing supply through data-driven decision-making and by ensuring cap & trade funds and regional climate plans support adequate affordable housing, integrate urban and rural development, and identify long-term goods movement strategies—including rural regions without existing sustainable communities strategies

- **State agencies:** Strategic Growth Council, Department of Housing and Community Development, Public Utilities Commission, Caltrans
- **Regions:** Metropolitan Planning Organizations, regional affordable housing associations, including Southern California Association of Nonprofit Housing and Non-Profit Housing Association of Northern California
- **Federal:** U.S. Department of Agriculture
- **Private, nonprofit:**
 - Builders: California Infill Builders Federation, Building Industry Association
 - Goods movement: Truckers, rail, shipping
 - Others: Equity groups, transit advocates, California Coalition for Rural Housing, Urban Land Institute

5. Ensure \$7.5 billion water bond funds go to sustainable, multi-benefit, integrated water projects that address issues across watersheds

- **State:** Department of Water Resources, California Water Commission, State Water Resources Control Board
- **Regions:** Water districts, leaders of Integrated Regional Water Management Plans

6. Update regulatory processes to advance the triple bottom line. Advance use of open data in land use planning.

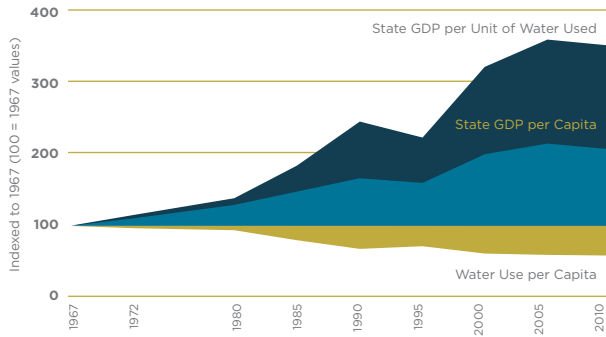
- **CEQA:** Office of Planning & Research
- **Water:** Department of Water Resources, State Water Resources Control Board
- **Open data:** Government Operations Agency



All photos: Violeta Vaqueiro

WATER PRODUCTIVITY AND EFFICIENCY

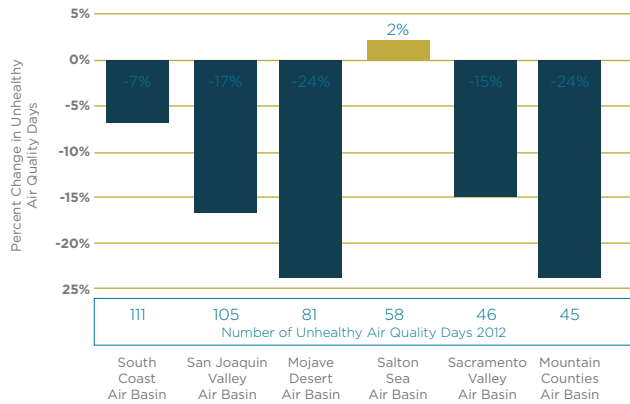
Californians are becoming more productive with less water



Note: State GDP is adjusted for inflation. Water use estimates are for applied use in the agricultural and urban sectors. **Data Source:** PPIC; Ellen Hanak et al., Water and the California Economy (PPIC, 2012), updated to 2010 with data from the Department of Water Sources, the Department of Finance, and the U.S. Bureau of Economic Analysis. **Chart design and analysis:** Collaborative Economics

UNHEALTHY AIR QUALITY DAYS

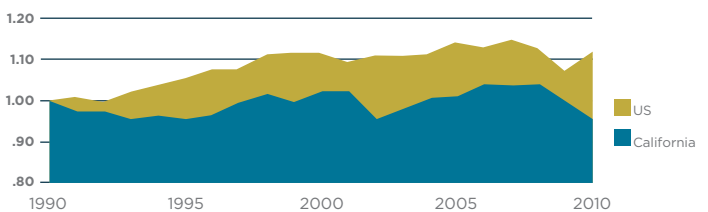
Most regions seeing fewer unhealthy air days since 2008



Data Source: California Air Resources Board **Chart design and analysis:** Collaborative Economics

ELECTRICITY SALES PER CAPITA

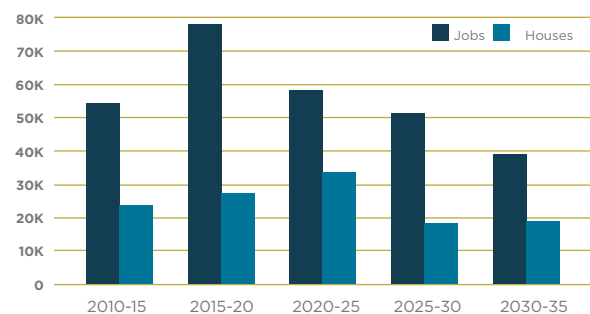
California is using less electricity per person than other states



Data Source: Environmental Goals & Policy Report

JOBS AND HOUSING RATIO

Gap persists between jobs and housing in many regions. Projections below are from Orange County



Data Source: California State University Fullerton Center for Demographic Research



GOVERNANCE & FINANCE

Improving public decision-making about how to achieve prosperity

TEAM	ACTION TEAM GOALS FOR 2015 AND WHERE EACH TEAM PLANS TO ENGAGE
WORKFORCE	<p>GOAL - Governance: Align regional workforce development systems</p> <p>GOAL - Finance: Distribute long-term funding into regional structure</p> <ul style="list-style-type: none"> • State, federal efforts: UC Innovation Council initiative; Workforce Innovation and Opportunity Act (WIOA) Committee. Support implementation of 2014 legislation: AB 86 (adult education transition), SB 1022 (CSU & UC outcome data), and AB 2148 (workforce system dashboard). • New initiatives: CA Community College Board of Governors Task Force. Also support efforts to bridge data systems across K-12, community college, adult education, and workforce investment boards.
ADVANCING MANUFACTURING	<p>GOAL - Governance: Build workforce/industry relationships that deliver manufacturing value on a global scale</p> <p>GOAL - Finance: Distribute long-term workforce training funding (K-14 thru higher education) into regional structure</p> <ul style="list-style-type: none"> • Campaign: Expand on California Manufacturers & Technology Association's Champions of Manufacturing initiative. • Career technical education (CTE) funding: Raise awareness about Career Pathways Trust Program, push for ongoing K-12 CTE funding.
INFRASTRUCTURE	<p>GOAL - Governance: Expand use of multi-jurisdictional financing tools with access to public-private funding</p> <p>GOAL - Finance: Develop public-private partnerships, as well as long-term revenue sources</p> <ul style="list-style-type: none"> • Focus on results: Ensure state and local agencies maximize existing resources in infrastructure investment. • Build EIFD pipeline: Expand pipeline of public-private projects. Explore I-bank role. • Long-term revenue: Identify sources of revenue for water, transportation, housing, and K-12 school construction.
HOUSING	<p>GOAL - Governance: Promote housing production by expanding market incentives, removing regulatory barriers, encouraging effective local planning</p> <ul style="list-style-type: none"> • General Plans/zoning: Update local plans to promote housing affordability, discourage displacement. • Data-driven decisions: Expand data and research on the benefits of housing to triple bottom line. <p>GOAL - Finance: Advocate for local and state financing for affordable housing</p> <ul style="list-style-type: none"> • Dedicated state funding: Advocate for dedicated statewide funding source. • New financing instruments: Expand pipeline of EIFD projects with affordable housing. Explore new financing tools to drive housing investment.
WORKING LANDSCAPES	<p>GOAL - Governance: Integrate land-use policy frameworks, encourage data-driven decisions</p> <ul style="list-style-type: none"> • Strategic growth: Engage with Strategic Growth Council to integrate AB 32/SB 375, land-use, housing, transportation policies. • Data-driven decisions: Expand Rural-Urban Connections Strategy (RUCS) statewide. Develop statewide capacity to assess ecosystem services; promote Sonoma, Santa Cruz, Santa Clara efforts. <p>GOAL - Finance: Focus state and federal funding on integrated land-use policies</p> <ul style="list-style-type: none"> • Land use: Direct state funds toward integrated land-use efforts. Consider public use charge for water investments.
REGULATIONS	<p>GOAL - Governance: Push state to adopt open data policy to drive efficiencies, create jobs in this new sector</p> <p>GOAL - Finance: Identify revenue-neutral approach to supporting open data efforts</p> <ul style="list-style-type: none"> • Expand ongoing efforts: City of LA, CA Fwd open data initiatives, Government Operations Agency data efforts.
CAPITAL	<p>GOAL - Governance: Build public-private relationships that can support economic development</p> <p>GOAL - Finance: Create map, navigator of capital intermediaries in each region, expand "4th Sector" & Pay for Success network</p> <ul style="list-style-type: none"> • Mapping & Implementation: Develop state and federal partnerships, promote California Finance Consortium pilot. • Legislation: Promote use of new types of capital for community development, including new market tax credits. • Policy development: Create task force to advance innovations in financing economic development, including Pay for Success.

THE RIGHT NEXT STEPS & WHO WILL BE INVOLVED

7. Identify adequate revenues to make investments in state's long-term prosperity—from workforce development to infrastructure and sustainable communities

- **Public/private:** CA Fwd “Financing the Future” project, Impact Economy network, including Coalition of Community Development Financial Institutions

8. Align workforce development systems with industry, including manufacturers

- **Higher Ed:** Community Colleges Chancellor's Office, California State University, University of California, University Economic Development Association
- **K-12:** State Department of Education, K-12 regional representatives, Linked Learning Alliance, Association of California School Administrators, California School Boards Association
- **State agencies:** GO-Biz (California Competes, Permit Assistance, iHubs), CalWORKS, Department of Rehabilitation, Department of Veterans Affairs, Department of Housing and Community Development
- **Regions:** Workforce Investment Boards, Regional consortia, private colleges, equity groups (California Community Economic Development Association), Small Business Development Centers
- **Open data:** Government Operations Agency
- **Labor:** United Food and Commercial Workers, State Building & Construction Trades Council of California, SEIU-United Healthcare Workers West, California Alliance for Jobs
- **Federal:** National Standards Certification Board

9. Integrate state climate adaptation efforts in next update of the AB 32 Scoping Plan to ensure sustainable land-use, infrastructure development, and drought preparedness

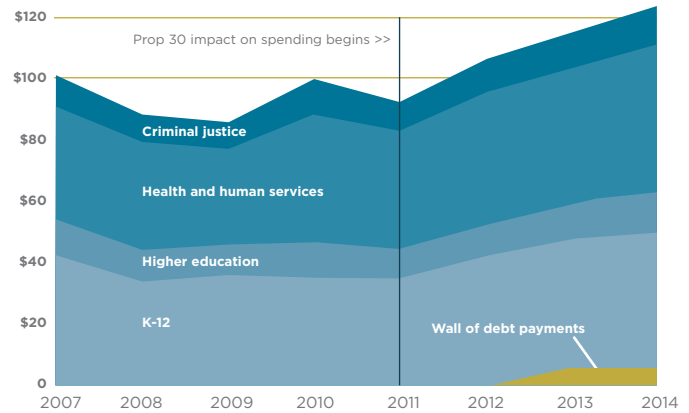
- **State agencies:** Strategic Growth Council, Department of Water Resources, State Water Resources Control Board, Public Utilities Commission, Department of Housing and Community Development, I-Bank, Treasurer's Office
- **Regions:** Metropolitan Planning Organizations, water agencies
- **Federal:** U.S. Department of Agriculture
- **Plans:** California Climate Adaptation Strategy, California Goods Movement Action Plan, regional adaptation strategies, Environmental Goals and Policy Report, California Water Action Plan, Energy Efficiency Strategic Plan, California Biomass Energy Plan, AB 32 Scoping Plan, and Cap and Trade Investment Plan
- **Private investors**

10. Increase data-driven decision-making at all levels of government. Expand use of open data to drive efficiencies & innovation, create jobs in new sector

- **Data-driven decision-making:** Strategic Growth Council
- **Open data:** Government Operations Agency, GO-Biz, City of Los Angeles

STATE SPENDING DURING THE RECOVERY

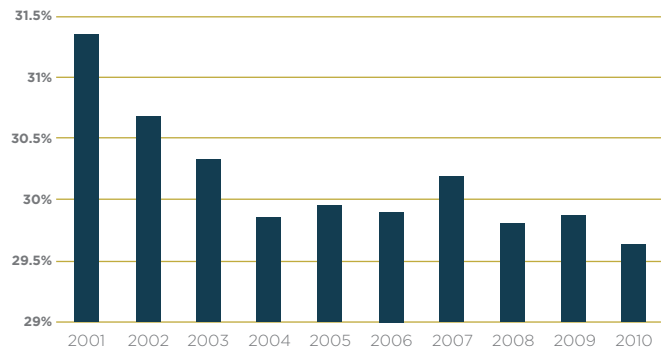
General fund and special fund spending climbing again



Data source: Legislative Analyst's Office

STATE FUNDING FOR CAREER TECHNICAL EDUCATION

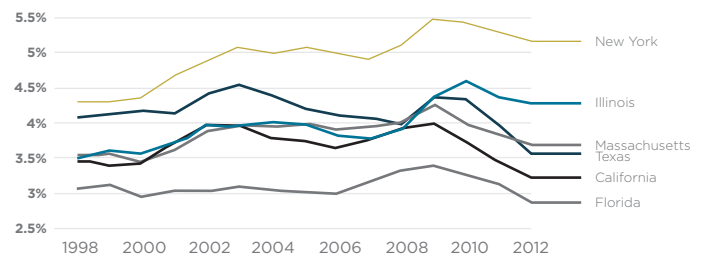
Declining funding over last decade as a percentage of full-time students



Data source: CA Community College Chancellor's Office

K-12 SPENDING BY PERSONAL INCOME

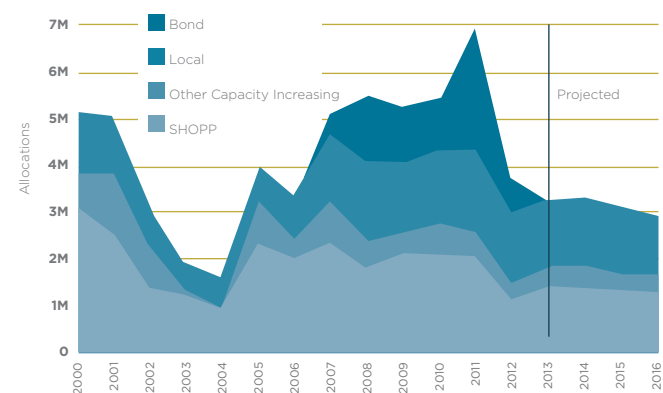
California lags behind peer states



Data source: Census data; Bureau of Economic Analysis

TRANSPORTATION FUNDING

Dramatic decline project in state and local investment



Data source: Caltrans. Funding sources depicted include state bond funds, local tax revenues, other state taxes, and the State Highway Operation and Protection Program (SHOPP).

Appendix 7

Selection of Assembly-Authored Economic Development Legislation

- ***AB 2 (Alejo) Community Revitalization Authority***: This bill establishes the California Legislature's intent to enact legislation authorizing certain local agencies to form a community revitalization authority pursuant to the Community Redevelopment Law, for the purpose of economic revitalization, and financing affordable housing and infrastructure in specified areas by the issuance of bonds. Status: Pending referral in Assembly Rules Committee.
- ***AB 5 (Nazarian) Foster Youth from High School to College***: This bill establishes the California Legislature's intent to enact legislation facilitating the transition of foster youth from high school on to postsecondary education. Status: Pending referral in Assembly Rules Committee.
- ***AB 19 (Chang) Small Business Regulatory Review***: This bill expresses the intent of the Legislature to enact legislation requiring state agencies and departments to review existing regulations for relevance, redundancy, and impact on the business community. Status: Pending referral in Assembly Rules Committee.
- ***AB 57 (Quirk) Building Broadband***: This bill establishes that it is the intent of the California Legislature to promote the deployment of communications infrastructure by removing barriers to investment, resolving that new and upgraded broadband infrastructure facilitates economic development, academic achievement, improvements to public safety and healthcare, and creates jobs. Status: Pending referral in Assembly Rules Committee.
- ***AB 151 (Rodriguez) Tax Cut for Apprenticeships***: This bill provides taxpayers with a credit against the Personal Income Tax Law and the Corporation Tax Law in the amount of \$2,000 for each apprentice trained by the taxpayer in the previous year, effective for taxable years from January 1, 2017- January 1, 2021. Status: Pending in the Assembly Committee on Revenue and Taxation.
- ***AB 184 (E. Garcia) Small Business Technical Assistance Act of 2015***: This bill would designate the Governor's Office of Business and Economic Development as the lead state entity for overseeing the state's Small Business Development Centers. In addition, the state identifies the Small Business Development Centers as a federal program, operating in California in order to promote and encourage California small businesses to take advantage of free counseling and services. Status: Pending in the Assembly Committee on Jobs, Economic Development, and the Economy.
- ***AB 185 (E. Garcia and Medina) California New Markets Tax Credit***: This bill establishes the California New Markets Tax Credit Program, which authorizes up to \$200 million in tax credits through the redirection of an underutilized existing state incentive. Moneys raised through the credit must be deployed through assistance to small businesses located in very low-income census tracts. Status: Pending in the Assembly Committee on Jobs, Economic Development, and the Economy.
- ***AB 252 (Holden) Grants for Advanced Placement in STEM***: This bill establishes a grant program until July 1, 2021, to be overseen by the state Department of Education and award grants to covering costs of a high school establishing or expanding its advanced placement STEM curriculum. The bill requires the Superintendent to submit a report to the Legislature describing the effectiveness of the grant program, no later than July 1, 2021. Status: Pending in the Assembly Committee on Education.

- ***AB 288 (Holden and Olsen) High School to Community College Pathways Partnership:*** This bill allows the governing board of a community college district to enter into a College and Career Access Pathways partnership with the governing board of a school district, in order to expand dual enrollment opportunities between a high school and community college. Status: Pending in the Assembly Committee on Higher Education.
- ***AB 312 (Jones) Made in America:*** This bill prohibits any person, firm, or corporation from selling merchandise advertised as being made in the U.S., unless all or virtually all of the merchandise has been made in the U.S. Further, the bill specifies that “all or virtually all” made in the U.S. has the same meaning as in the Enforcement Policy Statement on U.S. Origin Claims. Status: Pending in the Assembly Committee on Privacy and Consumer Protection.
- ***AB 328 (Grove) Veteran-Owned Small Business Tax Exemption:*** This bill provides a tax levy on the annual minimum franchise tax, for taxable years beginning on or after January 1, 2016, to: a limited liability company that is a new veteran-owned small business, for its first three taxable years; and for a corporation that is a new veteran-owned small business, for its second and third taxable years. Status: Pending in the Assembly Committee on Revenue and Taxation.
- ***AB 351 (Jones-Sawyer) Small Business Participation Goal:*** This bill requires all state agencies, departments, boards, and commissions to establish and achieve an annual goal of 25% small business participation in state procurements and contracts. The bill contains other related provisions to ensure that the state's procurement and contract processes are administered in order to meet or exceed the goal, and to report to the director statistics regarding small business participation in the agency's procurements and contracts. Status: Pending in the Committee on Jobs, Economic Development, and the Economy.
- ***AB 437 (Atkins) Research and Development-Small Business Grant Program:*** This bill establishes the Research and Development-Small Business Grant Program, which would provide qualified small businesses grants in amounts equal to either 10% or 15% of any unused research and development credit. Status: Pending in the Assembly Committee on Revenue and Taxation.
- ***AB 582 (Calderon) Entrepreneur Partnership Pilot Project Act of 2015:*** This bill enacts the Entrepreneur Partnership Pilot Project Act of 2015, which establishes the state executive-on-loan program within the State Board of Equalization for the purpose of utilizing the expertise of private-sector entrepreneurs to help make state governmental activities and practices more streamlined and accessible to small businesses. Status: Pending in the Assembly Jobs, Economic Development, and the Economy Committee.
- ***AB 678 (O'Donnell) Energy Efficient Ports:*** This bill requires the State Air Resources Board, in conjunction with the State Energy Resources Conservation and Development Commission, to develop and implement the Energy Efficient Ports Program to fund energy efficiency upgrades and investments at public ports. In addition, the bill requires the board, in consultation with the commission, to develop guidelines through the funding plan process for the Air Quality Improvement Program. Status: Pending in the Assembly Natural Resources Committee.
- ***AB 680 (Atkins) Go-Biz Marketing for California Business and Investment:*** This bill requires the Governor's Office of Business and Economic Development, in partnership with the California Travel and Tourism Commission, to develop a plan to market business and investment opportunities available in California. Status: Pending in Assembly Jobs, Economic Development, and the Economy Committee.
- ***AB 706 (Bonilla) AmeriCorps - STEM:*** This bill establishes California AmeriCorps - STEM to prepare the next generation for jobs in the STEM field, through school and after school programs, and neighborhood and regional center involvement. The bill assigns California Volunteers to administer the program and

accept qualified applications for membership, as specified. Status: Pending referral in Assembly Rules Committee.

- **AB 754 (Ridley-Thomas) Small Business Tax Relief:** This bill states that it is the California Legislature's intent to amend the Corporation Tax Law to provide tax relief to small businesses in Los Angeles County during the period of disruption caused by specified transit-related construction activities. Status: Pending referral in Assembly Rules Committee.
- **AB 756 (Chang) Small Business Fines and Penalties Waiver:** This bill states that it is the California Legislature's intent to enact legislation authorizing certain state agencies to waive penalties for small businesses within their first 120 days of operation, if the violation was unintentional and does not create a threat or violate the Labor Code. Status: Pending referral in Assembly Rules Committee.
- **AB 785 (Brown) Small Business Certification System:** This bill states that it is the California Legislature's intent to enact legislation that creates a statewide small business certification system. Status: Pending referral in Assembly Rules Committee.
- **AB 826 (Chau) EB-5 Investment Visas:** This bill specifically include attracting foreign and domestic investors within the duties and responsibilities of the Governor's Office of Business Development and defines an EB-5 Regional Center for the purpose of pooling EB-5 capital from multiple foreign investors to be deployed in economic development projects in a defined geographic region. Status: Pending referral in Assembly Rules Committee.
- **AB 866 (E. Garcia) Small Business Regulatory Reform:** This bill expands the role of the Office of the Small Business Advocate to include advocating for small business interests before state rulemaking agencies. The bill also requires state agencies that have engaged with the federal government on the development of small business compliance guides to notify the state Small Business Advocate. Status: Pending referral in Assembly Rules Committee.
- **AB 1033 (E. Garcia) Infrastructure Development:** This bill establishes an alternative process for engaging with the private sector on the development of infrastructure that supports commerce and trade. The bill establishes a prequalified group of private developers and endows these developers with special participation rights when competing for public-private partnership infrastructure projects. Status: Pending referral in Assembly Rules Committee.
- **AB 1090 (O'Donnell) Reshoring Jobs Sales Tax Exclusion:** This bill would establish a sales and use tax exclusion on tangible personal property used in any stage of reshoring jobs related to certain businesses including manufacturing, research and development, and construction. Status: Pending referral in Assembly Rules Committee.
- **AB 1093 (E. Garcia) Workforce Development to Reduce Prison Recidivism:** This bill provides greater flexibility to local government applicants under the Supervised Population Workforce Training Grant Pilot Program, established through AB 2060 [(V. Manuel Pérez), Chapter 383, Statutes of 2014]. Among other enhancements, the bill allows applicants to operate programs that address one rather than both targeted training populations, allows the state to delegate some of the oversight responsibilities to local workforce investment boards, and expands the pilot program evaluation criteria. Status: Pending referral in Assembly Rules Committee.
- **AB 1125 (Weber) Small Business Procurement Preferences:** This bill increases the maximum financial value of a combination of state procurement preferences from \$100,000 to \$150,000 for small business bidders. Status: Pending referral in Assembly Rules Committee.

- ***AB 1196 (E. Garcia) Commission on Economic Development:*** This bill would update the role and authorities of the California Commission on Economic Development (Commission). Among other updates, the bill would expand the membership of the Commission to include California Congressional Members and expand the duties of the Commission to include the identification of federal funding opportunities and facilitating the state's engagement with state and regional organizations on economic development initiatives. Status: Pending referral in Assembly Rules Committee.
- ***AB 1218 (Weber) Procurement Preferences for Disabled Veteran-Owned Businesses:*** This bill would require a greater participation incentive to be provided to a prime contractor who owns a disabled veteran business enterprise, than to a prime contractor who commits to using a disabled veteran business enterprise as a subcontractor. Status: Pending referral in Assembly Rules Committee.
- ***AB 1270 (E. Garcia) Alignment of Federal and State Workforce Training Systems:*** This bill comprehensively updates California's primary workforce development program to reflect the new requirements of the federal Workforce Innovation and Opportunity Act of 2014. While the bill conforms state law to the new federal law, it maintains core state policies related to the significance of regional economies and sector strategies, preparation of a workforce ready to support dominant and emerging industries, and the development of career pathways that provide workers with economic security and career advancement. Status: Pending referral in Assembly Rules Committee.
- ***AB 1280 (Maienschein) Small Business Sales Tax Holiday:*** This bill establishes excludes the payment of sales and use tax on tangible personal property sold by a small business retailer the Saturday following Thanksgiving. Status: Pending referral in Assembly Rules Committee.
- ***AB 1286 (Mayes) Economic Development Commission:*** This bill establishes the Economic Growth Commission for the purpose of making reports and recommendations to Legislature and Governor on the impact of state and local regulations on specified industry sectors. The Commission is to be composed of 13 members appointed by the Governor, the Senate Committee on Rules, and the Speaker of the Assembly. Four of the 13 members of the commission are required to be Members of the Legislature. Status: Pending referral in Assembly Rules Committee.
- ***AB 1302 (Brown) Disabled Veteran-Owned Business Goal:*** This bill increases the state procurement goal for disabled veteran-owned businesses from 3% to 5%. Status: Pending referral in Assembly Rules Committee.
- ***AB 1444 (E. Garcia) Foreign Trade Zones on Tribal Lands:*** This bill expands state law to recognize tribal governments who are approved by the federal government to operate and maintain Foreign Trade Zones. Status: Pending referral in Assembly Rules Committee.
- ***AB 1445 (Brown) Small Business Procurement Enhancements:*** This bill increases the maximum contract value that can be awarded through the small business streamlined process from \$250,000 to \$500,000. Status: Pending referral in Assembly Rules Committee.
- ***AB 1474 (Chávez) Community College Career Technical Education Bond:*** This bill enacts the Community College Career Technical Education Bond Act, which, if adopted by the voters at the November 8, 2016, would authorize the issuance of bonds in amount of \$500 million in state general obligation bonds for the purpose of financing a community college career technical education program. Status: Pending referral in Assembly Rules Committee.

- ***AJR 3 (Alejo) Cuban Embargo:*** This measure would urge the Congress of the United States to support President Obama's initiative to normalize diplomatic relations with Cuba and to move forward with legislation to lift the economic embargo on Cuba. Status: Pending referral in Assembly Rules Committee.
- ***AJR 7 (Mathis) Disabled Veterans Startup Capital:*** This resolution states that it is the position of the California Legislature to support an amendment to the GI Bill of Rights, making benefits available as startup capital for disabled veterans in the establishment of first businesses. Status: Pending referral in Assembly Rules Committee.
- ***HR 5 (C. Garcia) Suspend and Divest for Human Rights:*** This resolution establishes the California Legislature's position condemning the disappearance and deaths of the missing college students from Guerrero, Mexico as a violation of human rights. Further, the resolution resolves that the Assembly urges Governor Brown to suspend the Memorandum of Understanding and divest from doing business between California and Mexico until these human rights issues have been reevaluated. Status: Pending referral in Assembly Rules Committee.

Appendix 8

California Innovation Hub Program

The California Innovation Hub (iHub) network supports partnerships between incubators, co-working spaces, non-profit economic development organizations, government entities, universities, businesses and investment networks to accelerate investment and economic development. *A map of the i-Hubs follows the descriptions.*

1. **Sacramento iHub:** Focused on accelerating the growth and development of technology companies with special emphasis on medical and clean technologies. The iHub is coordinated through the Sacramento Area Regional Technology Alliance and serves businesses in nine counties: Butte, El Dorado, Nevada, Placer, Sacramento, Solano, Sutter, Yolo and Yuba Counties.
2. **Cleantech Los Angeles iHub:** Focused on accelerating the growth and development of technology companies with special emphasis on innovation and commercialization of new products and processes. The iHub serves entrepreneurs in the Greater Los Angeles Area.
3. **OCTANe iHub:** Focused on accelerating the growth and development of technology companies with special emphasis on the high technology, clean technology and biomedical ecosystem. The iHub serves businesses in Orange County.
4. **Coachella Valley iHub:** Focused on accelerating the growth and development of technology companies with special emphasis on clean technologies. The iHub is coordinated through the Coachella Valley Economic Partnership and serves entrepreneurs in the Cities of Palm Springs, Desert Hot Springs and Cathedral City in Riverside County.
5. **iHub San Diego:** Focused on accelerating the growth and development of technology companies with special emphasis on mobile health, biofuels, and solar energy, energy storage and biomimicry. The iHub is coordinated through CONNECT San Diego and serves businesses in San Diego, Imperial, and portions of Riverside Counties.
6. **Innovate North State iHub:** Focused on accelerating the growth and development of technology companies with special emphasis on manufacturing, cleantech, medical technology, information technology, and agritechnology/food products. The iHub serves entrepreneurs in Butte, Nevada, Plumas, Shasta, Sierra, and Tehama, Counties.
7. **California Network for Manufacturing Innovation - CNMI iHub:** Focused on accelerating the growth and development of technology companies with special emphasis on manufacturing. The iHub serves businesses throughout the state.
8. **iHub San Joaquin:** Focused on accelerating the growth and development of technology companies

with special emphasis on health care, sustainable construction technologies, and technologies that support agriculture. The iHub is coordinated through San Joaquin County and serves businesses in the Cities of Escalon, Lathrop, Lodi, Manteca, Ripon, Stockton and Tracy.

9. **CalValleyTech iHub:** Focused on accelerating the growth and development of technology companies with special emphasis on water and energy technologies. The iHub is coordinated through Central Valley Business Incubator and serves entrepreneurs in Fresno, Kings, Madera, Merced, and Tulare Counties.

10. **San Jose/Silicon Valley ET iHub:** Focused on coordinating and catalyzing activities that increase the job base, entrepreneurship, and research funding in the region. The iHub is coordinated through the City of San Jose and serves businesses in the Silicon Valley.

11. **North Bay iHub:** Focused on accelerating the growth and development of technology companies within the region. The iHub is coordinated through the Sonoma Mountain Business Cluster and serves entrepreneurs in Sonoma, Marin and Napa Counties.

12. **SF iHub:** Focused on accelerating the growth and development of technology companies with special emphasis on biotechnologies. The iHub is coordinated through San Francisco Center for Economic Development and serves businesses in the City and County of San Francisco.

13. **Innovation for Green Advanced Transportation Excellence - iGate:** Focused on accelerating the growth and development of technology companies with special emphasis green transportation and clean energy technologies. Located in the City of Livermore, the iHub serves entrepreneurs throughout the state.

14. **East Bay Green Corridor iHub:** Focused on accelerating the growth and development of technology companies with special emphasis on green technology innovation, commercialization and local economic development. The iHub serves businesses in the Cities of Alameda, Albany, El Cerrito, Emeryville, Oakland, Richmond, and San Leandro in Alameda County.

15. **iDEA iHub:** Focused on accelerating the growth and development of technology companies with special emphasis on defense, energy and aerospace technologies. The iHub serves entrepreneurs in Kern and Ventura Counties.

16. **Inland SoCal Link iHub:** Focused on maximizing the economic development opportunities within the transportation corridor which links the Port of Los Angeles with the Inland Southern California region. The iHub is coordinated through Riverside County Economic Development Agency and serves businesses and potential investors in Los Angeles, Riverside, and San Bernardino Counties.

*A map of the California i-Hubs follows these descriptions.

REGIONAL LOCATIONS OF THE INNOVATION HUB PROGRAM



Appendix 9

Top Economic Trends for 2015

In the post-recession economy, California faces a national and global economic environment that is significantly different from that of a decade ago. In the future, capital will increasingly become more geographically dispersed and California's singular dominance in technology and innovation has already shifted. Centers of innovation are developing across the globe with the support of new and more agile thinking about the deployment of human, physical and financial capital. In framing these shifts, economic researchers have identified several key trends that are redefining the U.S. economy and its position within the post-recession era:

- Cities and regions will become the dominant drivers of economic growth. State and national policies will need to be modified to reflect these emerging centers economic power.
- Advancing information and transportation technologies are expanding networks, making interregional and global relationships increasingly more important.
- Ideas and products are increasingly designed and assembled within networks that are more collaborative than combative.
- Job growth will be driven by smaller size companies that are better able to meet specialized consumer needs and connect to diverse supply chains within expanding global markets.
- Scarcity and the impact on the environment will continue to put increasing pressure on the development and deployment of alternative and lower carbon fuels.
- Deepening income inequality will result in costly outcomes, most adversely affecting women, minorities, immigrants, the disabled, and the formerly incarcerated, and thus require the diversion of public resources to address unemployment, poverty, social unrest, and violence.
- As the large Boomer population transitions from the workforce, productivity will become even more dependent on accessing middle and high skilled workers that can utilize evolving technologies and systems.
- The available workforce will be substantially smaller, more diverse, and have educational backgrounds that were provided through school systems that lag in other industrialized nations.

While the state has many positive attributes, including a world class public education system, this changing global environment also brings new competitors, business models and societal expectations. Key among California's challenges are the quality of the state's infrastructure and logistic networks, its education and workforce delivery systems, and the business environment for supporting entrepreneurial and small business development fundamentals.



California Competes Tax Credit FAQs

General

1. What is the California Competes Tax Credit?

The California Competes Tax Credit is an income tax credit available to businesses that want to locate in California or stay and grow in California. Tax credit agreements will be negotiated by GO-Biz and approved by a statutorily created "California Competes Tax Credit Committee," consisting of the State Treasurer, the Director of the Department of Finance, the Director of GO-Biz, and one appointee each by the Speaker of the Assembly and Senate Committee on Rules.

2. How much in tax credits will be available each year?

The tentative amount of credits that can be allocated by GO-Biz is as follows:

- \$151.1 million in fiscal year 2014-15
- \$200 million in each fiscal year 2015-16 through 2017-18.

3. Can any business apply for the California Competes Tax Credit? Is the credit restricted to only certain industries or locations in California?

Any business can apply for the California Competes Tax Credit. The credit is available statewide to all industries. However, while there are no geographic or sector-specific restrictions, the purpose of the California Competes Tax Credit is to attract and retain high-value employers in California in industries with high economic multipliers and that provide their employees good wages and benefits.

4. Is there a fee to apply for the California Competes Tax Credit?

No, there is no fee to apply for the credit.

5. Will small businesses be able to apply for the credit?

Yes, not only are small businesses able to apply for the credit, 25 percent of the total credits available each year are specifically reserved for small businesses (gross receipts, less returns and allowances, of greater than \$0 but less than \$2 million in the business' prior tax year).

6. What is the maximum ratio that will move my application to the Phase II evaluation process?

Because the California Competes Tax Credit is based on a competitive application process, the maximum ratio for an application to move into Phase II is not set and can vary during each application period. For historical reference only, below are the cutoff ratios for the application periods to date:

FISCAL YEAR	BUSINESSES OTHER THAN SMALL	SMALL BUSINESSES
2013-14	.0184	.0925
2014-15 1 ST period	.01383	.3442
2014-15 2 ND period	.01433	.8368

Application Mechanics

1. When and how can businesses apply for the California Competes Tax Credit?

Applications for the California Competes Tax Credit are accepted at www.calcompetes.ca.gov during the application periods specified in the "Notice California Competes Tax Credit" located at www.business.ca.gov/CalCompetes.aspx.

2. How long will the process take from application to award?

The process takes approximately 90 days which includes the period when applications will be reviewed and presented to the California Competes Tax Credit Committee for approval.

3. If not awarded a credit, can a business reapply that same fiscal year?

Applicants not awarded a credit during an application period can update and resubmit their application in the next application period within the same fiscal year. Applicants not awarded a credit by the end of the fiscal year will need to create a new application in order to reapply in the next fiscal year.

4. How do I update and resubmit an application if I was not awarded a credit and I want to reapply?

Log in to your account at www.calcompetes.ca.gov and click on "My Applications." From the "My Applications" screen, click on the application you would like to update and resubmit; and then from the "Application Summary" screen, click on the "Options" button. From the "Application Options" screen click on "Copy," and then complete the "Create Application" screen. The application will then be pre-populated with most of the data from the previous application.

5. Can a business that receives an award apply and receive another award in a subsequent year if it creates more jobs and competes well according to the formula?

Yes, businesses are not limited to the number of times they can apply or the number of times they can be awarded tax credits for additional job growth and investments.

- 6. If I receive reimbursements, rebates, tax credits or other incentives related to the compensation I pay my new full-time employees, must I make an adjustment when computing the “Aggregate Employee Compensation” for my California Competes Tax Credit application?**

No, no adjustment is necessary. However, you will need to list and describe such incentives in the “Incentives and Programs” section of the California Competes Tax Credit application.

- 7. Is the “Aggregate Employee Compensation” the total salary for all existing employees and the employees projected to be hired?**

No. In short, the Aggregate Employee Compensation is an estimate of the total projected salaries (not including tips, overtime, bonuses, benefits or other compensation of any kind) for the net increase in full-time employees to be employed in California by a business over a 5 tax year period.

- 8. Is the \$2 million threshold to determine whether I am a “small business” only based on gross receipts attributable to my business’s gross receipts in California?**

No, a business’s worldwide gross receipts from its most recently completed tax year are used to determine if the business is considered a “small business”.

- 9. If I am a sole proprietor and own multiple “Schedule C” businesses, do I need to add the gross receipts of all those businesses to determine whether my business is a “small business” for the California Competes Tax Credit?**

No. Only use the gross receipts of the “Schedule C” business that will be doing the activity (hiring and or investing) that is the basis for the award of the California Competes Tax Credit.

- 10. How do I determine if I am a “small business” if my tax filing is included in a combined report filed with the Franchise Tax Board?**

If a taxpayer is included in a combined report (whether required or allowed) for purposes of determining whether that taxpayer is a “small business,” the aggregate worldwide gross receipts of all taxpayers in the combined report would be used.

Evaluation Factors

- 1. What factors will GO-Biz consider when reviewing applications for the credit?**

The amount of the credit will be based on the following factors:

- The number of jobs the business will create or retain in this state.
- The compensation paid or proposed to be paid by the business to its employees, including wages, benefits, and fringe benefits.
- The amount of investment in this state by the business.

- The extent of unemployment or poverty where the business is located.
- The incentives available to the business in this state, including incentives from the state, local government, and other entities.
- The incentives available to the business in other states.
- The duration of the business' proposed project and the duration the business commits to remain in this state.
- The overall economic impact in this state of the business.
- The strategic importance of the business to the state, region, or locality.
- The opportunity for future growth and expansion in this state by the business.
- The extent to which the anticipated benefit to the state exceeds the projected benefit to the business from the tax credit.

2. Will new or emerging industry/sectors be considered during the evaluation?

Yes, this will be taken into consideration during the Phase II evaluation.

3. Are other grants/incentives included in Phase I evaluation?

No, these are not taken into consideration until Phase II. However, including other grants/incentives does not necessarily negatively impact an applicant. It is a useful tool for GO- Biz to identify if the applicant may be able to take advantage of other grants/incentives. Applicants will also be asked as part of the application if they would like for a GO-Biz business specialist to contact them about other incentives of which they might not be aware that could benefit their project or business.

4. Will letters of support from local governments be a part of the process?

Yes, although not required, letters of support will be taken into consideration during Phase II of the application process. Applicants will be invited to upload supporting documents after being notified of their application being forwarded to Phase II.

5. Is a business required to have site control to be eligible for tax credits? For example, if a company is looking to start a business in California, must they have already signed a property lease or property purchase agreement?

Businesses that apply for the tax credit are not required to have an existing signed lease or purchase agreement; but, applicants should have an idea of the general location in California because this will be taken into account during the Phase II evaluation. The applicant should also be able to demonstrate the finance mechanism(s) it has secured or will use to secure its facility(ies).

Evaluation Process

1. Is the Phase I formula detailed in the California Competes Tax Credit regulations?

Yes, please go to www.business.ca.gov/CalCompetes.aspx for a copy of the regulations.

2. What is the difference between the Phase I evaluation and the Phase II evaluation?

The Phase I evaluation is a quantitative analysis in which the credit amount requested is compared to the hiring and investment commitments of each applicant. This “ratio” is automatically calculated based on the applicant’s credit request divided by the sum of its aggregate investment and aggregate employee compensation. Phase II brings into consideration a variety of qualitative factors, including local unemployment and poverty, competing incentives, economic impact, and industry outlook.

3. Are there any exemptions to the Phase I calculation which would allow an application to be considered in Phase II?

Yes, GO-Biz may move an application to Phase II if the owner, president, chief executive officer, chief financial officer or other equivalent person of the applicant certifies to GO- Biz that absent award of the credit the applicant’s project may occur in another state or the applicant may terminate or relocate all or a portion of its employees to another state.

Tax Credit Mechanics

1. What types of taxes can the California Competes Tax Credit offset?

The California Competes Tax Credit only applies to income tax owed to the Franchise Tax Board. The credit is non-refundable. If the credit allowed exceeds the tax due, the excess may be carried over to reduce the tax in the following year, and the succeeding five years if necessary, until exhausted.

2. Is there a minimum credit amount that a business may request?

Yes, the minimum amount a business can request is \$20,000.

3. If I am awarded a California Competes Tax Credit, when can I claim it on my tax return?

Each negotiated and approved tax credit agreement will specify the terms and conditions of when the tax credit may be claimed.

4. If I am awarded the California Competes Tax Credit, may I assign it to an affiliated corporation?

The normal credit assignment rules under Revenue and Taxation Code section 23663 apply.

5. What happens if an S-Corp is awarded the California Competes Tax Credit?

One-third of the California Competes Tax Credit may be utilized by an S-Corp to offset the tax on net income at the S-Corporation level. The remaining two-thirds of the credit is disregarded and may not be used as a carryover for the S-Corp. However, the full amount of the California Competes Tax Credit is also passed through to the S-Corp’s shareholders.

Employment Requirements

1. Is there a minimum number of jobs that must be created?

There is no minimum number of jobs that must be created. However, the credit will be awarded on a competitive basis. Note that applications from small businesses will be compared to the applications from other small businesses.

2. What is considered a full-time employee for the California Competes Tax Credit?

A full-time employee is defined as an individual that is paid wages for services in this state of not less than an average of 35 hours per week.

3. Can new part-time employees be combined to fulfill the new full-time employee requirements?

No, new part-time employees do not qualify and will not be counted towards the employment requirement, even partially. For example, two new part-time hires do not equal one new full-time hire for the purpose of fulfilling the credit requirements. Likewise, part-time employees should not be included in the “base year” calculation either.

Privacy

1. Is a California Competes Tax Credit application subject to a public records request?

GO-Biz is subject to the California Public Records Act (PRA) (Government Code section 6250 et. seq.). Technically, the applications could be subject to a PRA, but GO-Biz will work to protect the information by excluding proprietary information, financial information and trade secret type information. GO-Biz will also apply the balancing test to protect the information, as needed. GO-Biz will notify an applicant in the event their data is requested and will work with the applicant to protect the data, to the extent GO-Biz can. With that said, GO-Biz will enter into agreements with the most competitive applicants and will make recommendations to the California Competes Tax Credit Committee to award the credit to such taxpayers. In addition, the law requires GO-Biz to post on our website the following information:

- (A) The name of each taxpayer allocated a credit
- (B) The estimated amount of the investment by each taxpayer
- (C) The estimated number of jobs created or retained
- (D) The amount of the credit allocated to the taxpayer
- (E) The amount of the credit recaptured from the taxpayer, if applicable

Additional Economic Development Initiatives

1. Is the California Competes Credit the only component of Governor Brown’s Economic Development Initiative?

No, in addition to the California Competes Credit, the Governor’s Economic Development Initiative (GEDI) provides a partial sales tax exemption and a hiring credit that will be administered by the Board of Equalization and the Franchise Tax Board respectively. More information on the partial sales tax exemption and the hiring credit can be found here:

http://www.boe.ca.gov/sutax/manufacturing_exemptions.htm and here:

https://www.ftb.ca.gov/online/New_Employment_Credit_Reservation/index.shtml

Contact Information

If any additional assistance is needed, please email CalCompetes@gov.ca.gov or call 916-322-4051.

Appendix 11

Upcoming California Economic Summit Events

March 16 – Sacramento

Subject: “Strong Workforce Town Hall, part of Community College Board of Governors Task Force on Workforce, Job Creation, and a Strong Economy”

Time: 9am-11am

Location: Downey Brand, U.S. Bank Building, 621 Capitol Mall, Sacramento, CA

Co-hosts: Valley Vision, NextEd, Sacramento Employment and Training Agency (SETA), Los Rios Community College, California Manufacturers and Technology Association, California Business Roundtable

March 18 – San Diego

Subject: “Strong Workforce Town Hall, part of Community College Board of Governors Task Force on Workforce, Job Creation, and a Strong Economy”

Time: 9:30am-12pm

Location: 5200 Illumina Way, San Diego

Co-hosts: San Diego Workforce Partnership, San Diego Regional Economic Development Corporation, California Business Roundtable

March 18 – Sacramento

Subject: “CA Fwd Open Data Summit”

Time: 10am-2pm

Location: Sacramento Grand Ballroom, 629 J Street, Sacramento

Co-hosts: California Forward

April 1 – San Francisco

Subject: “Examining Opportunities for Infrastructure Finance: Enhanced Infrastructure Financing Districts”

Time: 9am-12pm

Location: Bay Area Council Conference Center, 353 Sacramento St., 10th Floor, San Francisco

Co-hosts: Bay Area Council Economic Institute, California Forward

April 16 – San Diego

Subject: “Regional Roundtable on the California Economic Summit’s Roadmap to Shared Prosperity” (Exact title TBD)

Time: TBD

Location: TBD

Co-hosts: San Diego Economic Development Corporation

April 24 – Los Angeles

Subject: “Examining Opportunities for Infrastructure Finance: Enhanced Infrastructure Financing Districts”

Time: TBD

Location: TBD

Co-hosts: Southwest Megaregion Alliance, California Forward

May 29 – Silicon Valley

Subject: “Regional Economic Forum”

Time: 7:30am-12pm

Location: Computer History Museum, 1409 N. Shoreline Ave, Mountain View

Co-hosts: Silicon Valley Leadership Group

November 12-13 – Ontario

Subject: “The California Economic Summit: A Roadmap to Shared Prosperity” (Exact name TBD)

Time: TBD

Location: DoubleTree Hotel, 222 N Vineyard Ave, Ontario

Co-hosts: Inland Empire Economic Partnership

Appendix 12 – Selection of Career Education Initiatives in California

	Industry Connections	Program of Study	Articulation	Professional Development	Data
CCPT California Career Pathways Trust CDE \$250 mil	Collaborate with industry Create work-based learning opportunities Connection to labor market needs	Standards-based academics Sequenced curriculum Industry-themed pathways Work-based learning component Integration of common core	Transport post-secondary credits to any community college Dual enrollment Credit by exam	Collaborative secondary and postsecondary development Align curriculum and instruction Integrate common core	Collect data Report data Provide training on data collection and reporting
SB 1070 Career Pathways CCC \$48 mil	Partnerships between educational institutions and business and industry Labor market, advisories, and work based learning.	Align postsecondary programs with high school curriculum to ensure seamless transitions	Regional Articulation Policy Matriculation Services	Provide professional development to teachers and faculty (see above)	Standardized procedures and tools to collect outcome-based data (see above)
3SP Student Success & Support CCC \$199 mil		Define educational and career goals	Colleges assist students with course placement Matriculation services	Mandatory professional development for basic skills	
Perkins IV CCC/CDE \$16 mil	Industry understanding and experience Work-Based Learning arrangements Collaboration with organized labor and business and industrial organizations (see above)	Link CTE at the secondary level and CTE at the postsecondary level Curricula preparing CTE students for high-skill, high wage occupations	Link CTE at the Secondary Level and CTE at the postsecondary level	Professional development programs to teachers, counselors, and administrators	Data collection
AB 86 Adult Education CCC/AE \$25 mil		(see above)	Integrate existing programs and create seamless transitions into postsecondary education or the workforce (see above)	Collaborative development Align curriculum and integrate common core (see above)	Data collection and sharing Create common metrics for student success (see above)
Doing What Matters \$72.9 mil	Supply in-demand skills for employers (see above)	Create relevant career pathways and stackable credentials Prepares students to be ready for a Program of Study		Statewide professional development for community college administrators, faculty, and staff	Data collection
Basic Skills CCC \$20 mil		Matriculation			
Equity CCC \$70 mil	Alliance building				Collect and share data

Appendix 13

Biographies of Witnesses at March 17, 2015 Hearing

Paul Granillo

**President & CEO, Inland Empire Economic Partnership
Co-Chair, California Economic Summit Steering Committee**

Paul Granillo, President & CEO, Inland Empire Economic Partnership; Co-chair, CA Economic Summit Steering Committee

Paul Granillo is the President and Chief Executive Officer of the Inland Empire Economic Partnership (IEEP). A native of the Inland Empire, he was born and raised in the City of Redlands.

In 2010, Paul became President & CEO of IEEP, and restructured the organization with a vision for bettering the quality of life and business climate of Riverside and San Bernardino counties.

He currently serves as Chair of Mobility 21, a coalition that brings together public, business and community stakeholders to pursue regional solutions to the transportation challenges facing Imperial, Los Angeles, Orange, Riverside, San Bernardino, San Diego and Ventura counties. A nonpartisan alliance, Mobility 21 delivers a unified voice for the region's transportation priorities and seeks to improve mobility in the region. He also serves as Chair of the California Stewardship Network; and is a sitting member of the Regional Economic Alliance Leaders of California (REAL Coalition). The REAL Coalition is comprised of the 21 most influential business associations in California that work together for REAL solutions to meet California's critical needs. Additionally, he serves on the Southern California Association of Governments Global Land Use and Economics Committee (SCAG GLUE Council).

He also sits on the Board of Directors for The Community Foundation Serving Riverside and San Bernardino Counties, and Cal State San Bernardino's Foundation Board.

Paul received his Bachelors of Arts from California State University San Bernardino, his Master of Divinity from St. John's Seminary in Camarillo CA and holds a Licentiate in Canon Law from the Catholic University of America in Washington D.C. Paul is married to Dr. Christina Granillo, Ph.D.; they are the proud parents of baby Monica Marie.

Brian McMahon

Senior Advisor, California Workforce Investment Board

Brian McMahon was appointed by Governor Brown as Senior Advisor to the California Labor and Workforce Development Agency (LWDA) in December of 2014. In this role, Brian provides policy and program guidance to the Agency's workforce programs and departments, with particular emphasis on implementation of the federal Workforce Innovation and Opportunity Act (WIOA).

Prior to his appointment as Senior Advisor, Brian served as Undersecretary of LWDA beginning in August, 2012. The Departments and Boards under the Agency support workforce training and apprenticeship programs, enforce and educate the public on labor and occupational safety laws, offer state disability and unemployment insurance benefits, oversee the state's workers' compensation program, provide job services, mediate public sector contract disputes, provide employment-related information and statistics, and collect payroll taxes.

Further, in the workforce development area, McMahon has served as the Executive Director of the California Employment Training Panel, Executive Director of the California Workforce Investment Board and acted as a consultant to the US Department of Labor on national workforce initiatives.

McMahon was President of the California Manufacturers and Technology Association Service Corporation from 1992 to 2004, Director of the Office of Local Development in the California Trade and Commerce Agency, staff for Senator Robert Beverly, and consultant to the California State Senate's Governmental Organization Committee.

Jim Mayer
President & CEO, California Forward

Jim Mayer is President and CEO of California Forward, a bipartisan public interest effort to bolster democracy and improve the performance of government in California. Jim was part of the team that launched California Forward in 2008 and the California Economic Summit in 2012. Jim now serves as the Summit representative on the California Community College Board of Governors Task Force on Workforce, Job Creation, and a Strong Economy.

Previously, Jim was the founding executive director of the New California Network, a nonpartisan project to improve the state's fiscal decision-making. Prior to joining NCN, Jim was the executive director of the Little Hoover Commission, an independent and bipartisan state panel that reviews state programs and policies for efficiency and effectiveness.

For more than a dozen years, Jim was a daily newspaper journalist. He was a senior writer with the Sacramento Bee, and was a staff writer for the Bakersfield Californian and the Press Tribune in Placer County. During his career as a journalist, he was recognized statewide for his coverage of education and public resource issues.

Jim has an associate of arts degree from Diablo Valley College, a bachelor's degree in journalism from California Polytechnic State University, San Luis Obispo and a master's degree from the graduate program in public policy administration at California State University, Sacramento. He was a mid-career fellow at the schools of Communications and Natural Resources at the University of Michigan.

Jim serves on the board of the Yolo County Flood Control and Water Conservation District and is an associate director of the Yolo County Resource Conservation District.

Tim Rainey
Executive Director, California Workforce Investment Board

Tim Rainey is the Executive Director of the California Workforce Investment Board having been appointed by Governor Brown on November 22, 2011. As required by the Workforce Investment Act of 1998, the State Board is responsible for assisting the Governor in the development, oversight, and continuous improvement of California's workforce investment system.

Previously, Mr. Rainey was the Director of the Workforce and Economic Development Program (WED) of the California Labor Federation, where he was responsible for policy development at the State and local levels and brokering industry-based training partnerships among unions, employers, community organizations, education, and public workforce agencies.

Mr. Rainey was also the Policy Director for the California Workforce Association where he advocated on behalf of local workforce investment boards in legislative, policy, and administrative deliberations in Sacramento and Washington DC.

Prior to joining CWA, Mr. Rainey was a consultant to the Senate Democratic Caucus of the California State Senate.

Mr. Rainey is a co-founder and executive committee member of the EDGE Campaign, member of the California Apollo Alliance Steering Committee, and serves on several other committees and commissions related to workforce and economic development.

He holds a B.A. degree in Government from California State University, Sacramento.

Kish Rajan
Director, Governor's Office of Business and Economic Development

Kish Rajan serves as Director of the Governor's Office of Business and Economic Development. He brings to the job a 20-year track record of success in both government and the private sector.

After graduating from UC Berkeley, Kish Rajan began his public sector career on Capitol Hill as an aide first to United States Senator Barbara Boxer and then later to Phil Angelides who went on to become California State Treasurer.

Kish left to build a 14 year career in the private sector as a business development executive in the mobile technology arena, managing vital business partnerships that created hundreds of jobs and millions of dollars of shareholder value.

While building this successful business career, Kish earned a JD, started a family, and settled back in his hometown of Walnut Creek, CA. In 2008, Kish re-entered public service when was elected to the Walnut Creek City Council. Drawing on his political and business experience Kish became a regional leader who advocated for transportation improvement, education and economic development.

In 2012, Governor Brown appointed Kish Rajan as the GO-Biz director to lead the executive team. His directive from Governor Brown is to enhance California's job creation effort by streamlining business regulations, promoting statewide economic development and fostering greater international trade opportunities.

Dorothy Rothrock
President, California Manufacturers & Technology Association

Beginning October 2014 Dorothy became President of CMTA, the only statewide organization solely dedicated to advocating on behalf of the state's manufacturing and technology companies. CMTA lobbyists work on issues of importance to California manufacturers, including energy, civil justice, workers compensation, labor, tax, environmental quality and education.

She regularly speaks to policymakers, media and civic groups about the importance of manufacturing investment and job creation, and how well-designed laws and regulations can promote environmental protection, public health and economic prosperity. Since 2006 Dorothy has chaired the AB 32 Implementation Group, a coalition of business and taxpayer organizations interested in California's ground-breaking climate change law.

Before coming to CMTA in February 2000 she consulted on energy and telecommunications regulatory issues for industrial energy users, policy advocates, and economic research firms. She began her career at Portland General Corporation as an attorney, moving to management positions in commercial operations, public affairs and power marketing prior to relocating to California in 1990.

Dorothy graduated from University of Oregon and Lewis and Clark Law School, joining the Oregon Bar in 1980 and the California Bar in 1997.

Van Ton-Quinlivan
Vice Chancellor, Workforce and Economic Development
California Community Colleges

Van Ton-Quinlivan was named a "White House Champion of Change" in her capacity as Vice Chancellor of Workforce and Economic Development of California's Community Colleges. This Division administers state and federal funding applied to the career education mission across the system's 112 community colleges. Appointed by Governor Jerry Brown in 2011, her leadership focus is on Doing What Matters for Jobs and the Economy (DoingWhatMATTERS.cccco.edu).

Ton-Quinlivan came to this position as a recognized thought leader in the energy and utility industry on the issue of workforce development. While Director of Workforce Development at Pacific Gas & Electric (PG&E), she architected PowerPathway™, a nationally recognized best practice model program in workforce development. PowerPathway demonstrated the type of collaboration between industry, the public workforce system, education, and organized labor that effectively transitions military veterans and members of underserved communities into energy sector jobs.

Ton-Quinlivan received her MA from Stanford University, BS from Georgetown University and Executive Management Certificate from Harvard University.

Ton-Quinlivan informed the Education and Training Subcommittee of President Obama's Economic Recovery Advisory Board (PERAB) on the workforce needs of industry and amongst the few corporate leaders who attended the first White House Community College Summit. She spoke at the inaugural US-Canada-European Commission Trilateral Roundtable on the topic of the Employment Dimension of the Transition to a Green Economy and participated in the inaugural Clinton Global Initiative-America on the topic of "Jobs, Jobs, Jobs."

Ton-Quinlivan is on the boards of the National Skills Coalition and the California Council on Science and Technology, plays a leadership role with the California Economic Summit, and is a member of the International Women's Forum and the National Advisory Committee on Apprenticeship. In addition, she represents the California Community College Chancellor's Office on the California Workforce Investment Board and California Apprenticeship Council..

To stay current on what the California Community Colleges system is doing to prepare students for the workforce, follow Vice Chancellor Ton-Quinlivan on Twitter @WorkforceVan.



Jobs, Economic Development, and the Economy

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