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Building an Inclusive Economy: The State's Role in Closing California's Opportunity Gap



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Building an Inclusive Economy: The State's Role in Closing California's Opportunity Gap

Executive Summary

California's record setting economic growth since the great recession has been widely reported. Unfortunately, the benefits of this recovery have not reached all areas of the state and only a select segment of the population is sharing in the resulting prosperity.

On Thursday, November 12, 2015, the Assembly Committee on Jobs, Economic Development, and the Economy (JEDE Committee) is holding an oversight hearing to examine how this expanding opportunity gap is impacting California and to explore strategies for creating a more inclusive economy.

Among other focus areas, the Committee will engage with witnesses on how the state can better support the entrepreneurial business environment, stabilize rural and other resource-limited communities, and develop career ladders for the state's increasingly diverse workforce that are capable of providing both wage growth and long-term household security.

This report has been prepared to provide a context for these presentations and offer possible recommendations for further actions.

Creating an Equity-based Growth Model

The U.S. Census Bureau projects that by 2043 a majority of the U.S. population will be comprised of people of color. In 2014, people of color were already the majority in California, Hawaii, New Mexico, and Texas, with another nine states were close to 50%. This new demographic has and will continue to have profound social and economic impacts on the nation.

Compounding these demographic impacts is the significant generational shift represented by the predominantly white baby boomers rapidly

The California Economic Summit

This legislative hearing is being held in collaboration with the **2015 California Economic Summit**. In its fourth year, the Summit serves as a unique opportunity for civic and business leaders to come together and reach agreements and make implementation commitments about addressing California's highest priority economic and community development challenges.

California Economic Summit initiatives are developed and implemented through seven action teams organized around issues relating to infrastructure, workforce, advanced manufacturing, housing, capital, working landscapes, and regulations. Supporting these efforts is an administrative partnership between **California Forward** and the **California Stewardship Network**.

This year, the California Economic Summit refined its focus to specifically look at California's growing inequality and its impact on certain vulnerable populations. Similar to the issues heard by the JEDE Committee during this past year, the policy priorities of the California Economic Summit include:

- **Workforce and Workplace** – Determining the best strategies for preparing Californians to compete in a dynamic 21st century;
- **Infrastructure and Sustainable Communities** – Addressing deficiencies and modernizing to help California communities thrive; and
- **Governance and Finance** - Improving public decision-making around issues that result in greater prosperity.

To help achieve these objectives, a new sustainable development strategy was developed, *A Roadmap to Shared Prosperity: The Right Next Steps toward Sustainable Growth*. California Forward also worked with the Action Teams to prepare a detailed *Summit Playbook* for achieving three goals, which they are calling "The One Million Challenges" including:

- One million more skilled workers;
- One million more homes; and
- One million more acre-feet of water.

A copy of the *Roadmap* has been included in Appendix B of the report and the JEDE Committee website has a link to the *2015 California Economic Summit Playbook*.

aging-out of workplace. In the wake of what is considered to be the nation's most highly educated and most diverse, in terms of male and female workforce participation, is a significantly smaller, slightly less educated, and more ethnically diverse group of workers and entrepreneurs. The California Budget Project estimates that by 2020, nearly 60% of the working age population in California will be comprised of Latinos, African-Americans, and Asian-Americans.

Within this broader context, many American companies are seen to be thriving and U.S. global competitiveness is increasing. For those at the highest income brackets they are, indeed, receiving an increasing share of total income. According to the World Top Income Data Base, pretax income among the highest 1% of Californians comprised 9.82% of total income in 1980 and 25.31% in 2013.

Many other Californians, however, are not thriving and continue to experience significant levels of unemployment, steeply rising housing and higher education costs, and stagnant wages and incomes. The most recent U.S. Census Bureau figures place California at the top of the list for having both the highest poverty rates and the lowest percentage of working age people with at least a high school diploma or equivalency certificate.

Equity-Based Growth

There is an increasing body of research that shows that income and social inequality are actual drags on an economy.

This suggests that one of the single most important steps the state can take for its long-term economic growth is to adopt policies that support social mobility by investing in low-income families.

With so much of economic policy being driven by the one-dimensional measurement of GDP growth, issues of quality, equality, and sustainability are readily discarded. Alternatively, environmental and social initiatives can too often ignore business fundamentals when policy makers fail to address real-world implementation issues.

Addressing this growing inequality will be challenging. Fortunately, policy makers have a significant body of research to help guide them in developing and implementing more inclusive community economic development models. Organizations, like PolicyLink and the Ewing Marion Kauffman Foundation, as well as leading academic centers, such as the Program for Environmental and Regional Equity (University of Southern California), the Center for Equitable Growth (UC Berkeley), Center for Regional Change (UC Davis), and the Harvard Business School, have been tracking these changes and are prepared to share their work and insights toward the development of a new equity-based growth model.

Issues for Consideration

Policy makers can move forward by learning more about these significant demographic shifts and the economic realities post-recession, which are fundamentally changing the framework for business and community development. Events like the November 12, 2015 hearing of the JEDE Committee and the California Economic Summit provide an opportunity for current government policies and processes to be reexamined, potentially redesigned, and applied in innovative ways to meet the demands of an equity-based growth model within the modern global economy.

In this hearing Members will have the opportunity to hear testimony and engage with expert witnesses on the following:

- How can inclusive and sustainable development principles be used to enhance global competitiveness and economic integration?
- How can the state best leverage the advantages offered by California's diverse populations?
- Does California have the strategy and willingness to address the current misalignment of policies, programs, and institutions that represent the state's workforce and education systems?
- How can the state support local and regional efforts to catalyze private investments and support entrepreneurship, especially in historically underserved and emerging areas?
- What actions can the state take to facilitate more inclusive growth and reduce de facto barriers to community economic development?

Information and research from this hearing will be used by the Members of JEDE in their deliberations on 2016 legislation affecting business start-up and expansion, workforce preparation, infrastructure development, and other issues affecting community economic development activities. *Descriptions of related legislation have been included in Appendix D and E. A list of preliminary recommendations is provided in Section V of the report.*

Organization of the Report

This report is organized into five sections to help set the foundation for engaging in an expanded dialogue on how to create a more inclusive economy. Among other recommendations, the report calls for the development of an equity-based growth model, which reflects the state's changing demographics and economic position within a globally competitive economy.

The ***first section*** provides a general profile of the California economy using traditional measurements from the national income and products accounts including gross domestic product (GDP) and gross domestic income (GDI). From this basic, aggregate data, the analysis is expanded to include a more modern assessment of the drivers of the California economy including employment, infrastructure, and education. The ***second section*** begins by identifying eight economic and demographic trends impacting California communities and the global economy and then provides a profile on who Californians are today through a comprehensive chart and short narrative.

In the ***third section***, the role of small businesses is highlighted including information on the importance of entrepreneurship in addressing California's growing income disparities. ***Section four*** includes information on the state's current budget, which support the development of a more inclusive economy. This is followed by a "Special Focus" subsection on the rising costs of affordable housing and the impact on Californians. The section concludes with a discussion on five existing initiatives that could be used to support the broader goal of having an equity-based growth model including state actions related to climate mitigation, impact investment, the Special Session on infrastructure, and social innovation financing.

The final report section (***section five***) includes a list of preliminary recommendations to help drive the hearing discussions toward tangible and concrete next steps. Some of the recommendations have been developed by committee staff based on independent research and previous legislative hearings, while others have been suggested by hearing presenters and other stakeholders.

In addition to these sections, the report includes a number of appendices that are designed to be useful references and ultimately lead to more comprehensive analysis and engagement by the JEDE Committee including:

- Appendix A – The Hearing Agenda
- Appendix B – A Roadmap to Shared Prosperity: The Right Steps toward Sustainable Growth
- Appendix C - Fast Facts on the California Economy
- Appendix D - 2015-16 Hearing-Related Legislation
- Appendix E - Hearing-Related Legislation from Prior Sessions
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- Appendix O - An Assessment of California's current Infrastructure needs
- Appendix P - California Educational Attainment
- Glossary of Terms

California is Up to the Challenge

The challenges that California faces today may be unique in their specifics, but the need to reinvest in the state's education and workforce training system, infrastructure to support broad-based economic development, and small businesses are issues policy makers have faced before.

Post-World War II California was poor, uneducated, and predominately white. A mecca for people aspiring for a better life, half the residents were recent arrivals for other states, a fourth lived in poverty, and only half had a high school education. Viewing this population as an asset to be developed, the state built a world-class education system – from K-12 classrooms to public community colleges and public universities – along a vast network of roads, water systems, and parks. By 1960, California has a 25% advantage in income and education compared to the rest of the country. A 1962 Newsweek cover claimed: "No. 1 State: Booming, Beautiful California."

Opening from *America's Tomorrow: Equity is the Superior Growth Model*
Prepared by PolicyLink and the USC Program
for Environmental and Regional Equity (2011)

Section I – 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 2014, this diverse group of business owners and workers produced \$2.3 trillion in goods and services; \$174.1 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. If California were a country, its 2014 GDP would place it 8th in the world – larger than Canada, Mexico, Russia, India, and Australia. Compared to most other U.S. states, California's economy has consistently demonstrated that it has the depth and breadth of workers and businesses to drive markets, especially in the area of technology.

This economic diversity was a contributing factor to California's transition from the recession, ranking number two in the nation by *Business Insider* for fastest growing economy in the nation (August 2014) and as having the fourth best overall economy (March 2015). Even with these economic distinctions, other indicators reflect a different California. Most pointedly, research shows that California's economic recovery has not reached all areas of the state and that many individuals of color have continued to experience high unemployment and poverty rates well above the state and national averages.

The challenge for policy makers and stakeholders is to create a new model for California's growth that brings together historically divergent public policies around education, poverty alleviation, skilled workforce training, capital formation, infrastructure, health care, affordable housing, and business development. *Sources used in the preparation of this Section are included in the Bibliography and key reports are summarized in Appendix G.*

Building a Modern Economic Profile

State economies can be defined in a number of ways. Most traditionally, economies are described by the national income and product accounts. The two primary components of these accounts are Gross Domestic Product (GDP), which measures the total value of final goods and services, and Gross National Income (GNI), which measures the total of all incomes earned in producing that output.

While commonplace today, when GNI was developed in the 1930s in response to the Great Depression and GDP in the 1940's to assist with war preparations, the framework of the national income and products accounts was considered revolutionary. With these new economic measurements, policy makers had the tools to make better decisions. Nobel Laureate Paul Samuelson and William Nordhaus wrote

Defining Traditional Economic Measurements

GDP measures the value of final purchases by households, businesses, and governments. This is calculated by adding the value of consumption, investment, government spending, and net exports.

GNI measures the value of all income earned by households, including wages, salaries, rents, profits, interest, and other income earned.

about the significance of GDP in their 15th edition of *Economics* as follows:

It [GDP] enables the President, Congress, and the Federal Reserve to judge whether the economy is contracting or expanding, whether the economy needs a boost or should be reined in a bit, and whether a severe recession or inflation threatens. Without measures of economic aggregates like DGP, policy makers would be adrift in a sea of unorganized data. The GDP and related data are like beacons that help policymakers steer the economy toward the key economic objectives.

The U.S. Bureau of Economic Analysis, who is responsible for preparing the national income and product accounts, attributes the development of the national accounts as one of the great innovations of the 20th Century. Among other success stories, GDP and GNI are said to have served as the foundation for the fact-based decision-making that led to U.S.' unprecedented economic growth in the post-World War II era, including the doubling of GDP per capita and the related living standards improvements, such as the U.S. cutting poverty rate in half.

Given the importance of the economic data and the significant socio-economic shifts in the current economy, developing a modern system of national accounts may be warranted. Without an such data, it will be challenging to align public and private programs and services toward an inclusive prosperity agenda.

California Gross Domestic Product and Gross National Income

In **Chart 1**, GDP for 2011 through 2014 is displayed for the five U.S. states with the highest total value of GDP, including California, Florida, New York, Texas, and Washington.

Although commonly compared, the chart clearly illustrates how California's \$2.3 trillion economy is significantly larger than that of the other states and that, aside from Texas, GDP growth has been fairly flat over the past three years.

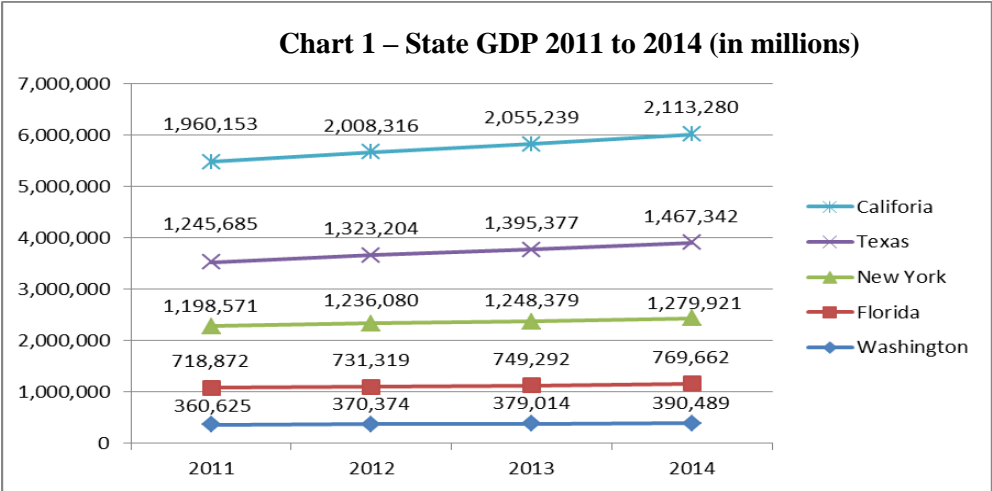


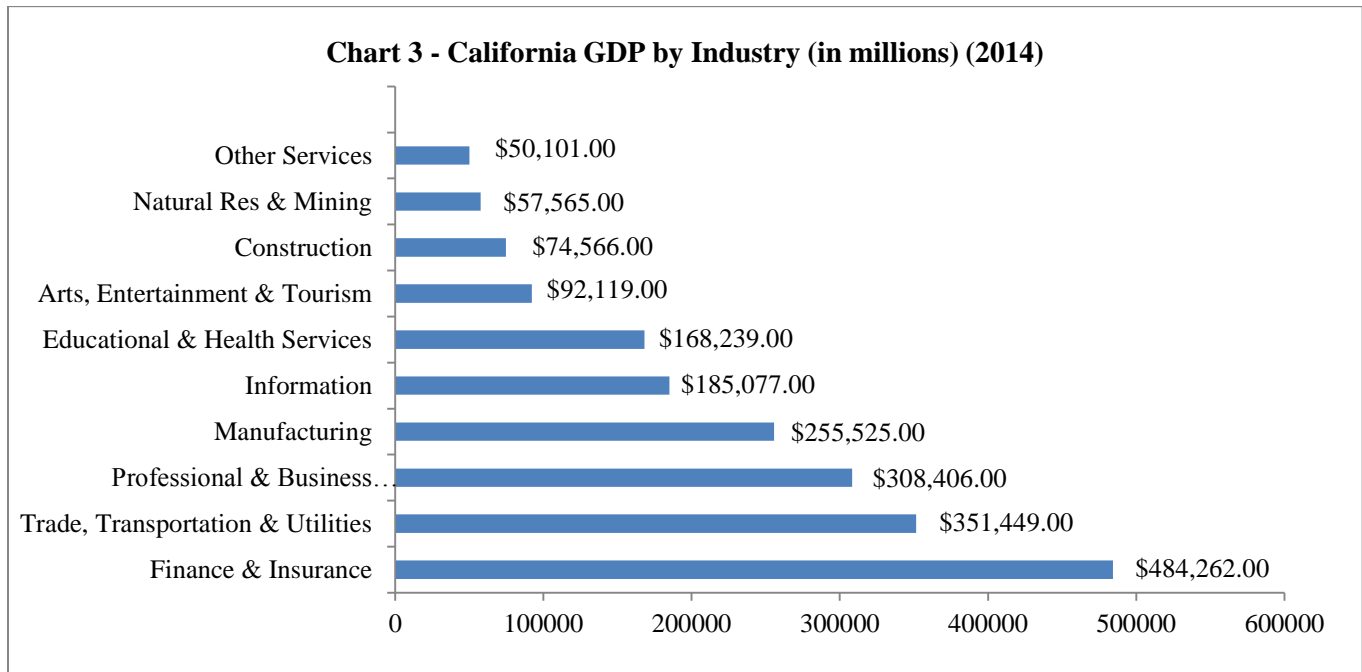
Chart 2 shows GDP growth for the top 10 states in ranked order, based on 2014 data. For comparison, prior year GDP growth is also provided. California's 2.8% increase in real GDP from 2013 to 2014 ranked 9th in the nation. In 2013, the state's year-over percent change ranked it 4th.

Chart 2 - Top 10 States for GDP Growth (2014 and 2013)					
Jurisdiction	From 2013 to 2014	From 2012 to 2013	Jurisdiction	From 2013 to 2014	From 2012 to 2013
United States	2.2%	1.9%			

1	North Dakota	6.3%	0.9%	6	Oregon	3.6%	-1.0%
2	Texas	5.2%	5.5%	7	Utah	3.1%	3.7%
3	West Virginia	5.1%	1.3%	8	Washington	3.0%	2.3%
4	Wyoming	5.1%	0.5%	9	California	2.8%	2.3%
5	Colorado	4.7%	2.1%	10	Oklahoma	2.8%	1.8%

Source: Bureau of Economic Analysis, *Broad Growth Across States 2014*

A significant contributor to California's recent growth are the robust nature of so many of its industry sectors. While most states have one or two sectors which primarily comprise its economic output, California has many. **Chart 3** shows a more detailed profile of California's private industry sectors. In 2014, the finance and insurance sector provided the largest economic contribution to the state's overall



GDP, \$484 billion of \$2.3 trillion. Firms in this industry sector in include entities that raise funds, pool risk, and facilitate financial transactions including real estate.

California's next four largest industry sectors, include the trade, transportation, and utility sector (\$351 billion); professional and business services sector (\$308 billion); the manufacturing sector, which includes manufacturing of computers and biomedical devices (\$255 billion).

Changes in the value of GDP per industry sector are also measured and reported quarterly and annually. Between 2013 and 2014, 70% of California's industry sectors outpaced that of the U.S. and five sectors had growth rates below that of the nation overall including: financial activities (+1.2% v. +1.6%); transportation/ warehousing/ utilities (-1.6% v. +0.8%); construction (-1.0% v. -0.7%); agriculture (-7.3% v. -7.2%); and mining and logging (-11.0% v. +7.2%).

While mining and logging are comparatively small components of California's economy, several of the state's that reported GDP increases greater than California, have significant extraction industries including West Virginia and North Dakota. Perhaps most significantly, the year over data by industry sector shows that activity in the construction sector is still underperforming and that California's largest industry sector – financial activities – is expanding at a slower pace than U.S. growth overall.

This GDP measurement of the strength of the financial services sector also provides an illustration as to why simply looking at GDP can be misleading. The financial activities sector is largely comprised of housing services, which includes rents and a calculation that computes a value for "imputed rents" that is associated with owner-occupied housing. Housing prices, especially in the coastal areas, are increasing rapidly. These increases were so significant in 2013 and 2014, that both the Department of Housing and Community Development and the Legislative Analyst's Office issued special reports on California's escalating housing markets. At the close of 2014, California was recorded as having one of the highest median housing costs in the nation. A "Special Focus" section has been included in Section IV, which discusses the broader challenges of developing affordable housing and the impact of high housing costs on vulnerable communities.

Chart 4 shows 2014 GNI for the U.S. and 10 states including California. Again, similar to California's showing relative to GDP, aggregate personal income is up 4.9% from 2013. The state ranks 11th in GNI growth and it's \$49,985 per capita income is above the national rate.

Chart 4 – Comparison of 2014 Aggregate Income Data				
	Total Income	Per Capita Personal Income	Percent Change	Growth Rank 2014
United States	\$14,683,147,000	\$46,049	4.4%	
Alabama	\$181,908,767	\$37,512	4.0%	28
Arizona	\$255,092,928	\$37,895	4.7%	14
California	\$1,939,527,656	\$49,985	4.9%	11
Florida	\$850,177,746	\$42,737	5.0%	9
Illinois	\$613,671,539	\$47,643	2.4%	47
Massachusetts	\$396,205,941	\$58,737	4.4%	25
Michigan	\$403,726,369	\$40,740	4.1%	27
Minnesota	\$267,389,243	\$48,998	4.0%	29
New York	\$1,098,102,853	\$55,611	4.0%	30
Texas	\$1,231,084,591	\$45,669	6.0%	2

Source: Bureau of Economic Analysis, Personal Income by State

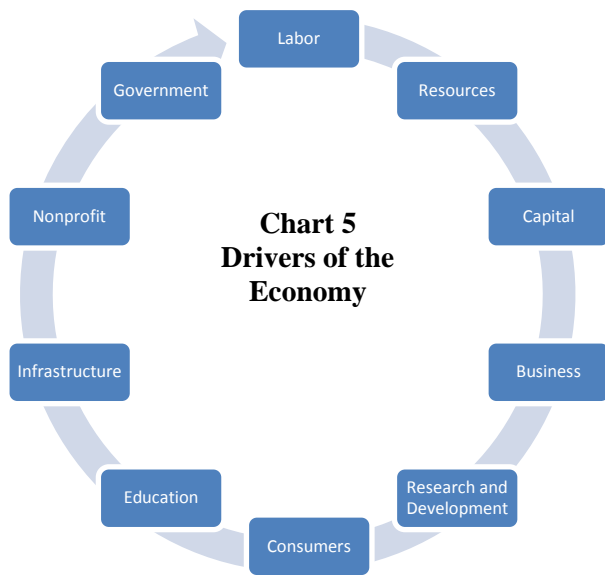
Looking Beyond Gross Domestic Product and Gross National Income

GDP and GNI measurements can have their drawbacks. Economists even agree that measuring GDP has the potential to overstate the economic benefit of industry sectors that have significant proportions of foreign investors. Foreign-owned firms most likely take profits out of the country, making those moneys unavailable for local reinvestment. California has historically been the beneficiary of the greatest amount of foreign investment and had the highest number of foreign owned firms in nation. This can complicate the economic analysis. *Appendix N includes a further discussion of California's trade based economy.*

Measuring GDP also has the potential of understating the value of goods and services in regions like California with substantial underground economy activity. Based on a recent study by the Little Hoover Commission, the Board of Equalization estimates underground transactions annually cost the state \$8.5 billion in lost personal and corporate income, sales and use tax. Franchise Tax Board officials estimate that California's economy contains \$170 billion of off-the-books activity, resulting in a tax loss of approximately \$10 billion annually.

While GDP and GNI measure dollar values, they do not reflect the general well-being of the society. Even Bureau of Census measures of inequality have not necessarily kept pace with the conditions that are happening across the country. While these measurements may have served earlier policy makers, today's economy is more globally connected, the U.S. population is significantly larger and less homogeneous, which all lead to greater demands on government to set a legal and policy framework that supports a more inclusive path to economic growth.

Several years ago, the JEDE Committee developed **Chart 5** to help Members and the public better visualize the interrelationships of the 10 key economic drivers. As the diagram illustrates, California has multiple internal and external economic drivers, including: access to capital, contributions of the for-profit and nonprofit sectors, the public and private education system, skills of the labor market, research and development capacity, physical infrastructure, resource limitations, the consumer base, and government actions.



A majority of these drivers are influenced by the changing demographics of California. While the state or a region may have significant influence over some of the drivers, such as K-12 education, on other drivers, such as business development and capital formation, government is simply one of several players who contribute to the overall quality of the driver. In the short-term, particular dominance or quality in one

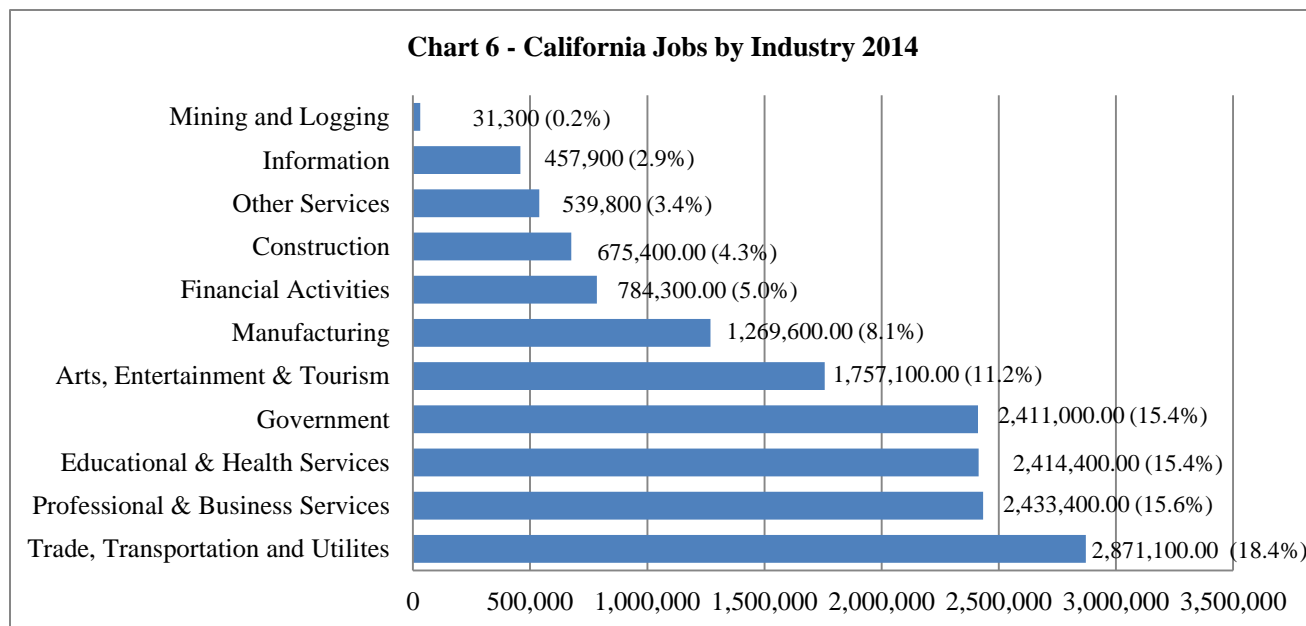
driver can compensate for weaknesses in another. Over the long term, the economic health of a community, region, and the state is dependent on the quality of all 10 internal and external drivers.

Chart 5 also illustrates why sustainability principles are so important, including social, environmental, and economic conditions. Post-world War II, expanding American corporations had what may have seemed "unlimited" access to capital and resources. Today, U.S. businesses compete within a global marketplace that has multiple centers of industrial development. *Appendix N includes a more detailed discussion on the impact of globalization on California's economy, including the unique advantages of state's more diverse population. Appendix O provides information on California's infrastructure needs, how its poor quality impacts the state's global competitiveness, and suggests that new investments be made to improve regional economies and encourage employment for historically underrepresented groups.*

California Employment

California's labor force is comprised of approximately 19 million people with an estimated 17.8 million people being employed. **Chart 6**, on the following page, shows 2014 employment by industry sector. Based on total employment, the trade, transportation, and utilities sector is largest, employing 2.8

million (18.4% of California jobs). Jobs in this sector also support employment in other industry sectors including Manufacturing (8.1%), Professional Services (15.6%), and Financial Activities (5.0%).



Many of the jobs associated with these major industry sectors are also associated with high wages. Manufacturing is considered the "gold standard" for jobs because of its high wages, inclusion of small businesses within its global supply chains, and having a high multiplier effect on related jobs. The Milken Institute estimates that for every job created in manufacturing, 2.5 jobs are created in other sectors. In some industry sectors, such as electronic computer manufacturing, the multiplier effect is 16 to one.

A comparison of **Chart 3** and **Chart 6** also illustrates that different industry sectors provide different types of contributions to California's economy. GDP measures the total value of goods and services produced, while employment measures the number of people engaged in that production. Sustaining and expanding jobs is important to spreading the economic value of GDP. There is a widely reported concern that the nation's economic recovery from the financial crisis and recession has been too slow-paced and that job growth has been particularly weak.

Seven years after the beginning of the financial crisis, many individuals and businesses have not fully recovered from its effects. Lenders, investors, and large corporations are still holding previously unusually high amounts of cash. The World Economic Forum questions whether we have reached a "new normal" characterized by "subdued economic growth, lower productivity growth, and high unemployment." A recent New York Times commentary described the economy of exhibiting contradictory qualities that show it to be both robust and highly vulnerable. In California, the state has re-gained the number of jobs that were lost during the recession, however, the replacement jobs are in different industry sectors and geographic areas. Further, as the chart show, unemployment among certain populations is significantly above the average for the state and U.S.

In September 2015, the California Employment Development Department released a special labor trends report which highlighted job growth in Coastal and Inland county economies. Among other findings,

the report notes that total job growth between 2010 through 2014 was 9.4%, but the growth within the inland counties was only 8.7%. Further compounding the impact of the lower job growth rate was the significant concentration of that growth in five counties, including: Fresno, Kern, Stanislaus, Placer, and Tulare. These five counties out of the 29 classified as inland counties accounted for nearly two out three of the new inland county jobs (64.6% of 124,000 additional jobs). Job growth was also concentrated in the coastal areas with Los Angeles, Santa Clara, and San Diego experiencing 44.8% of the 1.2 million new jobs in coastal areas.

In 2014, 90.1% of nonfarm payroll was related to jobs in coastal counties and 9.9% in inland counties, 13.9 million and 1.5 million jobs respectively. While this split is partially due to the higher percentage of the population being located in those counties classified as coastal, these number also suggest other demographic and economic shifts.

Among other issues, two key factors have contributed to the jobs imbalance including a lack of trade-related infrastructure within the inland counties and different business development patterns. California's coastal areas have three of the nation's busiest sea ports, including Los Angeles, Long Beach, and Oakland. San Diego and Port Hueneme are also important to cars and agriculture respectively. The inland counties have tried for years to develop inland ports and multimodal transportation facilities. Bringing these inland resources to scale will take significant funding and focused public policy attention on upgrading inland California's logistical network. As an example, Ontario Airport has been designated as the Los Angeles World Airport's cargo hub. Yet, Los Angeles International Airport remains better developed and thus significantly busier.

Business development within the coastal counties increased by 4.9%, adding 56,000 new establishments between 2010 through 2014. The inland counties had a net loss of 75 businesses or 0.1%. Of the 1.3 million business establishments in California in 2014, 89.4% were located in the coastal counties with the remaining roughly 11% headquartered in an inland county.

Unemployment as a Leading Indicator of Income Inequality

In addition to GDP and industry employment, there are other important economic measurements including, unemployment, job growth estimations, environmental impacts and resource depletion, industry contribution to global trade and foreign investment, and industry sectors that serve as workforce entry points for youth, workers with limited skills, and immigrants. While it's beyond the scope of this report to examine each of these, several are discussed.

In the following charts, unemployment rates by geographic region, race/ethnicity, and age is provided. In difficult economic times and when tracking economic capacity for growth, policy makers often closely track unemployment and poverty 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 September 2015, the most recent studies available, the state reported a seasonally adjusted rate of 5.9% as compared to the U.S. rate of 5.1%.

The lowest (not seasonally adjusted) unemployment rate among California counties in September 2015 was 3.0% in San Mateo. Fourteen counties had rates 7% or above in September. The highest unemployment rate for the month was 21.6% in Imperial County. The comparable California rate (not

seasonally adjusted) was 5.5%. One year prior, 30 counties had unemployment rates at 7% or above, with 7.0% being the not seasonally adjusted unemployment rate. **Chart 7** displays labor force, employment and unemployment in selected counties.

Chart 7 - Unemployment September 2015 Selected Metro Areas (not seasonally adjusted)				
	Labor Force	Employment	Unemployment	Rate
California	18,946,000	17,911,900	1,034,200	5.5%
Imperial County	77,800	61,000	16,800	21.6%
Los Angeles County	5,003,500	4,695,000	308,500	6.2%
Orange County	1,596,200	1,532,200	64,000	4.0%
Riverside County	1,016,700	952,800	63,900	6.3%
Sacramento County	685,300	648,500	36,800	5.4%
San Bernardino County	913,900	860,700	53,200	5.8%
San Diego County	1,564,600	1,492,300	72,300	4.6%
Ventura	427,700	405,200	22,500	5.3%
Source California: California Employment Development Department				

Beyond geographic differences, certain demographic groups have unemployment rates disproportionate to the state as a whole. **Chart 8** displays data on California's overall unemployment rate as compared to race, ethnicity, and age. The chart shows how particularly vulnerable the individuals in these groups are to economic downturns and how recovery hasn't necessarily brought their unemployment rates in line with the state overall.

Chart 8 – Unemployment by Race, Ethnicity, and Age				
	September 2015	August 2015	Annual Ave 2012*	Annual Ave 2010*
California	5.5%	6.1%	10.7%	12.5%
Blacks	11.8%	12.9%	18.9%	21%
Hispanics	7.7%	7.8%	13.3%	15.3%
Whites	6.3%	6.4%	10.4%	12.3%
16 to 19 year olds	21.8%	22.5%	37.9%	36.7%
20 to 24	11.4%	11.4%	17.1%	20.2%
Source: Calif Employment Development Department/2015 not seasonally adjusted and *US Bureau of Labor Statistics/2012 and 2010 annual averages				

Given the shifting demographics of the state to a diverse workforce and the increasing importance of 16 to 24 year olds to the emerging workforce, these unemployment rates serve as key baseline measurements for targeted actions.

Section Summary

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.

In this section the report provided information on California's economy including calling for a more modern economic profile. The section also highlighted the economic disparities of certain areas of the state and among certain demographic groups. In the following section, the report will look at key economic and demographic shifts that are expected to impact the state's ability to leverage its strengths into prolonged economic growth.

A list of preliminary recommendations is provided in Section V of the report. Descriptions of related legislation have been included in Appendix D and E. Sources used in the preparation of this report are included in the Bibliography and key reports are summarized in Appendix G.

Section II - Recognizing Opportunities and Challenges

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

1. 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 of economic power.
2. Advanced information and transportation technologies are expanding networks, making interregional and global relationships increasingly more important.
3. Ideas and products are increasingly designed and assembled within networks that are more collaborative than combative.
4. 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.
5. Scarcity and the impact on the environment will continue to put increasing pressure on the development and deployment of alternative and lower carbon fuels.
6. 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.
7. 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.
8. 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.

This post-recession economy, or as it is sometimes referred to as the "Next Economy", will potentially require governments, businesses, and workers to transcend old economic and workforce development frameworks. In the next economy, regions will compete for entrepreneurs based on their ability to link high and middle-skilled individuals with smaller and more niche-market positioned businesses that will design and produce goods, services, and ideas across rural and urban communities, regions, state-to-state and state-to-nations.

While California has historically benefited from many positive attributes, including a world class public education system, this changing global environment is bringing forward 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. More

information is provided in *Appendix N on the impact of globalization on California's economy, including potential advantages state's highly diverse population provides. Appendix O includes information on how the condition of the state's infrastructure impacts its global competitiveness and suggests that new infrastructure investments can be made in ways to encourage employment.*

Getting a Broader View of California

Between 1980 and 2015, California's population made the significant transition from having a majority population who self-identified as white to a state with no single ethnic group comprising more than 50% of the population. In mid-2014 the U.S. Census officially released data showing that California's Latino/Hispanic population comprised a larger percentage of the total state population than non-Hispanic whites, 39% v. 38%. As with many demographic and economic trends, the rest of the U.S. is in the process of making a similar transition. By 2029, demographers estimate that U.S. population, overall, will be comprised of multiple non-majority ethnic populations.

Chart 9 provides a more comprehensive view of 38.8 million people that comprise California. In addition to being slightly younger, the most significant differences between the national numbers and California are the demographic make-up of the population, as discussed above. California also has a significantly greater percentage of people who are foreign born, and who live in a household where a language other than English is spoken.

Also significant, but not necessarily as obvious, is the differences in the percentage of Californians over the age of 25 that have at least a high school diploma or equivalency, 81.1% v. 86.9%. This percentage actually distinguishes California as having the lowest percentage in the nation, just behind Texas (82.2%) and Mississippi (82.8%). Only Puerto Rico has a lower percentage of its population having at least a high school diploma or equivalency. When the percentage of individuals in California who have a Bachelor's Degree is compared to the national average reasons behind California's income inequality begin to come into focus. In this case, California ranks 14th among other states, with 31.1% of the population having a Bachelor's degree as compared to 30.1% nationally. *Appendix P has a county-by-county display of California's educational attainment.*

Chart 9 - Profile of Californians (2014 data unless separately identified)		
	California	USA
Population	38,802,500	318,857,056
Median Age	36	37.7
Persons under 5 years	6.5%	6.2%
Persons under 18 years	23.6%	23.1%
Persons 65 years and over	12.9%	14.5%
Percent of Grandparents responsible for grandchildren under 18 years. California has the lowest in the percentage in the nation.	24.5%	36.4%
White alone, not Hispanic	38.3%	61.9%
Black or African American alone	5.6%	12.7%
American Indian and Alaska Native alone	0.3%	0.8%
Asian alone	13.7%	5.2%
Native Hawaiian and Other Pacific Islander alone	0.4%	0.2%
Two or More Races, not Hispanic or Latino	2.9%	3%
Hispanic or Latino	38.6%	17.3%

Foreign born persons	27.0%	13.3%
Language other than English spoken at home, persons age 5+	43.9%	21.1%
High school graduate or higher, age 25+ (CA ranks 51 st nationally)	81.1%	86.9%
Bachelor's degree, age 25+ (ranks 14 th nationally)	31.7%	30.1%
Advanced Degree, age 25+ (ranks 15 th nationally)	11.8%	11.4%
Homeownership Rate	55.7%	63.1%
Median Cost for an Owner Occupied Housing	\$412,700	\$181,200
Households paying more than 30% of income for rent and utilities (CA ranks 1 st nationally)	53.8%	47.9%
Persons per household	2.94	2.65
Median household income	\$61,933	\$53,657
Individuals Living Below Federal Poverty Line	16.4%	15.5%
Individuals under the Age of 18 Living Below Federal Poverty Line	22.7%	21.7%
Individuals Living Below Supplemental Poverty Line (2011 to 2013) For comparison the federal rate for the three years using the tradition method: 14.9%	23.4%	15.9%
Source: U.S. Census Bureau, 2014 American Community Survey, accessed 10/31/2015		

Californians are also less likely to afford/own a home (55.7% for Californians v. the national average of 63.1%), yet median household income is significantly higher than the U.S. (\$61,933 v. \$53,657). Perhaps the more relevant statistics are poverty rates and the percentage of household income going toward rent.

According to the most recent American Community Survey, 16.4% of Californians are living in poverty. For children, the rate is 22.7% or one in five people under the age 18 are living in poverty. Using the supplemental federal poverty rate, which more accurately accounts for housing costs, 23.4% of Californians are living on poverty-level incomes v. 15.9% nationally. Given California's poverty data, it is not surprising that 53.8% of renters are paying more than 30% of their income for rent and utilities. Section IV includes an extended discussion on affordable housing in California, including the challenges of meeting the housing needs of California's most vulnerable.

Chart 10 provides educational attainment information for California and a selected group of counties. A chart including all counties is provided in Appendix P. Among other things, **Chart 10** shows that many

Chart 10 - Educational Attainment by Selected County				
	Percent Less than 9th Grade Education	Percent High School Graduate (includes equivalency)	Percent High School Graduate or Higher	Percent bachelor's degree or higher
California	10.2	20.7	81.2	30.7
Fresno County	16.0	22.6	73.1	19.6
Humboldt County	2.8	25.7	90.4	27.5
Imperial County	20.3	21.7	64.5	13.3
Los Angeles County	13.7	20.5	76.6	29.7
Merced County	20.9	24.4	66.7	12.6

Orange County	8.8	18.0	83.8	36.8
Riverside County	9.7	25.3	79.6	20.5
San Bernardino County	10.0	26.1	78.2	18.7
San Diego County	7.5	19.1	85.5	34.6
San Mateo County	6.4	17.2	88.6	44.4
Source: American Community Survey- 3 year				

of the rural counties have significant challenges related to educational attainment including Merced and Imperial. Both of these areas have significantly high unemployment and poverty rates, as well as environmental justice issues

The disparity in the data also suggests that different education and training programs will need to be applied in order to address the lowest education areas, while still ensuring that these areas are connected to broader economic opportunities.

For public policy makers, this transition means rethinking programs and the allocation of resources to meet different economic and social realities. Issues such as social mobility, education, and entrepreneurship take on increased meaning as historically underrepresented groups become the core of the California workforce.

Special Focus: Workforce Needs in the 21st Century

As noted earlier, in the post-recession economy businesses and workers face an economy that is comprised of more highly integrated industry sectors that are also more geographically dispersed. Advances in technology and processes are occurring more rapidly. Competitiveness is increasingly defined in terms of speed, flexibility, specialization, and innovation. These changes are placing new challenges on California's education, training, and workforce development systems.

Economists have identified eight key trends that are significantly influencing the U.S. and global economies. Several of these trends will have significant impacts on workforce development, in particular.

The rise of smaller businesses is one of these trends. Due to their ability to provide innovative technologies and help other businesses access global markets, small businesses, and the entrepreneurs that lead them are vital economic players. Recent data released from the U.S. Census shows how entrepreneurship is continuing to be an important avenue for social mobility for women and individuals of color. These small and adaptable businesses will have an inherent advantage in the Next Economy, provided they are able to learn the skill sets necessary to run a successful business and have access to appropriately trained workers.

Key Economic Trends Affecting the California Economy

- 1 Cities and regions will become more dominant economic players.
- 2 Global networks will be supported through more advanced information and transportation technologies.
- 3 Barriers to trade will continue to decline among both developed and emerging economies.
- 4 The world's largest companies will increasingly be headquartered in emerging foreign markets.
- 5 Global and more diversified markets will provide new opportunities for entrepreneurs and smaller size businesses.
- 6 Scarcity and rising prices will increase pressure on the development and deployment of cleaner technologies.
- 7 The retirement of Boomers will place an even greater need for middle- and high-skilled workers.
- 8 The U.S workforce will be smaller, more ethnically diversified, and have educational backgrounds that are lower than many other developed economies.

Another key economic trend is the rising importance of regional economies as one of the primary drivers of economic growth. The economic foundation of many strong regional economies are innovation-based industry clusters which have the ability to support high-paying jobs, lucrative career ladders, and longer term job stability. Economic researchers have shown that industry clusters rise in areas where local universities, research labs, and competing businesses within the same industry provide a critical mass of skilled workers in the same industry. Though the economic composition of regions may differ in California, each region has strengths and weaknesses. Implementation of the federal **Workforce Innovation and Opportunity Act of 2014** will offer California a unique opportunity to identify regionally significant emerging and dominant industries and bring together business, education, and training stakeholders to collaboratively align policies and resources.

Other significant components of WIOA and California's implementation include a focus on small business development, apprenticeships and other earn-and-learn strategies, and the development of career pathways that provide workers with economic security and career advancement. The **Employment Training Panel (ETP)** is already modifying some of its program and creating new initiatives to support the implementation of WIOA. The ETP Board recently approved the "No Barriers" initiative which authorizes greater program flexibility to encourage employers to train disabled workers for a higher skilled job within their organization.

The WIOA process will also be advantaged by the extensive outreach and collaboration efforts of the California Community College's **Task Force of Workforce, Job Creation and a Strong Economy** and the *Doing What Matters for Jobs* policy framework. The goal of the Task Force is to increase individual and regional economic competitiveness by providing relevant skills and quality credentials that match employer needs. The work of the Task Force will be the subject of the November 17, 2015, meeting of the California Community College Board of Governors. In March, the JEDE Committee had an extended presentation on the *Doing What Matters for Jobs* policy framework and the preliminary findings of the Task Force.

Advances in information technology and pressures to have more environmentally sensitive products that address consumer preferences will also influence the basic education and training needs of California workers. Even entry-level workers will be expected to have important soft skills, such as the ability to work in teams, actively listen, communicate effectively with co-workers and bosses, and be able to negotiate workplace needs in a positive manner. Unlike hard skills, which are about a person's ability to perform a certain task or activity, soft skills provide the tools necessary to learn and advance in the state's continually evolving workplace environment.

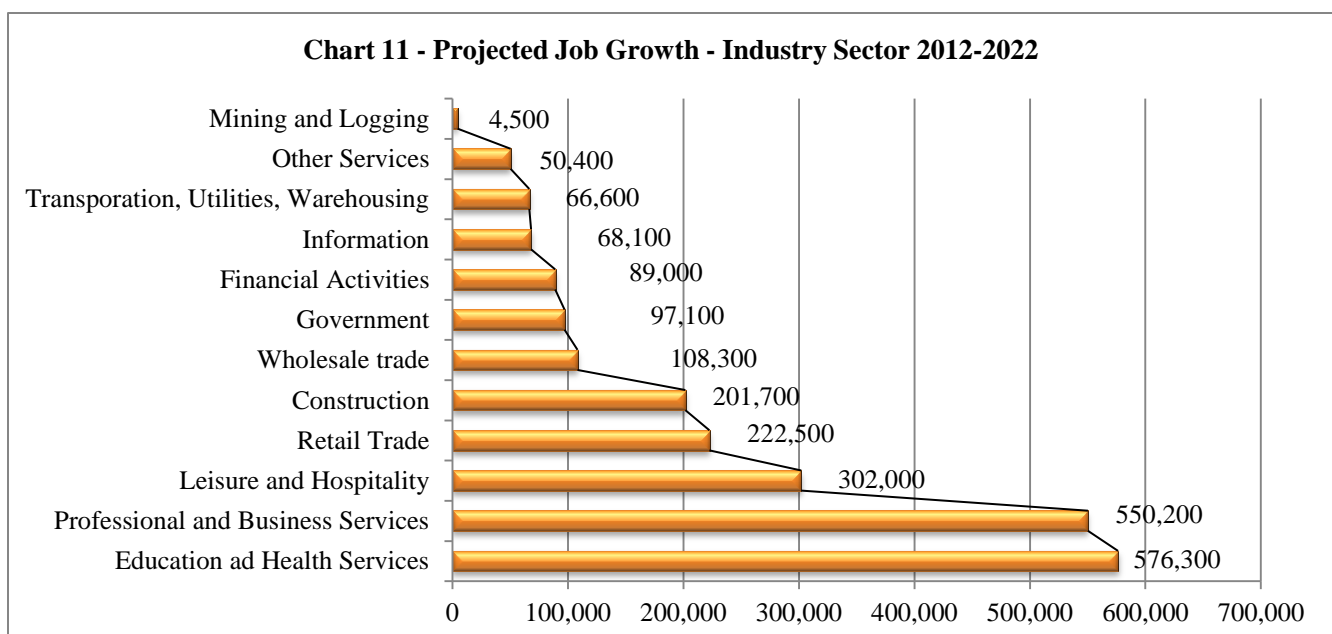
Many of these new market realities are already coming into fruition and, for now, California's workforce is underprepared to meet these demands. There are still numerous unemployed and underemployed workers in California, while, at the same time, there are industries that are unable to find qualified workers to fill empty positions. Strong early education programs, career technology pathways, accessible higher education, and effective and timely workforce development programs are key to equipping California workers with the skillsets that are in demand.

California's Future Economic Growth and External Markets

EDD's ten-year forecast cites the state's continued population growth and the rise of foreign imports and exports to be key contributors to the state's long-term job growth. Employment in California is forecasted to expand to over 18 million jobs by 2018, which includes the recovery of the 1.1 million jobs lost during the recession. While these new jobs are a welcome development, they also pose a new challenge. A recent report by the Little Hoover Commission (LHC) forecasts that California's workforce will be underqualified to meet the needs of the state's future economy. Based on current student enrollment numbers for certificates and degrees, the deficit of qualified workers will grow to 2.3 million by 2025. In response to this finding, the LHC recommends the development of a new master plan for higher education with the overriding goal of increasing the number of Californians with degrees, certificates, and diplomas to meet the state's future needs.

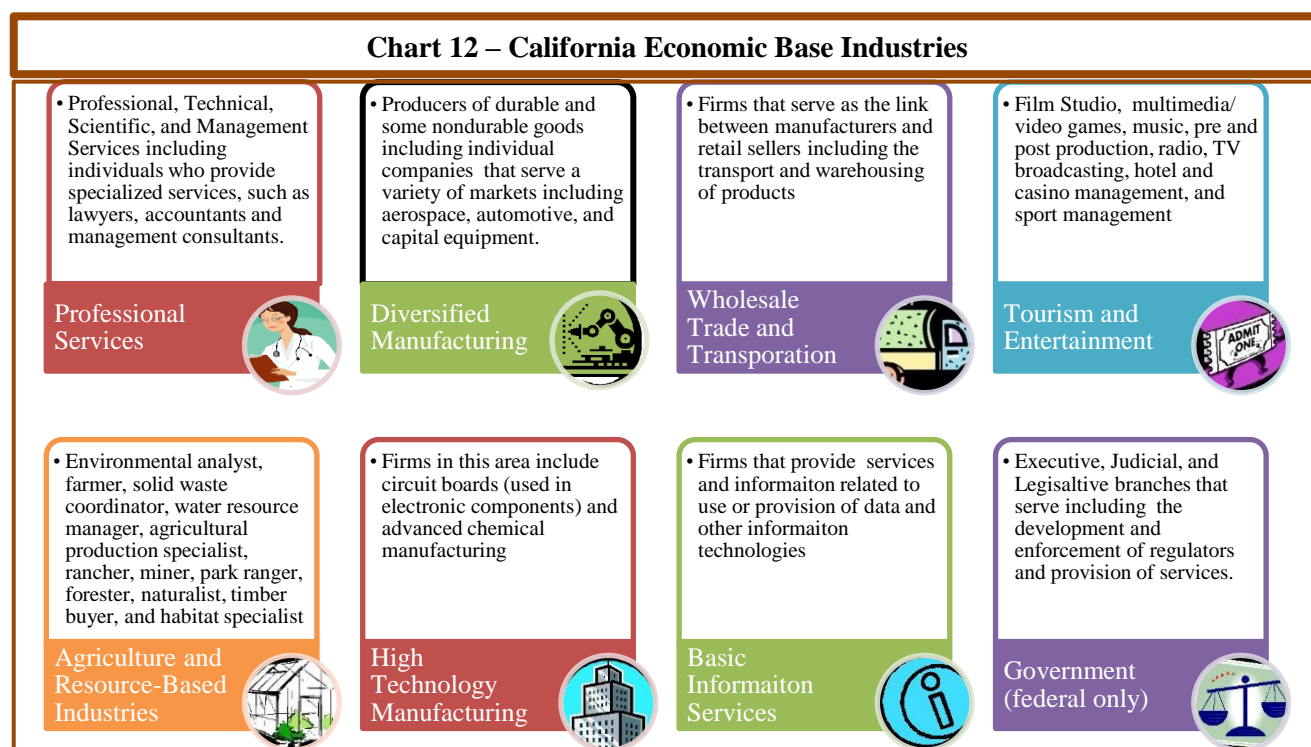
Chart 11 displays projected job growth by industry sectors for the period of 2012 to 2022. As discussed in more detail below, future growth of the California economy is highly linked to the state's adaptation to globalization, including the state's ability to link goods and services across state and regional boundaries, as well as to prepare a rapidly changing workforce for the 21st Century economy. The Employment Development Department's (EDD's) 2012 to 2022 forecast estimates that California's labor force employment will reach 18.7 million, including self-employment, unpaid family workers, private household workers and farm and nonfarm workers. This estimate represents a 14.9% increase over the 10 year period with an additional 2,296,700 being added to nonfarm employment. As shown in Chart 11, 72% of the increase in jobs is expected in four industry sectors: education and health care services; professional and business services; leisure and hospitality; and retail trade.

As illustrated in the prior charts, job growth is not necessarily the same as economic growth. For the purposes of developing and analyzing economic growth and competitiveness strategies, the EDD assesses the California economy and divides the state's top 11 industry sectors (shown on **Chart 3**) into those that have internal population-driven markets and those that have large external markets that can be accessed through some form of trade in goods or services.



As an example, some industry sectors, such as Health and Education, are primarily driven by local market needs, while other industry sectors, such as Manufacturing, typically have high levels of engagement within external markets. Providing a good or service that is attractive to external markets means a broader consumer base, as well as having greater location flexibility. EDD considers these trade-related industries as California's economic base industries.

Each of California's eight base industry sectors are described in **Chart 12** with examples of the types of businesses that comprise the sector. This information is used for many purposes by the state, including the development of the state Workforce Development Strategy, which is prepared by the California Workforce Development Board and submitted to the federal Department of Labor for the purpose of drawing down federal Workforce Innovation and Opportunity Act funds. Some regions, including Los Angeles and San Diego, have begun to develop specific economic development strategies that leverage these trade-related industry sectors that are especially attractive to external markets.



According to EDD, the state's ability to attract and retain businesses within these eight trade-related industries will largely determine California's economic growth relative to other states. Today, these eight economic base industries employ 37.3% of the state's total employment. Future growth within these industries is expected to be twice that of the overall state economy.

Section Summary

In this section, information was provided on eight key economic and social trends impacting the U.S. and global economy. A profile on Californians was detailed, as well as on education and workforce opportunities. The state's implementation of WIOA is already beginning to trigger changes in the state's education and workforce activities.

The majority workers in the Next Economy will be younger and have faced the economic hardships of the recession. Just as those that grew up in the Great Depression, these workers will be significantly molded by their experiences. Policy makers will need to reexamine programs and assess new investments as to whether they will result in the outcomes appropriate to serve this group of workers and help them reach their potential.

In the next section, an expanded discussion is provided on small businesses and the important role they play in California's current and future economy.

A list of preliminary recommendations is provided in Section V of the report. Descriptions of related legislation have been included in Appendix D and E. Sources used in the preparation of this report are included in the Bibliography and key reports are summarized in Appendix G.

Section III - California's Small Business Economy

Small businesses form the core of California's \$2.3 trillion economy. Research shows that net new job creation is strongest among businesses with less than 20 employees, and that small businesses have historically led the state's local and regional economies out of recessions.

Businesses with no employees make up the single largest component of businesses in California, 2.9 million out of an estimated 3.6 million firms in 2012, representing over \$149 billion in revenues with highest number of businesses in the professional, scientific, and technical services industry sector. As these non-employer businesses grow, they continue to serve as an important component of California's dynamic economy.

Excluding non-employer firms, businesses with less than 20 employees comprise nearly 90% of all businesses and employ approximately 18% of all workers. Businesses with less than 100 employees represent 97% of all businesses and employ 36% of the workforce. These non-employer and small employer firms create jobs, generate taxes, and revitalize communities.

These smaller size businesses have historically played a distinctive role during challenging economic times. From 1999 to 2003, microenterprises created 318,183 new jobs or 77% of all employment growth, while larger businesses with more than 50 employees lost over 444,000 jobs. In the most recent recession this trend continued as the number of non-employer firms increased from 2.6 million reporting \$137 billion in revenues for 2008 to 2.8 million reporting \$138 billion in revenues for 2010, based on federal tax returns. Since the recession, these businesses have become increasingly important because of their ability to be more flexible and suited to niche foreign and domestic market needs.

However, their small size also results in certain market challenges, including having difficulty in meeting the procedural requirements of the state's complex regulatory structure and the traditional credit and collateral requirements of mainstream financial institutions. Specialized technical assistance, access to credit enhancements, and collaborative marketing opportunities help many small businesses overcome or at least minimize these difficulties.

The 2012 Survey of Business Owners

In August 2015, the U.S. Department of Census published initial data from the 2012 Survey of Business Owners. The last survey was made in 2007. While the data significantly trails real-time, it is the most comprehensive source for tracking trends in entrepreneurship, including ownership by women and individuals of color.

Chart 13, shows selected data from the 2012 Survey of Small Business Owners. Among other findings, the data shows a 27.5% increase in women-owned businesses between 2007 and 2012, as compared to a 7.9% increase in businesses owned by men and a -45.8% decrease in firms owned equally by men and women. Women-owned businesses also experienced the greatest increase in the number of people they employed and wages paid.

Chart 13 - Gender Differences in U.S. Businesses			
	Percent Change 2007 to 2012 Women-Owned Firms	Percent of Change 2007 to 2012 Man and Women-Owned Firms	Percent Change 2007 to 2012 Men-Owned Firms
U.S. Firms	27.5%	-45.8%	7.9%
Receipts from all firms (employer and nonemployer)	35.1%	6.7%	33.8%
Employer Firms	15.7%	-25.8%	5.3%
Receipts from Employer Firms	35.4%	13.2%	34.9%
Employment	19.4%	-11.9%	11.5%
Payroll	35.3%	-0.9%	25.8%
Source: National Women's Business Council			

States with the highest percentage of women-owned firms included District of Columbia, Georgia, Maryland, New Mexico, and Florida. Delaware, Alaska, North Dakota, Maine, and New Jersey were the states where women-owned firms collected the highest amount of receipts.

Women entrepreneurs, according to the Ewing Marion Kauffman Foundation, have unique skill sets, which both set them apart from other business owners and make them successful entrepreneurs. Among other things, the Kauffman Foundation states that women entrepreneurs have a more nuanced understanding of businesses risk/reward profile. Women are more comfortable with financial risks, but more sensitive about risks that may seem foolhardy. The Kauffman Foundation also believes that there is a correlation between a rise in women entrepreneurs and increased business returns and payout ratios.

In California, business ownership by women was up 13.7%, which was the highest among states with the largest number of women-owned businesses. In Texas, women-owned businesses were up 8.7%; Florida, 8.18%; New York, 7.3%; and Illinois, 4.23%. California also had the highest number of Hispanic and Asian American women-owned firms. For businesses owned by Black women, Georgia had the largest number of firms, California had the fifth largest number.

Chart 14 shows additional information from the 2012 Survey of Business Owners relative to race and ethnicity. The largest percentage changes in business ownership were by Hispanic women, where the number of firms grew by 87.3% between 2007 and from 20012. As a comparison, male Hispanic-owned firms grew by 39.3%.

Chart 14 - Comparison of Business Growth by Race, Ethnicity, and Veterans	
Business Ownership	Percent Change 2007 to 2012 Number of all Firms
Asian American Women	44.3%
Asian American Men	25.7%
Black Women	67.5%
Black Men	18.8%
Hispanic Women	87.3%
Hispanic Men	39.3%
White Women	10.1%
Veteran Women	29.6%
Veteran Men	7.7%
Source: 2012 Survey of Business Owners	

Using Entrepreneurship to Address Income Disparity

In understanding how business ownership can shift the income disparity dynamic, it may be useful to consider a 2011 Congressional Budget Office (CBO) report on after-tax incomes of American households.

The CBO found that between 1979 and 2007, income for households at the higher end of the income scale rose much more rapidly than income for households in the middle and at the lower end of the income scale. Most significantly, by the end of the reporting period (2005-2007), the after-tax income

received by the top 20% exceeded the after-tax income of the remaining 80%. **Chart 15** illustrates the CBO's findings in more detail.

Chart 15 - After-Tax Income Growth 1979 to 2007			
Income Bracket	Income Earners	Percentile	Percentage Growth
1	Top 1%	100th	275%
2	Next 20%	81 st to 99 th	65%
3	Next 60%	20 th to 80 th	40%
4	Bottom 20%	1 to 19 th	18%

Source: "Trends in the Distribution of House Income Between 1979 and 2007," Congressional Budget Office, 2011

The two primary reasons for the increase in income disparities were (a) the uneven distribution in the sources of household income and (b) the differing economic circumstances of those sources.

Households in the higher income brackets (1 & 2) received a majority of their income through capital gains and business income, which as a share of total income increased in value, while individuals in the bottom two brackets (3 & 4) received a majority of their income from labor income and capital income, which decreased in value. With the recession, this income disparity has continued to increase, in part, because of the impact of long term unemployment on wages (a core component of labor income), and rental rates (a core component of capital income).

The findings in the report also suggest that policies that inhibit access to self-employment serve to reinforce the income disparities trend and that policies which result in greater access, especially to historically underserved populations, could begin to break the trend.

Small Business Views on Economic Growth

Good Jobs First, financed through a grant from the Ewing Marion Kauffman Foundation, surveyed 41 national small business organizations representing 24,000 member businesses in 25 states. By significant margins the survey found the following:

- 95% of responders believe that spending on economic development incentives is biased toward large businesses (69% strongly believe).
- 85% of responders believe that the economic development incentives in their state do not effectively address the current needs of small business that are seeking to grow (36% strongly believe).
- 75% of respondents do not believe that their state's current incentive policies are effective in promoting economic growth (23% strongly agree).

Small Business Survey Response

"We suffer from the paradigm that it's always better to bring in a business from the outside to bring new jobs rather than investing locally to grow the economy."

In Search of a Level Playing Field
by Good Jobs First

Beyond traditional business incentives, a majority of respondents said that they favor broad community investments that benefit all businesses and help support the local consumer base. The greatest investments, according to the small business survey, are workforce, transportation, and education investments. One respondent is reported to have written, "Customers coming through the door is the single biggest thing that builds a business, not a tax break... Infrastructure that gets foot traffic in the door is a better investment."

As the answers to this September 2015 survey indicate, small businesses are most interested in ensuring that they have a customer base able to access their business and purchase goods.

Special Focus: Cost of Regulations and Small Businesses

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

The first study on the impact of California regulations on small businesses was released by the OSBA in 2009. This first in-the-nation study found that the total cost of regulations to small businesses averaged about \$134,000 per business in 2007. Although the state study was peer reviewed, there were criticisms of the study including that it was based on only one regression model, rather than using several models to test whether different outcomes could be derived. At a minimum, one economist suggested that the findings should have been tested for sensitivity of the assumptions.

Further, the study did not address the issue of good regulations vs. bad regulations, (i.e., what level of regulatory cost are reasonable in order to protect society.) In sum, the report, however, shows that regulations can be a significant cost to the everyday operations of California small businesses and clearly establishes a starting point for more meaningful discussions on the structure and process for developing and implementing regulations.

In addition to the report, the Assembly Jobs Committee has held hearings and undertaken its own research that suggests that regulatory costs are driven by a number of factors including: Multiple definitions of small business in state and federal law; the lack of e-commerce solutions to address outdated paperwork requirements; procurement requirements that favor larger size bidders; and inadequate technical assistance to alleviate obstacles that inhibit small business success/growth.

Definition of Small Business

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. **Chart 16** shows data on the number and size of businesses in the U.S. and California.

Chart 16 - 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/susb/index.html>

Section Summary

This section provided an expanded discussion on small businesses, including information from recently released 2012 Survey of Business Owners. Among other findings, the survey showed how entrepreneurship encompasses a very diverse group of business owners.

The section also included a "Special Focus" on the cost of regulations to small businesses and highlights from a recent survey of small business organizations. According to the survey results, a majority of small businesses recommended broad community development investments in infrastructure, workforce, and quality of life of their potential customers over individual tax incentives that mostly likely go to larger size businesses.

A list of preliminary recommendations is provided in Section V of the report. Descriptions of related legislation have been included in Appendix D and E. Sources used in the preparation of this report are included in the Bibliography and key reports are summarized in Appendix G.

Section IV - State Programs: Tools for Inclusion

The California Budget Project recently published data on the long-term impacts of childhood poverty (September 2015). They report that adults who had spent eight to 14 years living in poverty as a child were 45.3% more likely to live in poverty as an adult. This compares to the 0.6% likelihood of living in poverty as an adult for those individuals who had spent no time in poverty as a child.

Investing in Lower Income Families

Data suggests that the one of the most important economic development actions California can make is to invest in low-income families.

One of the challenges in addressing poverty is that 68.5% of California families that live in poverty have employment. It is just that the wages paid and/or the number of hours available to work are insufficient to provide for the basic needs of the household. According the California Budget Project, wages (on an inflation-adjusted basis) are actually lower in 2014 than in the recession for all but the most highly paid hourly workers.

Data suggests that the one of the most important economic development actions California can make is to invest in its low-income families. Studies have repeatedly shown that children from low-income households benefit from better schools, safer neighborhoods, and more economic security. In return, these children are less likely to require government assistance and are more likely to contribute to the economy.

One 2015 study, which took a fresh look at the outcome data from Moving On Experiment (MOE), found that every year spent in a better neighborhood increased college attendance rates and earnings into adulthood. Overall, the study concluded that "efforts to integrate disadvantages families into mixed-income communities are likely to reduce the persistent of poverty across generations."

Another study, *Where is the land of Opportunity: The Geography on Intergenerational Mobility in the U.S.*, identified key factors in supporting social mobility, including segregation, inequality, quality of education, social capital, and family structure. The study also found that the same factors that erode the middle class also hamper intergenerational mobility in lower income individuals. For public policy makers these factors can help shape the type of programs that address California's increasing rates of poverty and move forward on an equity-based growth model.

This section includes information on a select group of economic development and social equity programs within the state's current budget and highlights several major initiatives the state is already implementing. These initiatives could serve as immediate action points for moving toward a more inclusive economy and applying an equity-based growth strategy.

The State Budget – An Opportunity for Advancing an Equity-based Growth Agenda

Each year, the Governor and the Legislature spend five to six months discussing the development and approval of the state budget. Unlike the passage of legislation where comments of the Administration may first occur eight months after the bill has been introduced, budget discussions are more direct. The Governor presents his budget to the Legislature in January and addresses a joint session of the two Houses to present his or her vision and priorities for the year. By March, the Senate and Assembly

Budget Committees, with the assistance of the Legislative Analyst's Office, are well on their way to dissecting each line of the budget. In turn, agencies are called to a formal hearing before budget subcommittees to discuss their proposed budget, provide background information, and address a range of policy issues that occur to the members of the subcommittee and leadership. In the past several sessions, progress has been made on key equity issues. Below is a summary of the 2015-16 budget.

California state government's overall spending plan for 2015-16 proposes total state expenditures of \$161 billion, which represents an increase of 1.3% from the prior year. General Fund revenues are expected to increase by 4% with \$1.9 billion scheduled to be deposited into the Budget Stabilization Account (BSA) and another \$1.9 billion being used for debt payments. The state would end the year with \$4.6 billion in estimated total reserves.

One of the most significant features of the 2015-16 spending plan is the large increase in Proposition 98 funding for schools and community colleges. **Proposition 98** funding is expected to be up \$7.6 billion from the June 2014 estimate of the 2014-15 guarantee. The budget plan authorizes a one-time augmentation of \$3.8 billion for paying down the K-14 mandates backlog and \$992 million for K-14 payment deferrals. Additionally the budget increases funding for **childcare and preschool programs** by \$423 million, funding for the **University of California** by \$241 million and funding for the **California State University** by \$254 million.

The Budget Package also includes a new \$900 million competitive grant for career technical education in secondary schools \$400 million available in 2015-16, \$300 million in 2016-17, and \$200 million in 2017-18. The grant program priorities, among other things, includes local applicants collaborating with postsecondary education, other local education agencies, and established career technology programs. Other education related augmentations over the basic budget include:

- \$500 million Adult Education Block;
- \$50 million for a second round of broadband internet infrastructure grants;
- \$10 million for foster youth; and
- \$67 million for Special Education Community Package.

The spending plan also reflects the establishment of the **California Earned Income Tax Credit**, which is designed to reduce poverty among California's poor and very poor households. The EITC is estimated to assist two million people with an average credit amount of \$460 per tax return. Total impact on the General Fund in 2015-16 is estimated at \$380 million. To ensure eligible households are aware of the new credit, the budget includes \$22 million for the Franchise Tax Board to administer the program, including outreach.

The 2015-16 Budget includes \$1.8 billion for drought-related activities in addition to the \$1.1 billion that was appropriated by AB 91 in March 2015. Portions of these funds will be expended in small rural communities which have been especially hard hit by the drought.

The 2015-16 spending plan also includes second year funding for workforce programs for the formerly incarcerated (\$1.5 million) and business development services through the state's network of small business assistance centers.

The spending plan also begins to restore the 7% reduction in In-Home Supportive Service hours with a \$226 million augmentation from the General Fund and beginning in May 2016 the spending plan provides Medi-Cal coverage to undocumented immigrants under the age of 19 who are otherwise eligible for those benefits but for their immigration status.

Additional information on the 2015-16 Budget is available through the Legislative Analyst's Office's website: www.lao.ca.gov

Special Focus: Affordable Housing Challenges

State law requires the California Department of Housing and Community Development to prepare a State Housing Plan. To a large extent, the State Housing Plan is used to meet the federal requirements for a five-year consolidated housing plan, which is used to draw-down federal housing and community development funds including, but not limited to, the Community Development Block Grant funds for non-entitlement communities, the Neighborhood Stabilization Program, and the Home Investment Partnerships Program.

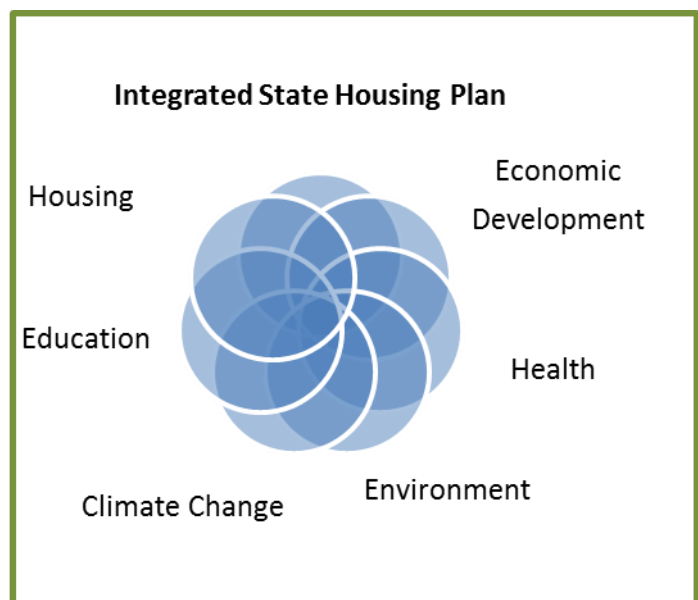
The State Housing Plan includes an assessment of housing-related and non-housing community development needs, an analysis of obstacles, a strategy to address these needs. In determining those needs and developing the plan, HCD encourages and facilitates input by other public agencies, private parties and individuals with similar interests and/or activities. Ultimately, the State Housing Plan will have separate housing targets for:

- Very low-income households (65% of area median income)
- Low-income households (80% of area median income);
- Moderate-income households (120% of area median income); and
- Vulnerable populations including the homeless, Native Americans, rural, farmworkers, and veterans.

The State Housing Plan will also assess housing conditions for all counties and regions and recommend actions for federal, state, and local governments and the private sector. Given the high-cost of housing in California careful attention that policies and other recommendations in the State Housing Plan integrate economic development, environment, transportation, education, health, and climate change. The last State Housing Plan was published in 2000, *1997-2020 Raising the Roof*. HCD is in the process of preparing the next update, which is proposed to be final sometime before the end of 2015.

Rising Housing Costs Disproportionately Impacts Lower Income Households

In 2014, HCD issued an unscheduled update to the State Housing Plan. While the economic recovery was encouraging, rising housing



prices in some areas and lack of jobs growth in others were beginning to place extreme stress on the California housing market. Among other concerns, HCD's update highlighted the following:

- Lower income households were disproportionately being impacted by the worsening trend in housing affordability. As both employment gains and wages continued to lag, renters were facing higher rents and potential homebuyers had to contend with tightening lending standards;
- Building starts continued to be sluggish, even as storages in housing supply continued to increase in coastal areas.
- Tens of thousands of affordable housing units were at-risk of converting to market rents within the next five years;
- Aging baby boomers and young millennials were shifting traditional housing demands to meet their different lifestyle choices;
- The effects of the financial crisis continued to impact households, who never recovered losing their homes, loss of employment, lower credit scores due to old debt, and other pre-crisis lifestyle opportunities.

The State Housing Plan Update noted that California renters were overpaying and becoming more overcrowded. For prospective homeowners, prices were rising too quickly to rationally keep pace. While the financial crisis resulted in significant foreclosures, HCD's report noted that these units were not adequate to meet the housing need based on type, tenure, and location. In February 2014, the median sales price of a home was \$404,250, which was over 21% higher than in February 2013.

Affordable Housing

*Stable housing is a foundation
for family economic well-being
and thriving communities.*

California Department of Housing and
Community Development, Handout from
State Housing Plan Update, 2014

In its conclusion, the State Housing Plan Update states that the housing sector could not be successful alone. The state needed an integrated approach to housing development that considered such things as education, health, access to economic opportunity, and transportation. Further, that this interconnectivity was particularly important to vulnerable populations.

In March 2015, the Legislative Analyst's Office also issued a report on the state's rising housing costs and impacts. The report shows that only Hawaii has higher housing prices than California. In fact, California housing costs are more than double that of the U.S average, \$437,000 v. \$179,000. The report also notes that housing costs vary within California, with the highest being in the coastal areas. Increasing housing costs, however, are not limited to the coastal counties. Obviously these rising costs are particularly challenging for lower income households who are being forced to spend a greater share of their income for shelter, living in crowded housing conditions, commuting further to work, and requiring a change of jobs. Higher housing costs also impair the ability of renters to save to purchase a home. California already has a homeownership level (55.3%) well below the national average of 64.9%.

Among other reasons, the Legislative Analyst's report cites that there is simply too little housing being built in coastal areas, which is driving up the costs. There are a lot of contributing factors including higher land and building costs. While this analysis seems very straight forward supply and demand,

report notes that it is unusual that the private market is not responding to this demand. Similar to the discussion earlier in the hearing report, it appears that old economic models are not functioning as anticipated. California is experiencing economic growth without the anticipated increase in jobs and wages. Without job and income growth, home buying is stagnant. As an example, the report notes that housing construction in Seattle was twice that of San Francisco and San Jose over the past two decades and that construction in California's coastal metro areas between 1980 and 2010 was low by both nationally and historical standards. Of course, these dynamics encourage workers to relate to inland areas where there are lower housing costs, which then increases inland California housing costs.

The report estimates that for California housing to have maintained the same pace of growth as the national average, the state would have had to add up to 100,000 additional units per year between 1980 and 2010. The units would have had to be predominantly in coastal areas, a higher percentage in inner cities, and be considerably denser. The consequences of not producing more housing units is that shelter becomes a greater burden on household finances. For low-income households, paying for housing costs require spending 67% of their income, which leaves very little left for food, health care, education, transportation, and emergencies. As illustrated by **Chart 9**, addressing housing costs is foundational to providing an inclusive economy.

In addition, the report notes other significant housing challenges that inordinately impact certain areas of the state and groups of people, including: (1) facilitating housing options for the state's homeless individuals and families; (2) mitigating adverse health effects related to living in substandard housing or housing near sources of pollution; and (3) removing noneconomic barriers to housing, such as race, ethnicity, gender, and disability status.

Financing More Affordable Housing

Funding for affordable housing comes from range of funding sources, including state bond moneys, revenue bonds, Low Income Housing Tax Credits, federal programs, and private for-profit and nonprofit sources. **Chart 17** show 2014 data on California affordable housing finance. The State Housing Plan addresses three funding models: operating subsidies for affordable rental housing, tenant rental assistance, and upfront capital subsidies to reduce the cost of producing rental and ownership housing.

Chart 17 – Affordable Housing Resources Administered Through the State			
		Total Authorized	2014 Available
Bond Acts	Proposition 46 (2002)	\$2.1 billion	\$11 million
	Proposition 1C (2006)	\$2.8 billion	\$300 million
	California Veteran Bond Act (2008)	\$900 million	\$600 million
Low Income Housing Tax Credits	Federal Tax Credits	\$1.25 billion (annually)	\$1.25 billion
	State Tax Credits	\$104 million (annually)	\$104 million
Federal Programs at HCD			\$76 million
Multifamily Housing Program at HCD			\$100 million
Community Development Financial Institution Tax Credit	State Credits	\$10 million in credits (annually)	\$10 million

Cap and Trade Revenues (20%)	2013-14		\$65 million
	Affordable Housing and Sustainable Communities 2014-15	\$400 million per year	\$400 million

Part of the complexity of financing affordable housing is that no single program or sponsor provides 100% of the cost to build or rehabilitate the housing. It is not uncommon for an affordable multifamily rental project to have five or more separate funding sources. Each layer of funding not only adds complexity, but also additional costs. Projects can be delayed because not all the funding is available in the time period necessary.

For rural areas and housing programs that serve targeted populations, this means having the capacity to pull together these multi-layered projects and having other financial resources to make-up for funding lost to larger affordable housing developers in urban and suburban areas. The elimination of the California Enterprise Zone in 2013, coupled with the earlier elimination of the California Community Redevelopment Program, left many poor communities with few tools to address poverty alleviation and economic growth. For communities needing affordable housing, this was especially difficult because it meant the loss of the 20% set-aside of tax increment revenues for the production and maintenance of low- and moderate-income housing.

This year, the Governor signed **AB 2 (Alejo and Garcia), Chapter 319, Statutes of 2015**, which established a new community development framework for accessing tax increment financing. The purpose of the bill is to foster collaboration between cities and counties on local economic development efforts. Implementation of the bill is anticipated to help provide a long-term source of funding for affordable housing, help eliminate blight, encourage business activity, clean-up contaminated brownfields, and create jobs.

Building California's New Equity-Based Growth Model

To succeed in the global economy, California needs a new-equity-based growth model. Similar to the new funding authorizations in the 2015-16 Budget, California has already made many steps toward creating a more inclusive economy. The following is a discussion of four currently funded state initiatives that would lend themselves to being part of California's new growth model including:

- Climate-Related Strategies
- Private Investment-Related Strategies
- Social Innovation Financing Strategies
- Environmental Justice-Related Strategies

Appendix O includes background on infrastructure development and a discussion which issues to raise in a Special Session Infrastructure-Related Strategy.

Climate-Related Strategies: Disadvantaged communities in California are specifically targeted for investment of proceeds from the State's cap-and-trade program. These investments are designed to meet all three sustainability criteria of providing environmental, social, and economic benefits. In general, the proceeds are to be used to reduce greenhouse gas emissions (GHG), while improving public health,

enhancing standards, and providing for new economic opportunity for individuals in California's most burdened communities.

Authorized by the California Global Warming Solutions Act of 2006 (AB 32), the cap-and-trade program is one of several strategies that California uses to reduce greenhouse gas emissions that cause climate change. Funds received from the program are deposited into the Greenhouse Gas Reduction Fund and appropriated by the Legislature. All moneys in these moneys are required to be used for programs and activities that reduce the emissions of GHGs.

With the enactment of SB 535 (De León), Chapter 830, Statutes of 2012, a minimum of 10% of the funds in the Greenhouse Gas Reduction Fund are required to be used for projects located within disadvantaged communities. The California Environmental Protection Agency uses the California Communities Environmental Health Screening Tool (CalEnviroScreen) for assessing and determining eligible communities. Under the CalEnviroScreen model, California census tracts are evaluated on a range of environmental, public health, and income criteria as a means to identify the areas disproportionately burdened by and vulnerable to multiple sources of pollution. There have been concerns that some of California's most impoverished areas don't score as high in the ranking and that further adjustments should be made.

Another climate-related strategy is the *Sustainable Communities and Climate Protection Act of 2008* (SB 375 (Steinberg), Chapter 728, Statutes of 2008), which made major changes to the planning and priority of affordable housing. As initially envisioned, the Air Resources Board sets regional targets for GHG emission reductions. To reach these targets, the local community would work together through their metropolitan planning organizations (MPO) to coordinate land use, housing, and transportation planning. The policies and activities necessary to reach the GHG emission target are complied with a newly created Sustainable Communities Strategy, which is now part of the Regional Transportation Plan.

Under the Sustainable Communities Act, ARB is required to review the region's Sustainable Communities Strategy to confirm and accept the MPO's determination that if implemented, would meet the regional GHG targets. If the ARB determines that the combination of measures in the Sustainable Communities Strategy would not meet the regional targets, the MPO must prepare a separate "alternative planning strategy" (APS) to meet the targets. The APS is not a part of the Regional Transportation.

Affordable Housing Trade-Offs

In order to achieve this model, the predominance of the housing element had to be removed. Up until then, each city and county was mandated to not only plan for their regional share of housing, but to actually zone for the number low-income units. This had the impact of creating a land use planning emphasis for affordable housing. Many environmentalists and transportation advocates felt this uneven playing field among community needs represented poor policy.

As an example, the Sustainable Communities Strategy for the Southern California Association of Government's (SCAG's) is designed to serve approximately half the state's population, with the region projected to add 4 million residents and 1.7 million jobs by 2035. The strategy sets the following policies:

- Compact growth in areas accessible to transit;

- Half of all new development on 3% of the region's land area;
- More multi-family housing; jobs and housing closer to transit;
- New housing and job growth focused in High Quality Transit Areas (HQTAs);
- Expanded HQTAs through transit infrastructure and service improvements;
- Expanded passenger rail network and transit investment (20% of total Plan budget);
- Invest in biking and walking infrastructure to improve transit access; and
- Innovative finance mechanisms that incentivize reduction of vehicle miles traveled (VMT).

In developing the strategy, SCAG worked with over 190 local governments to identify local development policies and growth projections, held multiple public hearings over a three-year period, and developed multiple scenarios and alternatives analysis. SCAG also looked at the impact of the strategy on key inclusionary issues including environmental justice and health risks to impacted communities. SCAG's performance metrics include:

- Two thirds of new housing will be multi-family by 2035;
- Over 60% of all jobs will be within HQTAs by 2035;
- Over half of new homes and jobs will be within walking distance of transit;
- Fewer drive-alone trips and more transit use, biking and walking, and HOV(high occupancy) trips;
- Average auto trip length decreases through 2035; and
- Per capita VMT decreases through 2035.

When implemented, SCAG estimates that \$5 billion will be saved by local governments on infrastructure, \$1.5 billion will be saved per year in health costs; the plan will contribute to the creation of over 500,000 jobs per year; and there will be a 24% reduction in health incidences related to regional air pollutant emissions.

The Sustainable Communities Act also authorized incentives to encourage local governments and developers to implement their Sustainable Communities Strategy and alternative planning strategy. Among other incentives, a developer may receive certain modifications to the state's environmental review requirements under the California Environmental Quality Act (CEQA).

Private Sector-Related Strategies to Attract New Capital to Underserved Areas: In 1996, California established the California Organized Investment Network (COIN) as part of a major legislative negotiation with the insurance industry. In exchange for not implementing a Community Reinvestment Act (CRA) mandate on insurers, the insurance industry agreed to include investments in low-income communities within their overall investment portfolio. COIN helps to "guide insurers on making safe and sound investments" within the state's underserved communities. The inclusion of a Community Development Financial

Insurance Diversity Initiative

The California Insurance Commissioner sponsors an initiative to address diversity issues within California's \$257 billion insurance industry. Guided by a 15-member Insurance Diversity Task Force, the initiative is designed to encourage increased procurement from diverse suppliers and diversity of insurer governing boards.

The initiative includes a range of collaborative outreach and education activities including a formal internship program within the department's Special Projects Division and host an annual Insurance Diversity Summit each December. Initiative stakeholders include: community advocates, chambers of commerce, diverse businesses, certification agencies, insurers, trade associations, researchers, and interested individuals from the banking, energy, and legal industries.

Institution Tax Credit Program in 1999 added a new capital component to COIN, as well as bringing in additional mission-driven, yet highly sophisticated financial partners capable of packaging investment-grade deals. Current law authorizes an annual award of \$10 million in tax credits, which supports \$50 million in community development investments.

Investors, who receive the credits for making capital available to the CDFI for housing and economic development-related projects, apply the credits to offset their state personal income tax, corporation tax, or insurer premium tax. During 2014, COIN awarded \$13.79 million in CDFI Tax Credits for 67 investments into 17 CDFIs to leverage \$68.95 million in private investments. The investors included nine insurance companies that invested a total of \$32.8 million.

The \$4.3 million in tax credits awarded in July 2015, resulted in more than \$24 million in community investments. Examples of these investments include the \$7.8 million of investments by the California State Automobile Association Insurance Group as follows:

- \$4.8 million (\$960,000 tax credit) into Enterprise Community Investment to be used to rehabilitate 96 affordable rental housing developments in Morgan Hill, creating 16 permanent and 132 temporary jobs for California workers.
- A \$3 million loan at 0 percent interest (\$600,000 tax credit) to Nehemiah Community Reinvestment Fund to purchase, renovate, and sell single-family homes to low income buyers in 10 counties. Over 1,000 temporary jobs are expected to be created over its five-year term.

Since its inception, the COIN CDFI Tax Credit Program has leveraged more than \$239 million in COIN Certified investments throughout California. Investments include green energy, affordable housing, clean water, healthy foods, and education projects. CDFIs use these moneys to provide capital to low-income and rural communities.

For the past two year, 2014 and 2015, COIN hosted an impact investment summit, which was attended by insurers, CDFIs, community organizations, asset managers, government officials, trade associations, and other stakeholders. The summits feature panels on impact investments, the use of financial intermediaries to reach targeted markets, COIN investment opportunities, and ways to increase diversity among investment managers.

COIN is also using its high profile position within the financial markets to encourage more investors to allocate portions of their funds toward impact investments. In July of 2015, Cambridge Associates and the Global Impact Investing Network launched a first-of-its-kind Impact Investment Benchmark to provide a comprehensive analysis of the financial performance of impact investments comprised of market rate private equity and venture capital.

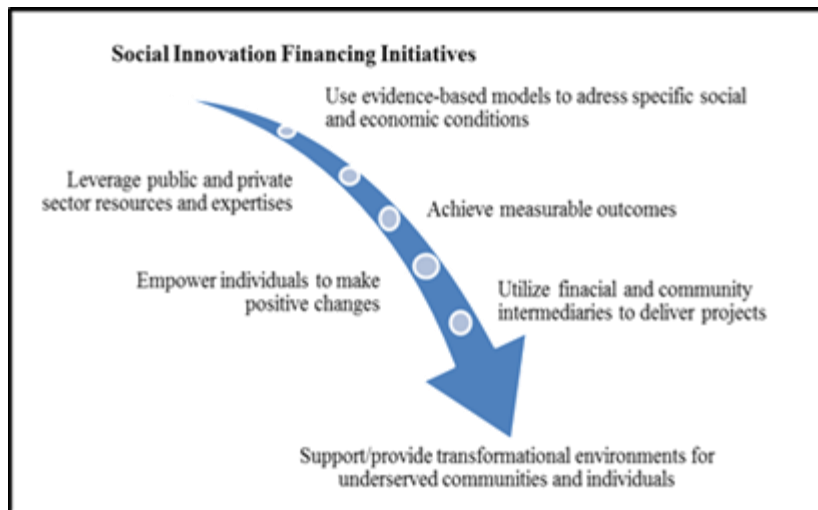
Impact investments are investments made in businesses, organizations, and projects with the intention of generating social and environmental benefits, as well as the economic returns, as mandate by fiduciary responsibility standards. At its launch, 51 private investment funds agreed to participate with investments from a range of industries and geographic areas including the U.S. Investment vintage years are between 1998 and 2010. The social impacts of these investments range from financial inclusion, employment, economic development, and sustainable living. Financial inclusion includes the

provision of financial services to groups that would otherwise lack access including microfinance, small and median businesses, and community banking.

Among other findings, the initial analysis determined that U.S.-focused impact investment funds under \$100 million had a 13.1% internal rate of return (IRR) as compared to 3.6% for comparative U.S. funds under \$100 million and 7.8% for comparative U.S. funds over \$100. Access to creditable data on risk and return of actual impact investments helps to remove one of the significant barriers to attracting more capital to this investment space.

Social Innovation Financing- Related Strategies: During the 2013-14 Session, Speaker Atkins proposed that the state adopt a Social Innovation Financing Model to address community an economic development challenges.

Under the models, the government sets the task, timeline, and measurable objective, which a service provider (social entrepreneur) agrees to meet. The initial funding for the cost of the program is provided by either the social entrepreneur or by a private sector investor, which may be a foundation or other socially responsible investor. If the social entrepreneur is successful in achieving the measurable objective, the government pays the performance-based contract, usually at a premium rate that includes a predetermined rate of return. If the measurable outcome is not achieved, no government money is expended. Collectively, these types of models are often referred to as social innovation financing with the individual models being described as social impact bonds, pay for success contracts, and pay for performance contracts, a variety of interchangeable terms.



Social Impact Financing and performance-based contracting is designed to ensure that contractors are given the freedom to determine how best to meet the government's performance objectives, while allowing a government to only pay for those services that meet the pre-determined quality and performance levels. This is not a new concept, but it is growing in popularity as governments face tighter budgets and become more open to using private sector innovations to address social challenges where "one size" will not fit all.

Massachusetts was one of the first states to utilize Social Impact Bonds to address two persistently challenging problems: chronic homelessness and high recidivism rates among juvenile offenders. Supporters of these initiatives described the use of social impact financing as directing "government funds toward smart initiatives that deliver real-world results." More details on these two initiates are described below.

- Chronic Homelessness – Massachusetts will partner with social entrepreneurs to provide stable housing for several hundred chronically homeless individuals. The goal of the initiative is to improve the well-being of the individuals while simultaneously reducing housing and Medicaid costs.
- Juvenile Justice – Massachusetts will partner with social entrepreneurs to support youth aging out of the juvenile corrections and probation systems and to help them make successful transitions to adulthood. The juvenile justice contract will be designed with the specific goal of reducing recidivism and improving education and employment outcomes over a 6-year period for a significant segment of the more than 750 youth who exit the juvenile corrections and probation systems annually.

Currently, several other states and local governments have already initiated or will be initiating projects that include performance-based contracting models including:

- New York City, which is seeking to reduce recidivism among young adults;
- The State of Minnesota, which wants better outcomes relative to workforce development and supportive housing;
- New York State, which is addressing recidivism through employment opportunities for high-risk adult and juvenile ex-offenders re-entering society; and
- The City of Fresno, in partnership with the California Endowment, which is seeking solutions to reduce incidents of asthma.

Collectively these models and programs are designed to build stronger and more resilient communities by addressing needs, strengthening local assets, and providing money for priority investments. The strategies support a range of community development activities including early childhood education; workforce training; development of public facilities, such as community centers and libraries; housing rehabilitation; public services; and microenterprise assistance. At their core, these bills rely on private sector money and triple-bottom line strategies to solve complex social policy objectives.

Environmental Justice Related Strategies

California was one of the first states in the nation to codify "Environmental Justice" in statute. Beyond the fair treatment called for in law, leaders in the environmental justice movement work to include those individuals disproportionately impacted by pollution in decision making processes. The aim is to lift the unfair burden of pollution from those most vulnerable to its effects.

The California Environmental Protection Agency Environmental Justice (EJ) Program annually awards small grants on a competitive basis to eligible non-profit community groups/organizations and federally recognized Tribal governments to address

Environmental Justice Definition

The fair treatment of people of all races, cultures, and incomes with respect to the development, adoption, implementation, and enforcement of environmental laws, regulations, and policies.

Government Code section 65040.12

environmental justice issues in areas disproportionately affected by environmental pollution and hazards. Examples of prior awards include:

- **Calexico New River Committee, Inc., San Diego/Imperial, Calexico (\$16,445)** The Calexico New River Committee will conduct a cross border leadership summit to bring together community and government leaders from California, Imperial County, Mexicali and Baja California to craft implementation strategies for New River Improvement Project and Strategic Plan. The Summit will benefit the residents of Calexico and other communities within Imperial County that are adversely affected by New River water pollution issues.
- **Center for Community Action and Environmental Justice, Inland Empire, San Bernardino and Riverside Counties (\$20,000)** CCAEJ will assist community organizations in the Inland Empire region through training on strategic planning, messaging and media practices, and engagement with elected officials. The program will result in more effective efforts by community groups to improve their social and natural environment negatively impacted by industrial and commercial enterprises in the area.

Applications for the \$1 million in 2016 funding is due by January 22, 2016 with awards announced in June 2016. The maximum amount of a grant provided is \$50,000, based on statute, and the work is to be completed within 12 months.

2016 EJ grants will address one or more of the following goals, including Grant Program Goals:

- Improve Access To Safe and Clean Water
- Address Climate Change Impacts through Community Led Solutions
- Reduce The Potential For Exposure To Pesticides And Toxic Chemicals
- Promote Community Capacity Building -- Improve Communities' And Tribes' Understanding Of The Technical And Procedural Aspects Of Environmental Decision-Making
- Promote The Development Of Community-Based Research That Protects And Enhances Public Health And The Environment
- Address Cumulative Impacts Through Collaboration Between Community-Based Organizations And Local Government

Appendix L includes summaries of projects, including outcomes, from 2015 EJ projects.

Section Summary

In this section, the report provided information on existing state resources that could be used to support a more inclusive economy. With the adoption of the 2015-16 Budget, new money was provided for Adult Education, career technology programs at secondary schools, and lower income workers were provided an Earned Income Tax Credit.

California's rising housing costs and the challenges of developing affordable housing was the feature of a "Special Focus." Finally, the section included information on three key initiatives that already have related policy missions, including the state's work on climate change through programs like the California Environmental Screen and the Sustainable Communities and Climate Protection Act of 2014,

the private sector focused activities of COIN and other investors to bring more private capital to historically underserved areas, environmental justice, and social innovation financing.

A list of preliminary recommendations is provided in Section V of the report. Descriptions of related legislation have been included in Appendix D and E. Sources used in the preparation of this report are included in the Bibliography and key reports are summarized in Appendix G.

Section V - Recommendations for Further Actions

The November 12, 2015, JEDE Committee hearing represents an important opportunity for Members of the Assembly to engage with witnesses and members of the public on how to create a more inclusive economy. Key themes discussed in the hearing will include enhancing the entrepreneurial business environment, stabilizing rural and other resource-limited communities, developing career ladders capable of providing wage growth and long-term household security, and supporting other actions that support greater economic mobility and social cohesion.

A list of preliminary recommendations is provided below. The content of the recommendations come for research and discussions of the JEDE Committee staff. *Sources used in the preparation of this section are included in the Bibliography and key reports are summarized in Appendix G.*

1. ***Set an Equity Standard for New State Investments:*** Engage with Legislative leadership on the importance of addressing income inequality when making significant state investments. Historically, the equity component of sustainability has received minimal attention resulting in mismatched and sometimes ineffective allocations of resources. Hold a joint hearing with the related Assembly Budget Subcommittees on how an equity-based growth model could be used when considering individual agency and department budgets. Introduce legislation to require greater accountability for the impacts of state expenditure.
2. ***Support Smaller Sized Businesses:*** Establish and maintain an open dialogue with small and micro businesses. Introduce legislation to encourage state agencies to partner with the existing network of federal technical assistance providers including the Small Business Development Centers, Women's Business Development Centers, and the Veterans Outreach Centers. Among other issues, these centers can provide technical assistance on marketing, management, and finance. Introduce legislation to provide the State Small Business Advocate with stronger tools for advocating on the behalf of small businesses before state rule making agencies. Hold an oversight hearing on the state's use of federal small business finance funds (\$168 million). Introduce legislation to provide a new source of private capital for small businesses in lower income communities.
3. ***Reframe Workforce Development:*** Work in partnership with related Assembly policy and budget subcommittees on how to reframe the education, training, and workforce development systems. Introduce legislation to support the level of ongoing workforce preparation necessary for workers and businesses to successfully compete in the Next Economy. Ensure that training and education opportunities are inclusive of the emerging, younger, and more diverse workforce of California's Next Economy. Include education and workforce development as central features of the state's court ordered activities to reduce and maintain a lesser number of incarcerated individuals. Leverage the implementation of the federal Workforce Innovation and Opportunity Act to deepen regional partnerships among business, education, and community stakeholders.
4. ***Strengthen Long-Term Economic Security for Vulnerable Populations:*** Enhance, better align, and reduce funding volatility of programs that serve as essential links to promoting economic security and social mobility, including early childhood education, affordable housing, college/career preparation, health care, workforce development, and small business services. Hold an oversight hearing, in collaboration with related policy committees, on how the state can remove impediments to social mobility and provide an environment that supports all Californians, including individuals from lower income households.

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Appendix A

Hearing Agenda - Building an Inclusive Economy: The State's Role in Closing California's Opportunity Gap

California's record setting economic growth since the financial crisis and subsequent recession has been widely reported. Unfortunately, the recovery has not yet reached all regions. While state unemployment in September 2015 was 5.5%, 14 of the state's 58 counties continued to report unemployment levels above 7%. These inequities will only increase unless California sets an all-inclusive prosperity agenda. In today's hearing, the Members of the Assembly Committee on Jobs, Economic Development, and the Economy (JEDE) will be briefed on strategies for supporting the entrepreneurial business environment, stabilizing communities, and developing career ladders that provide for wage growth and long-term household security. This hearing is being held in collaboration with the 2015 California Economic Summit and is a follow-up to two JEDE oversight hearings on the California economy and related state programs (February and March of 2015).

I. Welcome, Introductions, and Opening Statements

Chair Eduardo Garcia will open the hearing and recognize Ontario Mayor Paul Leon and Paul Granillo, California Economic Summit Chair and Executive Director of the Inland Empire Economic Partnership, who will formally welcome the Assembly Committee on Jobs, Economic Development, and the Economy to the region. The Chair and Members of the Committee will give opening statements and frame the key issues to be examined during the hearing.

II. Building an Inclusive Economy

California's economic success is jeopardized by demographic shifts and economic stresses, from a disjointed education and workforce network, cities struggling with stalled industrial economies, and outdated and improperly maintained infrastructure to support community development. These challenges contribute to an opportunity gap that, left unaddressed, will result in high unemployment and underemployment for many areas of the state. Dr. Victor Rubin, Vice President for Research at PolicyLink, will provide a keynote address on achieving a prosperity agenda that takes strategic steps to support entrepreneurship, a better alignment among education and workforce training systems, and a modern infrastructure network that supports economic mobility and social cohesion.

III. Entrepreneurship Drives an Inclusive Prosperity Agenda

Entrepreneurs are playing an increasingly crucial role in creating opportunity and growth in the U.S. and California economy, especially for individuals from historically underrepresented groups. Dr. Yasuyuki Motoyama, Director of Research and Policy at the Ewing Marion Kauffman Foundation, will provide a keynote address that includes a profile on the modern face of entrepreneurship and discuss how it serves as an effective foundation for a more inclusive economy.

IV. Transformational Actions for Achieving a More Inclusive Economy

- *Ms. Alma Salazar, Vice President of Education and Workforce Development at the Los Angeles Area Chamber of Commerce*
- *Ms. Helen Torres, Executive Director of HOPE*
- *Ms. Melina Duarte, STEM Education Consultant*

Achieving a more inclusive economy requires greater collaboration between public and private entities. Participants in this panel have been asked to present examples of current initiatives that are transforming California business development and job creation. Among other models, panelists will discuss real world

solutions for lowering barriers to workforce preparation, increasing individual and household financial stability, and supporting entrepreneurship.

V. Public Comment

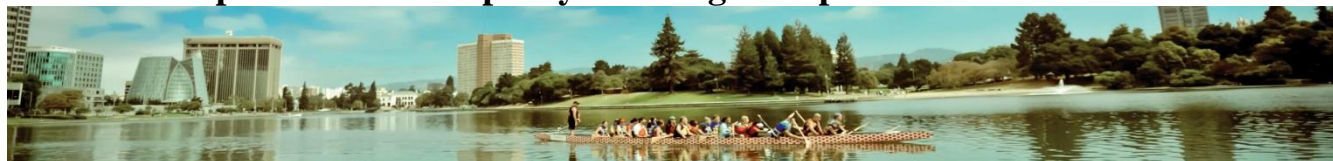
Anyone interested in addressing the Committee may sign up to speak during the public comment period. A sign-up sheet is located at the back of the hearing room. Written comments may also be submitted to the Committee Office.

VI. Closing Remarks

Assemblymembers will make closing remarks and offer recommendations for further actions.

Appendix B

A Roadmap to Shared Prosperity: The Right Steps toward Sustainable Growth



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

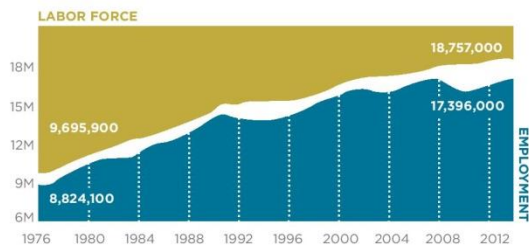
INCREASING OPPORTUNITY FOR ALL

Improving educational attainment
Decreasing income inequality
Adequately funding priority investments

TRIPLE-BOTTOM-LINE PROSPERITY

EMPLOYMENT AND LABOR FORCE

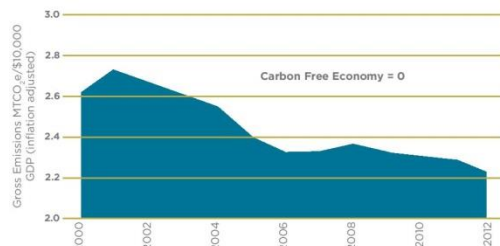
Unemployment falling but gap remains



Data source: California Employment Development Department

CARBON EMISSIONS RELATIVE TO GDP

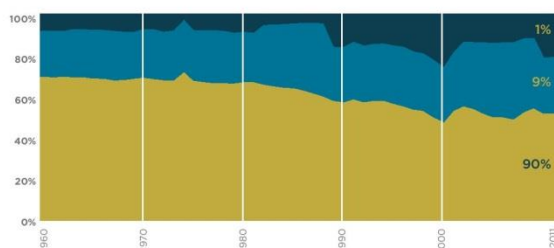
Progress in last decade toward fewer emissions per dollar



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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Leadership Alliance*

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

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

Sempra Energy Utilities
Chevron

REGIONAL UNDERWRITERS

Morgan Family Foundation
Wells Fargo

SPONSORS

Applied Materials
Bridgepoint Education
California Emerging
Technology Fund
Half Moon Bay Brewing Co.
Long Beach City College
The Nature Conservancy



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

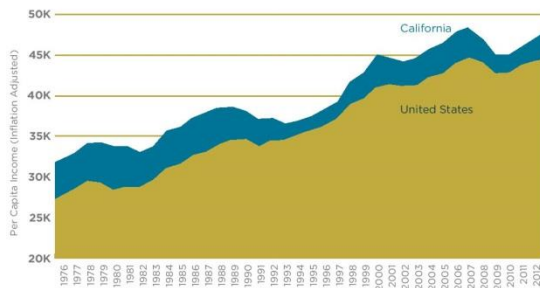
- **Capital team's Impact Economy partners**
- **Manufacturing industry leaders** (especially clean tech with its triple bottom line focus)
- **Small business:** National Federation of Independent Business, California Chamber of Commerce, local chambers
- **State:** GO-Biz, Employment Training Panel



Page 1, top photo: Violeta Vaqueiro

PER CAPITA INCOME

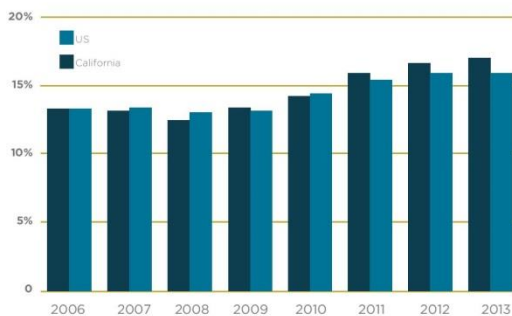
California income continues to outpace U.S. average



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

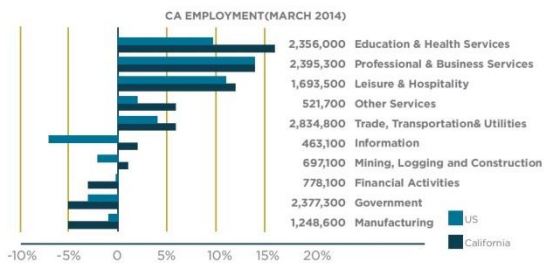
A growing percent of Californians live in poverty



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.

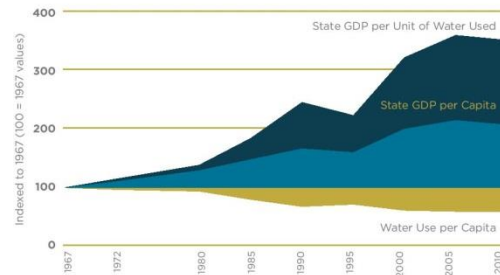
- **CEQA:** Office of Planning & Research
- **Water:** Department of Water Resources, State Water Resources Control Board
- **Open data:** Government Operations Agency



All photos: Violeta Vaquero

WATER PRODUCTIVITY AND EFFICIENCY

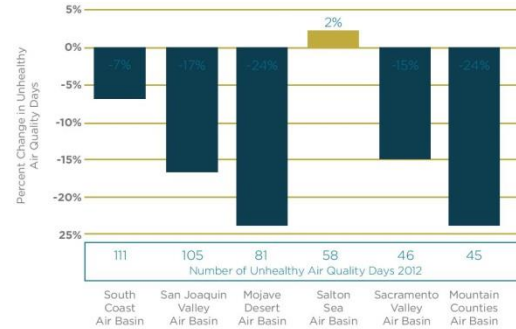
Californians are becoming more productive with less water



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

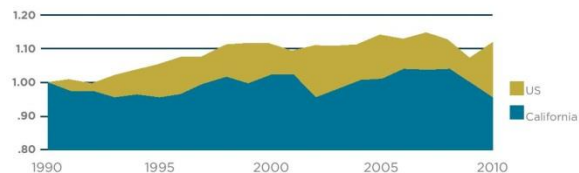
Most regions seeing fewer unhealthy air days since 2008



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

ELECTRICITY SALES PER CAPITA

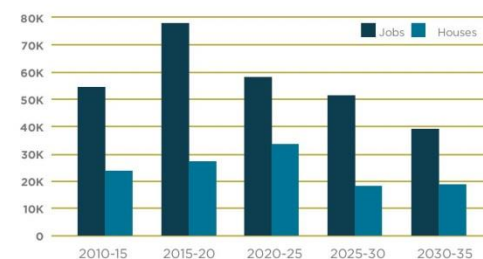
California is using less electricity per person than other states



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**

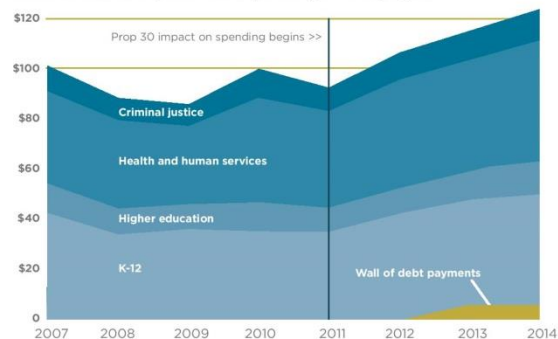
10. Increase data-driven decision-making at all levels of government. Expand use of open data to drive efficiencies & innovation, create jobs in new sector

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

All photos: Violeta Vaquero

STATE SPENDING DURING THE RECOVERY

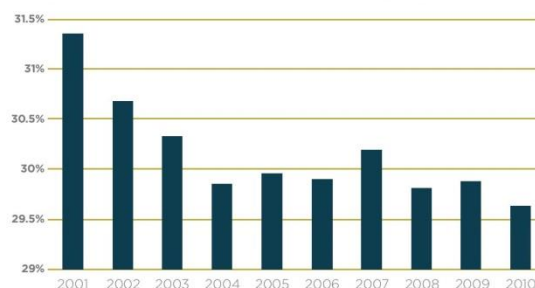
General fund and special fund spending climbing again



Data source: Legislative Analyst's Office

STATE FUNDING FOR CAREER TECHNICAL EDUCATION

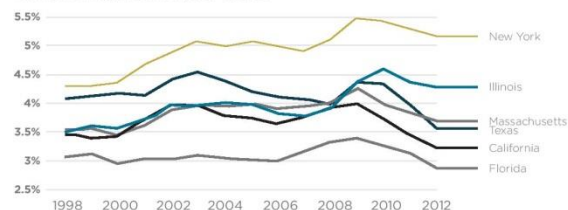
Declining funding over last decade as a percentage of full-time students



Data source: CA Community College Chancellor's Office

K-12 SPENDING BY PERSONAL INCOME

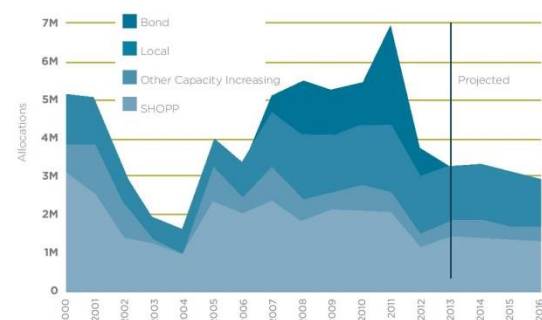
California lags behind peer states



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 C

Fast Facts on California's Economy

California Gross Domestic Product (GDP)

- California's economy is the eighth largest in the world – larger than Russia, Italy, India, and Canada.ⁱ

- In 2014, California GDP grew from \$2.2 billion to \$2.3 billion. California's largest private industry sectors: Finance, insurance, real estate, rental, and leasing (20.2% of state GDP);

Comparison of 2014 GDPs			
Country	GDP	Country	GDP
1 - United States	\$17.41 trillion	9 - Italy	\$2.14 trillion
2 - China	\$10.38 trillion	10 - India	\$2.05 trillion
3 - Japan	\$4.61 trillion	11 - Russia	\$1.85 trillion
4 - Germany	\$3.86 trillion	12 - Canada	\$1.78 trillion
5 - United Kingdom	\$2.94 trillion	13 - Australia	\$1.44 trillion
6 - France	\$2.84 trillion	14 - Korea	\$1.41 trillion
7 - Brazil	\$2.35 trillion	15 - Spain	\$1.40 trillion
8 - California*	\$2.31 trillion		

Source: Department of Financeⁱⁱ

trade, transportation, and utilities (12.7% of total GDP); professional and business services (12.0% of state GDP); and manufacturing (12.0% of state GDP).ⁱⁱⁱ

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). About 5,660 California firms had 500 employees or more.^{iv}
- There were 19 million workers in the California labor force in September 2015 with 17.8 million individuals employed. Month over increase of 12,000 jobs. This represents a 400,000 (2.3%) increase in jobs over the prior year.^v
- September 2015 nonfarm employment rose in six private industry sectors. Largest job gains were recorded in information (+4,900); construction (+2,100); professional and business services (+1,200); leisure and hospitality (+900); trade, transportation, and utilities (+600); and other services (+600).^{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 (\$137.6 billion) and Mexico (\$41.2 billion) are the state's largest import markets.^x
- California median household income in 2013 was \$61,094 (\$53,046 for U.S.)^{xi} with 15.9% of individuals and 22.1% of people under 18 lived in poverty (federal basic definition). Using the more comprehensive method, which accounts for geographic differences, transfer payments, and out-of-pocket expenses over a 3-year term, 23.4% of California residents live in poverty, as compared to 15.9% nationally.^{xii}

Future California Job Market

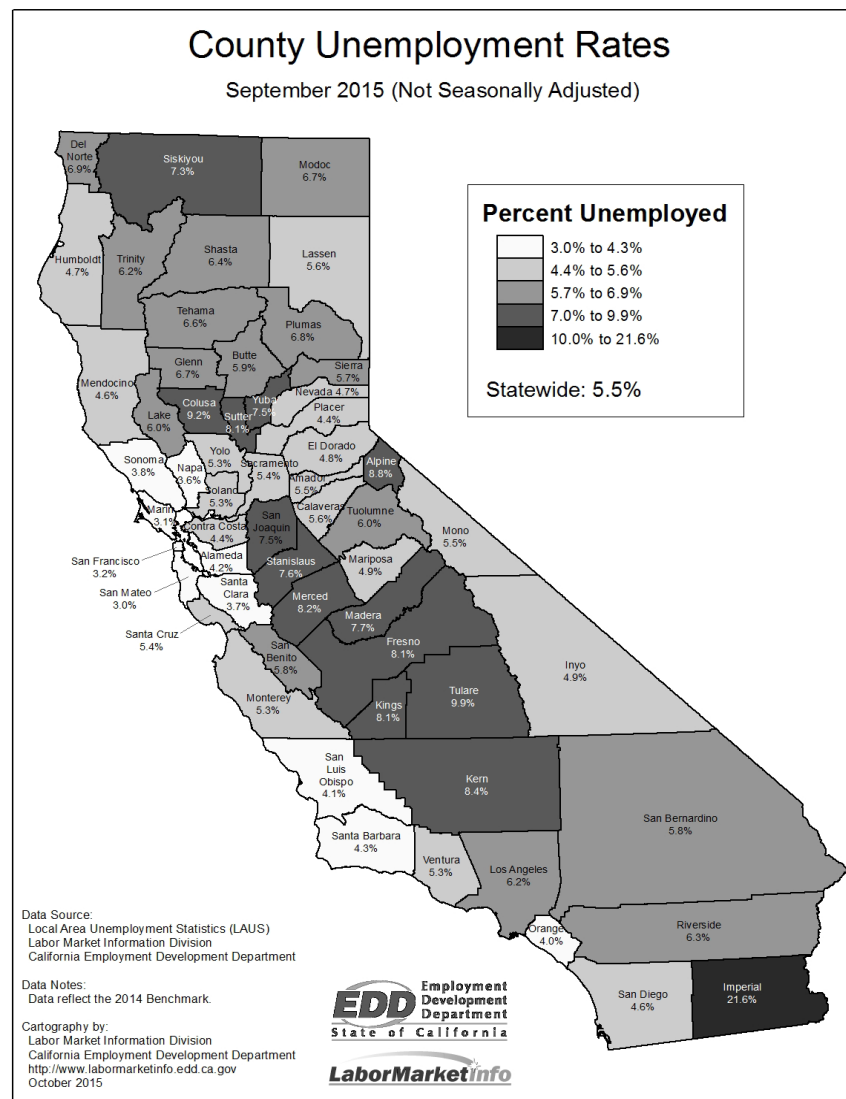
- The Employment Development Department is responsible for accessing future employment needs based on regional industry clusters. *The chart on the following page displays employment projections for 2010-2020, including new and replacement jobs.*

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}

September Unemployment

- In September 2015, the California seasonally adjusted unemployment rate was 5.9%, down 0.2% from the prior month and down 1.4% from the prior year.^{xiv} This figure represents 1.1 million unemployed workers.^{xv} Over the same period, the national unemployment rate was 5.1%. The map displays unemployment rate by county.^{xvi}
- The highest unemployment rates by race and ethnicity were among blacks (11.8%), Hispanics (7.7%), and whites (6.3%).^{xvii}
- Most Californians, 80.3% generally worked full time. There were 1.0 million persons in California who worked part time involuntarily. They comprise 6.0% of all employed workers during the survey week.^{xviii}
- By age group, the highest unemployment group was among workers 16 to 19 (21.8%), down 0.7% from the prior month.^{xix} The largest group of unemployed persons, when sorted by duration, were those unemployed for less than 5 weeks, which represented 27.1% of all unemployed.^{xx}



Appendix D

2015-16 Hearing-Related Legislation

Creating a more inclusive economy requires a range of public policy actions. In this hearing, several key areas are being discussed including the role of entrepreneurship, the effective alignment of education and workforce, as well as strategies to providing stable and secure communities. During the 2015-16 session, Members of the Legislature introduced over 19 bills in line with these goals. Below is a selection of those most related to building a more inclusive economy.

- ***AB 2 (Alejo and E. Garcia) Community Revitalization and Investment Authorities:*** This bill authorizes the establishment of a Community Revitalization and Investment Authority and use of property tax increment revenues to finance economic development and affordable housing programs within a specified community revitalization and investment area. Eligible areas are limited to those that have an annual median household income that is less than 80% of the statewide annual median income and meet three of the following four conditions:
 1. Nonseasonal unemployment that is at least 3% higher than the statewide median, as defined by a specified labor market report.
 2. Crime rates that are 5% higher than the statewide median crime rate, as defined by a specified Department of Justice report.
 3. Deteriorated or inadequate infrastructure
 4. Deteriorated commercial or residential structures.Status: Signed by the Governor, Chapter 319, Statutes of 2015.
- ***AB 19 (Chang) Governor's Office of Business and Economic Development: Review of Regulations:*** This bill would have required GO-Biz, in consultation with state Small Business Advocate, to review regulations affecting small businesses for the purpose of determining whether there is an alternative implementation method that is less burdensome or costly to small business, while still meeting the same policy objectives. Status: Held on Suspense in the Assembly Committee on Appropriations, 2015.
- ***AB 35 (Chiu and Atkins) Low Income Housing Tax Credit:*** This bill would have authorized the allocation of an additional \$100 in Low-Income Housing Tax Credits for 2016 to 2021, as specified: revises percentages; and establishes new categories of housing eligibility. Status: Vetoed by the Governor, 2015.
- ***AB 184 (E. Garcia) Small Business Technical Assistance Act of 2015:*** This bill would have designated the Governor's Office of Business and Economic Development (GO-Biz) as the lead state entity for overseeing the state's participation and collaboration with the federal small business technical assistance programs. Status: Held on Suspense in the Assembly Committee on Appropriations, 2015. The 2015-16 Budget was augmented by the Legislature to include \$2 million for business assistance contracts with these federal small business technical assistance providers.
- ***AB 185 (E. Garcia) California New Markets Tax Credit:*** This bill establishes a five-year \$200 million tax credit program to attract new private capital to small businesses located in very low-

income neighborhoods. In general, the new state credit parallels the federal New Market Tax Credit. Status: Pending in the Assembly Committee on Appropriations, a two-year bill.

- ***AB 351 (Jones-Sawyer) Small Business Participation Goal in Public Contracts:*** This bill would have required each state agency to establish and achieve a 25% small business procurement participation goal. Agencies that failed to meet the goal would have been required to develop and implement a corrective plan, as specified. Status: Held on Suspense in the Assembly Committee on Appropriations, 2015.
- ***AB 419 (Kim) Web-Based Access to Small Business Regulations:*** This bill requires the Governor's Office of Business and Economic Development (GO-Biz) to establish a web-access point for small businesses seeking information about pending and current regulations affect small businesses. Status: Pending in the Senate Committee on Business, Professions, and Economic Development, two-year bill. In September 2015, GO-Biz launched a small business web-based platform that addresses the purposes of this bill.
- ***AB 582 (Calderon) Entrepreneur Partnership Pilot Projects:*** This bill calls on the Legislative Analyst and the California State Auditor to convene a work group to determine the most appropriate state agency to house a pilot program with the goal of making state government more streamlined and accessible to small businesses. Status: Pending in Senate Rules Committee, two-year bill.
- ***AB 826 (Chau) Foreign Trade and Investment:*** This bill strengthens the statutory framework for Governor's Office of Business and Economic Development (GO-Biz) engagement on issues related to the attraction of foreign businesses and investments. Status: Pending in the Senate Committee on Business, Professions, and Economic Development, two-year bill.
- ***AB 865 (Alejo) Energy Commission: Grants and Loans Diversity:*** This bill requires the California Energy Commission (CEC) to develop and implement an outreach program to inform certified women, minorities, disabled veterans, and gay, lesbian, bisexual, and transgender businesses of CEC workshops, training, and funding opportunities, as specified. Status: Signed by the Governor, Chapter 583, Statutes of 2015.
- ***AB 866 (E. Garcia) Economic development: small business:*** This bill establishes a role for California's Small Business Advocate in the state rulemaking process by requiring the Advocate to provide information about relevant small business stakeholder groups to rulemaking agencies. Status: Pending in the Senate Committee on Business, Professions, and Economic Development, two-year bill.
- ***AB 1093 (E. Garcia) Supervised Population Workforce Training Grant Program:*** This bill expedites the allocation of funding under the existing Supervised Population Workforce Training Grant Program, which is administered through the California Workforce Investment Board. Status: Signed by the Governor and \$1.5 million was authorized in 2015-16 budget for program implementation, Chapter 220, Statutes of 2015.

- ***AB 1125 (Weber) State agency contracts: small business:*** This bill would have increased the maximum financial value of an individual small business bid preference from \$50,000 to \$100,000. Status: Held on Suspense in the Assembly Committee on Appropriations, 2015.
- ***AB 1218 (Weber) Reporting of disabled veteran business enterprise participation:*** This bill responds to a 2014 California State Audit Report on the state's implementation of the disabled veteran business enterprise targeted procurement program. Among other changes, the bill would have required more consistent monitoring and reporting of program outcomes. Status: Held in the Senate Committee on Appropriations, 2015.
- ***AB 1270 (E. Garcia) California Workforce Innovation and Opportunity Act:*** This bill aligns California statute with the new requirements of the federal Workforce Innovation and Opportunity Act of 2014. The bill sets the foundation for policy changes in 2016 through SB 45 (Mendoza). Status: Signed by the Governor, Chapter 94, Statutes of 2015.
- ***AB 1286 (Mayes) California Regulatory Reform Council:*** This bill establishes the California Regulatory Reform Council (Council) for the purpose of analyzing the holistic impact of all levels of state and local regulations on specific industries operating within the state. Status: Pending in the Assembly Committee on Appropriations, two-year bill.
- ***AB 1537 (JEDE) Small Business Finance Center:*** This bill expands reporting requirements for programs financed through the California Small Business Finance Center by including annual reporting on the general geographic location of assisted businesses. This information is essential to ensure small businesses throughout the state have access to these programs. Status: Signed by the Governor, Chapter 191, Statutes of 2015.
- ***ABx1 5 (Hernández) Income Taxes: Credits - Farmworker Housing Assistance:*** This bill increases the amount of tax credits that may be awarded to farmworker housing projects from \$500,000 to \$25 million per year. The bill authorizes the California Tax Credit Allocation Committee to allocate that credit even if the taxpayer receives specified federal and state credits or only state credits. The bill further redefines farmworker housing to mean housing for agricultural workers that is available to, and occupied by, not less than 50% of farmworkers and their households. Status: Pending in Assembly Rules Committee awaiting referral.
- ***ABx1 6 (Hernández and Garcia) Sustainable Communities Program:*** This bill requires 20% of moneys available for allocation under the Affordable Housing and Sustainable Communities Program (AHSC) to be allocated to eligible projects in rural areas. The bill further requires at least 50% of the rural set-aside to be allocated to eligible affordable housing projects. Status: Pending in Assembly Rules Committee awaiting referral.
- ***SB 189 (Hueso) Clean Energy Jobs Committee:*** This bill would have established the Clean Energy and Low-Carbon Economic and Jobs Growth Blue Ribbon Committee (Clean Energy Jobs Committee) for the purpose of making recommendations to state agencies on how to use climate mitigation funds to create a more inclusive economy, including business development and job creation activities. Status: Held in the Assembly Committee on Appropriations, 2015.

- ***SB 377 (Beall) Sale of Low Income Housing Tax Credits:*** This bill authorizes the sale of Low Income Housing Tax Credits to an unrelated party, which makes the credits more attractive to private investors. Status: Vetoed by the Governor, 2015.

Appendix E

Hearing-Related Legislation from Prior Sessions

The California Legislature and especially the Assembly Committee on Jobs, Economic Development and the Economy, have been aware that the needs of certain groups of people and entire regions of the state have not been equitably served by many of the broad-based public policies. Below is a selection of bills (both enacted and proposed) that were designed to promote small business entrepreneurship, targeted education and training to targeted populations, and support individual and household economic security.

- ***AB 38 (Bradford) Banking in Underserved Communities:*** This bill would have directed the Department of Financial Institutions to work with local agencies to compile a list of underserved communities or regions that lack a concentration of depository institutions and financial services. Status: Vetoed by Governor, 2011.
- ***AB 53 (John A. Pérez) California Economic Development Strategic Plan:*** This bill would have required GO-Biz to lead the preparation of the biennial California Economic Development Strategic Plan, as specified. In addition, the bill required a copy of the federally required Worker Adjustment and Retraining Notification Act notice be posted on the EDD website and be provided to GO-Biz. Status: Vetoed by the Governor, 2013.
- ***AB 86 (Assembly Committee on Budget) Education Omnibus Trailer Bill: Career Pathways Trust:*** This bill, among other things, appropriates \$250 million for the Career Pathways Trust, which will fund competitive grants for high schools, community colleges and their business partners to create pathways for careers in high-need and high-growth economic sectors. Status: Signed by the Governor, Chapter 48, Statutes of 2013.
- ***AB 181 (Logue) Baccalaureate Pilot Project:*** This bill would have expressed the intent of the Legislature to establish a pilot project to offer and evaluate a coordinated curriculum that enables students to earn a baccalaureate degree from a participating University of California within three years of graduating high school for a cost not to exceed \$20,000. Status: Died in Assembly Committee on Higher Education, 2014.
- ***AB 250 (Holden and V. Manuel Pérez) California Innovation Hubs:*** This bill codifies and expands the California Innovation Hub Program at GO-Biz for the purpose of stimulating economic development and job creation through the regional coordination of federal, state, and local innovation-supporting resources. Status: Signed by the Governor, Chapter 530, Statutes of 2013.
- ***AB 385 (Dickinson) Bank on California Program:*** This bill would have permanently placed the Bank on California Program within the Department of Business Oversight and established a quarterly reporting system for participating banks. Additionally, the bill requires participating financial institutions to comply with specific administrative obligations. Status: Died in Senate Committee on Appropriations, 2013.

- ***AB 495 (Campos) Community investment:*** This bill would have created the California Community Investment Program within the Governor's Office of Business and Economic Development (GO-Biz). Among other duties, the program would have created a database of low-income neighborhoods, compile and maintain an inventory of California public sector funding resources and financing mechanisms, coordinate public sector financial investment and public programs to assist low-income communities to become business, development, and investment ready, develop criteria for triple bottom-line investment funds, establish overall triple bottom-line goals and standardized metrics for economic, social, and environmental outcomes to be accepted by eligible investment funds, establish and convene regular meetings of the California Community Investment Network comprised of organizations and institutions with expertise and resources to advise the California Community Investment Council and eligible investment fund managers, and report biannually to the Legislature and the Governor on the status and progress of the California Community Investment Program and performance on goals and triple bottom-line outcomes, as specified. Status: Held in the Senate Committee on Appropriations, 2014.
- ***AB 637 (Atkins) Small Housing Developments:*** This bill adds housing developments of five units or more that serve low- and moderate-income families or individuals to the possible uses for funding from the Residential Development Loan Program operated by the California Housing Finance Agency. Status: Signed by the Governor, Chapter 770, Statutes of 2013.
- ***AB 639 (John A. Pérez) Veterans Housing and Homeless Prevention Bond Act of 2014:*** This bill authorizes the placement of a \$600 million general obligation bond initiative on the June 2014 ballot. Funds may be used for the acquisition, construction, rehabilitation, and preservation of multifamily supportive housing, affordable transitional housing, affordable rental housing, and related facilities for veterans and their families. Status: Signed by the Governor, Chapter 727, Statutes of 2013. The California Proposition 41, the Veterans Housing and Homeless Prevention Bond Act of 2014 (AB 639) was approved by voters on June 3, 2014.
- ***AB 646 (Cooley) P-16 Councils:*** This bill would have required the State Department of Education to study best practices of state and regional P-20 councils in California and across the nation. P-16 councils were first established in the 1990s to convene state leaders representing early learning/pre-kindergarten ("P") through the first four years of college ("16"). More recently, states have extended the intended scope of such councils' work to P-20, to reach doctoral and professional schools. The goal of these councils is to develop a seamless system of education with aligned expectations from the earliest years of a child's development, through the K-12 system, and into and through postsecondary education. Status: Held on the Suspense File in Assembly Committee on Appropriations, 2014.
- ***AB 914 (Bradford) Equity Commission:*** This bill would have established the Interagency Task Force on the Status of Boys and Men of Color for the purpose of supporting state agency actions that are in alignment with the recommendations of the Assembly Select Committee on Boys and Men of Color in California and the May 2014 My Brother's Keeper Task Force Report to the U.S. President. Status: Died in Senate Committee on Rules, 2014.
- ***AB 998 (Fong and Atkins) Interagency Council on Homelessness:*** This bill would have created the California Interagency Council on Homelessness and would require various state agencies to

meet quarterly to coordinate efforts on homelessness. Status: Died in Assembly Committee on Appropriations, 2014.

- ***AB 1051 (Bocanegra) Sustainable Communities for All:*** This bill would have created the Sustainable Communities for All Program, beginning in 2015, which would fund, upon appropriation by the Legislature, from the Greenhouse Gas Reduction Fund, sustainable transportation and housing improvements that benefit lower-income households. Status: Held on the Suspense File of the Assembly Committee on Appropriations, 2013.
- ***AB 1178 (Bocanegra) Promise Neighborhoods:*** This bill would have established the California Promise Neighborhood Initiative to develop a system of 40 promise neighborhoods throughout California to support children's development from cradle to career. California promise neighborhoods were intended to foster a community focused on revitalization through the establishment of a cradle-to-career network of services aimed at improving the health, safety, education, and economic development of the defined area. Status: Held on the Suspense File of the Assembly Committee on Appropriations, 2014.
- ***AB 1247 (Medina and Bocanegra) Small Business Finance Center:*** This bill establishes the California Small Business Finance Center at the I-Bank, within the Governor's Office and Economic Development, and transfers the authority to administer the small business loan guarantee program and other related programs to the I-Bank. Status: Signed by the Governor, Chapter 537, Statutes of 2013.
- ***AB 1399 (Medina and V. Manuel Pérez) New Markets Tax Credit:*** This bill would have established the California New Market Tax Credit for businesses that invest in low-income communities, mirroring the federal New Market Tax Credit. Status: Vetoed by the Governor, 2014. The veto message reads: "This bill creates a new markets tax credit that will cost --over time-- \$200 million. I certainly endorse programs that result in private investments to help low income areas, but a bill to spend this much should be considered with other priorities during the annual budget."
- ***AB 1400 (Assembly Committee on Jobs, Economic Development, and the Economy) Export Document Certificates:*** This bill modifies the state's Export Document Program to accept requests electronically, expedite approval of existing labels, and extend the term of the export labels from 180 days to 365 days, in order to alleviate backlog of exports of food, drug, and medical devices. Status: Signed by the Governor, Chapter 539, Statutes of 2013.
- ***AB 1451 (Holden) Concurrent Enrollment:*** This bill would have authorized the governing board of a school district, until July 1, 2020 to enter into a formal concurrent enrollment partnership agreement with a community college district located within its immediate service area, with the goals of developing a seamless pathway from high school to community college, as specified. Status: Held on the Suspense File in Senate Committee on Appropriations, 2014.
- ***AB 1456 (Holden) Pay It Forward Tuition:*** This bill would have required the California Student Aid Commission and the Legislative Analyst's Office to conduct a study of the effects of enacting legislation to establish a "Pay it Forward, Pay it Back Pilot Program" to examine how a binding

contract, which is paid through the payment of a certain percentage of the students future income following graduation. Status: Died in Senate Committee on Rules, 2014.

- ***AB 1617 (Dickinson) Deposits in Community Banks and Credit Unions:*** This bill would have required the State Treasurer to ensure that at least 30% of the moneys invested in the time deposit program are invested in time deposits with community banks, to mean a bank or savings institution in California with aggregate assets of less than \$10,000,000,000, and credit unions, subject to specified considerations and a reporting requirement and to the extent consistent with liquidity requirements and prudent management. Status: Died in the Senate Committee on Banking and Finance Committee, 2012.
- ***AB 1678 (Gordon) Women, Minority, Disabled Veteran, LGBT Businesses:*** This bill extends provisions that require investor owned electrical, gas, water, wireless telecommunication service providers, and telephone corporations to encourage, recruit, and utilize minority, women, disabled veteran owned business enterprises to Lesbian, Gay, Bisexual, and Transgender business enterprises. Status: Signed by the Governor, Chapter 633, Statutes of 2014.
- ***AB 1734 (Jones-Sawyer) Small Business and Disabled Veteran Participation in State Contracts:*** This bill would have required each state agency to establish and achieve a 25% small business participation goal and increased the annual procurement participation goal for disabled veteran business enterprise from 3% to 5% of the value of state contracts. Status: Held on the Suspense File in the Assembly Committee on Appropriations, 2014.
- ***AB 1837 (Atkins) Social Innovation Financing to Address Recidivism:*** This bill Establishes the Social Innovation Financing Program, administered by the Board of State and Community Corrections, which provided grants to three counties for the purpose of utilizing pay-for-success contracts to reduce recidivism. Status: Signed by the Governor, Chapter 802, Statutes of 2014.
- ***AB 2022 (Medina) Target Area Contract Preference Act:*** This bill changes the Target Area Contract Preference Act by redefining what qualifies as an economically distressed area. Specifically, a "distressed area" is in the top quartile of census tracts for having the highest unemployment and poverty in the state as determined by the Department of Finance. Status: Signed by the Governor, Chapter 780, Statutes of 2014.
- ***AB 2060 (V. Manuel Pérez) Supervised Population Workforce Training Grant Program:*** This bill establishes the Supervised Population Workforce Training Grant Program (Program). The Program is comprised of two distinct funding streams: one stream for post-secondary training that may lead to certifications, and placement on a middle-skill career ladder and a second stream for individuals that are starting with low educational attainment and need help with basic academic skills. Status: Signed by the Governor, Chapter 383, Statutes of 2014.
- ***AB 2096 (Muratsuchi) Small Company Securities:*** This bill would have created a new way in which a person seeking to offer or sell securities could qualify their offering and thereby allow for the general solicitation and general advertising of the security, as specified. Key provisions include: requiring the "qualification by notification" to be not more than \$1 million in any 12 month period; the aggregate amount sold to any investor not exceed \$5,000; and that the offering meet the

applicable federal exemption requirements. Status: Died in Senate Committee on Appropriations, 2014.

- **AB 2525 (Bonta) Worker Cooperatives:** This bill would have established the Limited Liability Worker Cooperative Act, which would provide for the organization and operation of worker cooperative companies. Status: Died in the Assembly Committee on Banking and Finance, 2014.
- **AB 2593 (Bradford) Diversity Reporting:** This bill would have required businesses with gross annual revenues exceeding \$25 million that participate in programs administered by the Air Resources Board (ARB) that receive funding from the Greenhouse Gas Reduction Fund to report to ARB on efforts to increase procurement from women, minority, and disabled veteran business enterprises. Status: Vetoed by the Governor, 2014. The veto message reads: "This bill would require a business enterprise with gross annual revenue exceeding \$25 million, participating in a program administered by the Air Resources Board that is funded from the Greenhouse Gas Reduction Fund, to report annually to the Air Board regarding supplier diversity procurement. Without question, I support the general goal, but this bill establishes a burdensome and expensive requirement for businesses with no clear way to ensure that supplier diversity would actually increase. Furthermore, State agencies are already taking action to report on diversity procurement and currently report to both the State and Federal governments on supplier diversity procurement contracts."
- **ACR 119 (Muratsuchi) Career Technical Education Funding:** This resolution encourages the Chancellor of the California Community College (CCC) in consultation with affected stakeholders, including, but not limited to, experts in the field of career technical education (CTE), business and industry representatives, faculty, and organized labor representatives to develop at least three options to address the long-term funding needs of CTE and other workforce and training programs at the CCC campuses, in a manner that adequately funds the programs that regions deem valuable to their economies, and to submit those options to the Legislature before April 1, 2015. Status: Approved by the Legislature, Resolution 156, 2014.
- **AJR 12 (Gatto) Rising Minimum Wages:** This resolution memorializes the California Legislature's request to the U.S. President to include a provision within future international treaties, trade agreements, and other international protocols relating to the raising of foreign minimum wages. Status: Approved by both Houses, September 11, 2013.
- **AJR 13 (Campos, Hueso, and Steinberg) Reopening of Job Corps Centers:** This resolution states the Legislature's support for congressional action to end the nationwide freeze on Job Corps student enrollment. This freeze was implemented to alleviate budgetary pressures due to prior budget mismanagement. Status: Adopted, Resolution 49, Statutes of 2013.
- **SB 1 (Steinberg) Sustainable Communities Investment Authority:** This bill would have allowed a local government to establish a Sustainable Communities Investment Authority and direct tax increment revenues to that Authority in order to address blight by supporting development in transit priority project areas, small walkable communities, and clean energy manufacturing sites. Status: Died on Senate Inactive File, 2014.

- ***SB 9 (Price) Office of Social Innovation and Entrepreneurship Development:*** This bill would have established the Office of Social Innovation and Entrepreneurship Development within the Office of the Governor to establish partnerships with government agencies, private investors, nonprofit organizations, and for-profit service providers to facilitate the use of social impact bonds, as defined, to address social service needs. Status: Died in Senate Committee on Governance and Finance, 2013.
- ***SB 73 (Senate Budget and Fiscal Review Committee) Proposition 39 Budget Trailer Bill:*** This bill specifies the allocation of Prop 39 revenues available for K-12 local educational agencies and California Community College districts. This bill also appropriates \$3 million in Prop 39 revenues to the California Workforce Investment Board to develop and implement a grant program for community-based organizations and other training workforce organizations preparing disadvantaged youth or veterans for employment. Status: Signed by the Governor, Chapter 357, Statutes of 2013.
- ***SB 318 (Hill) Affordable Credit-Building Opportunities:*** This bill authorizes the pilot Program for Affordable Credit-Building Opportunities to encourage socially-responsible, for-profit lenders to offer installment loans in amounts under \$2,500. Status: Signed by the Governor, Chapter 467, Statutes of 2013.
- ***SB 391 (DeSaulnier) California Homes and Jobs Act of 2013:*** This bill would have established the California Homes and Jobs Act of 2013 to provide funding for affordable housing projects consistent with a California Homes and Jobs Trust Fund Investment Strategy. Funding for the implementation of the Strategy would have been provided through a \$75 fee on specified real estate transactions. Status: Held in Assembly Committee on Appropriations, 2013.
- ***SB 593 (Lieu) Social Impact Partnerships Pilot Program:*** This bill would have established the Social Impact Partnership pilot program and authorizes the Governor to solicit applications for the establishment of new social impact partnerships with private entities in order to address significant social issues including, but not limited to, child abuse, job preparedness for youth, and high recidivism rates among the state's prison population. These partnerships are to be formalized through a pay-for-success contract, which sets the evaluation metrics, quality standards, and timelines. If the conditions of the pay-for-success contract are not met, the state pays nothing. Status: Vetoed by the Governor, 2014. The veto message reads: "This bill allows local governments to establish a Community Revitalization and Investment Authority to use tax increment revenues to invest in disadvantaged communities. I applaud the author's efforts to create an economic development program, with voter approval, that focuses on disadvantaged communities and communities with high unemployment. The bill, however, unnecessarily vests this new program in redevelopment law. I look forward to working with the author to craft an appropriate legislative solution."
- ***SB 628 (Beall, Wolk) - Enhanced Infrastructure Financing Districts:*** This bill authorizes the establishment of an enhanced infrastructure financing district to finance specified infrastructure projects and facilities. Status: Signed by the Governor, Chapter 785, Statutes of 2014.
- ***SB 118 (Lieu) Education and Workforce Investment Systems:*** This bill requires the California Workforce Investment Board to incorporate specific principles into the state's strategic plan that

align the education and workforce investment systems of the state to the needs of the 21st century economy and promotes a well-educated and highly skilled workforce to meet the state's future workforce needs. Status: Signed by the Governor, Chapter 562, Statutes of 2013.

- ***SB 1301 (DeSaulnier) Socially Responsible Corporations Act:*** This bill renames the Corporate Flexibility Act of 2011 as the Social Purpose Corporations Act; renames “flexible purpose corporations (FPCs)” as “social purpose corporations;” and makes technical and clarifying changes to correct and clarify the FPC law. Status: Signed by the Governor, Chapter 694, Statutes of 2014.
- ***SCR 62 (Jackson) Representation of Women in Corporations:*** This resolution encourages gender diversity on corporate boards and urges publicly-held companies to have a specified minimum of women on their boards by the end of 2016. Status: Adopted by the Legislature, Resolution 127, Statutes of 2013.

Appendix F

Fast Facts on California Small Business

Small businesses play an essential role in California's regional economies and industry sectors, generating an annual payroll of \$204.1 billion in 2012.^{xxi} Definitions of small businesses 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. In this fact sheet, we use three small business definitions: non-employer, 0-5 employees, and 0-99 employees. The committee has also prepared a separate fact sheet using the federal definition of small business (1-499 employees).

California Economy

- In 2014, California's gross state product GDP was \$2.3 trillion,² as compared to the U.S. total GDP of \$17.3 trillion.³
- If California were a country, its 2014 GDP would place it 8th among the top 10 economies in the world.⁴
- In May 2015, California had a labor force of 19 million people and an unemployment rate of 6.4%.⁵
- California has nine economic regions: Northern California, Northern Sacramento Valley, Greater Sacramento, Bay Area, Central Coast, San Joaquin Valley, Central Sierra, Southern California, and Southern Border.⁶
- California ranks 3rd among 50 states in the 2014 Milken Institute's State Science and Technology Index. The index ranks states based on research and development dollars, number of patents issued, venture capital investment, and business startups.⁷
- California ranked 1st in the nation for number of patents issued by the U.S. Patent and Trademark Office in 2014, with a total 43,679 patents granted. This accounts for 13.3% of all patents granted in 2014 to U.S. and foreign country of origin applications.⁸
- The San Francisco-San Mateo-Redwood City region was ranked #1 in the Best-Performing Cities Index over 2014. The professional, scientific, and technical services sector accounted for 45% of all jobs created over the five years ending in 2013.⁹
- In the 2015 State Business Tax Climate Index and Component Tax, California ranks 48th overall in the nation. California ranked 34th in corporate tax rates, 50th in individual income tax, 42th in sales tax, 14th in property tax, and 14th in unemployment insurance tax.¹⁰

Small Business Facts in the United States (2012)

- There were 5.6 million small businesses (with 0-99 employees) in the United States, constituting 98.2% of all private firms in the nation.¹¹
- California, New York, Florida, and Texas had the largest numbers of small businesses in the nation, and constitute 34% of all U.S. small business.¹²
- California ranked 1st in the nation in the number of small businesses (with 0-99 employees), accounting for 684,183 (12%) of small business in the nation.¹³
- Small businesses (with 0-99 employees) in the United States employed 39.8 million employees, 34% of all private-sector employees in the nation. In California alone, small businesses employed 4.7 million employees, 36% of all California private-sector employment.¹⁴

Small Business Facts in California (2012)

- Among all private sector employers in California, small businesses (0-99 employees) consist of 684,183 firms (97.5%) of all firms in the state.¹⁵
- Small businesses (with 0-99 employees) employed 36% of all California's private sector employees and paid 29% of the state's private sector payrolls.¹⁶
- Change in Small Business Employment in California (from the year 2002 to 2012):
 - The number of small businesses (0-99 employees) increased from 656,371 to 684,183 experiencing a 4.2% increase.¹⁷⁻¹⁸
 - The number of paid employees employed by small businesses (0-99 employees) decreased from 4.9 million to 4.7 million, experiencing a 4.3% decrease.¹⁹⁻²⁰
- In 2012, there were 554,472 (79%) businesses with 9 or less employees; 624,718 (89%) with 19 or less employees; and 684,183 (98%) with 99 or less employees.²¹
- Below is a table of business employment size and annual payroll for all business in California from 2012.^{xxii2}

California Business Employment Size and Annual Payroll						
No. of Employees	0-4	5-9	10-19	20-99	100-499	500+
Percent of All Firms	62.2%	16.8%	10%	8.5%	1.7%	0.81%
Employment	5.5%	6.0%	7.2%	17.4%	13.9%	50.0%
Annual Payroll	\$38 billion	\$29 billion	\$37 billion	\$100 billion	\$93 billion	\$403 billion

Source: 2012 County Business Partners

- Top three industry sectors for California small businesses (employing 0-99 employees) by number of businesses: *This data does not include non-employer firm statistics
 - The Real Estate and Rental and Leasing sector had the highest percentage of small businesses in California, consisting of 99% of the firms in the sector.²³
 - The Professional, Scientific, and Technical Services Sector had the second highest percentage of small businesses in California, consisting of 96.6% of the firms in the sector.²⁴
 - The Health Care and Social Assistance sector had the third highest percentage of small businesses in California, consisting of 96.6% of the firms in the sector.²⁵
- Top three industry sectors for California small businesses (employing 0-99 employees) by number of employees: *This data does not include non-employer firm statistics
 - The Accommodation and Food Services sector 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.²⁶
 - The Health Care and Social Assistance sector 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.²⁷
 - The Professional, Scientific, and Technical Services 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.²⁸

Microenterprises in California (fewer than 5 employees and non-employer firms)

- In 2013, there were approximately 3.6 million businesses in the state.^{[29-30](#)}
- Of the 3.6 million businesses, 2.9 million (80.9%) were non-employer firms and 436,757 (11.8%) were microbusinesses (less than 5 employees), accounting for 3.4 million (92.8%) of all businesses in the state.^{[31-32](#)}

Features of All California Businesses *2007: latest available data, includes non-employer firms

- 1.6 million businesses were male-owned, 49.2% of all business in the state.^{[33](#)}
- 1 million businesses were female-owned, 30.3% of all business in the state.^{[34](#)}
- 596,670 businesses were jointly male/female owned, 17.4% of all business in the state.^{[35](#)}
- 137,875 businesses were African American-owned, 4.0% of all business in the state.^{[36](#)}
- 509,670 businesses were Asian-owned, 14.9% of all business in the state.^{[37](#)}
- 566,567 businesses were Hispanic-owned, 16.5% of all business in the state.³⁸
- 45,734 businesses were Native American/Alaskan-owned, 1.3% of all business in the state.^{[39](#)}
- 9,339 businesses were Hawaiian/Pacific Islander-owned, 0.3% of all business in the state.^{[40](#)}
- 239,658 businesses were Veteran-owned, 7.0% of all business in the state.^{[41](#)}

Investing in California Microbusinesses

- Early access to capital is one of the chief obstacles to small business development.^{[42](#)}
- Investing in the success of microenterprises strongly enhances job creation. A December 2014 survey conducted by the California Association of Micro Enterprise Opportunity (CAMEO) found that providing entrepreneurship training and small loans for a pool of 12,000 microbusinesses effectively created 24,000 new jobs and created \$888 million in economic activity throughout California.^{[43](#)}
- From 2007 to 2010, California micro-businesses (0-4 employees) created a net of 329,400 jobs, while the largest businesses (100+ employees) lost 781,051 jobs during the same period.^{[44](#)}
- In the fiscal year 2013-14, the state awarded \$8.7 billion dollars in contract, with over \$2.2 billion dollars awarded to small businesses.^{[45](#)}
- Investment in microenterprise development affords much higher returns in job creation, as compared to venture capitalist investments. Microenterprise development organizations invest about \$18 per new job created, while venture capitalists invest an average of \$1,833 per job created.^{[46](#)}

Appendix G

Summary of Hearing-Related Reports

1. ***America's Tomorrow: Equity is the Superior Growth Model, (2011).*** This report, prepared for Policy Link by the USC Program for Environmental and Regional Equity, calls for the development of a new economic growth model that is based on equity and the just and fair inclusion of all members of society. At its foundation, the report explains how the next generation of workers are more diverse, have less educational attainment than prior generations, and were most impacted by the recession. The report recommends three initial strategies, including rebuilding public infrastructure, growing new businesses and jobs, and preparing workers for the jobs of the future. The report also includes multiple case studies about innovative and inclusive economic development models being implemented across the country. <http://www.policylink.org/find-resources/library/americas-tomorrow-equity-is-the-superior-growth-model-summary>
2. ***Effects of Exposure to Better Neighborhoods on Children: New Evidence from the Moving to Opportunity Experiment (2014).*** This study, prepared by researchers at Harvard University and NBER, re-examined previously reported data from the Moving On Experiment (MOE) by comparing income tax filings to determine the longer term impacts the MOE. The initial MOE was a study of the potential impact of an enhanced Section 8 rent voucher, which allowed the lower income household to relocate to less poverty-impacted neighborhoods. Conducted in five major U.S. cities during 1994 to 1998, evaluation of the MOE identified positive impacts relative to the mental health, physical health, family safety, and the general wellbeing of the household. Overall economic improvements, measured by earning and employment rates of the adults and working-age children, were not previously been identified. This study, undertaken two decades after the later, was able to look at the economic opportunities and earnings of everyone in the household and found positive economic benefits for younger children (under the age of 13) who participated in the experiment. The study found that every year spent in a better neighborhood increased college attendance rates and earnings into adulthood. Alternatively, individuals who were over the age of 13 (15 years old on average) when they relocated experienced, in most cases, statically insignificant difference from the control group. The study also agrees with earlier studies that found no economic impact on adults. Overall, the study concludes that "efforts to integrate disadvantages families into mixed-income communities are likely to reduce the persistent of poverty across generations." <http://www.equality-of-opportunity.org/>
3. ***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>

4. ***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>
5. ***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
6. ***Career Technical Enhancement Fund Report (March 2015)***: The 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.*
7. ***Equity-based Crowdfunding: Potential Implications for Small Business Capital (2015)***. This issue brief, prepared by the SBA Office of the Advocate, provides general background on the crowd funding provisions contained within the federal Jumpstart Our Business Act of 2012, as well as implementation issues and two examples of the online crowdfunding platforms. The brief also includes an outline of how small businesses may benefit once the federal regulations are released. Among other advantages, equity-based crowdfunding does not require collateral as traditional lender, there is no dilution of ownership as would likely be required by a venture capital investors,

and should the business fail, there is no requirement to pay the investor back. Further, the investor networks that are formed can also provide the business with creditability within their broader business environment. <https://www.sba.gov/advocacy/promising-future-equity-based-crowdfunding>

8. ***Equity, Growth, and Community: What the Nation Can Learn from America's Metro Areas***. This book furthers the authors work on the impact of social and economic inequality on the vibrancy and success of a community. Most significantly, the researchers looked at how epistemic (or knowledge) communities served as catalysts for helping communities successfully implement strategies that reduce poverty and inequality, while at the same time increase economic growth. The researchers used a combination of qualitative and quantitative methodologies, including 11 case studies, of which one California city participated (Sacramento).
<http://www.luminosoa.org/site/books/detail/5/equity-growth-and-community>
9. ***Export Nation 2013, U.S. Growth Post recession, Global Cities Initiative (2013)***. This report, prepared under a joint projects of the Brookings Institute and JP Morgan Chase, analyzes key export trends between 2003 and 2012 for the 100 largest metro areas in the U.S. Key findings from the report include:
 - Exports drove post-recession growth in the 100 largest metro areas.
 - Few metro areas are on track to achieve the NEI goal of doubling exports in five years.
 - The 10 largest metro areas, by export volume, produced 28 percent of U.S. exports in 2012.
 - Two-thirds of the largest metro areas underperformed the United States as a whole on export intensity.
 - The most export-intensive metro areas are highly specialized in certain industries.
 - Metro areas whose export intensity grew fastest experienced higher economic growth.
 - Metro area manufacturing exports grew to record levels in 2012.
 - Services accounted for more than half of post-recession export growth in 11 metros, including San Francisco, Washington DC, and New York.
 - Certain industries, especially in the services sector, produce almost all of their exports in the top 100 metro areas.
 - Both highly specialized and highly diversified metros performed well from 2003 to 2012.
10. ***Foundation for a Better California (2015)***. This report, prepared by the California Chamber of Commerce, provides an overview of the California economy noting that the economic recovery has been uneven and that certain industry sectors continue to lag in job recovery. In setting a public policy platform for moving forward, the report recommends six overarching principles with multiple specific policy actions under each principle. The principles are:
 - Keep taxes on new investment and business operations low, fair, stable, and predictable.
 - Reduce regulatory and litigation costs of operating a business – especially when hiring and keeping employees;
 - Reduce the cost and improve the certainty and stability of investing in new and expanded plants, equipment, and technologies;
 - Invest in public and private works that provide the backbone for economic growth; and
 - Ensure availability of high-quality skilled employees.

The report also includes extended narrative relative to these recommendations, including international trade, data security, and workforce preparation. Within the workforce preparation sections, the report provides background on the opportunity gap, early childhood education, Common Core, and challenges in the state's higher education system.

<http://advocacy.calchamber.com/policy/issues/foundation-for-a-better-california/>

11. ***Game Changers: Five Opportunities for US Growth and Renewal (2013)***. This report, prepared by the McKinsey Global Institute, defines a game changer as a catalyst that can reignite growth and reestablish a higher potential trajectory for the US economy. The report focuses specifically on energy, trade, big data, infrastructure, and talent.
http://www.mckinsey.com/insights/americas/us_game_changers
12. ***The Global Competitiveness Report 2015-16 (2015)***. This report, prepared for the World Economic Forum, provides a comprehensive assessment of 140 world economies through the use of over 100 indicators spread out among 12 basic categories. U.S. ranks third in the world, behind Switzerland and Singapore. Report questions whether sluggish growth and persistent unemployment are the new normal. Among other findings, the report notes a correlation between competitiveness and an economy's ability to nurture, attract, leverage and support talent. While top-ranking countries do this well, in many countries, too few people have access to high-quality education and training, and labor markets are not flexible enough. <http://reports.weforum.org/global-competitiveness-report-2015-2016/>
13. ***A Matter of Degrees: The Effect of Educational Attainment on Regional Economic Prosperity (2013)***. This report, prepared by the Milken Institute, examines the relationship between human capital and regional economic prosperity. The study, which assessed the top 50 metropolitan statistical areas in the U.S., found that educational attainment increases regional prosperity, that there are quantifiable benefits to regional economies for adding even one year of education to its residents, that the regional impact is greatest when the additional year is added in certain technology industries, and that MSAs with clusters of high skilled occupations tend to attract more higher education attained workers. <http://www.milkeninstitute.org/publications/view/564>
14. ***A New Plan for a New Economy: Reimagining Higher Education (2013)***. This report, prepared by the Little Hoover Commission, found that Californians are not adequately served by the current higher education system and, that given the state's finite resources, it needs to develop a way to achieve better outcomes for more students. To address these findings the Commission recommends (1) the development of a new master plan; (2) provide incentives for colleges and districts to collaborate and expand counseling and outreach to middle and high schools; (3) link a portion of funding to achieving specific goals; (4) require the UC to adopt standardized and comprehensive budgeting processes; (5) provide incentives for developing high-demand introductory courses and bottle-neck courses (traditional and online) that can be transferred to all campuses in all three higher education segments; and, (6) provide incentives for the creation of a student-focused Internet portal that aggregates individual student records into master transcripts of classes that have been taken at different institutions. <http://www.lhc.ca.gov/studies/218/report218.html>
15. ***Office of the Small Business Advocate Annual Report (January 2015)***: This mandated annual report, prepared by the state 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>

16. ***In Search of a Level Playing Field: What Leaders of Small Business Organizations Think About Economic Development Incentives (2015)***. The report, prepared for Good Jobs First, presents the findings from a national survey of leaders from 39 small business organizations (representing over 24,000 members) on issues relating to economic development incentives. Among the key findings, the survey found:

- 92% believe there is a spending bias on incentives toward large businesses (69% strongly agree)
- 85% believe that the state incentives in their state do not effectively address the current needs of small businesses (36% strongly agree)
- 62% believe that incentives like tax credits are less valuable to small businesses than other forms of assistance. (31% strongly agree)

Overall, the report states that survey respondents called for greater access to capital and that a higher priority should be placed on broader public investments that benefit all size businesses and grow the local consumer base including workforce development, education, and transportation.

<http://www.goodjobsfirst.org/publications>

17. ***The State of Higher Education in California (2015)***: This report provides a demographic profile of Latinos, Blacks, Asian Americans, Native Hawaiians, and Pacific Islanders in California, including issues related to educational attainment, college readiness, and college completion. The report also provides recommendations including:

- Create a state plan for higher education
- Ensure colleges assist students to successfully move from remediation courses to college-level work
- Provide clear transfer pathways to four-year degrees
- Expand college knowledge in middle and high schools and invest in support services
- Fund colleges for both enrollment growth and successful outcomes
- Strengthen financial support options of students coming from lower and middle-income households
- Allow California public universities to use race/ethnicity as a factor in weighing applicant qualifications for admission.

<http://collegecampaign.org/portfolio/april-2015-state-of-higher-education-in-california-the-latino-report/>

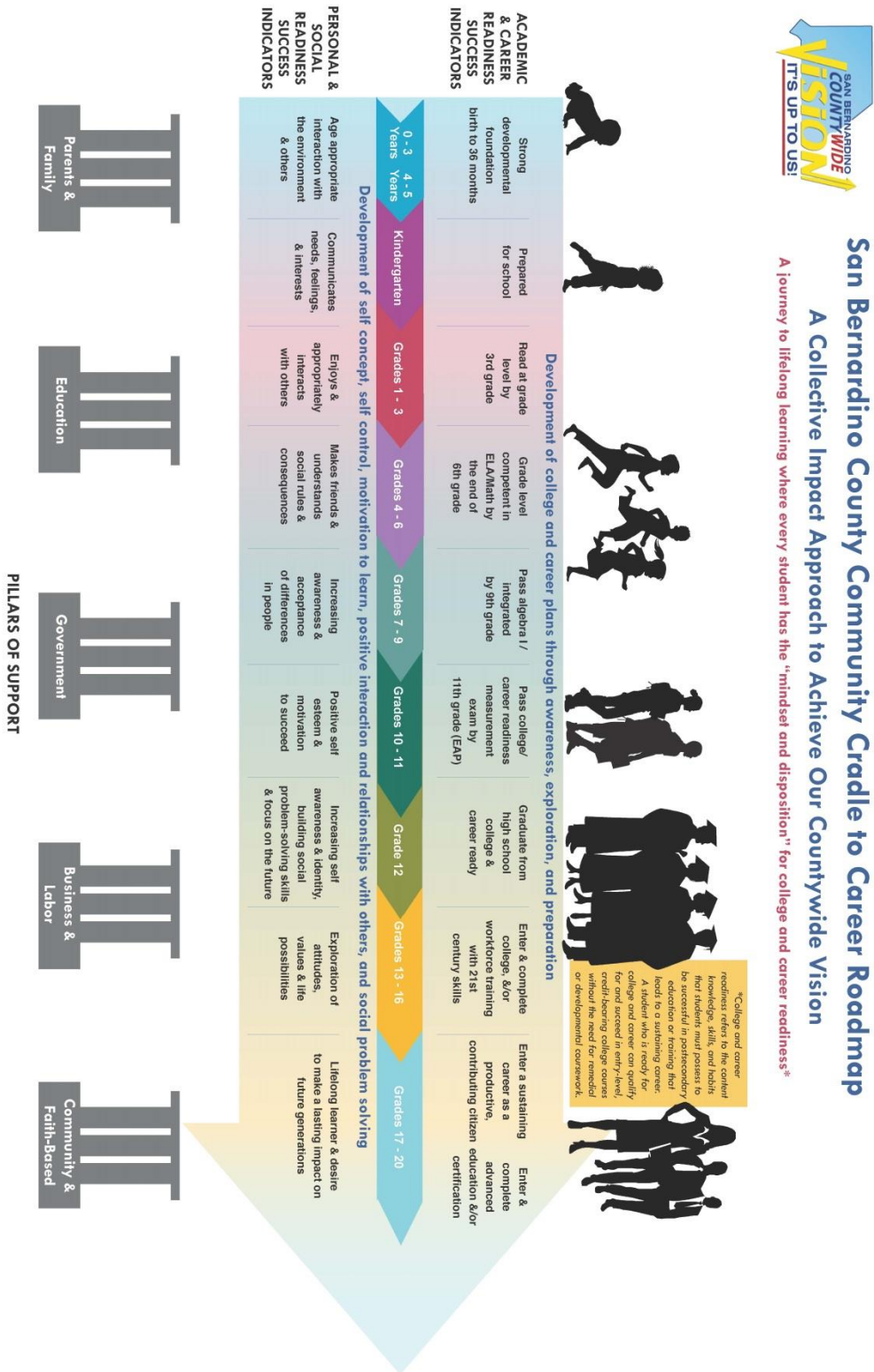
18. ***The Unmet Legal needs of America's Small Business Community (2015)***: This report, prepared by Insight Center for Community Economic Development, discusses and provides data on the significant unmet need for low-cost legal transactional services for small businesses including

nonprofits and cooperatives. Serving small businesses is a community economic development proposal that benefits women and minority-owned businesses and the nonprofit organization that serve lower income communities. Among other issues, the report provides information on the high cost of market rates legal services and the three primary methods for accessing no-cost services: legal service providers, pro bono donations from private firms and law school transactional clinics. The report states that while there is a place for all these service providers, they are insufficient to meet existing needs. The report also notes that the Sustainable Economic Law Center (Oakland, California) meeting local small business needs, as part of a comprehensive community development model. <http://www.insightcced.org/hello-world/>

19. ***What is Inclusive Growth (2009)***: This report, prepared by the World Bank, provides a technical analysis of the drivers and measurements of inclusive growth. While specifically prepared to address growth in emerging economies and developing countries, the concepts and economic models offer insight into domestic poverty alleviation policies. The report summarizes the qualities of inclusive growth as increasing both the pace and patterns of growth, while expanding the overall economy. Income redistribution may be an outcome, but is not a goal. Key tools in achieving this growth are leveling the playing field for investment, diversifying the economy, and increasing employment opportunities that also led to higher incomes as well as more jobs. <http://siteresources.worldbank.org/INTDEBTDEPT/Resources/468980-1218567884549/WhatIsInclusiveGrowth20081230.pdf>
20. ***Working Together – Economic Ties between the United States and Mexico (2011)***. This report, prepared by the Woodrow Wilson International Center for Scholars provides a comprehensive analysis of the economic ties between the U.S. and Mexico, highlighting how reliant the U.S. economy and jobs are on Mexican investment. <https://www.wilsoncenter.org/publication/working-together-economic-ties-between-the-united-states-and-mexico>

Appendix H

San Bernardino County Community Cradle to Career Roadmap



Appendix I

The HOPE Program Fact Sheet



Hispanas Organized for Political Equality

Mission

HOPE® is a nonprofit, nonpartisan organization committed to ensuring political and economic parity for Latinas through leadership, advocacy, and education to the benefit of all communities and the status of women.

Vision

Latinas inspiring, empowering, and engaging leadership to strengthen all communities.

Our Work

Leadership

"Prior to HYLIP I wasn't someone who necessarily stood out as a leader. I knew that I wanted to attend college and make something of myself but I didn't know how. Through the program I was able to see firsthand the success of other Latinas and that opened my eyes to realize that I could also accomplish that. I was given not only the guidance to move forward and make my dream of going to college possible, but also the motivation to work hard. Being exposed to so many different professional women and outlets has allowed me to take a chance and continue on my educational journey."

Maria Lupita Riosna, HYLIP07, CSUSB '12, currently pursuing a Masters in Social Work at USC.

HOPE Leadership Institute® (HLI)

The HOPE Leadership Institute (HLI) is the first and only statewide leadership program specifically designed for Latinas in California. The goal of the Institute is to train Latinas in vital leadership and advocacy skills, enabling them to create fundamental change within their local neighborhoods and across California.

HOPE Youth Leadership Program™ (HYLP)

The HOPE Youth Leadership Program (HYLP) is a statewide development program designed to prepare low-income, high school-age Latinas for a self-sufficient future that will allow for economic and political parity through a college education. The objectives of the HYLP include college preparation, financial empowerment, enhanced civic participation, and the promotion of healthy living.

Advocacy

"HOPE has proven to be a critical element of the civil rights coalitions that have formed to protect California and other states from the harms of proposals, such as Propositions 187 and 209, which target the Latino community. The broad and powerful HOPE network remains a strong protection against those who would demonize our community."

Thomas A. Saez
President and General Counsel, MALDEF

Latina Action Day® (Sacramento)

Mobilizes Latina leaders statewide to voice their concerns on issues impacting Latinas and their communities through a full day policy conference and capital visits.

HOPE. ACT. builds Latina access and influence through the power of online and offline networking. It aims to identify, train, and mentor a powerful network of Latinas about important issues affecting them, their families, and communities.

HOPE. ACT. VOTE galvanizes the HOPE network to action by providing information on key legislation, connecting them to their elected representatives and an online platform for policy discussion.

HOPE. ACT. HEALTH a Public Education Campaign ensuring that the Latino community is fully empowered to participate in the expansion of health care insurance programs provided by the Patient Protection and Affordable Care Act (ACA).

Education

"As California grows increasingly diverse, HOPE is providing a critical voice to Latinas to develop their talents and help build a better future for our state. HOPE's data and research on the status of Latinas in the areas of education, health care, the economy and civic participation help decision makers assess progress and develop innovative solutions for California's many challenges."

Mark Baldassare
President and CEO, Public Policy Institute of California

Latina History Day™ (Los Angeles)

Annual conference established to celebrate Latino history and provide a forum for important issues such as health, education and economic empowerment

State of Latinas Reports

- 2013 The Economic Status of Latinas (ESLR)
- 2009 Missing: Latinas in Executive Leadership Positions in California Corporations
- 2009 Public Opinion Study of California Latino Electorate: Study of high propensity Latino voters and their use of new media
- 2008 The Presidential Election and the Latina Vote
- 2005 Fostering the Growth of Latina Leadership
- 2004 Celebrating 15 Years of Leadership, Advocacy, and Education
- 2003 State of Latinas in California

Awards

2014 Latino Spirit Award Honoree, Achievement in Community Empowerment by California Latino Legislative Caucus
2014 Medallion Award — National Association of Secretaries of State

2013 Small Business Advocate of the year — California Hispanic Chamber
2013 Advocate of the Year — Latina Style Magazine

HOPE Board of Directors

Officers

Board Chair: Nora Vargas, Planned Parenthood of the Pacific Southwest
Executive Director & CEO: Helen Iris Torres
Immediate Past Chair: Dolores L. Arredondo, Wells Fargo Bank
1st Vice Chair: Larisa Caspeides, Long Hansen O'Malley & Miller
2nd Vice Chair: Elaine Trevino, California Strategic Solutions, Inc.
Treasurer: Judy Davidids-Wright, The Wright Consulting Group
Secretary: Danitza Villanueva, Giving Back Magazine

Members

Teresa Alvarado, Santa Clara Valley Water District
Rosie Arroyo, California Community Foundation
Yamilette G. Rodriguez, Youth Leadership Institute
Lupita Sanchez Cornejo, AT&T

HOPE Founding Members

Founding President: Maria Contreras-Sweet,
Administrator of the United States Small Business Administration
Gilda Bojorquez-Gjurich, Critical Connections
Carmela Locayo, National Association for the Hispanic Elderly
Minnie Lopez-Baffo, Southern California Gas Company (Retired)
Olga E. Moreno, Bona Fide International
Maria Salinas, ProAmérica Bank

Latinas.org | hopeact.latinas.org

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HOPE – Hispanas Organized for Political Equality

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For twenty-five years, HOPE has focused on empowering our communities through advocacy, Latina leadership training and increasing knowledge on the contributions Latinas have made to advance the status of women. To date, HOPE's innovative programming has served over 50,000 Latinas statewide and touched the lives of several thousand more through advocacy efforts.

HOPE has served
50,000 women in
the past 25 years



The **HOPE Leadership Institute (HLI)** is the first and only statewide leadership development program specifically designed to train Latinas in vital advocacy skills, enabling them to create fundamental change within their communities. To date, 446 Latinas have graduated from HLI and have had various sphere of influence in the public, private, and community sectors.

SPHERES OF INFLUENCE

Public Sector (21%)



50% Elected Office
50% Legislative Staff and Government Agencies

Private Sector (33%)



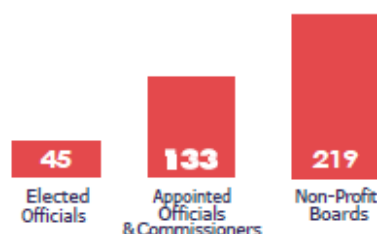
72% Small Business
28% Corporate

Non-Profit/Community (39%)



52% Civic/Community Focused
40% Education Focused
8% Health Focused

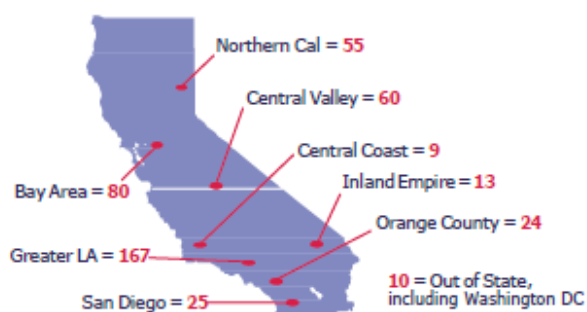
CIVIC ENGAGEMENT



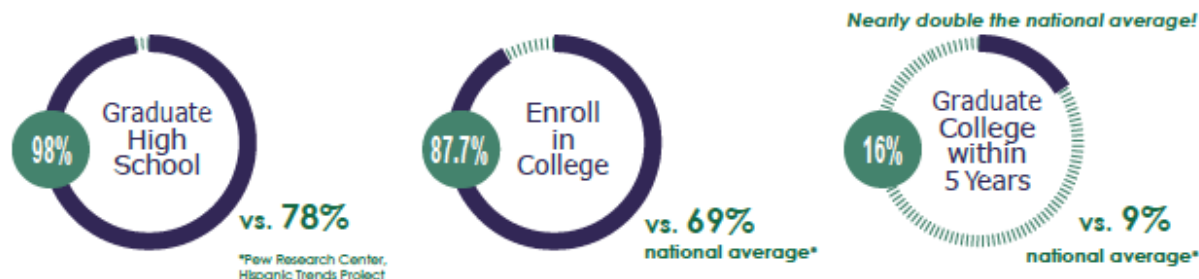
Number of HLI

Nearly half of the HOPE alumnae have served as elected or appointed officials. Over 90% have held a community leadership position in their career. 100% of the HLI women are civically engaged.

REGIONAL IMPACT



Launched in 2004, **The HOPE Youth Leadership Program (HYLP)** has serviced over 2,500 Latina students of which 300 have graduated from the intensive six-month HYLP leadership program.



Appendix J

Employment Training Panel Re-Trainee Fact Sheet



RETRAINEE – JOB CREATION

(incl: No More Barriers)

- The Panel implemented this program focusing on projects having a job creation impact and demonstrating investment in the California economy (2011). In 2014, employer eligibility was limited to funding for trainees hired into “net new jobs”.
- Training is exclusively for newly-hired employees, under a single-employer contract.
- Employers must show commitment to hire new employees, such as opening, expanding, or upgrading specific plants or facilities, expanding existing business capacity, or recalling or rehiring laid-off workers, with justification to show that the company is renewing a workforce that was reduced due to economic conditions or other reasons leading to attrition.
- Newly-hired employees must be hired into a “net new job”, meaning the number of permanent, full-time employees on the Contractor’s payroll must be higher by at least the number of Job Creation trainees who complete retention, as it was at start-of-term for the ETP Agreement.
- Trainees who do not meet either the date-of-hire or the “net new jobs” eligibility requirement must be re-enrolled in an incumbent worker Job Number appropriate to the type of training and method of delivery.
- Part-time Workers, Seasonal Workers, and Temp-to-Perm Workers are included in the requirement for hiring into a net new job.
- Major Seasonal Industry employers and Small Businesses (≤100 employees) are eligible, consistent with existing guidelines and trainee eligibility standards.
- Trainee eligibility is linked to the date of hire. As a benchmark, a trainee must be hired within 3-months before the date of project approval, or within the term of the contract.
- Trainees are eligible to begin training while still employed as temporary workers or while in a part-time or seasonal position. For these trainees, the Job Creation eligibility benchmark is measured from date-of-hire into a permanent, full-time position.
- Funding Caps may apply in a given Fiscal Year, see [ETP Funding Limitations](#).
- Employers will be required to provide turnover rate information. Employers with greater than 20% turnover in the preceding year will be required to provide an explanation.
- Contracts will be written for standard 24 month terms.
- If a company is able to solidify anticipated hiring of new employees consequently creating an increase of “net new jobs” within three to six months following initial project development, a Retrainee-Job Creation Job Number for additional funding may be added by Panel Amendment.
- The standard minimum and maximum training hours are 8 and 200. An approved justification is required to exceed the maximum training hours. *Note: for the Productive Laboratory delivery method the maximum training hours are capped at 60 (24 for Small Business).*
- No More Barriers, a new initiative, effective October 1, 2015, is designed to reach employers that have committed to hiring/training Individuals With Disabilities (IWD). The *No More Barriers* initiative was implemented under these Retrainee-Job Creation Guidelines, which only apply to Single Employer Contracts. Outreach efforts will focus on employers holding federal contracts that must hire IWD workers in compliance with Section 503 of the Rehabilitation Act of 1973.
- Standard Retrainee-Job Creation criteria applies

For further information regarding this Pilot program, please contact [ETP’s Economic Development Unit](#), or call 916-327-5258.

Appendix K

Key Charts from Kauffman Foundation Presentation

Figure 1: Net Job Creation by Firm Age
California



Source: BDS

http://www.census.gov/ces/dataproducts/bds/data_firm.html

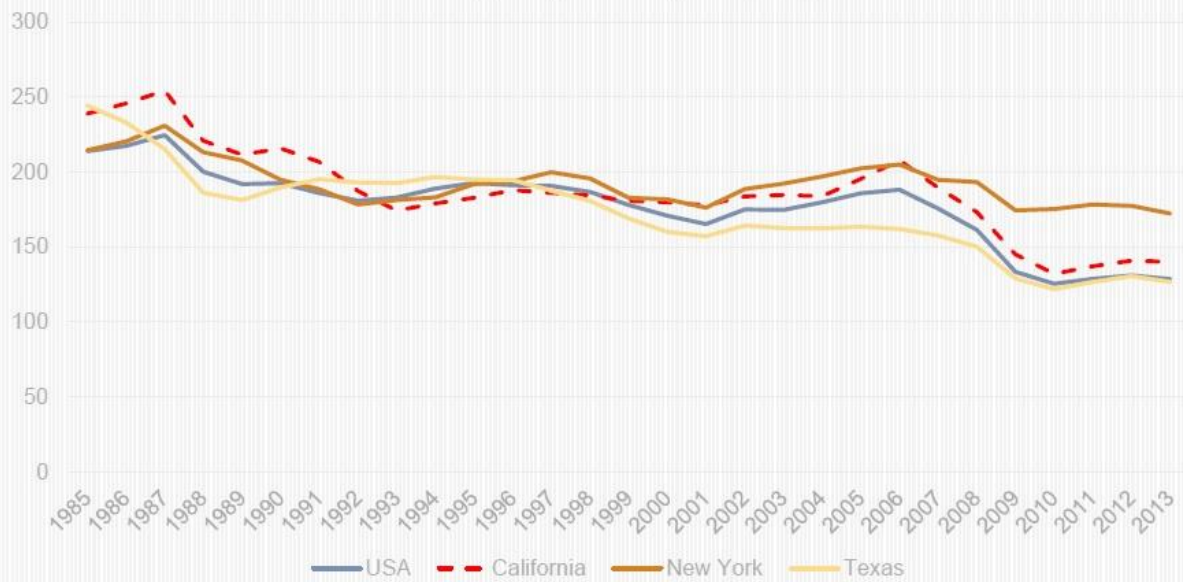
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Foundation

Figure 2: Startup Density by State

Firms Age 0 per 100,000 people



Source: BDS for Firm Data, and BEA for Population Data

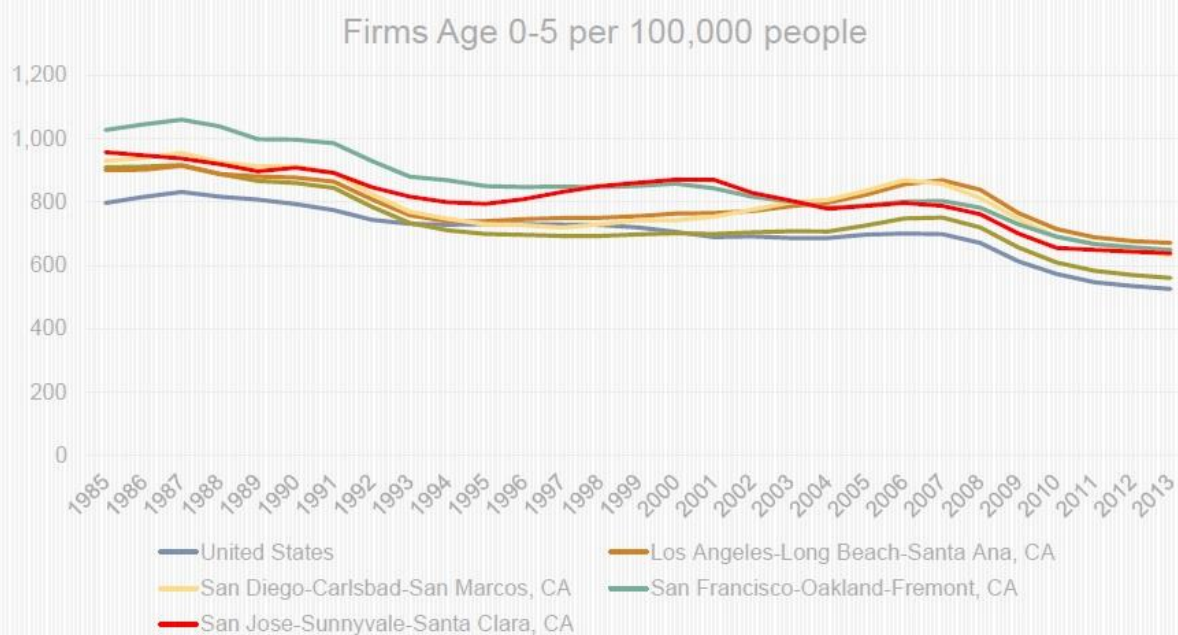
http://www.census.gov/ces/dataproducts/bds/data_firm.html and <http://www.bea.gov/regional/downloadzip.cfm>

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Figure 3: Young Firm Density by Metro



Source: BDS for Firm Data, and BEA for Population Data

http://www.census.gov/ces/dataproducts/bds/data_firm.html and <http://www.bea.gov/regional/downloadzip.cfm>

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Appendix L

Selected Project Summaries for 2015 Environmental Justice Grants

In 2015, \$1 million of Environmental Justice Grants were awarded. The maximum amount of any grant was \$20,000. Below is a selection of those grants, including grantee, dollar amount, and purpose.

APA Family Support Services/APIFRN, Bay Area, San Francisco (\$20,000) The APA Family Support Services will train 50 family service practitioners in the San Francisco area on hazards of toxic exposure to mercury from fish consumption, pesticides in food, and chemicals in cleaning products. The trained practitioners and other local health experts will conduct workshops and distribute flyers in Chinese, Vietnamese, Laotian, Cambodian, Tagalog and Samoan languages. The goal is to reduce children's exposure to potentially harmful toxic substances by increasing awareness in parents.

Calexico New River Committee, Inc., San Diego/Imperial, Calexico (\$16,445) The Calexico New River Committee will conduct a cross border leadership summit to bring together community and government leaders from California, Imperial County, Mexicali and Baja California to craft implementation strategies for New River Improvement Project and Strategic Plan. The Summit will benefit the residents of Calexico and other communities within Imperial County that are adversely affected by New River water pollution issues.

California Indian Environmental Alliance, Northern California, North Coast (\$15,000) CIEA will partner in the North Coast Resource Partnership Tribal Engagement that will encourage economically disadvantaged tribes to engage in regional decision-making processes. The Partnership will increase the access to clean water through funded projects, and reduce the potential for exposure to mercury and PCBs by identifying safe fishing areas.

California Rural Legal Assistance, Inc., Central California, Salinas Valley, Fresno and Oxnard/Ventura areas (\$20,000) According to U.S. EPA statistics, farmworkers are at high risk for pesticide exposure. In California, there is a growing population of indigenous farmworkers who come from rural parts of Mexico. Outreach efforts to inform indigenous farmworkers about pesticide safety and laws can be challenging due to language barriers. CRLA will provide pesticide safety training and accessible outreach materials for about 500 indigenous farmworkers (Triqui, Mixteco, and Zapoteco) in the Salinas Valley, Fresno, Oxnard, and Ventura areas.

Center for Community Action and Environmental Justice, Inland Empire, San Bernardino and Riverside Counties (\$20,000) CCAEJ will assist community organizations in the Inland Empire region through training on strategic planning, messaging and media practices, and engagement with elected officials. The program will result in more effective efforts by community groups to improve their social and natural environment negatively impacted by industrial and commercial enterprises in the area.

Center on Race, Poverty and the Environment, Central Valley, Delano, Allensworth (\$20,000) CRPE will enable residents of Kern and Tulare counties to participate effectively in watershed projects that directly affect their communities. CRPE will develop 10 community leaders to educate Allensworth and Delano residents about water issues and the drought, create educational materials on

water issues, conduct regular meetings with community members, and participate in the Strategic Growth Council in Tulare to ensure outreach to vulnerable community members.

Community Water Center, Central Valley, southern San Joaquin Valley (\$20,000) The Community Water Center will empower San Joaquin Valley residents to understand and participate in water policy decision making to ensure safe and affordable drinking water solutions. The program will educate at least 400 residents in 20 disadvantaged communities through in-person, phone, email and online outreach trainings. The goal is to boost water quality in the San Joaquin Valley and reduce exposure to toxic chemicals through improved community engagement.

CSU Fullerton Auxiliary Services Corporation, Los Angeles County (\$20,000) The CSU Fullerton Auxiliary Services Corporation will teach high school students about air quality issues and give them the skills to become leaders on environmental concerns in their own communities. Approximately 60 youth will participate in a 12-week after-school high school educational program in four high schools in the cities of Anaheim, Alhambra and Los Angeles.

Environmental Health Coalition, San Diego County, Barrio Logan, City Heights (\$20,000) The Environmental Health Coalition will deliver education and training on climate change and its environmental and health impacts via its Advancing Health and Climate Justice Project. The Project will enhance meaningful participation by community members in the planning and implementation of climate change policies called for in Climate Action Plans for City of San Diego.

California Environmental Justice Alliance (fiscal sponsor: Environmental Health Coalition), Statewide (\$20,000) The California Environmental Justice Alliance will bring together residents from low-income communities and communities of color in a 2-day 300 person Environmental Justice Congreso. The Congreso will give residents opportunities to share stories and receive training on statewide decision-making and engagement to improve the disproportionate impacts of pollution, poor land-use, and other environmental issues that affect their neighborhoods.

Environmental Justice Coalition for Water, Central California, North Monterey County (\$18,972) EJCW works primarily with low income, Spanish-speaking communities in Monterey County to ensure they are represented in water policy decision making. New curriculum will train residents to become water savvy community leaders who can participate in policy decisions. The pilot training will take place in Springfield Terrace, Las Lomas and Royal Oaks which lack reliable access to safe affordable drinking water. The project will ultimately develop and evaluate an environmental justice curriculum for use on the rest of the Central Coast.

Global Community Monitor, Bay Area, Pittsburg, Richmond, Martinez, Benicia, Crocket-Rodeo (\$20,000) Global Community Monitor will provide ongoing training and an air sampling program to five low income, minority communities affected by the concentration of oil refineries and other industrial facilities in the Bay Area. Residents of Pittsburg, Martinez, Benicia, Rodeo and Richmond will learn about current pollution levels, and receive technical support to conduct sampling to track emissions and air quality over time. The knowledge and empirical evidence gained through these activities will give residents the tools to engage in decision making that will improve environmental quality in their neighborhoods.

Greenaction for Health and Environmental Justice, Bay Area, Bay View Hunter's Point (\$20,000) Greenaction for Health and Environmental Justice will establish a multi-stakeholder environmental task force that will include representatives from San Francisco's Bay View Hunter's Point neighborhood. The task force will conduct public meetings, develop a community reporting website, and ultimately work toward improving the environmental quality of the region and health of its residents.

National Indian Justice Center, Statewide (\$20,000) The National Indian Justice Center will develop, pilot-test and evaluate an online educational program, "Understanding Consultation and Collaboration between CalEPA and California Tribes." This statewide project will help Tribes better understand the planning, hierarchy and decision making processes within the California Environmental Protection Agency and its various departments. When tribal leaders understand CalEPA's role in environmental tribal regulatory programs and interests, more informed partnerships and effective environmental program efforts will develop.

People's Community Organization for Reform and Empowerment, Los Angeles County, Carson (\$19,304) Residents within the City of Carson experience language barriers, poverty and limited education that make them particularly vulnerable to environmental health risks from multiple pollution sources. People's Community Organization for Reform and Empowerment (People's CORE) will train 10 Carson residents to become Environmental Educators in their own communities and participate in Air Quality Management District meetings.

Iris Cantor - UCLA Women's Health Education and Resource Center, Los Angeles County, Los Angeles (\$20,000) The Planning for a Healthy and Chemical-Free Baby project aims to reduce damaging exposure from environmental toxins in women of childbearing age by educating low-income women of color on how to avoid or minimize exposures. Women will learn about avoiding toxins used in everyday household and beauty products, how to make their own non-toxic products and options for purchasing inexpensive alternatives. Education will be delivered through existing pre-conception programs.

Central California Environmental Justice Network (fiscal sponsor: Social and Environmental Entrepreneurs), Central Valley, Fresno and Kern Counties (\$20,000) The Central California Environmental Justice Network project, "Developing the Ability of Residents to Inform Government about Local Hazards and Helping Government Navigate Jurisdictional Overlays" will maintain and improve the Fresno Environmental Enforcement Network (FERN) and Kern Environmental Enforcement Network (KEEN). The project includes increasing the efficiency of FERN and KEEN taskforce meetings, maintaining and improving the web-based systems, and organizing with resident reporting groups in the EJ communities of Lamont and Delano in Kern County and Parlier and Calwa in Fresno County. The Central California Environmental Justice Network will ensure widespread education to increase recognition of pollution sources and the use of regulatory.

Project summaries provided through publically information from the CalEPA website. More information and a complete list can be found at:

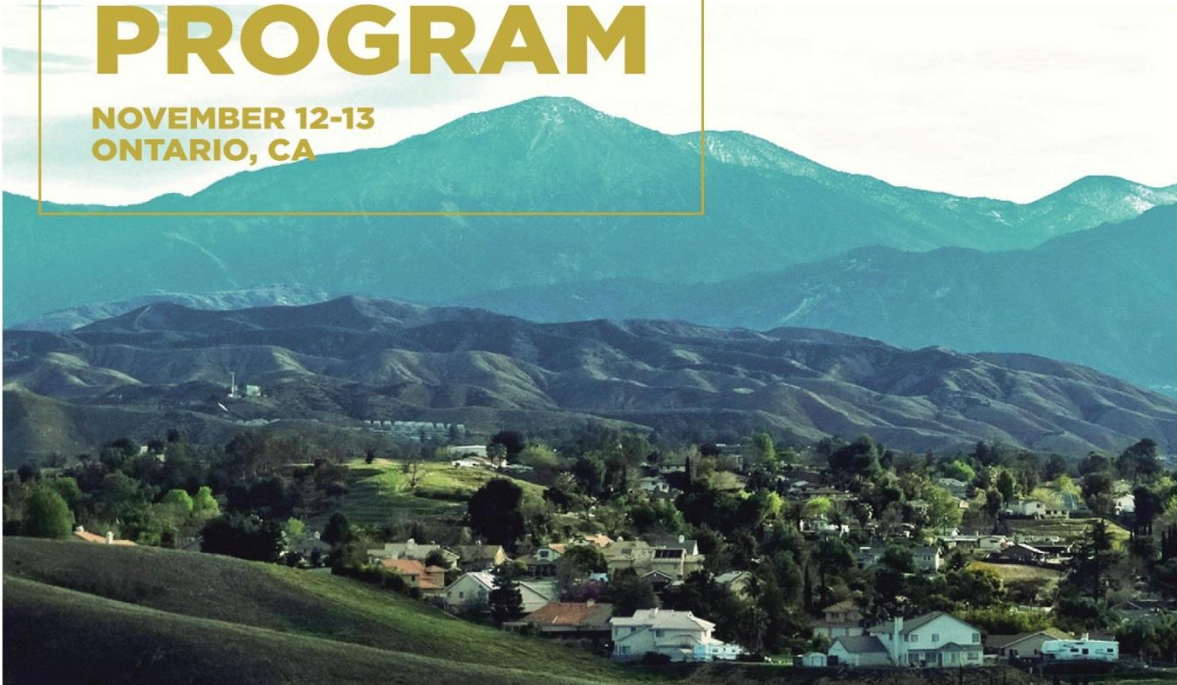
<http://www.calepa.ca.gov/EnvJustice/Funding/SmallGrants/2015/GrantSummary.htm#sthash.alxW0UjV.dpuf>

Appendix M
Program from the 2015 California Economic Summit

2015
**CALIFORNIA
ECONOMIC
SUMMIT**

PROGRAM

NOVEMBER 12-13
ONTARIO, CA



The Roadmap to Shared Prosperity



#CAECONOMY.ORG

WELCOME

A MESSAGE FROM OUR 2015 CALIFORNIA ECONOMIC SUMMIT LEADERS

California's economy may be growing steadily—but so too are the increasingly complex challenges we face, from widening income inequality and rising poverty to lingering drought and the looming specter of climate change.

What impresses us most about the California Economic Summit is that this broad coalition of public, private, and civic leaders isn't just working together on these issues—the shared priorities of the state's diverse regions. It is that the Summit recognizes these challenges are related—and that taking on any one of them requires taking them all on at the same time.

Faced with a growing income gap, the next generation of Californians must be given the tools they need to contribute to an ever-changing economy—and to provide a pathway into the middle class for millions of working families living in poverty. To prepare for—and slow—climate change, natural resources must be managed more responsibly. Bigger cities need less traffic so workers can get to their jobs. Regional economies need clean air, affordable homes, and global trade. And all Californians—farmers, businesses, and residents alike—need access to reliable sources of water.

While other groups are also working toward these goals, the Summit is unique in its collective focus on finding solutions that meet the “triple bottom line”—simultaneously growing the economy, improving environmental quality, and increasing opportunity for all. And this year, with the Summit's new One Million Challenges, this effort promises to accelerate progress in three key areas: providing the workers, homes,

and water supplies California communities will need to thrive.

The Summit has demonstrated over the last three years how successful this approach can be. Its leaders represent a growing network of business, labor, environmental, and civic organizations—groups that might not otherwise have a way to come together. Its action teams include more than 700 experts and practitioners from in and out of government—all collaborating across their traditional sectors. And its widening impact—with more and more state leaders embracing the Summit's regional focus and innovative policy ideas—has convinced us this is the coalition our state needs to take on the challenges of the century ahead.

We have watched with admiration as the Summit has taken on this responsibility. We applaud your work. And as you gather for the 2015 Summit in Ontario, we are confident your leadership and your influence will only grow.

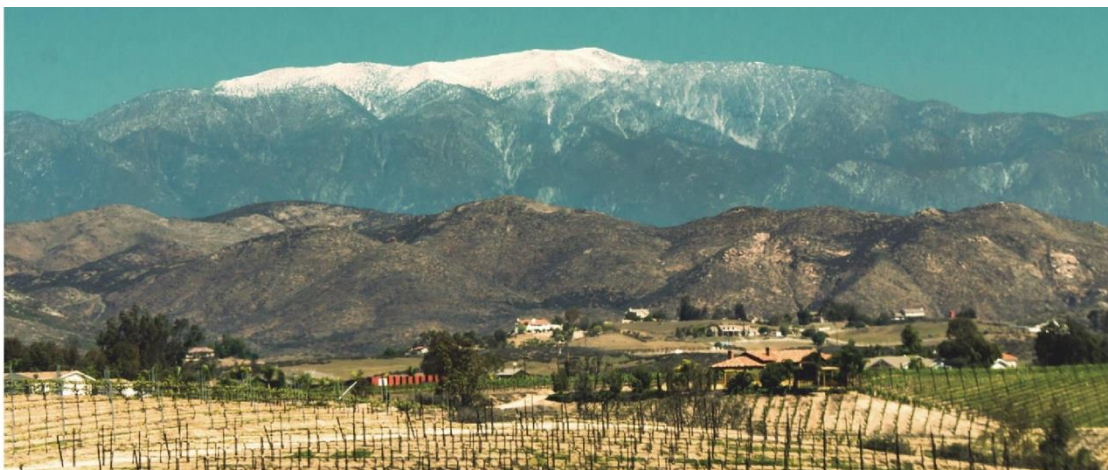


George P. Shultz
Hoover Institution, Stanford University



Leon Panetta
The Panetta Institute for Public Policy

2015 California Economic Summit Honorary Chairs



It has been a year of progress—and potential—for the California Economic Summit. And as we convene in the Inland Empire, we are pleased to welcome new and old partners alike to what is becoming California's largest coalition of civic leaders committed to sustainable growth.

Over the next two days, we should all take a moment to celebrate the breakthroughs we enjoyed in 2015. Since the Summit released its *Roadmap for Shared Prosperity* in January, Summit leaders have made substantial contributions to a statewide task force on equipping more Californians with the skills to earn a livable wage; a Summit team won a federal grant for its work connecting small businesses and investors in underserved regions; and a Summit group developed a comprehensive plan for addressing the growing housing crisis. The Summit also played an integral role in strengthening the state's new infrastructure financing authority—crafting legislation that allows communities to make needed investments in everything from affordable housing to water and transit projects.

As we have seen in years past, this success isn't an accident: It was made possible by the Summit's unique network of public, private, and civic leaders—and its unique role as a platform for the state's economic regions to work together on their shared goals.

Introducing: The One Million Challenges

These same bold ambitions are at the heart of the Summit's plans for 2016. Faced with a widening opportunity gap, rising housing prices, and dwindling water supplies, Summit leaders have identified three elements of the Roadmap to Shared Prosperity that must be accelerated.

We are calling these The One Million Challenges. In the next decade, our coalition will work together to produce: One million more skilled workers; One million more homes for middle-income Californians; and One million more acre-feet of water per year.

The Summit Playbook lays out strategies for accomplishing these goals, but our success will also depend on expanding our coalition—another area we have seen steady progress. The **Southern California Association of Governments** has joined the **Inland Empire Economic Partnership** as the Summit's regional hosts, and the California State **Assembly Committee on Jobs, Economic Development and the Economy** will also participate this year—hosting a hearing on the state's role in building an inclusive economy.

We look forward to welcoming more leaders into our expanding coalition—and to working with you on achieving broadly shared and sustainable prosperity. This is the work of the California Economic Summit.

Paul C. Granillo

Inland Empire Economic Partnership and the California Stewardship Network

Eloy Ortiz Oakley

Long Beach City College and California Forward

**2015 California Economic Summit
Steering Committee Chairs**

AGENDA

Thursday, November 12

Objectives: Encourage participation of key leaders and allies by providing subject-specific opportunities to share ideas; deepen understanding of Action Team proposals and the integrated Summit agenda, and promote connections between proposals and shared prosperity

10:30 AM	Building an Inclusive Economy: The State's Role in Closing California's Opportunity Gap Assembly Committee on Jobs, Economic Development and the Economy Informational Hearing	Vineyard Ballroom
12:45 PM	Summit Registration Opens	Empire Foyer
1:00 PM	Orientation for New Summit Attendees	Executive Boardroom
1:30 PM	INTERACTIVE SESSION #1: ACTION TEAMS	See p. 14
3:00 PM	Welcome remarks Secretary of State Alex Padilla	DoubleTree Ballroom
3:10 PM	INTERACTIVE SESSION #2: CROSS-TEAM COLLABORATION	See p. 14
4:30 PM	Region Spotlight: Inland Empire Assemblymember Eduardo Garcia Paul Granillo, Inland Empire Economic Partnership Sunne Wright McPeak, California Emerging Technology Fund Jim Gollub, Capital Action Team Julia Lopez, California Futures Foundation John Husing, Inland Empire Economic Partnership Margaret Finlay, Southern California Association of Governments Karen Racusin, US Bank	Vineyard Ballroom
6:00 TO 9:00 PM	Reception with Innovation Expo	Misty's and Garden Pavilion

WIFI ACCESS

NETWORK: DOUBLETREE MEETINGS
CODE: SUMMIT

Friday, November 13

Objectives: Build upon the momentum of 2015 successes and continue to mature the Summit agenda; promote cross-sector leadership; and secure commitments from individuals and organizations for actions to advance shared prosperity

7:00 AM	Breakfast and Registration	Empire Ballroom
8:00 AM	Summit Opening Carl Guardino, Silicon Valley Leadership Group (emcee) Assemblymember Chad Mayes	
8:15 AM	Roadmap to Shared Prosperity Paul Granillo, Inland Empire Economic Partnership	
8:30 AM	Challenge: 1 Million More Skilled Workers CSU Chancellor Timothy P. White Cecilia Estolano, California Community Colleges Board of Governors Steve Malnight, Pacific Gas and Electric Company Kish Rajan, Southern California Leadership Council (moderator)	
9:05 AM	Challenge: 1 Million More Acre-Feet of Water Celeste Cantú, Santa Ana Watershed Project Authority Robin Gilthorpe, WaterSmart.com A.G. Kawamura, Solutions from the Land Jay Ziegler, The Nature Conservancy Ashley Boren, Sustainable Conservation (moderator)	
9:40 AM	Challenge: 1 Million More Homes Treasurer John Chiang Randall Lewis, Lewis Homes Linda Mandolini, Eden Housing Cesar Covarrubias, Kennedy Commission Caleb Roope, The Pacific Companies David Smith, Stice & Block LLD (moderator)	
10:15 AM	University of California: Meeting the Challenge President Janet Napolitano Introduced by Glenda Humiston, University of California	
10:45 AM	INTERACTIVE SESSION #3: ENGAGE AND COMMIT	See p. 14
12:15 PM	Lunch and Presentation of the California Steward Leader Award to The Honorable Becky Morgan Bill Allen, Los Angeles County Economic Development Corp.	Empire Ballroom
12:30 PM	Rally to Advance Shared Prosperity Lt. Governor Gavin Newsom Introduced by Maria S. Salinas, ProAmérica Bank	
1:15 PM	Financing the Future Controller Betty Yee Ana Motosantos, Fair Shake Commission Lenny Mendonca, McKinsey & Company (emeritus) (moderator)	
1:45 PM	Shared Prosperity: The Imperative Eloy Ortiz Oakley, Long Beach City College	
2:00 PM	Summit Adjourns	

THE ROADMAP'S PRINCIPLES FOR SHARED PROSPERITY

- ➔ California's economic vitality is the result of abundant natural resources, creative people, entrepreneurial businesses, smart investments in infrastructure, leading-edge technologies, growing markets and effective public policies. This vitality has shaped California and the world, based on the strengths of distinct regional economies reflecting their own landscapes, products, innovations and people.
- ➔ Continued success depends upon public and private sector leaders aligning around actions to advance the triple bottom line: promoting economic, social and environmental progress in all regions in California.
- ➔ The Summit brings together champions from California's diverse regions—rural, urban, inland, coastal, northern and southern—to promote a shared agenda to revitalize the state. Summit actions advance solutions that simultaneously generate jobs, increase regional competitiveness, promote quality of opportunity, and improve environmental quality.
- ➔ The Summit brings together champions from California's diverse regions—rural, urban, inland, coastal, northern and southern—to promote a shared agenda to revitalize the state. Summit actions advance solutions that simultaneously generate jobs, increase regional competitiveness, promote quality of opportunity, and improve environmental quality.
- ➔ The Roadmap also reflects a commitment by steward leaders—from the private, public and civic sectors—to support strong democracies and by advancing nonpartisan, fact-based and pragmatic solutions. These ideas will continue to be developed through inclusive and respectful means, on behalf of the whole, to benefit future generations of Californians.

These principles are our shared commitment, through the California Economic Summit, to sustaining California as a place to create and thrive, to enjoy and to explore, to nurture and bestow.

We invite you to join us in making this commitment by signing the Principles for Shared Prosperity at the Summit.



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Thriving Regions. Thriving State.

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Appendix N

Impact of Globalization on California's Economy

International trade is an important component of California's \$2.3 trillion economy supporting over 4.4 million California jobs. The importance of trade to the California economy is increasing as a percentage of California jobs tied to trade more than doubled from 1992 to 2011, 10.6% v. 22.0%. If California were a country, its \$178.1 billion in product exports in 2014 would place the state as the 31st largest exporter in the world.

In this report Appendix, information is provided on California's trade-based economy including the increased role trade and foreign investment play within the state's economy. Statewide and major metropolitan area-level data is provided on trade-related issues such as imports, exports, manufacturing, and foreign-owned firms. As policy makers seek ways to build a more inclusive economy, having a clear picture on the economic trends impact California is crucial. *Sources used in the preparation of this Appendix are included in the Bibliography and key reports are summarized in Appendix D.*

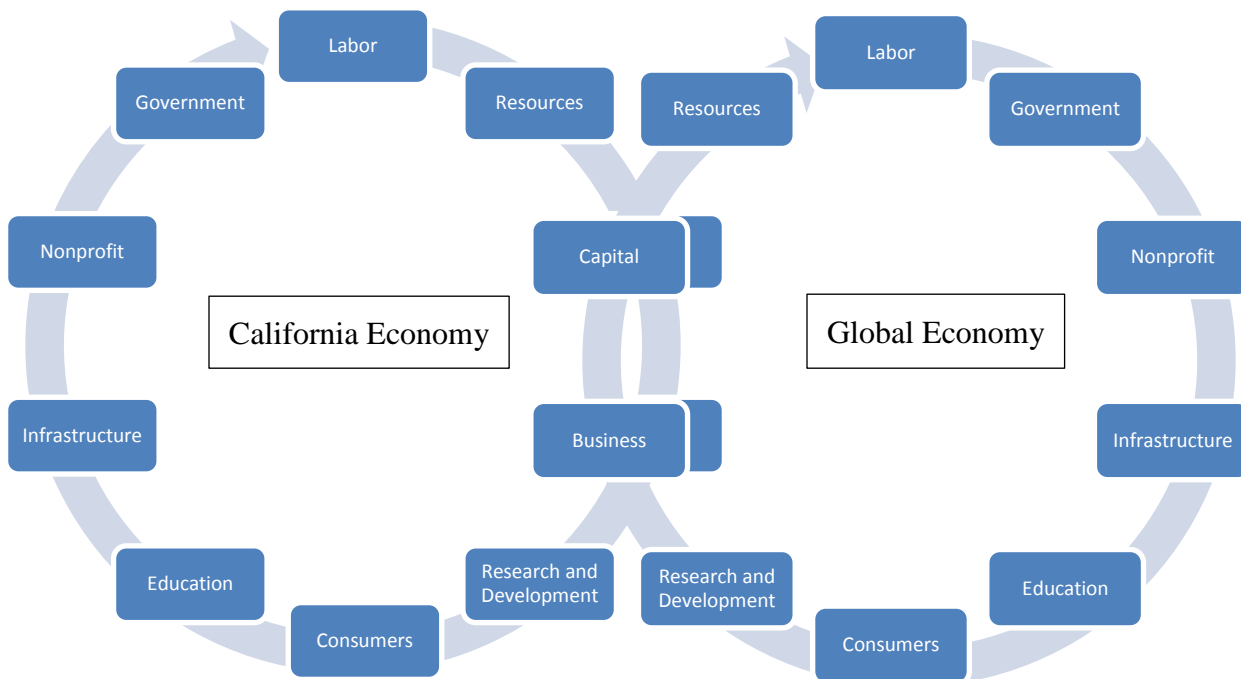
Globalization

Whether it's a cell phone that is produced using minerals from Africa, batteries manufactured with rare earth mined in China, or a morning ritual of strong black coffee from South America, a majority of Californians participate in the global marketplace every day. Some products are produced out-of-the country, others use raw, processed, or manufactured components from a variety of geographic locations, and still others are from companies that are owned by or have major shareholders that are from a foreign country. As participants in one of the 10 largest economies in the world, a majority of California communities are already highly integrated within global markets.

Globalization, as this increasing level of economic integration is often referred to, has brought U.S. products to foreign markets and foreign products at lower costs to U.S. markets. In the past two decades, globalization has also resulted in fundamental shifts in how products are designed, manufactured, assembled, distributed, and sold. Vertically integrated production models are giving way to production networks that rely on global supply chains comprised of foreign and domestic producers that are linked through advanced information technology and multimodal transportation options.

Being successful in this globally connected economy requires state and local governments, as well as businesses, to be innovative, reduce barriers to cross border trade, and consider long-term as well as more immediate impacts on society. The diagram on the next page illustrates California's multiple internal and external economic drivers, including: access to capital, the for-profit and nonprofit sectors, the public and private education system, skills of the labor market, research and development capacity, physical infrastructure, resource limitations, the consumer base, and government actions.

As the diagram shows, conditions and issues within the broader global economy also impact the state. While the state or region may have significant influence over some of the drivers, such as K-12 education, on other drivers, such as business development and capital formation, government is simply one of several players who contribute to the overall quality of the driver. Over the long term, the economic health of a community, region, and the state is dependent on the quality of all 10 internal and



external drivers. This is why globalization has so permanently changed California's economic development paradigm. Where once businesses and industry primarily served domestic markets, today both large and small businesses are accessing foreign markets to source materials and services related to production and tap into larger consumer bases. As an example, between 2003 and 2012, the contributions that exports made to the California economy increased from \$93.9 billion to \$161.9 billion. This shift provides both new opportunities for accessing international capital and commerce, as well as government challenges, such as financing infrastructure, providing a competitively skilled workforce, and maintaining a goods movement logistical network suitable to an active and top tier participant within the global economy.

State's Diverse Population as a Trade Advantage

New globally-based models for innovation and technology have brought great changes in how world economies work. The emerging economies of China, India, and Singapore, just to name a few, have been and are committed to continuing massive investments in research and development. While these dynamics may pose challenges to some existing technology centers, California's diverse population provides the state with a key trade and investment advantage over other states and nations.

Due to strong past in-migration from other nations, more than one-in-four of California's current residents (9.5 million people) were born outside the U.S., compared to just over one-in-ten nationally. About half of foreign-born Californians are from Latin America, and another third are from Asia. Regionally, 36% of the population in Los Angeles is foreign-born, as is 27% of the Bay Area. It is estimated that 40% of the entrepreneurs in the Silicon Valley are foreign born. For many immigrant groups, California represents the single largest gathering of their brethren outside their native lands.

Increases in Export Intensity

California's \$2.3 trillion economy naturally functions as an independent economic power within the global economy. As noted earlier, compared to other nations, California has one of the 10 largest economies in the world, in part, due to it being a top-tier trade partner, a best-in-class investment location, a high quality producer of goods and services, and serving as the home and key access point for a massive consumer-base. In 2014, California exported \$174 billion in products to over 220 foreign countries. While California was significantly impacted by the recession, exports continued to increase in almost every quarter from 2010 through 2014.

The value of trade-related industries, as a component of the broader economy, was the subject of a study by the Brookings Institute and JP Morgan Chase, *Export Nation 2013*. The report found that between 2003 to 2012 exports drove post-recession growth in the 100 largest metro areas including Los Angeles, San Diego, and the Inland Empire.

The study is unique in that it collected data by **origin of production** rather than **origin of export movement**, as is the case with the U.S. Department of Commerce export data reported above. Using the *Export Nation* methodology, total California exports for goods and services in 2012 was \$252 billion, as compared to the U.S. Census Bureau's 2012 number of \$162 billion for goods only, as measured by origin of movement.

In 2012, exports represented 8.8% of California GDP, based on *Export Nation* data. The top five California metro areas with the highest concentration of export-related GDP in the report period include: (1) Los Angeles (37.1%); (2) San Francisco (15%); (3) San Jose (13.7%); (4) San Diego (11.5%), and (5) the Inland Empire (9.2%). The chart below includes more specific data on selected California exports of goods and services, as expressed in 2012 dollars (adjusted for inflation) and based on the *Export Nation* methodology.

Southern California Largest Metro Areas Exports (2007-2012)(in millions of dollars, adjusted for inflation)						
Metropolitan Statistical Area	2003 Exports (millions)	2012 Exports (millions)	Export Share of GDP	Export in Goods 2012	Export in Services 2012	Annualized 2009-2012 Growth in Manufacturing (Post- Recession)
El Centro, CA Metropolitan Statistical Area	432.7954	586.8708	9.3%	456.5946	130.2762	8.9%
Los Angeles-Long Beach-Santa Ana, CA Metropolitan Statistical Area	62850.51	93871.65	12.0%	56462.39	37409.26	4.0%
Oxnard-Thousand Oaks-Ventura, CA Metropolitan Statistical Area	3997.99	6462.674	15.2%	4822.016	1640.658	3.8%
Riverside-San Bernardino-Ontario, CA Metropolitan Statistical Area	7999.825	13128.07	9.2%	8407.373	4720.697	5.9%
San Diego-Carlsbad-San Marcos, CA Metropolitan Statistical Area	11996.96	21613.47	11.5%	13702.52	7910.954	7.2%
San Francisco-Oakland-Fremont, CA Metropolitan Statistical Area	15417.44	38046.75	12.5%	23306.12	14740.64	-0.7%

San Jose-Sunnyvale-Santa Clara, CA Metropolitan Statistical Area	21384.90	34641.22	23.8%	26418.39	8222.831	10.9%
Source: Export Nation 2013, Global Cities Initiative, a joint project of Brookings Institute and JP Morgan Chase						

Among other findings, the *Export Nation* study found that of the 100 largest metro areas in the U.S.:

- The most export-intensive metro areas are highly specialized in certain industries (i.e. have one or more developed industry clusters).
- Metro areas whose export intensity grew fastest experienced higher economic growth.
- The 10 largest metro areas, by export volume, produced 28% of U.S. exports in 2012. However, two-thirds of the largest metro areas underperformed compared to the U.S. as a whole on export intensity.
- Services accounted for more than half of post-recession export growth in 11 metros, including San Francisco, Washington DC, and New York.
- Certain industries, especially in the services sector, produced almost all of their exports in the top 100 metro areas. *[Service sectors that are appropriate for exports tend to require workers with some level of specialized training, which generally need to be provided within or near the industry cluster. The Community College logistics program is an example of a service-oriented educational program that is designed to support the regional economy].*

In other words, metro areas with highly developed industry clusters that produce products and services that are attractive to foreign markets did the best and experienced the highest economic growth. Metro areas without developed industry clusters failed to fully leverage trade-related economic opportunities. While diversified economies have certain advantages, there is still good value in helping regional economies deepen the export capability of key industry clusters.

Another relevant aspect of the study is the growing importance of service industries. Export-related services often require workers to have some level of specialized training, which generally need to be provided within or near the industry cluster. Providing access to this type of training is important to the continued growth of the export-related businesses. The implementation of WIOA provides California with a timely opportunity to look carefully at regional economies and match education and workforce training to the dominant and emerging industries within the region. The challenge will be how to fully engage the private industry sector.

California Exports and Imports

If California were a country, it would be the 31st largest exporter and the 15th largest importer in the world. Merchandise exports from California (\$174.1 billion) accounted for over 10.7% of total U.S. exports in goods, shipping to over 220 foreign destinations in 2014. California's land, sea, and air ports of entry served as key international commercial gateways for the \$577 billion in products entering and exiting the U.S. in 2014. Statewide, 4.4 million California jobs are dependent on foreign trade. Over 602,800 California workers benefit from jobs with foreign-owned firms, which accounts for 4.8% of all private sector jobs in the state.

Mexico has been California's top trading partner since 1999 and in 2014; California exported \$25.4 billion (14.5%) in goods. The following chart shows export data on the state's top five trade partners, based on origin of movement. Other top-ranking export destinations not shown on the chart include Hong Kong, Taiwan, Germany, the Netherlands, and the United Kingdom.

California Exports 2011 to 2014 (billions of dollars)					
	Partner	2011	2012	2013	2014
	World	159.4	161.7	168.0	174.1
1	Mexico	25.8	26.3	23.9	25.4
2	Canada	17.2	17.4	18.8	18.2
3	China	14.2	13.9	16.2	16.0
4	Japan	13.1	13.0	12.7	12.2
5	South Korea	8.4	8.2	8.3	8.5
6	Hong Kong	7.6	7.8	7.7	8.5
7	Taiwan	6.2	6.3	7.5	7.4
8	Germany	5.3	4.9	5.5	5.4

Source: International Trade Administration, accessed 4/11/2015

California's largest industry sector by employment is Trade, Transportation, and Utilities, which encompasses everything from major retail outlets, to import-export businesses, to transportation and warehousing. California leads the nation in export-related jobs. The U.S. Department of Commerce estimates that for every one million dollars of increased trade activity, 11 new jobs are supported. Workers in trade-related jobs earn on average 13% to 28% higher wages than the national average.

In today's globally linked economy, manufacturing utilizes products from across the U.S., as well as from other nations. In 2012, 61% (\$1.3 trillion) of the products imported into the U.S. were inputs and components intended for use by American producers. In addition, U.S. imports often include components or have benefited from services provided by U.S. firms, including many California companies. The Wilson Center estimates that Mexican imports and Canadian imports contain 40% and 20% U.S. components, respectively.

More foreign products are imported through California than any other state, with \$403.4 billion imported in 2014 representing 17.2% of all U.S. imports. China is the largest source of imports into California. The 2014 value of Chinese imports was \$137.7 billion, followed by Mexico (\$41.3 billion); Japan (\$38.3 billion); and Canada (\$27.9 billion).

Foreign Investment in California

Another important component of California's trade economy is foreign investment. California receives more foreign direct investment (FDI) than any other state in the U.S., which is significant since the U.S. is the largest receiver of FDI in the world. The California economy benefits from FDI in many ways, some of which include assisting in the creation of jobs, boosting worker wages, increasing exports, bringing in new technology and skills, and generally strengthening the state's manufacturing base.

The top 5 regions with the highest foreign owned and affiliated businesses are: Gateway Cities (796 establishments), South Bay-LAX (741 establishments), San Fernando Valley (725 establishments), San Gabriel Valley (698 establishments), and West Side (415 establishments). The top 5 cities with the highest concentration of foreign owned and affiliated businesses are Los Angeles (1591 establishments), Torrance (310 establishments), Long Beach (212 establishments), Santa Monica (134 establishments), and Pasadena (127 establishments).

The federal International Trade Administration estimates that in 2012 over 602,800 California workers benefit from jobs with foreign-owned firms, which accounts for 4.8% of all private sector jobs in the state. California has had the highest level of employment in foreign-owned firms in the nation since at least 1997. According to the Business Roundtable, there are:

- 110,000 companies in California that are headquartered in Japan;
- 78,500 companies in California that are headquartered in the United Kingdom;
- 59,200 companies in California that are headquartered in France;
- 58,900 companies in California that are headquartered in Switzerland.

Along with employment, foreign-owned firms own more property, plants, and equipment in California than in any other state.

Manufacturing within the California Economy

Manufacturing plays an important role within the U.S. and California economy, supporting high wage jobs, international trade, and small businesses within a global supply chain. The Milken Institute estimates that for every job created in manufacturing, 2.5 jobs are created in other sectors. In some industry sectors, such as electronic computer manufacturing, the multiplier effect is 16 to one.

Manufacturing is California's most export-intensive activity, contributing significantly to the value of California's \$174 billion in exports in 2014. Overall, manufacturing exports represent 9.4% (\$120 billion in goods) of California's GDP, and computers and electronic products constitute 29.3% of the state's total manufacturing exports. More than one-quarter (25.2%) of all manufacturing workers in California directly depend on exports for their jobs. In today's globally linked economy, manufacturing utilizes products from across the U.S., as well as from other nations. In 2012, 61% (\$1.3 trillion) of the products imported into the U.S. were inputs and components used by American producers. In addition, U.S. imports often include components and required services provided by U.S. firms, including California semiconductors and design.

Manufacturing in California, however, even prior to the current economic recession, faced many challenges maintaining global and domestic competitiveness, including securing a skilled workforce to support the changing needs of manufacturing and goods movement and maintaining cost-effective productivity in the face of lower safety and wage standards in emerging foreign markets. Between 2001

Leveraging Trade for Job Creation

Trade and foreign investment support new job creation, bring new technologies and skills to California workers, generate local and state revenues, and generally strengthen the state's economic base.

In the future, accessing foreign markets will be pivotal to the state's economic growth. Leveraging these opportunities, however, will require significant new investments in infrastructure and workforce development.

and 2011, California lost 33% of its manufacturing base, losing 613,000 jobs. Despite this decline, manufacturing is still recognized as one of the most important economic sectors in the California economy.

Site Selection Magazine, a trade publication for the business development community, reports that from 2007 to 2009, California had the slowest growth in manufacturing capacity among the nation's 25 most populous states. While the national average of new manufacturing sites was 28.7 new facilities during this time period, California gained only 3.7. More recently, the California Manufacturers & Technology Association did a survey of companies that expanded or were considering expansion of their manufacturing facilities in 2011 and found that 82% did not consider California for a new or expanded facility, highlighting the many challenges manufacturers face in California.

Site selectors are, of course, not just comparing California to other states, but also other nations. As an example, China has 40 industrial manufacturing subsectors, 34 of which are based in Guangzhou, the capital city of Guangdong. According to its website, 170 Fortune 500 companies have invested in Guangzhou's industrial manufacturing zones including zones that specialize in high-tech industrial development, export processing, technological development, and free trade.

Appendix O

An Assessment of California's current Infrastructure Needs

World-class infrastructure plays a key role in business attraction and expansion, as companies consistently rank the quality of infrastructure among their top four criteria in making investment decisions. State, regional, and national competitiveness suffers as access to and the quality of infrastructure declines. The 2014-15 Global Competitiveness Report by the World Economic Forum places U.S. infrastructure 12th in the world, down from 7th in 2000.

Similarly, California's aging infrastructure is impacting the state's competitiveness. The 2013 U.S. Infrastructure Report Card by the American Society of Civil Engineers gave California infrastructure a C and identified a \$650 billion *investment gap* over the next 10 years. The **Chart on the right** provides greater detail on the individual grades on the state's overall score. In 2006, the same study identified California's annual infrastructure investment need to be \$37 billion per year. Six years later, the projected need nearly doubled to \$65 billion per year. Compounding the impact of California's investment gap are the substantial new infrastructure investments being made in other states and nations, including the upgrade of the seaports and distribution networks in Southeastern U.S. and the expansion of the Panama Canal.

Competitiveness and Infrastructure

One key driver of the state's infrastructure need is globalization and the way enhanced transportation and communication technologies have impacted business. While regional industry clusters remain relevant, increasingly their relationship to other clusters within the U.S. and across national borders is becoming crucial. The California Employment Development Department reported in its 2012 labor market analysis that California's rate of economic growth is highly dependent on the state's ability to attract and retain businesses within the eight trade-related industry sectors including diversified and high tech manufacturing, professional services, resource-based industries, information services, and wholesale trade and transportation.

A well-developed and integrated infrastructure network reduces the effect of distance between markets. Communication and transportation infrastructure link local, regional, national, and global markets by supporting the flow of products, services, workers, and consumers. Energy and water-related infrastructure determine developable land, as well as setting core business and household expenses. Collectively, the quality and breadth of the state's infrastructure networks determines economic sustainability, as well as growth.

California's Infrastructure Report Card

According to the 2013 U.S. Report Card on America's Infrastructure, California's overall infrastructure scored a "C", up from a "C-" in 2006. At a more granular level, California scored:

- B- in Ports
- C+ in Aviation
- C- in Transportation
- D in Levees/Flood Control
- B in Solid Waste
- D+ In Urban Runoff
- C+ in Wastewater
- C in Water

The report estimates that California faces a \$650 million infrastructure investment gap over the next ten years. For comparison, U.S. infrastructure received a D+ with an estimated \$3.6 trillion investment gap. The report doesn't include an evaluation of California's energy or communication infrastructure.

Source: American Society of Civil Engineers

Infrastructure and Equity

Given the appropriate strategic approach, infrastructure investments can also reduce income inequalities and poverty. Recommendations from America's Tomorrow: Equity is the Superior Growth Model, include using infrastructure investments as job creators, choose categories of projects that maximize employment opportunities, target jobs and communities to those most in need; and create opportunities for local and minority-owned businesses to participate in overall project.

The California Legislature is currently under the Governor's call of a Special Session on infrastructure development to address long-term transportation funding, clear performance objectives, and improved project delivery. To date, those discussions have primarily focused on roads and highways. There may be opportunities to engage with the Governor on how to leverage those funds within an equity-based growth model that addresses employment opportunities, location of projects, and selection of project types.

2014 Accomplishments and Profile on California Infrastructure

The California Five-Year Infrastructure Plan (2014) opens with a clear statement by the Administration that investment in the state's physical infrastructure is a core function of government. The report further notes, however, that the Administration and Legislature's goal of maintaining long-term fiscal stability has meant that expenditures have had to be prioritized among areas of infrastructure, leaving those of low priority with significant maintenance and capacity issues.

The state's improved fiscal condition did allow the Legislature and the Administration to make several key infrastructure investments in 2014: \$1.2 billion was approved in the 2014-15 Budget Act for infrastructure related purposes including deferred maintenance; \$7.12 billion for water-related infrastructure was included in the revised Proposition 1, which passed on the November 2014 ballot; and SB 628 was enacted, which authorized the establishment of enhanced infrastructure financing districts. Moving forward, California will need to continue making key investments in infrastructure or risk losing its competitive position. Below is a summary of several state infrastructure areas including a description of the infrastructure asset, policy and growth drivers, 2014-15 budget appropriations, and projected future funding need.

Meta-Level State Planning

California's community and economic development policy has historically been driven by a number of statutory mandates including the Environmental Goals and Policy Report (EGPR), Five-Year Infrastructure Plan (Infrastructure Plan), the ITI Strategy, and the Economic Development Strategic Plan.

Collectively, these four policy mandates form the foundation for the state's short-, middle-, and long-term economic success. The EGPR sets the overall long-term framework in which individual departments and agencies develop more detailed plans, including elements of the state transportation and state housing plans. The Infrastructure Plan allows the state to keep track of its infrastructure needs and set a rational infrastructure development agenda that supports the long-term economic and population growth assessments outlined in the EGPR.

The ITI Strategy sets measureable economic objectives relative to the state's position within the global economy. Finally, the development of the state Economic Development Strategic Plan is built on the information and policies provided in the EGPR, the Infrastructure Plan, and the ITI Strategy.

The Infrastructure Plan was released in January 2014. The ITI Strategy was released in February 2014 and the EGPR is currently under public review.

The requirement for an Economic Development Strategic Plan was removed in a 2010 budget action. Speaker Emeritis John A. Pérez has introduced several measures to reinstate the requirement. None have yet to be enacted.

Infrastructure-Related Finance

- The LAO reports that between 2000-01 and 2009-10 over \$100 billion in state funds was expended on infrastructure.
- California has \$83.6 billion in outstanding infrastructure related bonded indebtedness including general obligation and lease-revenue bonds. California's total indebtedness as a percentage of personal income is 5.8% as compared to the national ratio of 3.4%.
- \$34 billion in general obligation and lease revenue bonds have been authorized but not yet issued.
- The 2014 California Five-year Infrastructure Plan proposed \$56.7 billion in spending with 95% dedicated to transportation.
- The Administration estimates that the state has deferred maintenance across infrastructure areas that is equal to \$64.6 billion, but notes that over 90% is for the state's highways.
- The 2014-15 Budget allocated \$250 million of cap-and-trade auction revenues for a variety of infrastructure projects including:
 - \$200 million in low carbon transportation;
 - \$130 million for implementation of sustainable community strategies; and
 - \$30 million for waste management diversion projects.

Appendix P

California Educational Attainment

This chart reflects educational attainment in California, as a whole, and each of the state's 58 counties. Data to develop the chart came from the American Community Survey, 2011-2013.

Educational Attainment by County							
	Percent Less than 9th Grade Education	Percent High School Graduate (includes equivalency)	Percent Associate's Degree	Percent Bachelor's Degree	Percent Graduate or Professiona l Degree	Percent High School Graduat e or Higher	Percent bachelor's degree or higher
California	10.2	20.7	7.8	19.4	11.2	81.2	30.7
Alameda County	7.4	19.1	6.7	24.6	17.2	86.4	41.8
Alpine County	0.9	32.4	7.6	18.9	12.3	90.4	31.2
Amador County	3.5	28.2	10.1	14.2	5.1	88.1	19.3
Butte County	4.5	23.0	9.7	16.3	8.2	87.7	24.4
Calaveras County	2.0	28.0	9.3	15.0	6.2	92.8	21.2
Contra Costa County	5.7	19.2	8.1	25.0	14.1	88.8	39.0
Del Norte County	7.2	31.2	6.8	8.9	5.1	79.1	14.0
El Dorado County	2.6	21.9	10.3	21.6	10.4	93.2	32.0
Fresno County	16.0	22.6	7.7	13.1	6.5	73.1	19.6
Glenn County	16.4	26.3	7.2	10.0	4.5	72.3	14.6
Humboldt County	2.8	25.7	8.9	18.6	8.8	90.4	27.5
Imperial County	20.3	21.7	6.6	9.2	4.1	64.5	13.3
Inyo County	5.2	31.8	8.3	13.1	8.3	88.1	21.4
Kern County	14.5	26.5	7.0	9.9	5.1	72.4	15.0
Kings County	14.7	25.4	7.6	9.5	3.4	71.0	12.9
Lake County	5.0	27.5	9.9	11.4	4.7	85.4	16.2
Lassen County	4.9	25.7	10.1	9.0	4.1	79.4	13.1
Los Angeles County	13.7	20.5	6.9	19.4	10.2	76.6	29.7
Madera County	18.7	23.1	7.9	9.6	4.0	68.5	13.6
Marin County	4.1	12.4	6.3	31.2	23.4	92.4	54.6
Mariposa County	2.6	28.5	8.1	14.7	6.7	87.7	21.3
Mendocino County	6.9	25.7	9.2	13.6	8.4	85.2	22.0
Merced County	20.9	24.4	6.9	8.4	4.2	66.7	12.6
Modoc County	4.5	27.0	9.6	13.6	5.1	84.8	18.7
Mono County	7.9	19.9	8.9	19.3	10.4	83.8	29.8
Monterey County	19.2	20.4	7.7	14.2	8.8	71.0	23.0
Napa County	10.0	19.5	9.2	20.7	10.6	83.1	31.3
Nevada County	1.8	21.2	10.6	21.3	11.1	94.3	32.3

Orange County	8.8	18.0	7.8	23.9	12.9	83.8	36.8
Placer County	2.4	20.2	11.1	23.7	11.4	93.6	35.1
Plumas County	2.6	23.1	11.3	13.2	9.4	89.9	22.6
Riverside County	9.7	25.3	7.7	13.2	7.3	79.6	20.5
Sacramento County	6.9	21.9	9.3	18.7	9.3	85.9	28.0
San Benito County	14.1	23.2	8.1	13.5	4.7	76.9	18.2
San Bernardino County	10.0	26.1	8.1	12.2	6.5	78.2	18.7
San Diego County	7.5	19.1	9.1	21.5	13.1	85.5	34.6
San Francisco County	8.3	13.3	5.4	31.7	20.7	86.3	52.4
San Joaquin County	12.2	25.7	8.9	12.4	5.7	77.3	18.1
San Luis Obispo County	4.4	20.9	9.4	19.8	11.7	89.6	31.5
San Mateo County	6.4	17.2	7.6	26.8	17.6	88.6	44.4
Santa Barbara County	12.7	17.6	8.2	18.4	12.9	79.1	31.3
Santa Clara County	7.3	15.5	7.2	25.8	20.7	86.5	46.5
Santa Cruz County	9.1	15.6	8.8	22.8	14.3	84.9	37.0
Shasta County	2.9	26.3	11.0	12.5	6.3	88.4	18.8
Sierra County	5.7	34.6	9.9	16.3	2.1	89.4	18.5
Siskiyou County	3.8	26.3	9.1	16.3	7.6	89.0	23.9
Solano County	6.0	24.3	9.8	17.0	7.3	87.2	24.3
Sonoma County	6.9	20.0	8.9	20.8	11.4	86.7	32.2
Stanislaus County	13.0	28.3	7.2	11.1	5.3	76.4	16.4
Sutter County	11.6	23.9	10.3	13.3	5.4	78.3	18.7
Tehama County	7.3	29.1	7.5	8.9	4.6	81.1	13.5
Trinity County	2.6	28.5	7.9	16.4	4.9	91.3	21.3
Tulare County	20.5	24.0	7.8	8.8	4.5	68.0	13.3
Tuolumne County	2.4	29.0	8.9	13.0	6.5	89.1	19.5
Ventura County	9.7	19.0	8.4	19.8	11.6	82.8	31.4
Yolo County	8.3	18.5	7.3	20.2	17.7	84.3	37.9
Yuba County	8.7	25.3	10.1	9.9	3.8	79.0	13.7

Source: American Community Survey- 3 year

Glossary of Terms

Abbreviations (if applicable) and Terms

BTH: Business Transportation and Housing Agency.

CAEZ: California Association of Enterprise Zones.

CalBIS: California Business Investment Services.

CalED: California Association for Local Economic Development.

Cal EMA: California Emergency Management Agency.

CALGOLD: California Government Online to Desktops.

CALWORKS: California Work Opportunity and Responsibility to Kids Program.

CITD: Center for International Trade and Development

CDFI: Community Development Financial Institution.

CEDP: California Economic Development Partnership.

CWIB: California Workforce Investment Board.

CWDB: California Workforce Development Board

DGS: Department of General Services.

DOL: Department of Labor.

DVBE: Disabled Veterans Business Enterprise.

EDC: Economic Development Corporation.

EDD: Employment Development Department.

ETP: Employment Training Panel.

EZ: Enterprise Zone.

FDI: Foreign Direct Investment.

GDP: Gross Domestic Product.

G-TEDA: Geographically-Targeted Economic Development Area.

GO-BIZ: Governor's Office of Business and Economic Development.

GOED: Governor's Office of Economic Development.

HCD: Department of Housing and Community Development.

I-BANK: Infrastructure and Economic Development Bank.

IEEP: Inland Empire Economic Partnership.

IHUB: Innovation Hub Program.

IGPAC: Intergovernmental Policy Advisory Committee on Trade.

ITA: International Trade Administration.

JEDE: Jobs, Economic Development and the Economy Committee.

JTPA: Job Training Partnership Act.

LAMBRA: Local Agency Military Base Recovery Area.

LHC: Little Hoover Commission.

MASA: Military and Aerospace Support Act.

MEA: Manufacturing Enhancement Area.

MOU: Memorandum of Understanding.

MSA: Metropolitan Statistical Area.

NAICS: North American Industry Classification System.

NEI: National Export Initiative.

PACE: Property Assessed Clean Energy.

REAL: Regional Economic Association of Leaders Coalition.

ROI: Return on Investment.

SBA: Small Business Administration.

SBE: Small Business Enterprise.

SBLGP: Small Business Loan Guarantee Program.

SBDC: Small Business Development Center.

SPOC: State Point of Contact.

STEP: State Trade and Export Promotion Program.

TEA: Targeted Employment Area.

TPP: Trans-Pacific Partnership

TTA: Targeted Tax Area.

TTIP: Transatlantic Trade and Investment Partnership.

USTR: United States Trade Representative.

WIA: Workforce Investment Act.

WIB: Workforce Investment Board.

Descriptions:

BUSINESS TRANSPORTATION AND HOUSING AGENCY (BTH): BTH oversees the activities of 14 departments consisting of more than 45,000 employees, a budget greater than \$18 billion, plus several economic development programs and commissions. Its operations address financial services, transportation, affordable housing, tourism, managed health care plans and public safety.

CALIFORNIA ASSOCIATION OF ENTERPRISE ZONES (CAEZ): Non-profit organization that lobbies on behalf of Enterprise Zones and works to foster economic development within those zones.

CALIFORNIA BUSINESS INVESTMENT SERVICES (CalBIS): Housed in the Governor's Office of Economic Development (GOED), CalBIS serves employers, corporate real estate executives, and site location consultants considering California for new business investment and expansion.

CALIFORNIA ASSOCIATION FOR LOCAL ECONOMIC DEVELOPMENT (CALED): CALED is a statewide professional economic development organization dedicated to advancing its members' ability to achieve excellence in delivering economic development services to their communities and business clients. CALED's membership consists of public and private organizations and individuals involved in economic development.

CALIFORNIA EMERGENCY MANAGEMENT AGENCY (Cal EMA): Cal EMA merged the duties and powers of the former Governor's Office of Emergency Services with those of the Governor's office of Homeland Security.

CALIFORNIA GOVERNMENT ONLINE TO DESKTOPS (CalGOLD): The CalGOLD database is housed on the Governor's Office of Economic Development website and provides links and contact information that direct businesses to agencies that administer and issue business permits, licenses, and registration requirements from all levels of government. The CalGOLD listings include descriptions of the requirements, the names, addresses, and telephone numbers of the agencies that administer those requirements and issue the permits and licenses, and in most cases a direct link to the agencies' Internet web pages.

CALIFORNIA WORK OPPORTUNITY AND RESPONSIBILITY TO KIDS PROGRAM (CALWORKS): Provides temporary financial assistance and employment focused services to families with minor-age children who have income and property below state maximum limits for their family size. Most able-bodied aided parents are also required to participate in the CALWORKs GAIN employment services program.

CALIFORNIA WORKFORCE INVESTMENT BOARD (CWIB): The California Workforce Investment Board is responsible for assisting the Governor in performing duties and responsibilities required by the federal Workforce Investment Act of 1998. In 2015, pursuant to its modified role under the federal Workforce Innovation and Opportunity Act of 2014, the CWIB changed its name to the California Workforce Development Board.

CALIFORNIA WORKFORCE DEVELOPMENT BOARD (CWDB): The California Workforce Development Board is responsible for assisting the Governor in performing duties and responsibilities required by the federal Workforce Innovation and Opportunity Act of 2014. All members of the Board are appointed by the Governor and represent the many facets of workforce development – business, labor, public education, higher education, economic development, youth activities, employment and training, as well as the Legislature.

CALIFORNIA ECONOMIC DEVELOPMENT PARTNERSHIP (CEDP): The CEDP was formed by Governor Schwarzenegger in 2005 as an interagency team to coordinate state government economic development activities. It seeks seamless coordination between the state, regional/local economic development organizations, and public/private resources for the retention, expansion and attraction of jobs in California.

CETERS FOR INTERNATIONAL TRADE AND DEVELOPMENT (CITD): The CITDs are funded through the California Community Colleges to promote the state's international trade and competitiveness, assist exporters and importers, and advance economic and job growth. The CITDs have X offices across the state and provide a full range of trade assistance services to companies and individuals in the state of California. All services are either free or low cost to businesses.

COMMUNITY DEVELOPMENT FINANCIAL INSTITUTION (CDFI): Nationwide, over 1000 CDFIs serve economically distressed communities by providing credit, capital and financial services that are often unavailable from mainstream financial institutions. CDFIs have loaned and invested in

distressed communities. Their loans and investments have leveraged billions more dollars from the private sector for development activities in low wealth communities across the nation. California offers tax credits for investments in CDFI's under the Insurance Tax Law, as well as under the Personal and Corporate Income Tax Laws.

DEPARTMENT OF GENERAL SERVICES (DGS): The department employs over 4,000 employees and has a budget in excess of one billion dollars. Its functions include e-commerce and telecommunications; siting, acquisition, development, leasing, disposal and management of state properties; architectural approval of local schools and other state-responsibility buildings; printing services provided by the second largest government printing plant in the U.S.; procurement of supplies needed by other state agencies; and maintenance of the vast fleet of state vehicles. The director serves on several state boards and commissions.

DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT (HCD): HCD was one of many departments within BTH. As California's principal housing agency, the mission of HCD is to provide leadership, policies and programs to expand and preserve safe and affordable housing opportunities and promote strong communities for all Californians. HCD is responsible for oversight of California's G-TEDA programs.

DEPARTMENT OF LABOR (DOL): A U.S. government cabinet body responsible for standards in occupational safety, wages and number of hours worked, unemployment insurance benefits, re-employment services and a portion of the country's economic statistics.

DISABLED VETERAN BUSINESS ENTERPRISE (DVBE): Certified DVBE's that meet eligibility requirements are eligible to receive bid preferences on state contracts. DGS's Procurement Division certifies DVBEs and participates in the DVBE Council.

ECONOMIC DEVELOPMENT CORPORATION (EDC): Locally-based corporations whose mission is to promote investment and economic growth in their region.

EMPLOYMENT DEVELOPMENT DEPARTMENT (EDD): EDD offers a wide variety of services under the Job Service, Unemployment Insurance, Disability Insurance, Workforce Investment, and Labor Market Information programs. As California's largest tax collection agency, EDD also handles the audit and collection of payroll taxes and maintains employment records for more than 16 million California workers.

EMPLOYMENT TRAINING PANEL (ETP): ETP is a California State agency that began in 1983 and is designed to fund training that meets the needs of employers for skilled workers and the need of workers for long-term jobs. The program funds the retraining of incumbent, frontline workers in companies challenged by out-of-state competition. ETP also funds training for unemployed workers, and prioritizes training to small businesses, employers, workers in high unemployment areas of the state. ETP is funded by a tax on business.

ENTERPRISE ZONE (EZ): Geographically-based economic incentive areas in California that provide regulatory or tax benefits to businesses. There are 42 Enterprise Zones in California.

FOREGIN DIRECT INVESTMENT (FDI): A direct investment into production or business in a country by an individual or company of another country, either by buying a company in the target country or by expanding operations of an existing business in that country.

GROSS DOMESTIC PRODUCT (GDP): The monetary value of all the finished goods and services produced within a country's borders in a specific time period, usually calculated on an annual basis. It includes all of private and public consumption, government outlays, investments, exports, and imports that occur within a defined territory.

GEOGRAPHICALLY-TARGETED ECONOMIC DEVELOPMENT AREA (G-TEDA): A generic term for all geographically-based economic incentive areas in California, including Targeted Tax Areas (TTAs), Local Agency Military Base Recovery Areas (LAMBRAs), Enterprise Zones (EZs), and Manufacturing Enhancement Areas (MEAs). This program was terminated in 2013.

GOVERNOR'S OFFICE OF BUSINESS AND ECONOMIC DEVELOPMENT (GO-BIZ): GO-BIZ is a one-stop shop intended to help businesses invest and expand in California.

GOVERNOR'S OFFICE OF ECONOMIC DEVELOPMENT (GOED): GOED is a one-stop shop intended to help businesses to invest and expand in California. It was established in 2010 by Executive Order S-05-10. GOED was later codified to become GO-Biz.

DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT (HCD): The mission is to provide leadership, policies and programs to preserve and expand safe and affordable housing opportunities, and promote strong communities for all Californians.

INNOVATION HUB PROGRAM (IHUB): The iHub Program improves the state's national and global competitiveness by stimulating partnerships, economic development, and job creation around specific research clusters through state-designated iHubs.

INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK (I-BANK): The I-Bank is a state financing authority that provides low-cost financing to public agencies, manufacturing companies, nonprofit organizations and other entities eligible for tax-exempt financing. Since January 1, 1999, the I-Bank has financed more than \$32 billion in tax-exempt bonds and loans for economic development and public infrastructure projects throughout the state, and various other financings.

INLAND EMPIRE ECONOMIC PARTNERSHIP (IEEP): The mission of the IEEP is to help create a voice for the two-county region of Riverside and San Bernardino Counties. The membership, a collection of important organizations in the private and public sector, give the organization the knowledge and perspective needed to advocate and provide a vibrant business living environment in the region.

INTERNATIONAL TRADE ADMINISTRATION (ITA): The International Trade Administration strengthens the competitiveness of U.S. industry, promotes trade and investment, and ensures fair trade through the rigorous enforcement of our trade laws and agreements. ITA works to improve the global business environment and helps U.S. organizations compete at home and abroad.

INTERGOVERNMENTAL POLICY ADVISORY COMMITTEE ON TRADE (IGPAC): A federal advisory committee that provides the United States Trade Representative advice on matters of international trade from the perspective of state and local governments. Current membership includes former State Senator/current Los Angeles City Councilmember Curren Price, and Carlos J. Valderrama of the Los Angeles Area Chamber of Commerce.

JOB TRAINING PARTNERSHIP ACT (JTPA): JTPA is a federal law that authorizes and funds a number of employment and training programs in California. JTPA's primary purpose is to establish programs to provide job training services for economically disadvantaged adults and youth, dislocated workers and others who face significant employment barriers. These programs help prepare individuals in California for participation in the state's workforce, increasing their employment and earnings potential, improving their educational and occupational skills and reducing their dependency on welfare.

JOBS, ECONOMIC DEVELOPMENT, AND THE ECONOMY (JEDE): JEDE is the policy committee in the California State Assembly responsible for reviewing policies and legislation related to small business development, international trade, and other economic development related issues.

LITTLE HOOVER COMMISSION (LHC): The Little Hoover Commission is an independent state oversight agency that was created in 1962. The Commission's creation and membership, purpose and duties, and powers are enumerated in statute. By statute, the Commission is a balanced bipartisan board composed of five citizen members appointed by the Governor, four citizen members appointed by the Legislature, two Senators and two Assemblymembers.

LOCAL AGENCY MILITARY BASE RECOVERY AREA (LAMBRA): A LAMBRA is an area located in California that is designated as such by the Business, Transportation and Housing Agency. LAMBRAs are established to stimulate growth and development in areas that experience military base closures. Taxpayers investing, operating, or located within a LAMBRA may qualify for special tax incentives. There are currently eight LAMBRAs: Southern California Logistics Airport, Castle Airport, Mare Island, San Bernardino International Airport, Alameda Point, Mather/McClellan, San Diego Naval Training Center, and Tustin Legacy.

MANUFACTURING ENHANCEMENT AREA (MEA): Incentives available to businesses located in an MEA are streamlining local regulatory controls, reduced local permitting fees and eligibility to earn \$29,234 or more in state tax credits for each qualified employee hired. All manufacturing businesses that are engaged in those lines of business described in Codes 2011 to 3999, inclusive, of the Standard Industrial Classification (SIC) and are located in the MEA are eligible for program benefits. There are 2 MEAs located in California. They are in the Cities of Brawley and Calexico. Each community is located in Imperial County. An MEA designation lasts until December 31, 2012.

MICROBUSINESS: A small business which, together with affiliates, have annual gross receipts of less than \$3,500,000 or is a manufacturer with 25 or fewer employees.

METROPOLITAN STATISTICAL AREA (MSA): In the United States a metropolitan statistical area is a geographical region with a relatively high population density at its core and close economic ties throughout the area.

NORTH AMERICAN INDUSTRY CLASSIFICATION SYSTEM (NAICS): NAICS is the standard used by Federal statistical agencies in classifying business establishments for the purpose of collecting, analyzing, and publishing statistical data related to the U.S. business economy.

NATIONAL EXPORT INITIATIVE (NEI): In January 2010, the President launched the National Export Initiative with the goal of doubling U.S. exports over 5 years. The initiative is directed through a newly established Export Promotion Cabinet and an internal Trade Promotion Coordinating Committee which has been tasked to coordinate and align their export promotion activities including counseling, customer matchmaking services, and financing for exporters.

NORTH AMERICAN INDUSTRY CLASSIFICATION SYSTEM (NAICS): The North American Industry Classification System (NAICS) has replaced the U.S. Standard Industrial Classification (SIC) system. NAICS was developed jointly by the U.S., Canada, and Mexico to provide new comparability in statistics about business activity across North America. The NAICS and SIC manuals provide code number for every industry. These codes are frequently used in legislation to identify industries, especially those benefiting from certain tax legislation like the Manufacturers Investment Credit (MIC).

PROPERTY ASSESSED CLEAN ENERGY (PACE): PACE Programs allow local government entities to offer sustainable energy project loans to eligible property owners. Through the creation of financing districts, property owners can finance renewable onsite generation installations and energy efficiency improvements through a voluntary assessment on their property tax bills.

SMALL BUSINESS ADMINISTRATION (SBA): Since its founding in 1976 the U.S. Small Business Administration has delivered about 20 million loans, loan guarantees, contracts, counseling sessions and other forms of assistance to small businesses.

SMALL BUSINESS DEVELOPMENT CENTERS (SBDC): The SBDC Program is the leader in providing small business owners and entrepreneurs with the tools and guidance needed to become successful in today's challenging economic climate. Each regional center offers comprehensive business guidance on business issues including, but not limited to; business plan development, startup basics, financing, regulatory compliance, international trade, and manufacturing assistance. Funding for the program is provided, in part, by the U.S. Small Business Administration and local partners.

SMALL BUSINESS ENTERPRISE (SBE): A business with 100 or fewer employees, and an average annual gross receipts of \$14 million or less over the previous three tax years, or a manufacturer with 100 or fewer employees. SBE's are eligible to receive a 5% bid preference on state contracts.

SMALL BUSINESS LOAN GUARANTEE PROGRAM (SBLGP): The state Small Business Loan Guarantee Program (SBLGP) provides guarantees on bank loans to small businesses that would otherwise not be made. A network of 11 Small Business Financial Development Corporations - working closely with small business borrowers and local community banks - issues the guarantees on behalf of the state.

SPECIAL FUND FOR ECONOMIC UNCERTAINTIES: A fund in the General Fund (a similar reserve is included in each special fund) authorized to be established by statutes and Budget Act control sections to provide for emergency situations. (GC 16418)

STATE POINT OF CONTACT (SPOC): Funding applications submitted to the federal government will often require the applicant to comply with the state's SPOC requirements. The SPOC is responsible for reviewing specific types of grants for federal funds, loans, or financial assistance.

STATE TRADE AND EXPORT PROMOTION PROGRAM (STEP): The STEP Program is a 3-year pilot trade and export initiative authorized by the Small Business Jobs Act of 2010. Funded by federal grants and matching funds from the states, the STEP Program is designed to help increase the number of small businesses that are exporting and to raise the value of exports for those small businesses that are currently exporting.

TARGETED EMPLOYMENT AREA (TEA): One of many options to voucher an employee, TEA allow residents of certain designated low-income areas to qualify Enterprise Zone employers for substantial hiring credits.

TARGETED TAX AREA (TTA): The TTA is a program very similar to Enterprise Zones. TTA offers incentives that are only available to companies located in Tulare County and are engaged in a trade or business within certain Standard Industrial Codes. State incentives include tax credits for sales and use taxes paid on certain machinery, machinery parts, and equipment; tax credits for hiring qualified employees; and a fifteen year net operating loss carry-forward.

TRANSATLANTIC TRADE AND INVESTMENT PARTNERSHIP (TTIP): A proposed trade agreement between the two largest economies in the world: the U.S. and the European Union. If realized, the TTIP will create a free trade zone that encompasses 46% of the world's GDP.

TRANS-PACIFIC PARTNERSHIP (TPP): A proposed free trade agreement that includes economies from within the Pacific region. Negotiations began in 2010, and currently include 12 countries: Australia, Brunei, Chile, Canada, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the U.S., and Vietnam.

UNITED STATES TRADE REPRESENTATIVE (USTR): The USTR is an agency of more than 200 committed professionals with specialized experience in trade issues and regions of the world. The agency directly negotiates with foreign governments to create trade agreements, to resolve disputes, and to participate in global trade policy organizations.

WORKFORCE INVESTMENT ACT (WIA): The WIA which superseded the Job Training Partnership Act, offers a comprehensive range of workforce development activities through statewide and local organizations. Available workforce development activities provided in local communities can benefit job seekers, laid off workers, youth, incumbent workers, new entrants to the workforce, veterans, persons with disabilities, and employers. The purpose of these activities is to promote an increase in the employment, job retention, earnings, and occupational skills improvement by participants.

WORKFORCE INVESTMENT BOARD (WIB): The Governor has appointed a WIB consisting primarily of representatives from businesses, labor organizations, educational institutions, and community organizations. The State WIB assists the Governor in designing a statewide plan and establishing appropriate program policy.

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