

**Assembly Committee on Jobs, Economic
Development, and the Economy**

2019 End of the Year Report
including
A Summary of Legislation



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Dear Interested Parties:

As Chair of the Assembly Committee on Jobs, Economic Development, and the Economy (JEDE), I am pleased to publish the Committee's 2019-2020 Mid-Session Report. Among other materials, the report includes a list and description of legislation, as well as policy issue briefings related to JEDE's jurisdiction.

Among other areas, JEDE has responsibility to oversee issues related to California's manufacturing and logistical networks, international trade and foreign investment, business incentives, business and capital formation, infrastructure, small business and disabled veteran business enterprises, regulatory reform, and workforce development.

If you have any questions or need further information, please do not hesitate to contact the JEDE Committee Office at 916.319.2090 or visit the JEDE Committee website at <http://ajed.assembly.ca.gov/>.

Sincerely,

A handwritten signature in black ink that reads "Sabrina Cervantes". The signature is stylized with a large, flowing "S" and a cursive "Cervantes".

SABRINA CERVANTES
Chair
Assembly Committee on Jobs, Economic Development, and the Economy

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Section I – A Snapshot of the California Economy

California is home to nearly 40 million people, providing the state with one of the most diverse populations in the world, often comprising the single largest concentration of nationals outside their native country. In 2018, this diverse group of business owners and workers produced \$2.9 trillion in goods and services, with \$178.4 billion in products exported to over 225 countries around the world.

Leader in Patents

California consistently *ranks first* in the nation for the number of patents filed annually – 45,175 in 2016. Texas, ranking second with 9,934, had less than a quarter of the number of patents filed during the same period, followed by New York with 8,464.

California's economy ranked fifth largest in the world in 2018 – only the national economies of the United States, China, Japan, and Germany being larger. Historically, a number of factors have contributed to California's significant position within the global marketplace, including its strategic west coast location, its economically diverse regional economies, its skilled workforce, and its culture of innovation and entrepreneurship, particularly in the area of technology. California has the largest workforce in the nation, comprised of 19.4 million people who are comparatively younger and more educated than the national average. As an example, over 30% of the working age population in California holds at least a bachelor's degree.

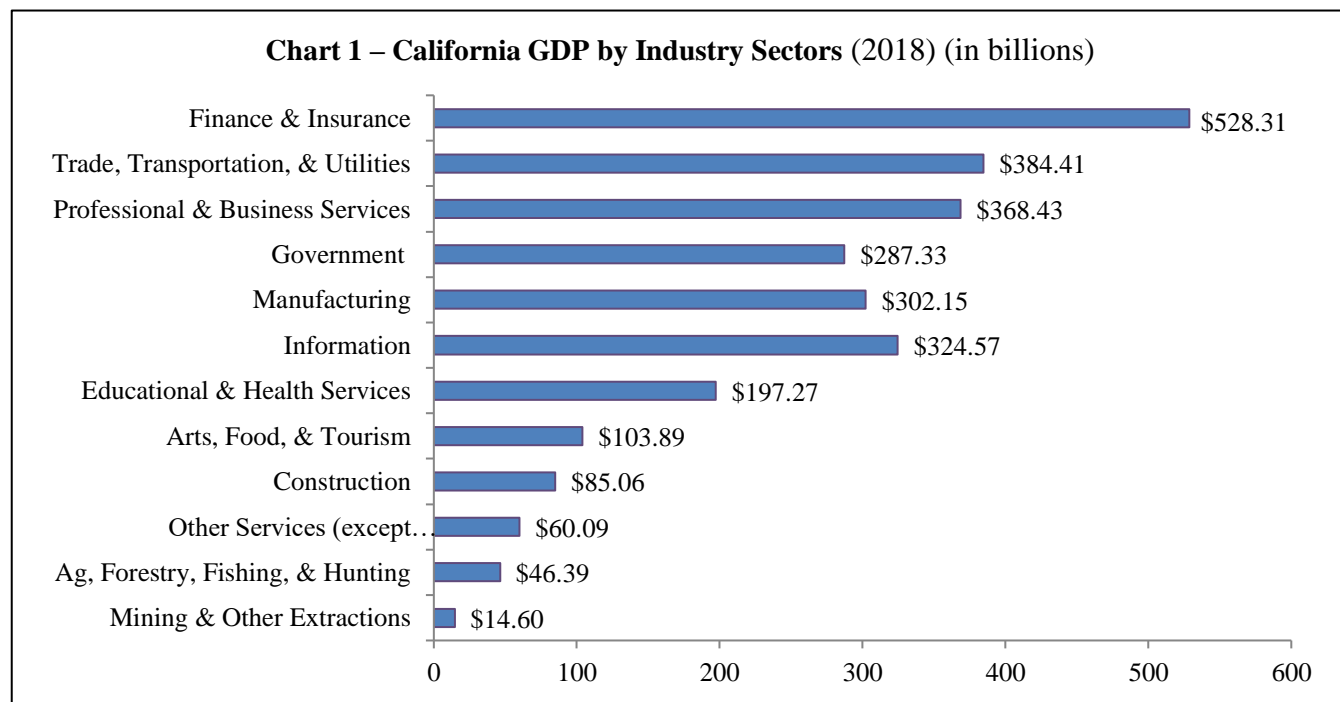
Many policy makers and economists describe California as having not a single economy, but having a highly integrated network of industry clusters that provide access points to other areas of the U.S. and across the world. While biotech has a comparative advantage in some regions, information technology drives growth in others. This economic diversity is one of the reasons California moved so aggressively out of the Great Recession (recession). In the recession, California experienced unemployment above 13%, and in some areas of the state, such as Imperial County, unemployment remained above 20% throughout the duration. Today, California has regained all 1.1 million jobs lost in the recession and has added, since February 2011, over three million jobs.

Supporting this economic vitality are global fortune 250 companies with California headquarters, as well as the state's robust small business sector, which employs half of all workers and is comprised of more than 98% of all businesses in the state.

Major Industry Sectors

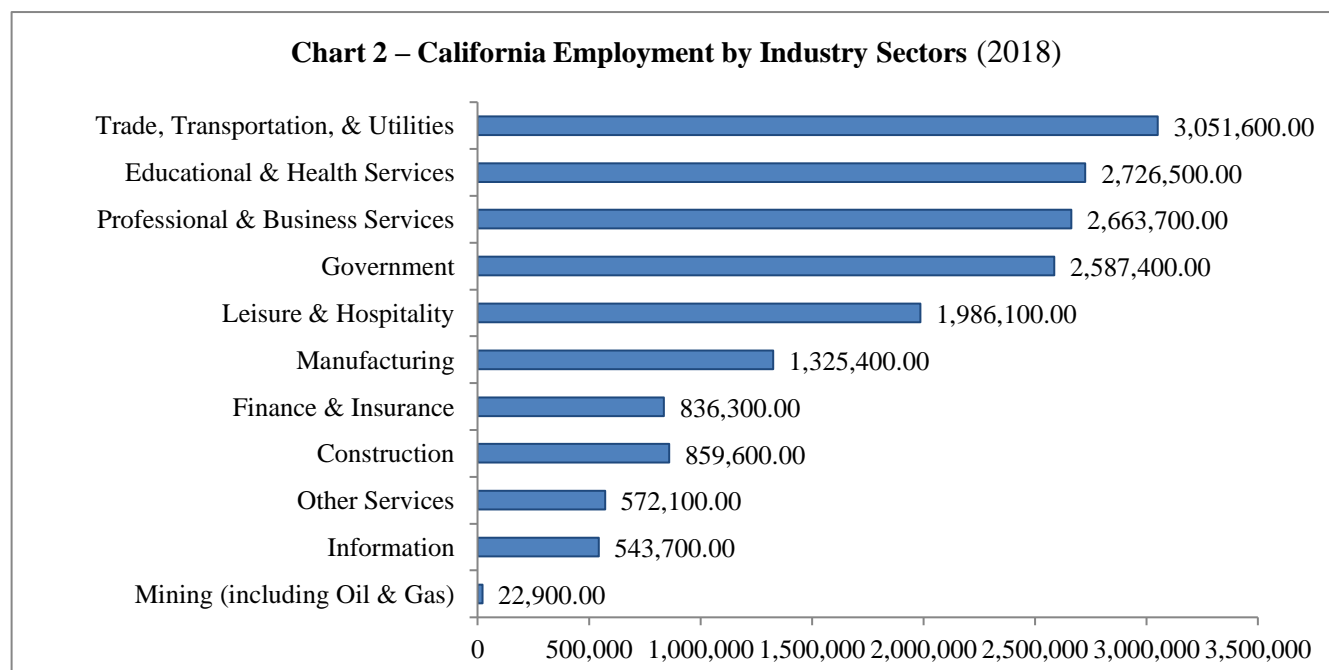
One of the unique qualities of California's economy is its multiple dominant industry sectors. ***Chart 1 – California GDP by Industry Sectors***, displays state gross domestic product (GDP) in dollars by industry sector.

The state's three largest industry sectors in terms of GDP – finance and insurance; trade, transportation, and utilities; and professional and business services – also provide a foundation to other industry sectors, including manufacturing and information. Each of these top performing industry sectors are also distinguished as being a tradable industry sector, meaning that it is a sector whose output in terms of goods and services is traded internationally, or could be traded internationally given a plausible variation in relative prices.



Due to its economic impact exceeding its proportional share of the U.S. population, California's economy has been described as "hitting above its weight." As an example, while California's population comprises 12% of the U.S. population, the state contributed 16% of total job growth between 2012 and 2017.

Chart 2 shows employment data within the same industry sectors as are measured in Chart 1. The employment numbers come from the California Employment Development Department.



California's largest industry sector, based on employment, is the trade, transportation, and utilities sector, employing over 3.0 million people and representing 16.4% of all California jobs. Jobs in this sector also support employment in other industry sectors including manufacturing (7.1% of state employment in 2018), professional services (14.3%), and financial activities (4.5%).

Manufacturing is considered the "gold standard" for jobs because of the higher wages paid to workers, the inclusion of small businesses within its extended supply chains, and the high multiplier effect on their local communities and across the state. The Milken Institute estimates that for every job created in manufacturing, 2.5 jobs are created in other sectors. In some industry subsectors, such as electronic computer manufacturing, the multiplier effect is 16 to 1.

While California has the largest manufacturing sector in the nation, the state is often bypassed for new facilities and the expansion of existing facilities. According to the California Manufacturers and Technology Association, California falls into the lower quartile of states in the growth of manufacturing jobs following the recession. In comparing new and expanding manufacturing activity (January 2010 to October 2016), California ranked 24th out of 32 major manufacturing states. California received only 2.57% of the job growth, as compared to Michigan (32.49%) that generated the most and New Jersey (-4.78%) that had a net loss of jobs over the 16-year period.

One challenge California faces in growing manufacturing jobs is the state's perceived lack of cost competitiveness and the regulated nature of its business environment. These perceptions impact not only decisions about expansions and relocation from other states, but also reshoring decisions. According to one study, California is receiving only about 1% of reshored manufacturing jobs. In recent years, the Legislature and Administration have adopted and funded new initiatives related to the initial cost of development and expansions, and technical assistance to help businesses navigate the state regulatory and permitting environment.

The current U.S. trade dispute puts further stress on California's manufacturing sector because raw resources, parts, and semi-assembled products make up a sizable component of the state's imports and exports.

Job Growth 2016 – 2026

The Employment Development Department (EDD) has forecast that California will add over 2 million nongovernment jobs between 2016 and 2026. *Chart 3 – Projected Job Growth in Employment* displays data on civilian employment for 2016-2026, including new and replacement jobs. By 2026, it is estimated that the total civilian employment (including self-employment, farm employment, and private household workers) will reach 19.7 million, an increase of 1.9 million jobs (10.7%) over the 10-year projected period of 2016-2026.

Chart 3 – Projected Job Growth in Employment 2016-2026 (ranked by number of jobs)							
	Industry Sector	Percent Change	Increase in Jobs		Industry Sector	Percent Change	Increase in Jobs
1	Educational Services, Health Care, and Social Assistance	23.9%	607,400	7	Information	14.6%	76,600
2	Professional and Business Services	11.1%	280,200	8	Other Services (excludes private household services)	10.1%	55,900
3	Leisure and Hospitality	13.3%	252,300	9	Financial Activities	5.2%	42,600
4	Trade, Transportation, and Utilities	6.7%	200,000	10	Total Farm	3.5%	15,000
5	Construction	20.5%	158,600	11	Manufacturing	0.1%	1,300
6	Government	4.6%	116,100	12	Mining	-8.0%	-1,800

A significant portion of this projected growth, however, is dependent on the economic performance of industry sectors which are highly dependent on consumers and supply chains outside of the state. California was the 28th largest exporter in the world and the 13th largest importer in the world in 2018.

With 95% of global purchasing power lying outside the U.S., having a globally integrated economy provides California with a comparative advantage. Extended trade disputes, as well as the trade barriers which are the source of those disputes, create impediments to growth and uncertainty for businesses who may be considering expansion and significant new capital investments.

Organization of the Report

In the following sections, the report will provide more detailed information, including summaries of legislation, 2019 hearings, and 2019-20 budget items impacting the California economy. These sections include:

- Section II – Advancing a Prosperous and Inclusive Economy
- Section III – Building a Workforce for a Prosperous and Inclusive Economy
- Section IV – Engaging Global Markets to Support Economic Growth
- Section V – Enhancing Small Business Development and Operations
- Section VI – Leveraging Public Contracting for Targeted Business Development
- Section VII – Nurturing Manufacturing and Emerging Technologies
- Section VIII – Removing Regulatory Barriers to Economic Growth
- Section IX – JEDE Committee Hearings and Activities

- Section X – Economic Development Related Budget Actions

The Appendix of the 2019-20 Mid-Session Report includes a chart listing all the bills identified by the report, as well as a glossary of terms most commonly used in the economic and community development policy arena.

Section II – Advancing a Prosperous and Inclusive Economy

While California’s dominance in innovation-based industries is unquestionable, the divide between the middle and lower income households and the top income earners is accelerating. Even as California’s unemployment is at historic lows, unemployment within certain geographic regions and population groups remains significantly higher, as does the number of people in the state who are not participating within the core economy.

Chart 4 – Selected Data on Unemployment shows unemployment-related information by selected counties and population groups. In November 2019 (most recent data), California reported a seasonally adjusted unemployment rate of 3.9% as compared to the US rate of 3.5%. From the employment side, this represents 18.7 million people, with over 80% being employed in full time work. Within nonfarm industries, eight sectors had month-over increases, including education and health services (8,600 additional jobs) and professional and business services (3,100 additional jobs), and five sectors reported jobs losses.

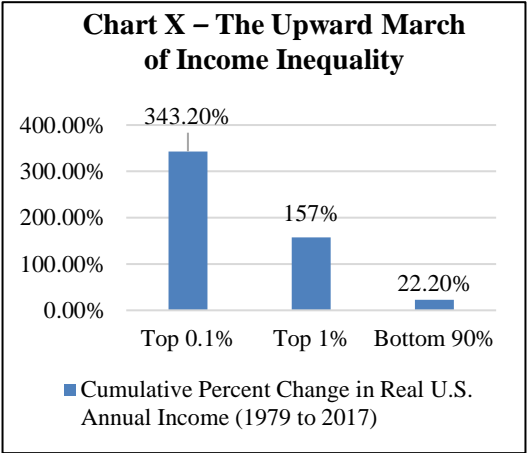
In November 2019, 12 of California’s 58 counties had unemployment below 3%, with San Mateo reporting the lowest at 1.8%. The highest unemployment was reported in Imperial (20.6%). Year-over (November 2018–November 2019), three counties reported employment increases, three counties remained the same, and 52 experienced employment declines from the prior year.

Chart 4 – Selected Data on Unemployment					
	Unemployment Rate November 2019	Unemployment Rate December 2018		Unemployment Rate November 2019 (12-month moving average)	Unemployment Rate December 2018 (12-month moving average)
California	3.9%	4.1%	California	4.1%	4.2%
Colusa County	10.52%	15.7%	Blacks	5.4%	6.5%
Imperial County	20.6%	17.3%	Hispanics	4.9%	5.1%
Los Angeles County	4.2%	4.6%	Whites	4.8%	4.1%
Riverside County	3.8%	4.1%	16 to 19 year olds	14.5%	16.2%
Sacramento County	3.2%	3.7%	20 to 24 year olds	7.4%	7.1%
San Bernardino County	3.4%	3.8%	25 to 34 year olds	4.1%	4.4%
San Luis Obispo County	2.5%	2.8%	*The Employment Development Department reports a November 2019 labor participation rate (LPR) of 62.0%, representing 11.8 million people in California who were not participating in the workforce. The LPR for veterans is 43.6% vs. nonveterans LPR of 65.8%		
San Mateo County	1.8%	2.0%			
Tulare County	8.5%	9.6%			
Source: www.edd.ca.gov					

California is not unique in experiencing these higher levels of income inequality while the state’s overall economic growth is very healthy. National data shows similar patterns across the US. While

the top 1% of income households were significantly impacted by the Great Recession, by 2017 their annual revenues had recovered and risen to the highest levels ever recorded. Between 1979 and 2017, the income for the top 1% of income households cumulatively rose by 157%.

Chart 5 – The Upward March of Income Inequality is based on data from *Working Economies*, a blog of the Economic Policy Institute, and shows the significant divergent increases in income between three groups during the period of 1979 through 2017.



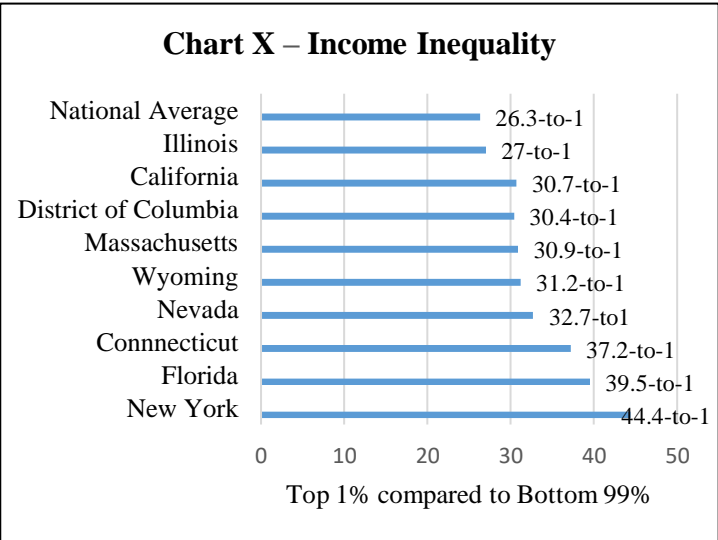
For the top 0.1% of income households, earnings had increased by 343.2%, as compared to the earnings of the bottom 90% of households, which experienced an increase of only 22.2%.

The Economic Policy Institute also studied income inequality by state and major metropolitan area. Based on 2015 data, every state had a sizable income gap income between the top 1% and the bottom 99%, with the national average being a top-to-bottom ratio of 26.3-to-1. In eight states, plus the District of Columbia (30.4-to-1), the top-to-bottom ratio exceeded the national average, including California which presented a 30.7-to-1 ratio.

Chart 6 – Income Inequality displays the state data for those states with above national average income inequality. These income discrepancies were also reported by metropolitan areas, where 45 of the 916 major metropolitan areas in the US had income gaps wider than the national average.

In order to qualify as a top 1% household in 2015, family income needed to be above \$421,926. There were 13 states and 107 metro areas in the US with 1% household incomes above the national average, themselves averaging a 1% household income of \$514,694. Further, of all income that accrued to 1% households in 2015, a full 50% accrued to households in five states, including California.

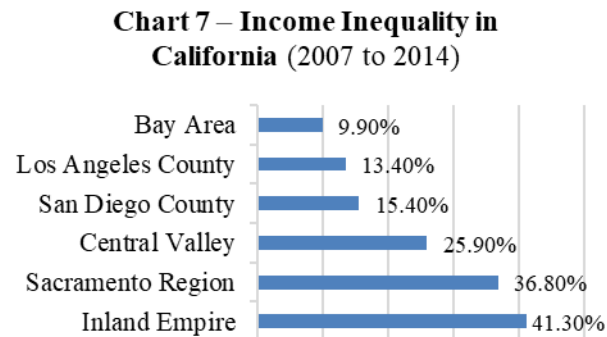
The average annual income in California for a top 1% household was \$1.69 million. The top 1% took home 23.7% of all income in California. By comparison, the average income for the other 99% of households in California was \$55,152. The San Jose-Santa Clara metro area had the most unequal income distribution in the state, with the top 1% making 34.6 times the income of the bottom 99%. Overall, California ranks 7th of all 50 states in income inequality.



Most significantly, this trend of increasing wealth concentrations among the top income households is a relatively new phenomenon. According to the report *The New Gilded Age* by the Economic Policy Institute, from 1928 to 1973, the share of income held by the top 1% actually declined in every state for which data was available. This is perhaps one of the reasons, many of the existing public policy tools have been ineffective in addressing the rise in income inequality among different regions and groups of individuals. New tools may be needed for new times.

What Happened to the California Dream?

The impact of this expanding income inequality is being felt broadly across our society. The ability to get an education, pursue a career, purchase a home, and live-out old age with some level of economic security is being challenged. While median income remains above \$75,000 a year, 4.9 million people in California have incomes below the federal poverty line, which includes the household incomes of 17.4% of all children. For too many people, a large medical bill or an unforeseen home repair could result in a downward spiral potentially ending in homelessness.



In 2016, McKinsey & Company issued a study that found that for the first time since World War II – across the top 25 most developed economies in the world – household incomes had actually decreased. Historically, every generation had experienced an increase in income. However, between 2005 and 2014, real incomes were flat or fell for 65% to 70% of households.

The Public Policy Institute of California published data for a similar time span for households in California. **Chart 7 – Income Inequality in California**, on the following page, shows the growing income inequality within six major regions in the state. Between 2007 and 2014, the income gap grew most significantly in the Inland Empire, followed by the Sacramento Region.

The most recent data show that this trend continued through 2018, according to the Public Policy Institute. While average income for individuals in the top 5% rose by \$79,500 between 2006 and 2018 and median income rose by \$4,500, the inflation adjusted household income in the lowest 20% of income was down -\$879 over the same period. Median annual earning for all workers in California in 2018 rose less than 1% (0.9%).

In addressing income inequality and creating inclusive economic growth, the Legislature undertook a range of actions. Some actions focused on the needs of California's lowest income residents, while others addressed the loss of the middle class. Among other issues, Governor Newsom and the Legislature held extended, but unsuccessful, discussions on whether California should conform with or otherwise leverage the federal Opportunity Zone designations.

Legislation from 2019-2020

Below is a summary of the legislation heard by, or of interest to, JEDE during the 2019-2020 Legislative Session relating to improving the state's economic development activities including those related to creating a more inclusive economy. Legislation not heard by JEDE is marked with asterisks

(**). This is the most general designation category, which provides information on tax expenditures and other economic development programs and services. Other sections of the report provide more targeted information with a list of related legislation, including sections on small business, trade and foreign investment, infrastructure, workforce development, and manufacturing. Information on hearing held by the committee is available in *Section IX* and budget actions are outlined in *Section X*.

AB 30 (Holden) College and Career Access Pathway Partnerships: This bill streamlines the process for developing College and Career Access Pathway partnerships (CCAP). Among other changes, the bill modifies the process for adopting CCAP partnership agreements, authorizes a high school student to submit one community college application which applies for the duration of their attendance, and extends the sunset of the CCAP partnership from January 1, 2022, to January 1, 2027. Status: Signed by the Governor, Chapter 510, Statutes of 2019.

AB 176 (Cervantes) California Sales and Use Tax Exclusion: This bill expands the criteria used by the California Alternative Energy and Advanced Transportation Financing Authority to evaluate a project for a sales and use tax exclusion award to include job quality criteria. This criteria includes, but is not limited to, the extent to which the project will create new, or result in the loss of, permanent, full-time jobs in California, including the average and minimum wage for each classification of full-time employees proposed to be hired or not retained. Status: Signed by the Governor, Chapter 672, Statutes of 2019.

AB 186 (Cervantes) Apprenticeship Income Tax Credit: This bill establishes a tax credit of up to \$1,000 under the personal income and corporate tax code for each employee who is a registered apprentice undertaking work related to their certified apprenticeship program. This bill limits the credit to 10 registered apprentices per taxpayer, per taxable year. Status: Pending in the Assembly Committee on Revenue and Taxation, 2019.

AB 371 (Frazier) Updates to the Sustainable Freight Plan: This bill would have required the Governor's Office of Business and Economic Development, by December 31, 2021, to prepare a statewide economic assessment of the California freight sector and to update that assessment at least every five years. The bill would have also required the California State Transportation Agency to incorporate the findings of the assessment into the current and future California State Freight Plans. Status: Held in the Assembly Committee on Appropriations, 2019.

AB 377 (E. Garcia, Mayes) Microenterprise Home Kitchen Operations: This bill clarifies provisions of law governing the authorization and regulation of microenterprise home kitchens (MHKs), including clarifying that only a county or one of four cities with an environmental health department can authorize MHKs, and if authorized by one of these jurisdictions, they are permitted in all areas of those jurisdictions. The bill contains an urgency clause to make the provisions of this bill effective immediately upon enactment. Status: Signed by the Governor, Chapter 536, Statutes of 2019.

AB 417 (Arambula, Mathis, R. Rivas) Agriculture and Rural Prosperity Act: This bill would have established the Agriculture and Rural Prosperity Act (ACT), which would have authorized the Secretary of the California Department of Food and Agriculture (CDFA) to consult with other stakeholders to identify opportunities to further rural agricultural economies. The bill would have also required CDFA to create a position within the department's executive office to assist the Secretary in

implementing the Act. Status: Vetoed by the Governor, 2019. The veto message states: “*I support the creation of new opportunities for CDFA to work with federal, state and local partners to identify new partnerships and innovative solutions to enhance rural economies through technology, education and workforce training. However, I believe establishing the new position and responsibilities envisioned by this bill is better done in the budget and in the context of the broader mission of the department.*”

AB 485 (Medina) Local Economic Development Subsidies for Distribution Centers: This bill requires a local agency, on or after January 1, 2020, to take specified actions to inform the public before approving or granting any economic development subsidy for warehouse distribution centers. The following information is required to be made available to the public in written form and through its Web site, if applicable:

- (1) The names and addresses of all corporations, including members of a commonly controlled group or members of a combined reporting group of which the corporation is a member, or any other business entities, except for sole proprietorships, that are the beneficiaries of the economic development subsidy.
- (2) The names and addresses of all warehouse distribution centers that are the beneficiaries of the subsidy.
- (3) The information required under existing law for any economic development subsidy.
- (4) The estimated number of workers employed through temporary agencies.
- (5) Whether any benefit package is offered, as specified.
- (6) The outreach, training, and hiring plans, including plans to hire disadvantaged workers, for each facility receiving a subsidy.
- (7) A description and total value of any state or federal subsidies applied for, or received by, the warehouse distribution center.
- (8) A description of any accountability measures provided in the contract if the warehouse distribution center does not meet the goal outlined in the contract for subsidies.

Status: Signed by the Governor, Chapter 803, Statutes of 2019.

AB 498 (Weber) Veteran Business Licensing Fee Exemptions: This bill exempts a veteran of the U.S. Armed Forces from paying any local business license fee for a business that provides services if the veteran is the sole proprietor. Status: Signed by the Governor, Chapter 227, Statutes of 2019.

AB 561 (Burke, Cooper) Evaluation of Prison Rehabilitation Programs: This bill requires the Department of Corrections and Rehabilitation, by January 1, 2022, complete a statewide evaluation of assessment tools currently used in state prisons to determine an inmate’s risk of recidivating and need for rehabilitation services and, based on that evaluation, prepare a plan to improve the use of best practice assessment tools. The bill also requires the department, by July 1, 2022, to report to the Legislature regarding the findings of the statewide evaluation and improvement plan. Status: Pending in the Assembly Committee on Public Safety, 2019.

AB 562 (Burke) Performance Measurers for Prison Rehabilitation Programs: This bill requires the Department of Corrections and Rehabilitation to offer an evidence-based cognitive behavioral therapy program at each prison, as specified. The bill also requires the Department of Corrections and Rehabilitation to improve performance measures in order to conduct regular oversight of rehabilitation programs operated in state prisons. The department's performance measures are required to include all of the following information:

- (1) The percentage of inmates with unmet rehabilitation needs nearing release from prison.
- (2) Participation rates for state-funded rehabilitation programs.
- (3) The length of time an inmate participated in a rehabilitation program before being released from prison.
- (4) The length of time required for an inmate in a rehabilitation program to meet specified benchmarks.
- (5) The number of inmates on the waiting list for each rehabilitation program, and the amount of time inmates are on the waiting list before gaining entry to the program.

Status: Pending in the Assembly Committee on Public Safety, 2019.

AB 593 (Carrillo) Access to Unemployment Insurance Data: This bill expands the list of entities which have access to unemployment insurance data to include public workforce entities and local workforce development boards. This bill limits access to only information necessary to and used in the process of evaluating the effectiveness of public workforce training programs. The Employment Development Department is required to develop regulations to protect the privacy of individuals whose data is accessed. Status: Signed by the Governor, Chapter 611, Statutes of 2019.

AB 595 (Medina) Student IDs for Community College Apprenticeship Programs: This bill authorizes a student who does not have a social security number and is enrolled in a community college class or classes pursuant to an apprenticeship training program or an internship training program to use an individual tax identification number for purposes of any background check required by the class or program. Status: Signed by the Governor, Chapter 176, Statutes of 2019.

AB 639 (Cervantes) Just Transition to a Lower Carbon Economy: This bill creates the Task Force on Addressing Workforce Impacts of Transitioning Seaports to a Lower Carbon Economy and requires the Task Force to advise state agencies on effective methods of using available funds. The bill also requires the California Workforce Development Board to present to the Joint Legislative Committee on Climate Change Policies on the impacts on employment of state de-carbonization policies. Status: Pending on the Senate Floor, 2019.

AB 721 (Grayson) Lifting Families out of Poverty: This bill would have established the Lifting Families Out of Poverty Workforce Training Supportive Services Program (Program) to, upon appropriation, offer \$50 million in grants to entities providing supportive services to low-income participants in workforce training programs. More specifically, the bill would have required the California Workforce Development Board, in partnership with the Department of Social Services and the Office of the Chancellor of the California Community Colleges, to establish the Program and to

jointly develop criteria and guidelines to award the \$50 million in grants to eligible consortia. Status: Held in the Assembly Committee on Appropriations, 2019.

AB 742 (Cervantes) Office of Place-Based Economic Strategies Act: This bill would have created the Office of Place-Based Economic Strategies (Office) within the Governor's Office of Business and Economic Development for the purpose of supporting geographically targeted economic development programs such as the Opportunity Zone and Promise Zone programs. The new Office would have served as a liaison between community and economic stakeholders and agencies that oversee related programs and established a process to engage with stakeholders on potential impediments to Opportunity Zone investments. Status: Held in the Assembly Committee on Appropriations, 2019.

AB 791 (Gabriel) Low-Income Housing and Qualified Opportunity Zones: This bill would have provided a \$100 million credit to maintain affordable housing units located in Opportunity Zones and established a set aside within the Low-Income Housing Tax Credit Program to encourage the development of low-income housing units in Opportunity Zones. Status: Held in the Assembly Committee on Appropriations, 2019.

AB 906 (Cooley, Cervantes, Kiley) California Economic Development Strategic Action Plan: This bill would have required the development of the California Economic Development Strategic Action Plan (Action Plan), containing policies, priorities, and actions the state would have used in undertaking economic development activities. Status: Held in the Assembly Committee on Appropriations, 2019.

AB 931 (Boerner Horvath) Gender Representation on Local Boards and Commissions: This bill prohibits, on or after January 1, 2030, the membership of appointed boards and commissions in cities with a population of 50,000 or more from having more than 60% of the same gender identity, and smaller boards and commissions from being comprised entirely of members having the same gender identity. Status: Signed by the Governor, Chapter 813, Statutes of 2019.

AB 951 (Cervantes) New Law School in Riverside: This bill establishes a foundation for the development of a law school associated with the University of California, Riverside. Research shows that access to affordable legal services is an important component to a comprehensive small business support system. Establishing a law school in the Inland Empire would fill this essential role to advancing inclusive economic growth. Status: Pending in the Assembly Committee on Higher Education, 2019.

AB 961 (Reyes) Distributed Energy Resources and Nonenergy Benefits: This bill would have required the California Public Utilities Commission (CPUC) to consider "nonenergy benefits," as defined, for purposes of the CPUC's distributed energy resource (DER) programs, including DER resources, energy efficiency, energy storage, electric vehicles, and demand response technologies. Status: Held in the Assembly Committee on Appropriations, 2019.

AB 1015 (Gipson, Weber) Opportunity Youth Reengagement Program: This bill establishes the Opportunity Youth Reengagement Program for the purpose of supporting the academic and social success of high school pupils who were formerly identified as a dropout, an expelled pupil, or a pupil who had not been enrolled for at least 90 days irrespective of designation. Funding for the program is provided subject to Legislative appropriation and the number of qualifying students that enter into an

agreement for the provision of approved services. Status: Pending in the Assembly Committee on Education, 2019.

AB 1022 (Wicks) California Antihunger Response and Employment Training Act of 2019: This bill establishes the California Antihunger Response and Employment Training (CARET) program within the California Department of Social Services for the purpose of extending certain benefits to individuals who have been determined to be ineligible for or timed out of CalFresh benefits, as specified. Status: Pending in the Senate Committee on Appropriations, 2019.

AB 1099 (Calderon) California Organized Investment Network: This bill extends the sunset date on the California Organized Investment Network (COIN) program within the California Department of Insurance, renews the COIN data call, and expands the categories of qualified investments. Status: Signed by the Governor, Chapter 186, Statutes of 2019.

AB 1259 (L. Rivas, Cervantes, E. Garcia) California New Markets Tax Credit: This bill would have authorized a New Market Tax Credit for qualified business investments in low-income communities beginning in year 2020. The Governor's Office of Business and Economic Development would have been tasked to administer the program. The bill would have authorized \$100 million to be awarded annually. This was part of the JEDE Chair's four-bill package related to Opportunity Zones. Status: Held in the Assembly Committee on Appropriations, 2019.

AB 1274 (Arambula, Salas) California Partnership for the San Joaquin Valley: This bill updates and codifies the California Partnership for the San Joaquin Valley, a public/private partnership established for the purpose of collaboratively undertaking activities to improve the economic vitality of the San Joaquin Valley. Status: Pending in the Senate Committee on Business, Professions, and Economic Development, 2019.

AB 1276 (Bonta) Green New Deal: This bill expresses the intent of the Legislature to enact legislation to develop and implement a Green New Deal with the objective of reaching all of the following environmental outcomes within the target window of 10 years from the start of execution of the plan:

- (1) Expanding existing eligible renewable energy resources and deploying new production capacity with the goal of meeting 100% of national electrical demand through renewable and carbon free sources.
- (2) Building a national, energy-efficient "smart" grid.
- (3) Upgrading every residential and industrial building for state-of-the-art energy efficiency, comfort, and safety.
- (4) Eliminating emissions of greenhouse gases from the manufacturing, agricultural, and other industries, including by investing in local-scale agriculture in communities across the country.
- (5) Eliminating emissions of greenhouse gases from, and repairing and improving, transportation and other infrastructure, and upgrading water infrastructure to ensure universal access to clean water.
- (6) Funding significant investments that result in the reduction of greenhouse gases.

(7) Making “green” technology, industry, expertise, products, and services a major export of the U.S., with the aim of becoming the undisputed international leader in helping other countries transition to completely greenhouse gas neutral economies and bringing about a global Green New Deal.

Status: Pending in the Assembly Committee on Rules, 2019.

AB 1314 (Medina, Boerner Horvath, McCarty, Quirk-Silva, Voepel) Cal Grant Reform Act: This bill makes a number of significant reforms to the state’s Cal Grant student financial aid programs and creates the summer Cal Grant program. These changes include, but are not limited to:

- (1) Consolidating the Cal Grant A, B, and C Programs into one Cal Grant Program.
- (2) Consolidating the Middle Class Scholarship into the one Cal Grant Program.
- (3) Authorizing the use of Cal Grant awards during summer terms and/or sessions.
- (4) Removing the competitive criteria from the Cal Grant Program by eliminating the criteria regarding age, years out of high school, grade point average, and AB 540 status.
- (5) Requiring the California Student Aid Commission to develop a new Cal Grant Program funding formula using student need, based on family income, and total cost of attendance to determine the award amounts for students. The formula will address tuition and non-tuition costs, such as books, transportation, housing, and personal costs. The goal of the new funding formula is to place students on a path toward a debt free education.

Status: Pending in the Senate Committee on Education, 2019.

AB 1431 (Burke, E. Garcia) Greenhouse Gas Reduction and Workforce Development: This bill expresses the intent of the Legislature to enact legislation on the need for increased education, career technical education, job training, and workforce development resources to assist industry, workers, and communities in transitioning to a lower carbon economy based on a specified report, which was required to be provided to the Legislature on or before January 2019. Status: Pending in the Assembly Committee on Rules, 2019.

AB 1479 (Cervantes) Opportunity Zone Credit Enhancement: This bill would have established a credit enhancement program through the California Infrastructure and Economic Development Bank for projects located in an Opportunity Zone that met certain social, economic, and environmental criteria, including creating wealth and asset building within the local community. This was part of the JEDE Chair’s four-bill package related to Opportunity Zones. Status: Held in the Assembly Committee on Appropriations, 2019.

AB 1526 (Carrillo) Restaurant Equity and Desegregation Program: This bill establishes the Restaurant Equity and Desegregation Program for the purpose of fostering workplace equity in California restaurants. The bill requires GO-Biz to annually promote a restaurant week during the month of January in order to highlight restaurants who are participating in specified activities that promote workplace equity. Status: Pending in the Assembly Committee on Jobs, Economic Development, and the Economy, 2019.

AB 1533 (Eggman) Targeted Procurement Authority for Local Public Contracts: This bill expands the number of counties in which local agencies are authorized to use enhanced procurement preference provisions from 11 to 12 by adding San Joaquin County to the list of eligible areas. This includes a higher value for the small business preference and two new preference categories: a disabled veteran business preference and a social enterprise preference. Status: Signed by the Governor, Chapter 49, Statutes of 2019.

AB 1542 (B. Rubio) Income Taxes: Worker Training Program Tax Credit: This bill would have established a tax credit worth 30% of amounts paid or incurred by the employer to implement a worker training program. The bill would have limited the annual total value of the credit to a single taxpayer in a single year to \$5,000, the application of the credit to tax years 2020 through 2024, and eligibility to taxpayers who are in an industry that is facing a shortage of workers due to a lack of technical skills, experiencing technological disruption, or providing middle-skill occupations. Status: Held in the Assembly Committee on Appropriations, 2019.

AB 1545 (Obernolte) Civil Penalty Reduction Policy for Small Businesses: This bill would have required a state agency, as defined, to assist small businesses in complying with statutes and regulations and to establish policies that would have allowed small businesses, under certain specified circumstances, to have the total amount of civil penalties reduced for noncompliance. Status: Held in the Assembly Committee on Appropriations, 2019.

AB 1558 (Ramos) Apprenticeship Programs at High School Career Fairs: This bill would have required a local school district or a school planning a college or career fair to notify apprenticeship programs in their county utilizing contact information from the database of approved apprenticeship programs published by the Division of Apprenticeship Standards on its internet website. Status: Vetoed by the Governor, 2019. The veto message states: “*Many schools and school districts already include apprenticeship programs as part of their career fair outreach. While the intentions of this bill are commendable, this bill is could result in additional costs to schools, which are already under significant financial stress.*”

AB 1577 (Burke) Microenterprise Development: This bill revises and recasts microenterprise provisions in the Business and Professions Code (BPC) to the Government Code; eliminates one of two requirements necessary to meet the statutory definition of microenterprise; and states findings and declarations. Status: Pending on the Senate Floor, 2019.

AB 1701 (Cervantes) Teacher Village and Other Local Projects: This bill establishes a process of state participation in significant local redevelopment projects, administered by the California Infrastructure and Economic Development Bank. More specifically, a local government is authorized to apply for a portion of the tax increment attributed to a school district’s share, which could then be dedicated to projects within a redevelopment project area, including, but not limited to, teacher villages. Status: Pending in the Assembly Committee on Jobs, Economic Development, and the Economy, 2019.

AB 1720 (Carrillo) General Plan Guidelines to Support Small Business: This bill requires the Governor’s Office of Planning and Research to develop and adopt supplemental general plan guidelines to assist cities and counties in planning and implementing policies and practices that support

small businesses within their jurisdictions. The bill requires the guidelines to be developed through a collaborative process with other public and private organizations that serve the needs of small business, economic development, and neighborhood revitalization, including the Governor's Office of Business and Economic Development. Status: Pending on the Senate Floor, 2019.

AB 1726 (Arambula) Work Opportunity Tax Credit: This bill would have established the California Work Opportunity Tax Credit (CalWOTC), which would have authorized a credit under the personal income tax and the corporate tax of up to 40% of a qualified worker's wages, not to exceed \$2,400 per employee. Eligible new hires would have included individuals from groups which have historically been underserved, including veterans, disabled individuals, and individuals who access public assistance. This is part of the JEDE Chair's four-bill package related to Opportunity Zones. Status: Held in the Assembly Committee on Appropriations, 2019.

AB 1727 (Weber) Community Colleges' Career Development and College Preparation Courses: This bill would have authorized an alternative method for determining the amount of full-time equivalent students (FTEs) enrolled in career development and college preparation courses at a California Community College, which were not open-entry/open-exit courses. The bill would have allowed the FTEs to be calculated using either ongoing attendance counts or a census date count, as specified. Status: Vetoed by the Governor, 2019. The veto message states: "*This bill changes how enrollment in these courses is tracked and would likely increase costs by tens of millions of dollars. For this reason, I am unable to sign this bill.*"

AB 1808 (Committee on Jobs - Cervantes, Cunningham, Chau, Chen, Ramos, L. Rivas, Smith) Small Business Participation Goal in State Procurement: As this bill passed the JEDE Committee, this bill codified the 25% small business procurement participation goal and made other related changes to enhance the state's targeted procurement programs. In the Senate, the bill was amended to relate to a different subject matter. Status: No longer relevant to this list of bills.

ACA 1 (Aguiar-Curry) Local Voter Approval for Affordable Housing and Public Infrastructure: This bill lowers the vote threshold from two-thirds to 55% for approving local (city, county, and special district) general obligation (GO) bonds and certain special taxes for affordable housing, public infrastructure, and permanent supportive housing projects, and defines those terms. This bill adds additional requirements by requiring a local proposition involving GO bonds or a special tax include all of the following:

- (1) A requirement that the proceeds from the bonds or taxes be used only for the specified purposes, and not employee salaries or other operating expenses.
- (2) A list of specific projects to be funded from the proceeds of the GO bond or special taxes.
- (3) A certification that the city, county, or special district has evaluated alternative funding sources.
- (4) A requirement that the city, county, or special district conduct both an annual performance audit and an independent financial audit, which will be posted in a manner making the documents easily accessible to the public.
- (5) A requirement that the city, county, or special district appoint a citizens' oversight committee to ensure that the proceeds of the bonds or special tax are expended only for the purposes described in the measure approved by the voters.

Status: Pending under a motion to reconsider on the Assembly Floor, 2019.

ACR 125 (Jones-Sawyer, Holden) Bias and Discrimination in Hiring: This resolution memorializes the position of the California Legislature that policymakers in both federal and state government explore ways to promote the development and use of new technologies to reduce bias and discrimination in hiring and employment. Status: Pending in the Senate Committee on Rules, 2019.

AJR 7 (Gloria) Green New Deal: This resolution memorializes the position of the California Legislature that the U.S. Congress should adopt climate policies, including those that might be adopted under the Green New Deal, that build upon California's programs that have reduced greenhouse gas emissions, create new green jobs, and improve the quality of life for disadvantaged communities. Status: Pending in the Senate Committee on Rules, 2019.

SB 51 (Hertzberg) Cannabis Limited Charter Banking and Credit Union Law: This bill provides for the licensure and supervision of cannabis limited charter banks and credit unions authorized to offer limited depository services to cannabis businesses. Status: Pending on the Assembly Floor, 2019

SB 315 (Hertzberg) California Opportunity Zone: This bill establishes the California Opportunity Fund, governed by a seven member public board, which is comprised of constitutional officers and Governor appointments. For state tax purposes, capital gains invested in the California Opportunity Fund would conform to federal tax treatment provisions. The bill also requires the Governor's Office of Business and Economic Development to track opportunity zones investments, as specified. Status: Pending in the Assembly Committee on Revenue and Taxation, 2019.

SB 455 (Bradford, Chang) Financial Empowerment Fund: This bill creates the Financial Empowerment Fund and authorizes, until January 1, 2025, the Commissioner of Business Oversight to award grants from that fund to nonprofit organizations that offer financial education and financial empowerment programs and services to at-risk populations in California. Status: Signed by the Governor, Chapter 478, Statutes of 2019.

SB 531 (Glazer) Sales Tax Kick-backs to Retailers: This bill would have prohibited a local agency from entering into any agreement that results in a rebate of Bradley-Burns local tax revenues to a retailer in exchange for that retailer locating within that agency's jurisdiction. Status: Vetoed by the Governor, 2019.

SB 534 (Bradford) Insurers and Minority, Women, LGBT, Veteran, and Disabled Veteran Business Enterprises: This bill establishes the Insurance Diversity Task Force, appointed by the Insurance Commissioner, and reinstates the mandate that an insurer with California written premiums over \$100 million report biennially to the Department of Insurance on the diversity of its procurement activities and demographic make-up of its corporate board. The insurer is also required to report on its efforts to increase diversity on its governing board and contracting activities. Status: Signed by the Governor, Chapter 249, Statutes of 2019.

SB 635 (Hueso) Opportunity Zone Tax Conformity: This bill would have conformed state tax law to federal law for investments made in designated opportunity zones. Status: Held in the Senate Committee on Appropriations, 2019.

SB 716 (Mitchell, Roth) Access to Education and Training for Juvenile Offenders: This bill requires the county probation departments to ensure that juveniles with a high school diploma or California high school equivalency certificate who are detained in, or committed to, a juvenile hall, ranch, camp, or forestry camp have access to, and can choose to participate in, public postsecondary academic and career technical courses and programs offered online, and for which they are eligible, as specified. This bill applies similar requirements for juveniles detained in or committed to facilities operated by the Division of Juvenile Facilities of the Department of Corrections and Rehabilitation. Status: Signed by the Governor, Chapter 857, Statutes of 2019.

SB 736 (Umbert) Creative Economy Incentive Program: This bill would have established the Creative Economy Incentive Program, administered through the Governor's Office of Business and Economic Development, by which a nonprofit organization or state or local government entity could have applied for an award of financial support in excess of the estimated increase in tax revenues related to hosting a creative economy event. Successful applicants could have reflected these awards as part of their bid proposal and received reimbursement of certain costs associated with hosting the event. State funding would have been protected by a mandatory post-event evaluation of actual tax receipts received from the designated market area. Status: Held in the Assembly Committee on Appropriations, 2019.

Section III – Building a Workforce for a Prosperous and Inclusive Economy

As California prepares to be competitive within the 4th Industrial Revolution, businesses and workers need additional skills to face an economy that is comprised of more highly integrated industry sectors that are also more geographically dispersed. Competitiveness is increasingly defined in terms of speed, flexibility, specialization, and innovation. These changes are placing new challenges on California's education and workforce training systems.

Chart 8 identifies eight of the major domestic and global trends the Assembly Jobs Committee is tracking that are significantly influencing the U.S. and global economies. Several of these trends will have significant impacts on workforce development in particular.

Chart 8 – Trends Economic Competitiveness

1. Regions serve as foundational economic development units. Governments need program delivery strategies that support this regional dynamic.
2. Competitive regions need to demonstrate their connectivity to global information and transportation networks.
3. With trade policies in flux, competitive regions must double down on their efforts to identify and remove barriers to trade among both developed and emerging economies.
4. As foreign markets continue to mature, the headquarters of the world's largest companies will increasingly be located outside the U.S. and often in emerging foreign markets. Competitive regions will have policies and infrastructure that recognize this shift and help domestic workers and businesses remain relevant.
5. Entrepreneurs and smaller size businesses have unique advantages in reaching global and more diversified markets. Competitive regions know how to leverage these advantages and provide for broader economic prosperity.
6. Scarcity and rising prices of natural resources, amplified by the impacts of climate change, increase pressure on the deployment of cleaner technologies.
7. Accessing an appropriately skilled workforce is a top concern for business. There is an urgency to addressing historical educational and training inequities among California's racially and ethnically diverse workforce.

Regional economies serve as one of the primary drivers of competitiveness and economic growth in California. The economic foundation of the state's strongest 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 arise in areas where universities, research facilities, and businesses within related industry sectors converge to establish a critical mass of skilled workers in that same industry. Though the economic composition of regions may differ, each California region has specific strengths. From information technology, to agriculture, biotech, and aerospace, California regions support and incubate some of the most innovative businesses in the world. In many instances, California's dominant regional industries also represent the largest cluster of the industry in the U.S. and sometimes the world. Meeting the workforce needs of these diverse

dominant, as well as emerging, industry sectors is essential to the competitiveness of California economy.

An additional competitiveness requirement is addressing the workforce needs of California's smaller-size businesses. The federal Small Business Administration estimates that small businesses employ about half of all workers and 76% of all business establishments are single owner-operators (sole proprietorships). 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 show that 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' and "4th Industrial Revolution," provided these entrepreneurs are able to learn the skill sets necessary to run a successful business and have access to appropriately trained workers.

Advances in information technology and the need for more environmentally neutral products place additional content requirements on basic education and training delivery systems. Even entry-level workers must be digitally literate and have mastery over a range of soft skills, such as the ability to work in teams, actively listen, communicate effectively with co-workers and bosses, and negotiate workplace needs in a positive manner. Unlike hard skills, which focus on the ability of a worker to perform a certain task, it is soft skills that provide the employee with the tools necessary to learn and advance in the state's continually evolving workplace environment. One estimate is that half of all jobs that exist today will be obsolete within a decade, which means workplace competitiveness includes being resilient and capable of learning new skills.

Shifts in California's Workforce Paradigm

As early as 2012, California workforce policies were transitioning toward more regional approaches. With the implementation of the federal Workforce Innovation and Opportunity Act of 2014 (WIOA) federal and state policy aligned, which allowed California to more concretely focus on regionally significant emerging and dominant industries and integrate planning from multiple local workforce boards.

The state's WIOA implementation plan serves as a key document for outlining how California's education, workforce training, and business development activities align and can serve to strengthen an organization's mission, goals, and objectives. According to the Legislative Analyst's Office (LAO), California spends \$6.5 billion annually on more than two dozen workforce programs, approximately 62% of which are state funds. In developing the state's WIOA implementation plan, the LAO document states that the plan is designed to provide a foundation for partnerships beyond federally funded core labor programs and to engage related programs, such as Temporary Assistance to Needy Families, Adult Education Block Grants, and career technical education programs offered through the California Community College system and K-12 public education.

The purpose of these broader partnerships is to provide a more comprehensive framework between private industry and the state's publically funded workforce and education systems that support regional competitiveness, entrepreneurship, apprenticeships, and other 'earn and learn' strategies. Serving individuals who have historically faced barriers to employment is another key feature of the

state's plan, which proposes to address the state's growing challenge with income inequality by developing career pathways that provide workers with economic security and career advancement.

The WIOA implementation process was 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 framework resulted in the rollout of the Strong Workforce Initiative by the California Community College Chancellor's Office, which also called for a more responsive approach to the needs of businesses and other employers within the regions.

Legislation passed as part of recent budget approval processes (beginning as early as 2015-16) provides both substantial and additional revenues for career technical education through the K-12 public education system and removed barriers to the sharing of information to improve tracking of activities and outcomes.

In the most recent budget (fiscal year 2019-20), over \$5 billion was approved for early childhood education, transitional kindergarten, and quality child care. This funding goes toward the initial implementation of the report recommendations of the Assembly Blue Ribbon Commission on Early Childhood Education, established by Assembly Speaker Anthony Rendon.

Early childhood education represents an important new series of investments California is making in the state's long-term economic health. Research shows that when three and four year olds receive support in learning cognition, language, motor skills, adaptive skills and social-emotional functioning they are more likely to succeed in school and contribute to society later in life. As an example, those children who participated in a quality preschool program ultimately earned up to \$2,000 more per month than those who were not; these individuals were also more likely to graduate from high school and own a home in comparison to their counterparts

California's Future Economic Growth and External Markets

The California Economic Development Department's ten-year forecast cites continued population growth and the rise of foreign imports and exports to be key contributors to the state's long-term job growth. By 2026, it is estimated that California's civilian labor force will reach 19.7 million, including self-employment, unpaid family workers, private household workers, and farm and nonfarm workers. This estimate represents a 10.7% increase over the ten-year period with an additional 1.9 million jobs.

While these new jobs are a welcomed development, they also pose a new challenge. A 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 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 9 – Projected Job Growth in Employment 2016-2026 (ranked by number of jobs)

	Industry Sector	Percent Change	Increase in Jobs		Industry Sector	Percent Change	Increase in Jobs
1	Educational Services, Health Care, and Social Assistance	23.9%	607,400	7	Information	14.6%	76,600
2	Professional and Business Services	11.1%	280,200	8	Other Services (excludes private household services)	10.1%	55,900
3	Leisure and Hospitality	13.3%	252,300	9	Financial Activities	5.2%	42,600
4	Trade, Transportation, and Utilities	6.7%	200,000	10	Total Farm	3.5%	15,000
5	Construction	20.5%	158,600	11	Manufacturing	0.1%	1,300
6	Government	4.6%	116,100	12	Mining	-8.0%	-1,800

As shown in **Chart 9**, 59% of the increase in jobs is expected in three industry sectors which generally require specialized education and training, including education and health care services; construction, and information.

Legislation from 2019-2020 Session

Below is a summary of the legislation heard by, or of interest to, JEDE during the 2019-2020 Legislation Session relating to workforce development. Legislation not heard by JEDE is marked with asterisks (**). Related hearings are summarized in **Section IX**, and budget actions are outlined in **Section X**.

AB 5 (L. Gonzalez) Independent Contractors: This bill codifies and expands the recent *Dynamex Operations West v. Superior Court* (2018) 4 Cal. 5th 903 decision, requiring that employers prove that their workers can meet a three part test in order to be lawfully classified as independent contractors. This test, commonly referred to as the ABC test, requires that a person providing labor or services for remuneration must be considered an employee unless the hiring entity demonstrates that all of the following conditions are satisfied:

- (a) The person is free from the control and direction of the hiring entity in connection with the performance of the work, both under the contract for the performance of the work and in fact.
- (b) The person performs work that is outside the usual course of the hiring entity's business.
- (c) The person is customarily engaged in an independently established trade, occupation, or business of the same nature as that involved in the work performed.

The bill also includes a list of employment positions which are excluded under the bill, including, but not limited to, licensed insurance brokers; licensed physicians and surgeons, dentists, podiatrists, psychologists, lawyers, architects, engineers, private investigators, veterinarians, and accountants, provided that the medical fields listed above are not covered by a collective bargaining agreement; registered securities broker-dealers, investment advisors, or their agents and advisors; a direct salesperson, provided that the salesperson's compensation is based on actual sales, rather than wholesale purchases or referrals; commercial fishermen, as specified; and real estate licensees and

repossession agents, as provided under existing licensure provisions, as specified. Status: Signed by the Governor, Chapter 296, Statutes of 2019.

AB 23 (Burke) Business and Workforce Coordination Unit within GO-Biz: This bill would have established the Business Workforce Coordination Unit within the Governor's Office of Business and Economic Development (GO-Biz) for the purpose of engaging with industry and business on aligning career technical education and workforce training programs with regional and local labor demand, as specified. Status: Vetoed by the Governor, 2019. The veto message states: "*Ensuring employer input in the state's workforce development system is an important aim, yet this bill would inappropriately duplicate statutory responsibilities of the California Workforce Development Board. In addition, with a plan to create a new Future of Work department underway, it would be premature to create this new unit before the new department is operational and a framework for its industry engagement efforts has been established.*"

AB 30 (Holden) College and Career Access Pathway Partnerships: This bill streamlines the process for developing College and Career Access Pathway partnerships (CCAP). Among other changes, the bill modifies the process for adopting CCAP partnership agreements, authorizes a high school student to submit one community college application which applies for the duration of their attendance, and extends the sunset of the CCAP partnership from January 1, 2022, to January 1, 2027. Status: Signed by the Governor, Chapter 510, Statutes of 2019.

AB 186 (Cervantes) Apprenticeship Income Tax Credit: This bill establishes a tax credit of up to \$1,000 under the personal income and corporate tax code for each employee who is a registered apprentice undertaking work related to their certified apprenticeship program. This bill limits the credit to 10 registered apprentices per taxpayer, per taxable year. Status: Pending in the Assembly Committee on Revenue and Taxation, 2019.

AB 245 (Muratsuchi) California Aerospace and Aviation Commission: This bill enacts the California Aerospace and Aviation Act of 2019 (Act), which establishes a 15-member California Aerospace and Aviation Commission (Commission) for the purpose of serving as a central point of contact for related industries and supporting the health and competitiveness of these industries in California. The Commission is placed within the administrative control of the Governor's Office of Business and Economic Development. Authority for the operation of the Commission sunsets on January 1, 2025. Status: Pending in the Senate Committee on Governmental Organization, 2019.

AB 561 (Burke, Cooper) Evaluation of Prison Rehabilitation Programs: This bill requires the Department of Corrections and Rehabilitation, by January 1, 2022, complete a statewide evaluation of assessment tools currently used in state prisons to determine an inmate's risk of recidivating and need for rehabilitation services and, based on that evaluation, prepare a plan to improve the use of best practice assessment tools. The bill also requires the department, by July 1, 2022, to report to the Legislature regarding the findings of the statewide evaluation and improvement plan. Status: Pending in the Assembly Committee on Public Safety, 2019.

AB 562 (Burke) Performance Measurers for Prison Rehabilitation Programs: This bill requires the Department of Corrections and Rehabilitation to offer an evidence-based cognitive behavioral therapy program at each prison, as specified. The bill also requires the Department of Corrections and

Rehabilitation to improve performance measures in order to conduct regular oversight of rehabilitation programs operated in state prisons. The department's performance measures are required to include all of the following information:

- (1) The percentage of inmates with unmet rehabilitation needs nearing release from prison.
- (2) Participation rates for state-funded rehabilitation programs.
- (3) The length of time an inmate participated in a rehabilitation program before being released from prison.
- (4) The length of time required for an inmate in a rehabilitation program to meet specified benchmarks.
- (5) The number of inmates on the waiting list for each rehabilitation program, and the amount of time inmates are on the waiting list before gaining entry to the program.

Status: Pending in the Assembly Committee on Public Safety, 2019.

AB 593 (Carrillo) Access to Unemployment Insurance Data: This bill expands the list of entities which have access to unemployment insurance data to include public workforce entities and local workforce development boards. This bill limits access to only information necessary to and used in the process of evaluating the effectiveness of public workforce training programs. The Employment Development Department is required to develop regulations to protect the privacy of individuals whose data is accessed. Status: Signed by the Governor, Chapter 611, Statutes of 2019.

AB 595 (Medina) Student IDs for Community College Apprenticeship Programs: This bill authorizes a student who does not have a social security number and is enrolled in a community college class or classes pursuant to an apprenticeship training program or an internship training program to use an individual tax identification number for purposes of any background check required by the class or program. Status: Signed by the Governor, Chapter 176, Statutes of 2019.

AB 639 (Cervantes) Just Transition to a Lower Carbon Economy: This bill creates the Task Force on Addressing Workforce Impacts of Transitioning Seaports to a Lower Carbon Economy and requires the Task Force to advise state agencies on effective methods of using available funds. The bill also requires the California Workforce Development Board to present to the Joint Legislative Committee on Climate Change Policies on the impacts on employment of state de-carbonization policies. Status: Pending on the Senate Floor, 2019.

AB 721 (Grayson) Lifting Families out of Poverty: This bill would have established the Lifting Families Out of Poverty Workforce Training Supportive Services Program (Program) to, upon appropriation, offer \$50 million in grants to entities providing supportive services to low-income participants in workforce training programs. More specifically, the bill would have required the California Workforce Development Board, in partnership with the Department of Social Services and the Office of the Chancellor of the California Community Colleges, to establish the Program and to jointly develop criteria and guidelines to award the \$50 million in grants to eligible consortia. Status: Held in the Assembly Committee on Appropriations, 2019.

AB 872 (Aguiar-Curry) Parent to Child Transfer of Residence: This bill modifies the property tax ownership exclusion in the case of a parent to child transfer of stock in a qualified corporation following the last surviving parent's death. The exclusion is limited in scope to the parents' residence and the parcel of land upon which the home is located provided that the property's assessed value does not exceed \$1 million and that the residence has continuously served as the child's home. Status: Signed by the Governor, Chapter 685, Statutes of 2019.

AB 906 (Cooley, Cervantes, Kiley) California Economic Development Strategic Action Plan: This bill would have required the development of the California Economic Development Strategic Action Plan (Action Plan), containing policies, priorities, and actions the state would have used in undertaking economic development activities. Status: Held in the Assembly Committee on Appropriations, 2019.

AB 931 (Boerner Horvath) Gender Representation on Local Boards and Commissions: This bill prohibits, on or after January 1, 2030, the membership of appointed boards and commissions in cities with a population of 50,000 or more from having more than 60% of the same gender identity, and smaller boards and commissions from being comprised entirely of members having the same gender identity. Status: Signed by the Governor, Chapter 813, Statutes of 2019.

AB 1015 (Gipson, Weber) Opportunity Youth Reengagement Program: This bill establishes the Opportunity Youth Reengagement Program for the purpose of supporting the academic and social success of high school pupils who were formerly identified as a dropout, an expelled pupil, or a pupil who had not been enrolled for at least 90 days irrespective of designation. Funding for the program is provided subject to Legislative appropriation and the number of qualifying students that enter into an agreement for the provision of approved services. Status: Pending in the Assembly Committee on Education, 2019.

AB 1022 (Wicks) California Antihunger Response and Employment Training Act of 2019: This bill establishes the California Antihunger Response and Employment Training (CARET) program within the California Department of Social Services for the purpose of extending certain benefits to individuals who have been determined to be ineligible for or timed out of CalFresh benefits, as specified. Status: Pending in the Senate Committee on Appropriations, 2019.

AB 1028 (L. Gonzalez) Clean Energy Job Creation Program: This bill would have required the California Energy Commission, in allocating grants to local educational agencies (LEAs) as part of the Proposition 39 – Clean Energy Job Creation Program, to also give priority based on a LEA's utilization of apprentices from state-approved apprenticeship and pre-apprenticeship programs, as specified. This bill would have also explicitly authorized program expenditures associated with employee training and energy managers. Status: Held in the Senate Committee on Appropriations, 2019.

AB 1314 (Medina, Boerner Horvath, McCarty, Quirk-Silva, Voepel) Cal Grant Reform Act: This bill makes a number of significant reforms to the state's Cal Grant student financial aid programs and creates the summer Cal Grant program. These changes include, but are not limited to:

- (1) Consolidating the Cal Grant A, B, and C Programs into one Cal Grant Program.
- (2) Consolidating the Middle Class Scholarship into the one Cal Grant Program.
- (3) Authorizing the use of Cal Grant awards during summer terms and/or sessions.
- (4) Removing the competitive criteria from the Cal Grant Program by eliminating the criteria regarding age, years out of high school, grade point average, and AB 540 status.
- (5) Requiring the California Student Aid Commission to develop a new Cal Grant Program funding formula using student need, based on family income, and total cost of attendance to determine the award amounts for students. The formula will address tuition and non-tuition costs, such as books, transportation, housing, and personal costs. The goal of the new funding formula is to place students on a path toward a debt free education.

Status: Pending in the Senate Committee on Education, 2019.

AB 1411 (Reyes) Integrated Action Plan for Sustainable Freight: This bill sets a state goal of deploying 200,000 zero emission medium- and heavy-duty vehicles and off-road vehicles and equipment, and the corresponding infrastructure to support them, by 2030. The bill requires GO-Biz and Caltrans (among others) to develop an integrated action plan by January 1, 2021, to meet this goal. Status: Pending in the Assembly Committee on Transportation, 2019.

AB 1430 (E. Garcia, Burke) Greenhouse Gas Reduction Investments: This bill requires the California Public Utilities Commission, the State Air Resources Board, the California Transportation Commission, and the Labor and Workforce Development Agency to provide the Legislature, by January 1, 2021, a joint assessment of options to redefine “cost effective” for the purpose of prioritizing public investment opportunities. When assessing options, the bill requires the consideration of the economic, environmental, and public health benefits to the state; energy or transportation costs to households; and alignment with other state programs or priorities. In implementing this bill, the government agencies are required to conduct a joint public process that includes soliciting comments from stakeholders. Status: Pending in the Assembly Committee on Appropriations, 2019.

AB 1431 (Burke, E. Garcia) Greenhouse Gas Reduction and Workforce Development: This bill expresses the intent of the Legislature to enact legislation on the need for increased education, career technical education, job training, and workforce development resources to assist industry, workers, and communities in transitioning to a lower carbon economy based on a specified report, which was required to be provided to the Legislature on or before January 2019. Status: Pending in the Assembly Committee on Rules, 2019.

AB 1479 (Cervantes) Opportunity Zone Credit Enhancement: This bill would have established a credit enhancement program through the California Infrastructure and Economic Development Bank for projects located in an Opportunity Zone that met certain social, economic, and environmental criteria, including creating wealth and asset building within the local community. This was part of the JEDE Chair’s four-bill package related to Opportunity Zones. Status: Held in the Assembly Committee on Appropriations, 2019.

AB 1526 (Carrillo) Restaurant Equity and Desegregation Program: This bill establishes the Restaurant Equity and Desegregation Program for the purpose of fostering workplace equity in California restaurants. The bill requires GO-Biz to annually promote a restaurant week during the month of January in order to highlight restaurants who are participating in specified activities that promote workplace equity. Status: Pending in the Assembly Committee on Jobs, Economic Development, and the Economy, 2019.

AB 1542 (B. Rubio) Income Taxes: Worker Training Program Tax Credit: This bill would have established a tax credit worth 30% of amounts paid or incurred by the employer to implement a worker training program. The bill would have limited the annual total value of the credit to a single taxpayer in a single year to \$5,000, the application of the credit to tax years 2020 through 2024, and eligibility to taxpayers who are in an industry that is facing a shortage of workers due to a lack of technical skills, experiencing technological disruption, or providing middle-skill occupations. Status: Held in the Assembly Committee on Appropriations, 2019.

AB 1558 (Ramos) Apprenticeship Programs at High School Career Fairs: This bill would have required a local school district or a school planning a college or career fair to notify apprenticeship programs in their county utilizing contact information from the database of approved apprenticeship programs published by the Division of Apprenticeship Standards on its internet website. Status: Vetoed by the Governor, 2019. The veto message states: “*Many schools and school districts already include apprenticeship programs as part of their career fair outreach. While the intentions of this bill are commendable, this bill is could result in additional costs to schools, which are already under significant financial stress.*”

AB 1701 (Cervantes) Teacher Village and Other Local Projects: This bill establishes a process of state participation in significant local redevelopment projects, administered by the California Infrastructure and Economic Development Bank. More specifically, a local government is authorized to apply for a portion of the tax increment attributed to a school district’s share, which could then be dedicated to projects within a redevelopment project area, including, but not limited to, teacher villages. Status: Pending in the Assembly Committee on Jobs, Economic Development, and the Economy, 2019.

AB 1726 (Arambula) Work Opportunity Tax Credit: This bill would have established the California Work Opportunity Tax Credit (CalWOTC), which would have authorized a credit under the personal income tax and the corporate tax of up to 40% of a qualified worker’s wages, not to exceed \$2,400 per employee. Eligible new hires would have included individuals from groups which have historically been underserved, including veterans, disabled individuals, and individuals who access public assistance. This is part of the JEDE Chair’s four-bill package related to Opportunity Zones. Status: Held in the Assembly Committee on Appropriations, 2019.

AB 1727 (Weber) Community Colleges’ Career Development and College Preparation Courses: This bill would have authorized an alternative method for determining the amount of full-time equivalent students (FTEs) enrolled in career development and college preparation courses at a California Community College, which were not open-entry/open-exit courses. The bill would have allowed the FTEs to be calculated using either ongoing attendance counts or a census date count, as specified. Status: Vetoed by the Governor, 2019. The veto message states: “*This bill changes how*

enrollment in these courses is tracked and would likely increase costs by tens of millions of dollars. For this reason, I am unable to sign this bill.”

ACR 125 (Jones-Sawyer, Holden) Bias and Discrimination in Hiring: This resolution memorializes the position of the California Legislature that policymakers in both federal and state government explore ways to promote the development and use of new technologies to reduce bias and discrimination in hiring and employment. Status: Pending in the Senate Committee on Rules, 2019.

SB 455 (Bradford, Chang) Financial Empowerment Fund: This bill creates the Financial Empowerment Fund and authorizes, until January 1, 2025, the Commissioner of Business Oversight to award grants from that fund to nonprofit organizations that offer financial education and financial empowerment programs and services to at-risk populations in California. Status: Signed by the Governor, Chapter 478, Statutes of 2019.

SB 554 (Roth) Advanced Scholastic and Vocational Training Program: This bill authorizes the governing board of a school district overseeing an adult education program, or the governing board of a community college district overseeing a noncredit program, to authorize a student pursuing a high school diploma or a high school equivalency certificate, upon recommendation of the administrator of the student’s adult school or noncredit program of attendance, to attend a community college during any session or term as a special-admit part-time student. Status: Signed by the Governor, Chapter 528, Statutes of 2019.

SB 586 (Roth) College and Career Access Pathways Partnerships: This bill would have required, as a condition of adopting a career technical education College and Career Access Pathways partnership agreement, that the governing boards of a school district and community college district consult with the appropriate local workforce development board to determine the extent to which the pathways are aligned with regional and statewide employment needs. Status: Signed by the Governor, Chapter 529, Statutes of 2019.

SB 716 (Mitchell, Roth) Access to Education and Training for Juvenile Offenders: This bill requires the county probation departments to ensure that juveniles with a high school diploma or California high school equivalency certificate who are detained in, or committed to, a juvenile hall, ranch, camp, or forestry camp have access to, and can choose to participate in, public postsecondary academic and career technical courses and programs offered online, and for which they are eligible, as specified. This bill applies similar requirements for juveniles detained in or committed to facilities operated by the Division of Juvenile Facilities of the Department of Corrections and Rehabilitation. Status: Signed by the Governor, Chapter 857, Statutes of 2019.

SB 736 (Umberg) Creative Economy Incentive Program: This bill would have established the Creative Economy Incentive Program, administered through the Governor’s Office of Business and Economic Development, by which a nonprofit organization or state or local government entity could have applied for an award of financial support in excess of the estimated increase in tax revenues related to hosting a creative economy event. Successful applicants could have reflected these awards as part of their bid proposal and received reimbursement of certain costs associated with hosting the event. State funding would have been protected by a mandatory post-event evaluation of actual tax

receipts received from the designated market area. Status: Held in the Assembly Committee on Appropriations, 2019.

SB 738 (Hueso) Initiative for Californians Abroad in Mexico City, Mexico: This bill would have established the Initiative for Californians Abroad for the purpose of furthering the state's interests in Mexico and increasing access to state services for Californians in Mexico. Under the provisions of the bill, the Initiative would have authorized the following:

- (1) Facilitate access to services which require cross border coordination, including, but not limited to, repatriation of human remains between California and Mexico.
- (2) Establish the Mexico International Trade and Investment Program.
- (3) Increase tourism opportunities for Mexicans traveling in California.
- (4) Facilitate border infrastructure improvements.
- (5) Support binational disaster relief efforts.
- (6) Increase the use of renewable energy and the implementation of climate change mitigation and adaptation practices.
- (7) Facilitate bilateral workforce development opportunities.
- (8) Facilitate cross border higher education opportunities.

Status: Held in the Assembly Committee on Appropriations, 2019.

Section IV – Engaging Global Markets to Support Economic Growth

International trade and foreign investment are important components of California's \$2.9 trillion economy supporting over 4 million California jobs. The value of trade to the California economy is increasing, as reflected in the percentage of California jobs tied to trade having more than doubled from 1992 to 2011: 10.6% vs. 22.0%.

As noted above, businesses from a range of industry sectors support trade and foreign investment activities in California. Among other advantages, the workers in these businesses earn on average 13% to 28% higher wages than the national average. California leads the nation in the number of export-related jobs.

Advances in transportation and communication technologies are encouraging the development of previously undeveloped markets and expanding multinational business opportunities for California firms. Today, four of California's top five exports include component parts, which leave the state to be combined and assembled into a final product in a foreign country. With more than 95% of consumers located outside of the U.S. and the world's emerging economies experiencing a growing middle class, accessing these global markets is key to California's continued economic growth.

California's land, sea, and air ports of entry served as key international commercial gateways for the \$620 billion in products that entered or exited the U.S. in 2018. Goods exported from California were valued at \$178.4 billion and represented 10.7% of total U.S. exports in 2018. Goods imported into California were valued at \$441.1 billion and represented 17.3% of total U.S. imports in 2018.

Chart 10 shows data of the export of goods to the state's top six trade partners, based on origin of movement. California's largest export market in 2018 was Mexico, who received over \$30.7 billion in California products. Please note that federal reporting separates data from China and Hong Kong. Other top-ranking export destinations not shown on the chart include Germany, the Netherlands, and the United Kingdom.

Chart 10 – California Exports of Goods for 2011 to 2018 (billions of dollars)									
	Partner	2011	2012	2013	2014	2015	2016	2017	2018
	World	\$159.4	\$161.7	\$168.0	\$174.1	\$165.3	\$163.5	\$171.9	\$178.4
1	Mexico	\$25.8	\$26.3	\$23.9	\$25.4	\$26.7	\$25.2	\$26.7	\$30.7
2	Canada	\$17.2	\$17.4	\$18.8	\$18.2	\$17.2	\$16.1	\$16.7	\$17.7
3	China	\$14.2	\$13.9	\$16.2	\$16.0	\$14.3	\$14.3	\$16.4	\$16.3
4	Japan	\$13.1	\$13.0	\$12.7	\$12.2	\$11.7	\$11.7	\$12.8	\$13.0
5	Hong Kong	\$7.6	\$7.8	\$7.7	\$8.5	\$8.7	\$9.6	\$12.1	\$9.9
6	South Korea	\$8.4	\$8.2	\$8.3	\$8.6	\$8.6	\$8.2	\$9.6	\$9.9

Source: International Trade Administration, accessed 4/8/19

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. According to the Organization for Economic Co-operation and Development, in 2014, 15.1% of U.S. exports and 29.4% of exports from the People's Republic of China contained materials that originated from a foreign country, which demonstrates the importance of trade to not only California, but to the U.S. as a whole.

Chart 11 displays data on the top 10 products California exported in 2018, many of which include components and production resources.

Chart 11 – California Exports 2018		
<i>Product Type</i>	<i>Export Value (in millions of dollars)</i>	<i>Percent of Total Exports</i>
Computer and Electronic Products	\$45,195,476,330	25.4%
Transportation Equipment	\$19,162,445,322	10.8%
Machinery; Except Electrical	\$17,793,660,343	10.0%
Miscellaneous Manufactured Commodities	\$15,775,947,513	8.9%
Chemicals	\$13,696,991,318	7.7%
Agricultural Products	\$13,496,771,528	7.6%
Food Manufactures	\$9,100,370,221	5.1%
Electrical Equipment; Appliances, and Components	\$7,813,238,657	4.4%
Petroleum and Coal Products	\$4,986,514,588	2.8%
Waste and Scrap	\$4,816,953,547	2.7%
All Other Products	\$26,342,683,422	14.7%
<i>Total Exports - All Products</i>	<i>\$178,181,052,789</i>	<i>100%</i>
<i>Source: International Trade Administration, accessed 09/11/2019</i>		

California also exports services to businesses, consumers, other organizations, and governments around the world. Between 2006 and 2016, the export of California services has increased 87%, increasing from \$73 billion to \$136 billion in services. California's largest export service sectors in 2016 included:

- Royalties and License Fees at \$37.5 billion
- Travel Services at \$32.9 billion
- Business, Professional, and Technical Services at \$28.4 billion
- Transportation Services at \$12.2 billion
- Financial Services at \$11.2 billion

Canada was California's largest service export market receiving \$9.4 billion in services in 2016, which supported an estimated 61,315 jobs. California's second largest service export market was China with \$9.1 billion in services in 2016 and support for 61,349 jobs.

In addition to exporting goods and services, the California economy benefits from foreign-owned firms. The federal International Trade Administration estimates that in 2015 (most recent data) over 710,000 California workers have benefited from jobs with foreign-owned firms.

California has had the highest level of employment in foreign-owned firms in the nation since at least 1997. In 2015, jobs in California foreign-owned firms represented 5.1% of all private sector jobs in the state, up from 4.1% in 2013. Along with employment, foreign-owned firms own more property, plants, and equipment in California than in any other state.

Legislation from 2019-2020 Session

Below is a summary of the legislation heard by, or of interest to, JEDE during the 2019-2020 Legislation Session relating to the engagement of global markets to support economic growth. Legislation not heard by JEDE is marked with asterisks (**). Related hearings are summarized in *Section IX*, and budget actions are outlined in *Section X*.

AB 245 (Muratsuchi) California Aerospace and Aviation Commission: This bill enacts the California Aerospace and Aviation Act of 2019 (Act), which establishes a 15-member California Aerospace and Aviation Commission (Commission) for the purpose of serving as a central point of contact for related industries and supporting the health and competitiveness of these industries in California. The Commission is placed within the administrative control of the Governor's Office of Business and Economic Development. Authority for the operation of the Commission sunsets on January 1, 2025. Status: Pending in the Senate Committee on Governmental Organization, 2019.

AB 285 (Friedman) California Transportation Plan: This bill updates requirements of the California Transportation Plan (CTP) to reflect the state's current greenhouse gas emissions target and air quality goals. The bill also requires the Strategic Growth Council to review the CTP and consider ways to better coordinate the state's greenhouse gas reduction programs. Status: Signed by the Governor, Chapter 605, Statutes of 2019.

AB 321 (Patterson) Tax Exemption for Trucks Used in Interstate Commerce: This bill broadens the state's existing sales and use tax exemption for new or remanufactured trailers and semitrailers delivered in this state to a purchaser for use in interstate or foreign commerce, to include new, used, or remanufactured trucks. Status: Signed by the Governor, Chapter 226, Statutes of 2019.

AB 371 (Frazier) Updates to the Sustainable Freight Plan: This bill would have required the Governor's Office of Business and Economic Development, by December 31, 2021, to prepare a statewide economic assessment of the California freight sector and to update that assessment at least every five years. The bill would have also required the California State Transportation Agency to incorporate the findings of the assessment into the current and future California State Freight Plans. Status: Held in the Assembly Committee on Appropriations, 2019.

AB 417 (Arambula, Mathis, R. Rivas) Agriculture and Rural Prosperity Act: This bill would have established the Agriculture and Rural Prosperity Act (ACT), which would have authorized the Secretary of the California Department of Food and Agriculture (CDFA) to consult with other stakeholders to identify opportunities to further rural agricultural economies. The bill would have also required CDFA to create a position within the department's executive office to assist the Secretary in implementing the Act. Status: Vetoed by the Governor, 2019. The veto message states: "*I support the creation of new opportunities for CDFA to work with federal, state and local partners to identify new partnerships and innovative solutions to enhance rural economies through technology, education*

and workforce training. However, I believe establishing the new position and responsibilities envisioned by this bill is better done in the budget and in the context of the broader mission of the department.”

AB 639 (Cervantes) Just Transition to a Lower Carbon Economy: This bill creates the Task Force on Addressing Workforce Impacts of Transitioning Seaports to a Lower Carbon Economy and requires the Task Force to advise state agencies on effective methods of using available funds. The bill also requires the California Workforce Development Board to present to the Joint Legislative Committee on Climate Change Policies on the impacts on employment of state de-carbonization policies. Status: Pending on the Senate Floor, 2019.

AB 821 (O'Donnell) Trade Corridor Enhancement Account and California Port Efficiency Program: This bill establishes the California Port Efficiency Program and authorizes grant funding for projects that most effectively improve velocity, throughput, and reliability of port operations, including the deployment of digital industrial infrastructure to facilitate and streamline the exchange of data between supply chain participants, and projects designed to reduce truck visit times. Funding for these projects will come from moneys in the Trade Corridor Enhancement Account. Status: Pending in the Assembly Committee on Transportation, 2019.

AB 839 (Mullin) Climate Adaptation Strategy: This bill would have required the Secretary of the California Natural Resources Agency to review the state's climate adaptation strategy and develop a strategic resiliency framework. Status: Held in the Senate Committee on Appropriations, 2019.

AB 906 (Cooley, Cervantes, Kiley) California Economic Development Strategic Action Plan: This bill would have required the development of the California Economic Development Strategic Action Plan (Action Plan), containing policies, priorities, and actions the state would have used in undertaking economic development activities. Status: Held in the Assembly Committee on Appropriations, 2019.

AB 1176 (Bloom) Investment of State Surplus Funds: This bill expands the types of investment products into which state surplus funds can be invested to include bonds, notes, debentures, or other similar obligations of a foreign government of a country that the International Monetary Fund lists as industrialized and for which the full faith and credit of that country has been pledged for the payment of principal and interest. The securities are required to also be rated at least “A-” by Standard and Poor's Corporation or “A3” or better by Moody's Investors Service, Inc., or the equivalent rating organization. Up to 5% of the total amount of state surplus funds can be invested in these foreign securities at one time. Status: Pending in the Assembly Committee on Banking and Finance, 2019.

AB 1212 (Levine) Public Pension Funds and In-state Infrastructure: This bill would have required the Department of Transportation (Caltrans) and Department of Water Resources (DWR) to produce a list of priority infrastructure projects for funding consideration by the boards of the California Public Employees' Retirement System, California State Teachers' Retirement System, and the boards of investment and retirement for 1937 Act county retirement systems, respectively. The bill also would have required Caltrans and DWR to provide, upon request, additional project information to assist the pension funds in assessing the project investment potential. Status: Vetoed by the Governor, 2019. The veto message states: *“The reporting requirements that this bill proposes are unnecessary, as existing law already encourages public retirement systems to invest in state infrastructure.”*

AB 1321 (Gipson) Sea Ports and Automated Technology: This bill requires the State Lands Commission, in collaboration with the Governor’s Office of Business and Economic Development, to hold a series of meetings to consider the impacts of automated technology at California’s ports. The bill requires two reports to the Legislature on the content and outcomes from these meetings. Status: Pending on the Senate Floor, 2019.

AB 1411 (Reyes) Integrated Action Plan for Sustainable Freight: This bill sets a state goal of deploying 200,000 zero emission medium- and heavy-duty vehicles and off-road vehicles and equipment, and the corresponding infrastructure to support them, by 2030. The bill requires GO-Biz and Caltrans (among others) to develop an integrated action plan by January 1, 2021, to meet this goal. Status: Pending in the Assembly Committee on Transportation, 2019.

AB 1430 (E. Garcia, Burke) Greenhouse Gas Reduction Investments: This bill requires the California Public Utilities Commission, the State Air Resources Board, the California Transportation Commission, and the Labor and Workforce Development Agency to provide the Legislature, by January 1, 2021, a joint assessment of options to redefine “cost effective” for the purpose of prioritizing public investment opportunities. When assessing options, the bill requires the consideration of the economic, environmental, and public health benefits to the state; energy or transportation costs to households; and alignment with other state programs or priorities. In implementing this bill, the government agencies are required to conduct a joint public process that includes soliciting comments from stakeholders. Status: Pending in the Assembly Committee on Appropriations, 2019.

AB 1431 (Burke, E. Garcia) Greenhouse Gas Reduction and Workforce Development: This bill expresses the intent of the Legislature to enact legislation on the need for increased education, career technical education, job training, and workforce development resources to assist industry, workers, and communities in transitioning to a lower carbon economy based on a specified report, which was required to be provided to the Legislature on or before January 2019. Status: Pending in the Assembly Committee on Rules, 2019.

AB 1696 (Chau, Cervantes) Foreign Trade Offices: This bill would have established a process and timeline for submitting sponsorship proposals to GO-Biz to operate a California Trade and Investment Office in a foreign country. Status: Held in the Senate Committee on Appropriations, 2019.

AB 1698 (Wicks) Resilient Infrastructure Financing: This bill expresses the Legislature’s intent to establish and provide initial funding for both of the following:

- (1) The Resilient Activities and Development Agency, to work with city planners, mayors, and other city and county leaders to develop projects, best practices, and qualified resilient infrastructure solutions to address California’s climate-related problems, specifically fires, droughts and other water shortages, flooding, clean water, clean energy, and sustainable agriculture.
- (2) The California Resilient Infrastructure Corporation, to provide infrastructure funding for the types of projects sourced and developed based on the qualifications developed by the Resilient Activities and Development Agency.

Status: Pending in the Assembly Committee on Rules, 2019.

AJR 13 (Mathis) Foreign Investment in Ripe Olives: This resolution memorializes the position of the California Legislature that the U.S. Congress close a loophole in United States trade regulations that gives the Spanish ripe olive industry an unfair advantage over American olive processors and growers. Status: Pending in the Assembly Committee on Jobs, Economic Development, and the Economy, 2019.

SB 302 (Portantino) California Trade Office in the Republic of Armenia: This bill requires the establishment of an international trade and investment office in Yerevan, the Republic of Armenia (Armenia Trade Office) by January 1, 2023. The purpose of the Armenia Trade Office is to support California exports to Armenia and foreign investment from Armenia to California. Status: Pending on the Assembly Floor, 2019.

SB 558 (Hueso) Commission on California-Mexico Affairs: This bill would have established an 11-member Commission on California-Mexico Affairs to serve as a public stakeholder body on cultural, economic, and environmental issues relating to California and Mexico. The bill also would have authorized the Commission to be organized as a bi-national commission with the consent of the Mexican government. Status: Vetoed by the Governor, 2019. The veto message states: *“These are important goals that we have been working collaboratively to address, which is why I issued an Executive Order establishing the International Affairs and Trade Development Interagency Committee earlier this year. The Committee has focused on California’s relationship with Mexico and already taken steps to reestablish a formal presence for California in Mexico. In addition to the work of the Committee, the California-Mexico Border Relations Council, established in 2006, also serves as the central organizing body that coordinates cross-border programs, initiatives, projects and partnerships for the State.*

While I respect the intent of the bill, its provisions are duplicative of the existing Council, recent efforts undertaken by Lieutenant Governor Eleni Kounalakis as Chair of the International Affairs and Trade Development Interagency Committee, and efforts already underway to reestablish the Commission of the Californias. I look forward to continued collaboration with the Legislature and key stakeholders under this framework to work at the border and beyond with California’s most important international partner.”

SB 738 (Hueso) Initiative for Californians Abroad in Mexico City, Mexico: This bill would have established the Initiative for Californians Abroad for the purpose of furthering the state’s interests in Mexico and increasing access to state services for Californians in Mexico. Under the provisions of the bill, the Initiative would have authorized the following:

- (1) Facilitate access to services which require cross border coordination, including, but not limited to, repatriation of human remains between California and Mexico.
- (2) Establish the Mexico International Trade and Investment Program.
- (3) Increase tourism opportunities for Mexicans traveling in California.
- (4) Facilitate border infrastructure improvements.
- (5) Support binational disaster relief efforts.

(6) Increase the use of renewable energy and the implementation of climate change mitigation and adaptation practices.

(7) Facilitate bilateral workforce development opportunities.

(8) Facilitate cross border higher education opportunities.

Status: Held in the Assembly Committee on Appropriations, 2019.

SJR 5 (Beall) California Transportation Infrastructure: This resolution memorializes the position of the California Legislature that the U.S. Congress and the U.S. President should take action on legislation to fund the nation's transportation infrastructure. Status: Adopted, Resolution Chapter 142, Statutes of 2019.

SJR 12 (Grove) The United States-Mexico-Canada Agreement: This resolution memorializes the position of the California Legislature that it supports the newly negotiated United States-Mexico-Canada Trade Agreement and urges Congress to approve the agreement in order to ensure continuity in trade among the three North American economic partners. Status: Pending in the Assembly Committee on Jobs, Economic Development, and the Economy, 2019.

SR 48 (Hueso) Tariffs with Mexico: This resolution memorializes the California State Senate's position that U.S. leaders should avoid tariffs with Mexico as they undermine the interests of U.S. residents and businesses. Status: Adopted, 2019.

Section V – Enhancing Small Business Development and Operations

California’s dominance in many economic areas is based, in part, on the significant role small businesses play in the state’s \$2.9 trillion economy. Two separate studies, one by the U.S. Census Bureau and another by the Kaufman Foundation, found that net job growth was strongest among businesses with less than 20 employees. Among other advantages, small businesses are crucial in the state’s international competitiveness and are an important means for dispersing the positive economic positive impacts of trade within the California economy.

- In 2016 (most recent full set of data), of the 4.2 million establishments in California, there were 3.2 million **nonemployer establishments** as compared to 922,477 employer establishments.
- In 2017, there were 3.3 million nonemployer firms, and 3 million of these were sole proprietorships. The top three industry sectors in 2017 with the largest numbers of nonemployer sole proprietorships included professional, scientific, and technical services (516,883 establishments); transportation and warehousing (347,600); and other services, excluding public administration (476,818).
- Total revenues for nonemployer sole proprietorships, across all industry sectors, were \$118 billion in receipts in 2017.

The **Chart 12** displays 2016 data (most recent) information on California businesses with employees, including payrolls, employment, and number of firms, which may be comprised of one or more establishments.

Chart 12 – California Businesses by Size (2016)				
Enterprise Employment Size	Number of Firms	Number of Establishments	Employment	Annual Payroll (\$1,000)
0-4	465,078	465,846	731,400	43,110,073
5-9	124,595	125,830	819,252	33,834,977
10-19	76,973	80,213	1,028,048	43,740,209
<20	666,646	671,889	2,578,700	120,685,259
20-99	65,829	81,348	2,509,428	120,108,727
100-499	13,316	38,031	2,041,076	117,356,679
<500	745,791	791,268	7,129,204	358,150,665
500+	6,191	131,209	7,471,145	528,493,258
<ul style="list-style-type: none"> • An establishment with 0 employment is an establishment with no paid employees in the mid-March pay period but with paid employees at some time during the year. • This series excludes government establishments except for wholesale liquor establishments (NAICS 4248), retail liquor stores (NAICS 44531), Federally-chartered savings institutions (NAICS 522120), Federally-chartered credit unions (NAICS 522130), and hospitals (NAICS 622). 				
Source: U.S. Census, SUSB Series				

Businesses with less than five employees are classified as microenterprises. In 2016, California is reported to have had over 465,000 microenterprises which had one or more employees.

Microenterprises have many unique features and provide important benefits to local communities, according to a recent study from the Microenterprise Fund for Innovation, Effectiveness, Learning, and Dissemination (FIELD) at the Aspen Institute. These benefits include:

1. Providing products and services that are tailored to meet local and neighborhood needs.
2. Stimulating an inflow of revenues to and within local communities.
3. Serving as catalysts for neighborhood reengagement.
4. Revitalizing neighborhoods that may otherwise have vacant storefronts.
5. Providing role models and support for future entrepreneurs.

Excluding nonemployer establishments, businesses with less than 20 employees comprise over 88.3% of all businesses and employ approximately 18.2% of all workers. Businesses with less than 100 employees represent 97.3% of all businesses and employ 35.8% of the workforce.

These non-employer and smallest employer firms create jobs, generate taxes, support important industry sectors, and revitalize communities. Since the recession, these businesses have become increasingly important because their small size allows them to be more flexible in meeting 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 targeting of state procurement activities help many small businesses overcome or at least minimize these difficulties.

Business Terms Defined

An establishment is a single physical location at which business is conducted or services or industrial operations are performed.

A company or enterprise may consist of one or more establishments.

When two or more activities are carried on at a single location, all activities generally are grouped together as a single establishment, which is classified on the basis of its major activity.

Establishment counts represent the number of locations with paid employees any time during the year.

Source: U.S. Census, Statistics

The 2012 Survey of Business Owners

In August 2015, the U.S. Census Bureau 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 - The Gender Differences in U.S. Businesses on the following page shows selected data from the 2012 Survey of Small Business Owners. Among other findings, the data show a 27.5% increase in woman-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.

Woman-owned businesses also experienced the greatest increases in the number of people they employed and in wages paid.

Chart 13 – Gender Differences in U.S. Businesses: Percent Change Between 2007 and 2012			
	Percent Change 2007-2012, Woman- Owned Firms	Percent Change 2007-2012, Man-and- Woman-Owned Firms	Percent Change 2007-2012, Man- 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 woman-owned firms included the District of Columbia, Georgia, Maryland, New Mexico, and Florida. Delaware, Alaska, North Dakota, Maine, and New Jersey were the states where woman-owned firms collected the highest amount of receipts.

In California, business ownership by women was up 27% from 2007 with 1.3 million firms, which was the highest number of firms among all states. Woman-owned businesses in California represented 13.4% of all woman-owned firms in the U.S in 2012. As a comparison, in Texas, woman-owned businesses owned 8.8%; Florida, 8.2%; New York, 7.3%; and Illinois, 4.2%.

California also had the highest number of Hispanic and Asian American woman-owned firms. For businesses owned by Black women, Georgia had the largest number of firms, and California had the fifth largest number.

A significant majority (90%) of woman-owned firms in California were legally organized as sole proprietorships in 2012 and had no employees. The 10% of woman-owned businesses that did have employees in 2012 employed over one million workers and paid \$37 billion in wages (21.7% increase from 2007).

Woman-owned businesses in California generated \$201.7 billion in receipts in 2012. The industry sectors which included the highest numbers of woman-owned firms included:

- 247,000 businesses in the other services sector (\$8.4 billion in revenues in 2012);
- 217,000 businesses in the health care and social assistance sector (\$18.6 billion);
- 215,000 businesses in the professional, scientific, and technical services sector (\$22 billion);
- 137,000 businesses in the administrative support and waste management sector (\$11.5 billion); and
- 120,000 businesses in the retail trade sector (\$27.7 billion)

Chart 14 – The Comparison of Business Growth by Race, Ethnicity, and Veterans on the following page displays additional information from the 2012 Survey of Business Owners. The largest

percentage changes in business ownership were by Hispanic women, where the number of firms grew by 87.3% between 2007 and 2012. As a comparison, male Hispanic-owned firms grew by 39.3%.

Chart 14 – Comparison of California Business Growth by Race, Ethnicity, and Veterans	
Business Ownership	Percent Change 2007-2012, 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	

Women entrepreneurs, according to the Ewing Marion Kauffman Foundation, have unique skill sets that set them apart from other business owners and set them up for success.

Among other advantages, the Kauffman Foundation states that women entrepreneurs have a more nuanced understanding of a business' risk/reward profile. On average, 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.

Legislation from 2019-2020 Session

Below is a summary of the legislation heard by, or of interest to, JEDE during the 2019-2020 Legislation Session relating to the enhancement of small business development and operations. Legislation not heard by JEDE is marked with asterisks (**). Related hearings are summarized in **Section IX**, and budget actions are outlined in **Section X**.

AB 5 (L. Gonzalez) Independent Contractors: This bill codifies and expands the recent *Dynamex Operations West v. Superior Court* (2018) 4 Cal. 5th 903 decision, requiring that employers prove that their workers can meet a three part test in order to be lawfully classified as independent contractors. This test, commonly referred to as the ABC test, requires that a person providing labor or services for remuneration must be considered an employee unless the hiring entity demonstrates that all of the following conditions are satisfied:

- (a) The person is free from the control and direction of the hiring entity in connection with the performance of the work, both under the contract for the performance of the work and in fact.
- (b) The person performs work that is outside the usual course of the hiring entity's business.
- (c) The person is customarily engaged in an independently established trade, occupation, or business of the same nature as that involved in the work performed.

The bill also includes a list of employment positions which are excluded under the bill, including, but not limited to, licensed insurance brokers; licensed physicians and surgeons, dentists, podiatrists, psychologists, lawyers, architects, engineers, private investigators, veterinarians, and accountants, provided that the medical fields listed above are not covered by a collective bargaining agreement; registered securities broker-dealers, investment advisors, or their agents and advisors; a direct salesperson, provided that the salesperson's compensation is based on actual sales, rather than wholesale purchases or referrals; commercial fishermen, as specified; and real estate licensees and

repossession agents, as provided under existing licensure provisions, as specified. Status: Signed by the Governor, Chapter 296, Statutes of 2019.

AB 23 (Burke) Business and Workforce Coordination Unit within GO-Biz: This bill would have established the Business Workforce Coordination Unit within the Governor's Office of Business and Economic Development (GO-Biz) for the purpose of engaging with industry and business on aligning career technical education and workforce training programs with regional and local labor demand, as specified. Status: Vetoed by the Governor, 2019. The veto message states: "*Ensuring employer input in the state's workforce development system is an important aim, yet this bill would inappropriately duplicate statutory responsibilities of the California Workforce Development Board. In addition, with a plan to create a new Future of Work department underway, it would be premature to create this new unit before the new department is operational and a framework for its industry engagement efforts has been established.*"

AB 161 (Ting) Paper Customer Receipts: This bill would have allowed a business to provide a paper receipt to a customer only upon the customer's request and would have prohibited a paper receipt from containing certain chemicals or nonessential items, as specified. Status: Held in the Senate Committee on Appropriations, 2019.

AB 186 (Cervantes) Apprenticeship Income Tax Credit: This bill establishes a tax credit of up to \$1,000 under the personal income and corporate tax code for each employee who is a registered apprentice undertaking work related to their certified apprenticeship program. This bill limits the credit to 10 registered apprentices per taxpayer, per taxable year. Status: Pending in the Assembly Committee on Revenue and Taxation, 2019.

AB 217 (Burke) Federal Conformity in Income Tax Credits: This bill enacts the Loophole Closure and Small Business and Working Families Tax Relief Act of 2019. Key provisions of the act include:

- (1) Increasing, for taxable years beginning on or after January 1, 2019, the maximum eligible earned income to \$30,000 for the California Earned Income Tax Credit.
- (2) Authorizing, for each taxable year beginning on or after January 1, 2019, a refundable young child tax credit to a qualified taxpayer of up to \$1,000.
- (3) Conforming with federal income tax law by:
 - (a) Prohibiting excess business losses, as defined, to be deducted by non-corporate taxpayers;
 - (b) Allowing small businesses with gross receipts of up to \$25 million to use the "cash method" of accounting, rather than the more complicated accrual method. The current state threshold is generally set at \$5 million;
 - (c) Limiting "like-kind" exchange treatment to real property, subject to limited exceptions for middle-income taxpayers; and
 - (d) Disallowing the use of net operating loss carrybacks by individual and corporate taxpayers.
- (4) Revising the definitions of a "covered employee" and "publicly held corporation" to limit the amount those specified taxpayers may deduct for executive employee compensation.
- (5) Allowing a small business to use the cash method of accounting if its average annual gross receipts for the three taxable years ending with the prior taxable year do not exceed \$25 million.

(6) Excluding from an individual's gross income the amount of student loan indebtedness discharged on or after December 31, 2018, due to the death or disability of the student, as provided.

Status: Pending on the Assembly Floor, 2019.

AB 364 (Calderon) Small LP and LLC Tax Exemption: This bill eliminates, for taxable years beginning on or after January 1, 2020, the minimum annual tax for a limited partnership (LP) or a limited liability corporation (LLC) if the taxpayer is a new LP or LLC in its first taxable year and the LP or LLC has gross receipts, less returns and allowances, reportable to this state for the taxable year of less than \$50,000. Status: Pending in the Assembly Committee on Revenue and Taxation, 2019.

AB 377 (E. Garcia, Mayes) Microenterprise Home Kitchen Operations: This bill clarifies provisions of law governing the authorization and regulation of microenterprise home kitchens (MHKs), including clarifying that only a county or one of four cities with an environmental health department can authorize MHKs, and if authorized by one of these jurisdictions, they are permitted in all areas of those jurisdictions. The bill contains an urgency clause to make the provisions of this bill effective immediately upon enactment. Status: Signed by the Governor, Chapter 536, Statutes of 2019.

AB 470 (Limón) California Green Business Program: This bill would have repealed the Green Business Program within the Department of Toxic Substances Control and established the California Green Business Program within the California Environmental Protection Agency to provide support and assistance to green business certification programs operated by local governments to certify small- and medium-sized businesses that voluntarily adopt environmentally preferable business practices. Status: Held in the Assembly Committee on Appropriations, 2019.

AB 474 (Reyes) Capital Access Loan Program for Small Businesses: This bill would have transferred certain funding and loan portfolios from the California Pollution Control Financing Authority to the Small Business Finance Center administered by the California Infrastructure and Economic Development Bank. Status: Held in the Assembly Committee on Appropriations, 2019.

AB 498 (Weber) Veteran Business Licensing Fee Exemptions: This bill exempts a veteran of the U.S. Armed Forces from paying any local business license fee for a business that provides services if the veteran is the sole proprietor. Status: Signed by the Governor, Chapter 227, Statutes of 2019.

AB 742 (Cervantes) Office of Place-Based Economic Strategies Act: This bill would have created the Office of Place-Based Economic Strategies (Office) within the Governor's Office of Business and Economic Development for the purpose of supporting geographically targeted economic development programs such as the Opportunity Zone and Promise Zone programs. The new Office would have served as a liaison between community and economic stakeholders and agencies that oversee related programs and established a process to engage with stakeholders on potential impediments to Opportunity Zone investments. Status: Held in the Assembly Committee on Appropriations, 2019.

AB 906 (Cooley, Cervantes, Kiley) California Economic Development Strategic Action Plan: This bill would have required the development of the California Economic Development Strategic Action Plan (Action Plan), containing policies, priorities, and actions the state would have used in undertaking economic development activities. Status: Held in the Assembly Committee on Appropriations, 2019.

AB 951 (Cervantes) New Law School in Riverside: This bill establishes a foundation for the development of a law school associated with the University of California, Riverside. Research shows that access to affordable legal services is an important component to a comprehensive small business support system. Establishing a law school in the Inland Empire would fill this essential role to advancing inclusive economic growth. Status: Pending in the Assembly Committee on Higher Education, 2019.

AB 1027 (Burke) California Competes Tax Credit and Private Ownership Share Agreements: This bill would have authorized a taxpayer to offer the state an ownership interest in the taxpayer's business as part of the California Competes Tax Credit application process, and allowed the Governor's Office of Business and Economic Development to consider the amount of ownership being offered in determining the amount of credit allocated to the taxpayer. If a court had found that the state's ownership interest in a taxpayer's business to be prohibited by the California Constitution, the credit would have been recaptured and unused carryover credit canceled. Status: Held in the Senate Committee on Appropriations, 2019.

AB 1259 (L. Rivas, Cervantes, E. Garcia) California New Markets Tax Credit: This bill would have authorized a New Market Tax Credit for qualified business investments in low-income communities beginning in year 2020. The Governor's Office of Business and Economic Development would have been tasked to administer the program. The bill would have authorized \$100 million to be awarded annually. This was part of the JEDE Chair's four-bill package related to Opportunity Zones. Status: Held in the Assembly Committee on Appropriations, 2019.

AB 1479 (Cervantes) Opportunity Zone Credit Enhancement: This bill would have established a credit enhancement program through the California Infrastructure and Economic Development Bank for projects located in an Opportunity Zone that met certain social, economic, and environmental criteria, including creating wealth and asset building within the local community. This was part of the JEDE Chair's four-bill package related to Opportunity Zones. Status: Held in the Assembly Committee on Appropriations, 2019.

AB 1545 (Oberholte) Civil Penalty Reduction Policy for Small Businesses: This bill would have required a state agency, as defined, to assist small businesses in complying with statutes and regulations and to establish policies that would have allowed small businesses, under certain specified circumstances, to have the total amount of civil penalties reduced for noncompliance. Status: Held in the Assembly Committee on Appropriations, 2019.

AB 1577 (Burke) Microenterprise Development: This bill revises and recasts microenterprise provisions in the Business and Professions Code (BPC) to the Government Code; eliminates one of two requirements necessary to meet the statutory definition of microenterprise; and states findings and declarations. Status: Pending on the Senate Floor, 2019.

AB 1583 (Eggman) California Recycling Market Development Act: This bill extends the sunset for the Recycling Market Development Zone Program and the California Alternative Energy and Advanced Transportation Financing Authority advanced manufacturing program by five years, to 2026. Status: Signed by the Governor, Chapter 690, Statutes of 2019.

AB 1720 (Carrillo) General Plan Guidelines to Support Small Business: This bill requires the Governor's Office of Planning and Research to develop and adopt supplemental general plan guidelines to assist cities and counties in planning and implementing policies and practices that support small businesses within their jurisdictions. The bill requires the guidelines to be developed through a collaborative process with other public and private organizations that serve the needs of small business, economic development, and neighborhood revitalization, including the Governor's Office of Business and Economic Development. Status: Pending on the Senate Floor, 2019.

AB 1726 (Arambula) Work Opportunity Tax Credit: This bill would have established the California Work Opportunity Tax Credit (CalWOTC), which would have authorized a credit under the personal income tax and the corporate tax of up to 40% of a qualified worker's wages, not to exceed \$2,400 per employee. Eligible new hires would have included individuals from groups which have historically been underserved, including veterans, disabled individuals, and individuals who access public assistance. This is part of the JEDE Chair's four-bill package related to Opportunity Zones. Status: Held in the Assembly Committee on Appropriations, 2019.

AB 1806 (Committee on Jobs - Cervantes, Cunningham, Chau, Chen, Ramos, L. Rivas, Smith) Business Development E-Government Platform: This bill would have formalized the role of the Information Technology Unit within the Governor's Office of Business and Economic Development, which is responsible for the design and maintenance of an online Internet platform, called the California Business Development Portal. In addition, the bill would have rebranded the state's permit and licensing application as the California Business License Center and expanded the California Business Portal. Status: Held in the Assembly Committee on Appropriations, 2019.

AB 1807 (Committee on Jobs - Cervantes, Cunningham, Chau, Chen, Ramos, L. Rivas, Smith) Clean-up to the Small Business Assistance Expansion Program: This bill would have updated, based on experience from the first round of funding, the Small Business Assistance Expansion Program, which is administered through the Governor's Office of Business and Economic Development to provide funding to federally designated small business assistance centers, including Small Business Development Centers, Women's Business Centers, Minority Business Development Centers, Veteran Business Outreach Centers, Procurement Technical Assistance Centers, and the Manufacturing Extension Partnership. Status: Held in the Assembly Committee on Appropriations, 2019.

SB 162 (Galgiani) Extension of Sales and Use Tax Exclusion: As this measure passed the Senate, this bill extended the California Alternative Energy and Advanced Transportation Financing Authority's Sales and Use Tax Exclusion Program from January 1, 2021, until January 1, 2030. The bill was subsequently amended to relate to a different subject matter. Status: No longer relevant to this list of bills.

SB 455 (Bradford, Chang) Financial Empowerment Fund: This bill creates the Financial Empowerment Fund and authorizes, until January 1, 2025, the Commissioner of Business Oversight to award grants from that fund to nonprofit organizations that offer financial education and financial empowerment programs and services to at-risk populations in California. Status: Signed by the Governor, Chapter 478, Statutes of 2019.

Section VI – Leveraging Public Contracting for Targeted Business Development

California has a 40 year history of utilizing state contracting to support business development within targeted business populations. Statute sets an annual 3% DVBE procurement participation goal, and a 2006 executive order sets a 25% small businesses and microbusinesses participation goal for state agencies, departments, boards, and commissions.

While encouraging small business participation furthers the state's interest in having a robust small business sector, the Small Business Procurement and Contract Act also establishes the policy foundation for DVBE contract participation. The DVBE procurement program is intended to both recognize the sacrifices of California's disabled military veterans, as well as address the specific needs of disabled veterans seeking rehabilitation and training through entrepreneurship.

To assist state agencies in reaching these targeted procurement participation goals, state law authorizes a procurement preference for bids using a certified small business or DVBE as a prime or subcontractor and a streamlined alternative procurement process for smaller size contracts (between \$5,000 and \$250,000) whereby an awarding department can contract directly with a certified small business or DVBE after comparing the bid against two other similar businesses.

The state also administers a DVBE incentive that allows an awarding department to set an incentive percentage for a particular transaction based upon the department's business strategy to achieve their annual 3% DVBE procurement participation goal. Awarding departments are also required to recognize a 5% preference in cases where a bid includes a certified small business.

In the state's experience, a majority of DVBEs are smaller size firms, with 75.4% having dual certifications as a DVBE and microbusiness and 9.6% having dual certifications as a DVBE and small business. The remaining 15% of DVBEs operate with only a single DVBE certification.

Given the importance of small businesses to California's economy, these procurement preferences play a key role in distributing state expenditures throughout the state, and among a variety of business types. The charts below (*Charts 15 and 16*) display small business and DVBE procurement participation for the most recent four fiscal years for which data is available.

Chart 15 – Small Business and Microbusiness Contracting Activity of Mandated Reporters (dollars in millions)				
Fiscal Year	Total Contract Dollars	Total Small Business and Microbusiness Contract Dollars	Total Percent	Total Number of Contracts
2017-18	\$8,361	\$2,720	32.50%	110,864
2016-17	\$6,329	\$1,683	26.60%	117,624
2015-16	\$5,855	\$2,112	36.08%	116,169
2014-15	\$8,117	\$2,079	25.61%	482,707
2013-14	\$7,101	\$2,013	28.35%	90,784
2012-13	\$7,616	\$1,801	23.66%	105,617

2011-12	\$7,399	\$1,796	24.28%	165,523
Source: DGS Statewide Consolidated Annual Reports for the contracting periods				

Chart 16 – DVBE Five-Year Contracting Activity of Mandated Reporters (dollars in millions)				
Fiscal Year	Total Contract Dollars	Total DVBE Dollars	Total DVBE Percent	Total DVBE Contracts
2017-18	\$8,314	\$387	4.7%	19,174
2016-17	\$6,329	\$259	4.1%	19,823
2015-16	\$5,855	\$274	4.6%	18,638
2014-15	\$8,105	\$314	3.8%	16,192
2013-14	\$6,566	\$241	3.6%	12,777
2012-13	\$7,151	\$216	3.0%	14,907
2011-12	\$7,173	\$340	4.7%	16,246
Source: DGS Statewide Consolidated Annual Reports for the contracting periods				

Based on the data displayed above, the state appears to be consistently meeting its 25% small business and 3% DVBE procurement participation goals. This is, however, only part of a program assessment and these numbers may be misleading. Although DGS works diligently to gather and aggregate this information, the data is not consistently reported by state agencies, nor do all of the agencies report annually. As an example, in 2012-13, only 79% of the mandatory reporting entities reported their contracting activity to DGS.

The data is further compromised by the lack of follow-up by awarding departments to ensure that small business and DVBE procurement participation commitments have been kept or that these subcontractors were paid. A state audit of the DVBE Program, released in 2019, suggests that very few state agencies have implemented practices to monitor and report DVBE procurement participation violations for follow-up by DGS.

The Legislature undertook a range of activities in 2019 to support and reform the state's procurement practices. Legislation is described below, related hearings are summarized in **Section VIII**, and budget actions are outlined in **Section IX**.

Legislation from 2019-2020 Session

Below is a summary of the legislation heard by, or of interest to, JEDE during the 2019-2020 Legislation Session relating to the leveraging of public contracting for targeted business development. Legislation not heard by JEDE is marked with asterisks (**). Related hearings are summarized in **Section IX**, and budget actions are outlined in **Section X**.

AB 5 (L. Gonzalez) Independent Contractors: This bill codifies and expands the recent *Dynamex Operations West v. Superior Court* (2018) 4 Cal. 5th 903 decision, requiring that employers prove that their workers can meet a three part test in order to be lawfully classified as independent contractors. This test, commonly referred to as the ABC test, requires that a person providing labor or services for remuneration must be considered an employee unless the hiring entity demonstrates that all of the following conditions are satisfied:

(a) The person is free from the control and direction of the hiring entity in connection with the performance of the work, both under the contract for the performance of the work and in fact.

- (b) The person performs work that is outside the usual course of the hiring entity's business.
- (c) The person is customarily engaged in an independently established trade, occupation, or business of the same nature as that involved in the work performed.

The bill also includes a list of employment positions which are excluded under the bill, including, but not limited to, licensed insurance brokers; licensed physicians and surgeons, dentists, podiatrists, psychologists, lawyers, architects, engineers, private investigators, veterinarians, and accountants, provided that the medical fields listed above are not covered by a collective bargaining agreement; registered securities broker-dealers, investment advisors, or their agents and advisors; a direct salesperson, provided that the salesperson's compensation is based on actual sales, rather than wholesale purchases or referrals; commercial fishermen, as specified; and real estate licensees and repossession agents, as provided under existing licensure provisions, as specified. Status: Signed by the Governor, Chapter 296, Statutes of 2019.

AB 230 (Brough) State Procurement Opportunities for DVBEs: This bill tightens state contracting practices related to the disabled veteran business enterprise (DVBE) procurement program, including, but not limited to:

- (1) Expanding the information the prime contractor is required to provide the awarding department upon completion of the contract to include the amount and percentage of work the prime contractor committed to provide to DVBE subcontractors. Existing law only requires the prime contractor to certify the amount of funds paid to DVBE subcontractors. This provision will assist awarding departments in easily determining whether DVBE participation commitments have been met by the prime contractor.
- (2) Requiring a prime contractor to provide proof of DVBE subcontractor payments, if requested by the awarding department.
- (3) Removing the general authority for awarding departments to adopt DVBE program regulations using emergency regulations. This does not affect existing authority for agencies to act under Governor declared disasters or other specified emergencies.
- (4) Removing statutory provisions relating to a prime contractor making a "good faith effort" to include DVBEs in contracting opportunities, rather than actually including DVBEs in a contract. This authority was previously eliminated in AB4 X21 (Evans), Chapter 19, Statutes of 2009.
- (5) Expanding DVBE subcontractor substitution requirements to include requests be made in writing and be approved by the awarding department. Existing law only requires Department of General Services (DGS) approval.

Status: Signed by the Governor, Chapter 676, Statutes of 2019.

AB 1365 (Committee on Veterans Affairs) Reforms to Disabled Veteran Business Enterprise Program: This bill tightens the existing monitoring and accountability requirements for state procurement activities related to the disabled veteran business enterprise (DVBE) targeted procurement program in response to a 2019 State Audit of the DVBE program. Specifically, this bill:

- (1) Requires an awarding department to maintain all records of the information provided by the prime contractor regarding their payments to the DVBE subcontractors, as specified.

(2) Requires the awarding department to maintain records in a manner that facilitates access and review by external auditors.

(3) Requires the awarding department to establish appropriate review procedures for those records to ensure the accuracy and completeness of the award amounts and paid amounts reported.

(4) Requires records to be retained by the awarding department for six years following their collection.

Status: Signed by the Governor, Chapter 689, Statutes of 2019.

AB 1533 (Eggman) Targeted Procurement Authority for Local Public Contracts: This bill expands the number of counties in which local agencies are authorized to use enhanced procurement preference provisions from 11 to 12 by adding San Joaquin County to the list of eligible areas. This includes a higher value for the small business preference and two new preference categories: a disabled veteran business preference and a social enterprise preference. Status: Signed by the Governor, Chapter 49, Statutes of 2019.

AB 1693 (Cervantes) Supplier Diversity Contracting Programs: This bill requires reporting of diverse suppliers to differentiate between companies that have a majority of their employees in California and those that do not. Existing law allows the Public Utility Commission to combine diverse-supplier data from majority-California employee companies with data from companies for which the location of employees is not known. The bill also updates the LGBT business category to include queer-owned businesses. This reporting includes businesses owned by women, minorities, and members of the LGBTQ community. Status: Pending in the Assembly Committee on Utilities and Energy, 2019.

AB 1808 (Committee on Jobs - Cervantes, Cunningham, Chau, Chen, Ramos, L. Rivas, Smith) Small Business Participation Goal in State Procurement: As this bill passed the JEDE Committee, this bill codified the 25% small business procurement participation goal and made other related changes to enhance the state's targeted procurement programs. In the Senate, the bill was amended to relate to a different subject matter. Status: No longer relevant to this list of bills.

AB 1809 (Cervantes) Accountability in DVBE and Small Business Contracting: This bill would have tightened the existing monitoring and accountability requirements for state procurement activities related to the disabled veteran business enterprise (DVBE) and small business targeted procurement programs. This bill responded to the 2014 State Audit of the DVBE program and would have been used to implement recommendations from the 2019 Audit. Status: Held in the Senate Committee on Appropriations, 2019.

SB 588 (Archuleta) Public Contracts and Disabled Veteran Business Enterprises: This bill would have tightened state contracting practices related to the disabled veteran business enterprise (DVBE) procurement program by authorizing the withholding of the final payment on contracts for goods until the prime contractor had certified DVBE subcontractors had been paid. Status: Pending on the Assembly Floor, 2019.

Section VII – Nurturing Manufacturing and Emerging Technology

Manufacturing plays an important role within the California economy, supporting international trade and small businesses within the global supply chain while providing high-paying jobs throughout. In 2017, California's 35,321 manufacturing establishments accounted for 14.2% of all manufacturing plants in the US.

In 2018, the California manufacturing sector contributed over \$316.7 billion to the state economy, representing 10.7% of total output. Manufacturing employed 1.3 million workers in California in 2018, accounting for 7.72% of the state's non-farm employment. Average annual income for a worker in manufacturing was \$105,240 as compared to \$57,050 for the nonfarm workers. Average hourly earnings in manufacturing were \$31.58 in January of 2018, as compared to \$30 for all private industry sectors and \$18.04 for leisure and hospitality jobs.

Manufacturers bear a disproportionate share of federal regulatory costs. According to a report by the National Association of Manufacturers, the average US company, manufacturer or otherwise, pays \$9,991 per employee per year to comply with federal regulations. The average manufacturer in the US pays \$19,564 per employee per year. For small manufacturers (fewer than 50 employees), the regulatory impact is \$34,671 per employee per year.

Manufacturing is California's most export-intensive activity, with \$154 billion in manufactured goods exported in 2018, accounting for 86.6% of California's annual exports. The two largest exports by aggregate dollar value in 2018 were computers and electronic products valued at \$45.2 billion (25.4% of all exports) and transportation equipment at \$19.2 billion (10.8%).

Manufacturers comprise the largest sector of foreign-owned companies with US affiliates, employing 208.4 million workers in 2017. Also, manufacturing jobs have a large employment multiplier effect. According to the Milken Institute, each manufacturing job supports roughly 2.9 other jobs in the state's economy overall. In some specialized manufacturing sectors, such as electronics and computer manufacturing, the multiplier effect is as high as 16 to 1. One of the reasons for the large multiplier effect is the extended supply chains that are needed to support manufacturing and the export of goods, which include many small businesses and logistic companies.

Manufacturing in the Future

EDD currently projects that, between 2016 and 2026, total employment in California will rise by 16.3%, with total employment in the manufacturing sector in California rising by only 0.1%, as shown in **Chart 17** below.

Chart 17 – Net Employment Growth in California

	Annual Average Employment in 2016	Estimated Employment in 2026	Numerical Change	Percent Change
Total Employment	18,089,600	20,022,700	1,933,100	10.7%
Manufacturing	1,311,200	1,312,500	1,300	0.1%

Source: "Projections of Employment by Industry and Occupation, Long-Term (Ten Years) Projections," EDD, 2018

While the aggregate employment growth is low, some subsectors are anticipated to have more significant increases, including motor vehicle manufacturing (103.1%) and Beverage and tobacco product manufacturing (20.5%). **Chart 18** provides a more detailed look at selected job growth in the manufacturing sector.

Chart 18 – Selected Net Job Growth in Manufacturing				
	Annual Average Employment in 2016	Estimated Employment in 2026	Numerical Change	Percent Change
Manufacturing	1,311,200	1,312,500	1,300	0.1%
Durable Goods Manufacturing (321,327,331-339)	820,800	829,500	8,700	1.1%
Wood Product Manufacturing	23,800	25,400	1,600	6.7%
Other Wood Product Manufacturing	16,800	18,000	1,200	7.1%
Primary Metal Manufacturing	17,300	15,200	-2,100	-12.1%
Fabricated Metal Product Manufacturing	130,500	126,500	-4,000	-3.1%
Machinery Manufacturing	74,200	75,000	800	1.1%
Motor Vehicle Manufacturing	9,600	19,500	9,900	103.1%
Aerospace Product and Parts Manufacturing	76,600	75,100	-1,500	-2.0%
Ship and Boat Building	9,400	8,000	-1,400	-14.9%
Furniture and Related Product Manufacturing	35,800	34,800	-1,000	-2.8%
Medical Equipment and Supplies Manufacturing	52,600	56,300	3,700	7.0%
Nondurable Goods Manufacturing (311-316,322-326)	490,400	483,000	-7,400	-1.5%
Food Manufacturing	160,500	166,600	6,100	3.8%
Beverage and Tobacco Product Manufacturing	57,500	69,300	11,800	20.5%
Apparel Manufacturing	47,700	37,200	-10,500	-22.0%
Paper Manufacturing	22,000	20,400	-1,600	-7.3%
Petroleum and Coal Products Manufacturing	13,900	12,400	-1,500	-10.8%
Chemical Manufacturing	84,400	85,800	1,400	1.7%
Pharmaceutical and Medicine Manufacturing	51,400	54,000	2,600	5.1%
Plastics and Rubber Products Manufacturing	44,500	41,200	-3,300	-7.4%

Attracting New Manufacturing

The JEDE Committee spent a significant amount of time considering how the state can support manufacturing and overcome the challenges of California's complex tax and regulatory system (outlined in the regulatory reform section of the report).

During the 2017-18 Legislative Session, the Legislature and Governor extended the term and expanded the scope of the partial sales tax exemption for manufacturing equipment as part of the adoption of the 2017-18 State Budget.

The \$200 million annual California Competes Tax Credit was extended for an additional five years as part of the 2018-19 State Budget actions, except for \$20 million which is being refocused to provide small business technical assistance. The Legislature and the Governor also passed two significant tax credits for the aerospace and film industries.

In 2019, the Sales and Use Tax Exclusion was extended five years for a new sunset date of 2026. This extension is competitively awarded to advanced manufacturers, alternative transportation, and biomass equipment manufacturers.

Legislation from 2019-2020 Session

Below is a summary of the legislation heard by, or of interest to, JEDE during the 2019-2020 Legislation Session relating to the nurturing of manufacturing and emerging technology. Legislation not heard by JEDE is marked with asterisks (**). Related hearings are summarized in **Section IX**, and budget actions are outlined in **Section X**.

AB 5 (L. Gonzalez) Independent Contractors: This bill codifies and expands the recent *Dynamex Operations West v. Superior Court* (2018) 4 Cal. 5th 903 decision, requiring that employers prove that their workers can meet a three part test in order to be lawfully classified as independent contractors. This test, commonly referred to as the ABC test, requires that a person providing labor or services for remuneration must be considered an employee unless the hiring entity demonstrates that all of the following conditions are satisfied:

- (a) The person is free from the control and direction of the hiring entity in connection with the performance of the work, both under the contract for the performance of the work and in fact.
- (b) The person performs work that is outside the usual course of the hiring entity's business.
- (c) The person is customarily engaged in an independently established trade, occupation, or business of the same nature as that involved in the work performed.

The bill also includes a list of employment positions which are excluded under the bill, including, but not limited to, licensed insurance brokers; licensed physicians and surgeons, dentists, podiatrists, psychologists, lawyers, architects, engineers, private investigators, veterinarians, and accountants, provided that the medical fields listed above are not covered by a collective bargaining agreement; registered securities broker-dealers, investment advisors, or their agents and advisors; a direct salesperson, provided that the salesperson's compensation is based on actual sales, rather than wholesale purchases or referrals; commercial fishermen, as specified; and real estate licensees and repossession agents, as provided under existing licensure provisions, as specified. Status: Signed by the Governor, Chapter 296, Statutes of 2019.

AB 23 (Burke) Business and Workforce Coordination Unit within GO-Biz: This bill would have established the Business Workforce Coordination Unit within the Governor's Office of Business and Economic Development (GO-Biz) for the purpose of engaging with industry and business on aligning career technical education and workforce training programs with regional and local labor demand, as specified. Status: Vetoed by the Governor, 2019. The veto message states: "*Ensuring employer input in the state's workforce development system is an important aim, yet this bill would inappropriately duplicate statutory responsibilities of the California Workforce Development Board. In addition, with a plan to create a new Future of Work department underway, it would be premature to create this new unit before the new department is operational and a framework for its industry engagement efforts has been established.*"

AB 176 (Cervantes) California Sales and Use Tax Exclusion: This bill expands the criteria used by the California Alternative Energy and Advanced Transportation Financing Authority to evaluate a project for a sales and use tax exclusion award to include job quality criteria. This criteria includes, but is not limited to, the extent to which the project will create new, or result in the loss of, permanent, full-time jobs in California, including the average and minimum wage for each classification of full-time employees proposed to be hired or not retained. Status: Signed by the Governor, Chapter 672, Statutes of 2019.

AB 186 (Cervantes) Apprenticeship Income Tax Credit: This bill establishes a tax credit of up to \$1,000 under the personal income and corporate tax code for each employee who is a registered apprentice undertaking work related to their certified apprenticeship program. This bill limits the credit to 10 registered apprentices per taxpayer, per taxable year. Status: Pending in the Assembly Committee on Revenue and Taxation, 2019.

AB 217 (Burke) Federal Conformity in Income Tax Credits: This bill enacts the Loophole Closure and Small Business and Working Families Tax Relief Act of 2019. Key provisions of the act include:

- (1) Increasing, for taxable years beginning on or after January 1, 2019, the maximum eligible earned income to \$30,000 for the California Earned Income Tax Credit.
- (2) Authorizing, for each taxable year beginning on or after January 1, 2019, a refundable young child tax credit to a qualified taxpayer of up to \$1,000.
- (3) Conforming with federal income tax law by:
 - (a) Prohibiting excess business losses, as defined, to be deducted by non-corporate taxpayers;
 - (b) Allowing small businesses with gross receipts of up to \$25 million to use the “cash method” of accounting, rather than the more complicated accrual method. The current state threshold is generally set at \$5 million;
 - (c) Limiting “like-kind” exchange treatment to real property, subject to limited exceptions for middle-income taxpayers; and
 - (d) Disallowing the use of net operating loss carrybacks by individual and corporate taxpayers.
- (4) Revising the definitions of a “covered employee” and “publicly held corporation” to limit the amount those specified taxpayers may deduct for executive employee compensation.
- (5) Allowing a small business to use the cash method of accounting if its average annual gross receipts for the three taxable years ending with the prior taxable year do not exceed \$25 million.
- (6) Excluding from an individual’s gross income the amount of student loan indebtedness discharged on or after December 31, 2018, due to the death or disability of the student, as provided.

Status: Pending on the Assembly Floor, 2019.

AB 245 (Muratsuchi) California Aerospace and Aviation Commission: This bill enacts the California Aerospace and Aviation Act of 2019 (Act), which establishes a 15-member California Aerospace and Aviation Commission (Commission) for the purpose of serving as a central point of contact for related industries and supporting the health and competitiveness of these industries in California. The Commission is placed within the administrative control of the Governor’s Office of

Business and Economic Development. Authority for the operation of the Commission sunsets on January 1, 2025. Status: Pending in the Senate Committee on Governmental Organization, 2019.

AB 263 (Burke) Mandated Tax Expenditure Information: This bill expands the requirements that every new tax credit contain specific performance measurements that will be used to evaluate effectiveness of the credit to also include other incentives and tax provisions, including deductions, exemptions, and exclusions. This bill also expands the type of information that is required to be included within those specified performance measurements. Status: Signed by the Governor, Chapter 743, Statutes of 2019.

AB 321 (Patterson) Tax Exemption for Trucks Used in Interstate Commerce: This bill broadens the state's existing sales and use tax exemption for new or remanufactured trailers and semitrailers delivered in this state to a purchaser for use in interstate or foreign commerce, to include new, used, or remanufactured trucks. Status: Signed by the Governor, Chapter 226, Statutes of 2019.

AB 364 (Calderon) Small LP and LLC Tax Exemption: This bill eliminates, for taxable years beginning on or after January 1, 2020, the minimum annual tax for a limited partnership (LP) or a limited liability corporation (LLC) if the taxpayer is a new LP or LLC in its first taxable year and the LP or LLC has gross receipts, less returns and allowances, reportable to this state for the taxable year of less than \$50,000. Status: Pending in the Assembly Committee on Revenue and Taxation, 2019.

AB 470 (Limón) California Green Business Program: This bill would have repealed the Green Business Program within the Department of Toxic Substances Control and established the California Green Business Program within the California Environmental Protection Agency to provide support and assistance to green business certification programs operated by local governments to certify small- and medium-sized businesses that voluntarily adopt environmentally preferable business practices. Status: Held in the Assembly Committee on Appropriations, 2019.

AB 474 (Reyes) Capital Access Loan Program for Small Businesses: This bill would have transferred certain funding and loan portfolios from the California Pollution Control Financing Authority to the Small Business Finance Center administered by the California Infrastructure and Economic Development Bank. Status: Held in the Assembly Committee on Appropriations, 2019.

AB 485 (Medina) Local Economic Development Subsidies for Distribution Centers: This bill requires a local agency, on or after January 1, 2020, to take specified actions to inform the public before approving or granting any economic development subsidy for warehouse distribution centers. The following information is required to be made available to the public in written form and through its Web site, if applicable:

- (1) The names and addresses of all corporations, including members of a commonly controlled group or members of a combined reporting group of which the corporation is a member, or any other business entities, except for sole proprietorships, that are the beneficiaries of the economic development subsidy.
- (2) The names and addresses of all warehouse distribution centers that are the beneficiaries of the subsidy.
- (3) The information required under existing law for any economic development subsidy.

- (4) The estimated number of workers employed through temporary agencies.
- (5) Whether any benefit package is offered, as specified.
- (6) The outreach, training, and hiring plans, including plans to hire disadvantaged workers, for each facility receiving a subsidy.
- (7) A description and total value of any state or federal subsidies applied for, or received by, the warehouse distribution center.
- (8) A description of any accountability measures provided in the contract if the warehouse distribution center does not meet the goal outlined in the contract for subsidies.

Status: Signed by the Governor, Chapter 803, Statutes of 2019.

AB 721 (Grayson) Lifting Families out of Poverty: This bill would have established the Lifting Families Out of Poverty Workforce Training Supportive Services Program (Program) to, upon appropriation, offer \$50 million in grants to entities providing supportive services to low-income participants in workforce training programs. More specifically, the bill would have required the California Workforce Development Board, in partnership with the Department of Social Services and the Office of the Chancellor of the California Community Colleges, to establish the Program and to jointly develop criteria and guidelines to award the \$50 million in grants to eligible consortia. Status: Held in the Assembly Committee on Appropriations, 2019.

AB 821 (O'Donnell) Trade Corridor Enhancement Account and California Port Efficiency Program: This bill establishes the California Port Efficiency Program and authorizes grant funding for projects that most effectively improve velocity, throughput, and reliability of port operations, including the deployment of digital industrial infrastructure to facilitate and streamline the exchange of data between supply chain participants, and projects designed to reduce truck visit times. Funding for these projects will come from moneys in the Trade Corridor Enhancement Account. Status: Pending in the Assembly Committee on Transportation, 2019.

AB 906 (Cooley, Cervantes, Kiley) California Economic Development Strategic Action Plan: This bill would have required the development of the California Economic Development Strategic Action Plan (Action Plan), containing policies, priorities, and actions the state would have used in undertaking economic development activities. Status: Held in the Assembly Committee on Appropriations, 2019.

AB 1027 (Burke) California Competes Tax Credit and Private Ownership Share Agreements: This bill would have authorized a taxpayer to offer the state an ownership interest in the taxpayer's business as part of the California Competes Tax Credit application process, and allowed the Governor's Office of Business and Economic Development to consider the amount of ownership being offered in determining the amount of credit allocated to the taxpayer. If a court had found that the state's ownership interest in a taxpayer's business to be prohibited by the California Constitution, the credit would have been recaptured and unused carryover credit canceled. Status: Held in the Senate Committee on Appropriations, 2019.

AB 1028 (L. Gonzalez) Clean Energy Job Creation Program: This bill would have required the California Energy Commission, in allocating grants to local educational agencies (LEAs) as part of the

Proposition 39 – Clean Energy Job Creation Program, to also give priority based on a LEA’s utilization of apprentices from state-approved apprenticeship and pre-apprenticeship programs, as specified. This bill would have also explicitly authorized program expenditures associated with employee training and energy managers. Status: Held in the Senate Committee on Appropriations, 2019.

AB 1176 (Bloom) Investment of State Surplus Funds: This bill expands the types of investment products into which state surplus funds can be invested to include bonds, notes, debentures, or other similar obligations of a foreign government of a country that the International Monetary Fund lists as industrialized and for which the full faith and credit of that country has been pledged for the payment of principal and interest. The securities are required to also be rated at least “A-” by Standard and Poor’s Corporation or “A3” or better by Moody’s Investors Service, Inc., or the equivalent rating organization. Up to 5% of the total amount of state surplus funds can be invested in these foreign securities at one time. Status: Pending in the Assembly Committee on Banking and Finance, 2019.

AB 1259 (L. Rivas, Cervantes, E. Garcia) California New Markets Tax Credit: This bill would have authorized a New Market Tax Credit for qualified business investments in low-income communities beginning in year 2020. The Governor’s Office of Business and Economic Development would have been tasked to administer the program. The bill would have authorized \$100 million to be awarded annually. This was part of the JEDE Chair’s four-bill package related to Opportunity Zones. Status: Held in the Assembly Committee on Appropriations, 2019.

AB 1276 (Bonta) Green New Deal: This bill expresses the intent of the Legislature to enact legislation to develop and implement a Green New Deal with the objective of reaching all of the following environmental outcomes within the target window of 10 years from the start of execution of the plan:

- (1) Expanding existing eligible renewable energy resources and deploying new production capacity with the goal of meeting 100% of national electrical demand through renewable and carbon free sources.
- (2) Building a national, energy-efficient “smart” grid.
- (3) Upgrading every residential and industrial building for state-of-the-art energy efficiency, comfort, and safety.
- (4) Eliminating emissions of greenhouse gases from the manufacturing, agricultural, and other industries, including by investing in local-scale agriculture in communities across the country.
- (5) Eliminating emissions of greenhouse gases from, and repairing and improving, transportation and other infrastructure, and upgrading water infrastructure to ensure universal access to clean water.
- (6) Funding significant investments that result in the reduction of greenhouse gases.
- (7) Making “green” technology, industry, expertise, products, and services a major export of the U.S., with the aim of becoming the undisputed international leader in helping other countries transition to completely greenhouse gas neutral economies and bringing about a global Green New Deal.

Status: Pending in the Assembly Committee on Rules, 2019.

AB 1479 (Cervantes) Opportunity Zone Credit Enhancement: This bill would have established a credit enhancement program through the California Infrastructure and Economic Development Bank for projects located in an Opportunity Zone that met certain social, economic, and environmental criteria, including creating wealth and asset building within the local community. This was part of the JEDE Chair's four-bill package related to Opportunity Zones. Status: Held in the Assembly Committee on Appropriations, 2019.

AB 1542 (B. Rubio) Income Taxes: Worker Training Program Tax Credit: This bill would have established a tax credit worth 30% of amounts paid or incurred by the employer to implement a worker training program. The bill would have limited the annual total value of the credit to a single taxpayer in a single year to \$5,000, the application of the credit to tax years 2020 through 2024, and eligibility to taxpayers who are in an industry that is facing a shortage of workers due to a lack of technical skills, experiencing technological disruption, or providing middle-skill occupations. Status: Held in the Assembly Committee on Appropriations, 2019.

AB 1558 (Ramos) Apprenticeship Programs at High School Career Fairs: This bill would have required a local school district or a school planning a college or career fair to notify apprenticeship programs in their county utilizing contact information from the database of approved apprenticeship programs published by the Division of Apprenticeship Standards on its internet website. Status: Vetoed by the Governor, 2019. The veto message states: "*Many schools and school districts already include apprenticeship programs as part of their career fair outreach. While the intentions of this bill are commendable, this bill is could result in additional costs to schools, which are already under significant financial stress.*"

AB 1583 (Eggman) California Recycling Market Development Act: This bill extends the sunset for the Recycling Market Development Zone Program and the California Alternative Energy and Advanced Transportation Financing Authority advanced manufacturing program by five years, to 2026. Status: Signed by the Governor, Chapter 690, Statutes of 2019.

AB 1693 (Cervantes) Supplier Diversity Contracting Programs: This bill requires reporting of diverse suppliers to differentiate between companies that have a majority of their employees in California and those that do not. Existing law allows the Public Utility Commission to combine diverse-supplier data from majority-California employee companies with data from companies for which the location of employees is not known. The bill also updates the LGBT business category to include queer-owned businesses. This reporting includes businesses owned by women, minorities, and members of the LGBTQ community. Status: Pending in the Assembly Committee on Utilities and Energy, 2019.

AB 1726 (Arambula) Work Opportunity Tax Credit: This bill would have established the California Work Opportunity Tax Credit (CalWOTC), which would have authorized a credit under the personal income tax and the corporate tax of up to 40% of a qualified worker's wages, not to exceed \$2,400 per employee. Eligible new hires would have included individuals from groups which have historically been underserved, including veterans, disabled individuals, and individuals who access public

assistance. This is part of the JEDE Chair's four-bill package related to Opportunity Zones. Status: Held in the Assembly Committee on Appropriations, 2019.

SB 162 (Galgiani) Extension of Sales and Use Tax Exclusion: As this measure passed the Senate, this bill extended the California Alternative Energy and Advanced Transportation Financing Authority's Sales and Use Tax Exclusion Program from January 1, 2021, until January 1, 2030. The bill was subsequently amended to relate to a different subject matter. Status: No longer relevant to this list of bills.

SB 315 (Hertzberg) California Opportunity Zone: This bill establishes the California Opportunity Fund, governed by a seven member public board, which is comprised of constitutional officers and Governor appointments. For state tax purposes, capital gains invested in the California Opportunity Fund would conform to federal tax treatment provisions. The bill also requires the Governor's Office of Business and Economic Development to track opportunity zones investments, as specified. Status: Pending in the Assembly Committee on Revenue and Taxation, 2019.

Section VIII – Removing Regulatory Barriers to Economic Growth

Small businesses form the core of California's \$2.9 trillion economy. Research shows that net new job creation is strongest among businesses with less than 20 employees, that small businesses have historically led the state's local and regional economies out of recessions, and that these businesses are essential to the state's global competitiveness by meeting niche industry needs.

Reflective of their important role, the JEDE Committee Members have consistently voted to support legislation that helps the state transition into a more small business friendly regulatory environment. The JEDE Committee maintains that it is possible to have a regulatory process that both recognizes the unique compliance challenges small businesses face while still maintaining public health and safety standards.

Cost of Regulations on Business

Upon an initial review, the cost and impact of government regulations on the private sector can be difficult to identify. Unlike many government actions, such as the receipt of grants or the payment of taxes, the direct costs of regulatory compliance are multidimensional and become integrated within the firm's overall business operations. Even more difficult than identifying these cost impacts would be to produce a comprehensive list of regulatory influences on business operations.

There are two major sources of data on the cost of regulatory compliance on businesses: the federal Small Business Administration (SBA) and the state Office of the Small Business Advocate (OSBA). In 1995, the federal SBA began conducting peer reviewed studies that analyze the cost of federal government regulations on businesses of different sizes. This research has regularly shown that small businesses continue to bear a disproportionate share of the federal regulatory burden. On a per employee basis, small businesses face regulatory costs which are 36% higher than the regulatory costs facing large firms (defined as firms with over 500 employees).

The OSBA released the first study on the impact of California regulations on small businesses in 2009. This first-in-the-nation study found that the total cost of regulations to small businesses in California averaged about \$134,000 per business, based on 2007 data. While no one would advocate for a state to have zero regulations, the report importantly identifies that government regulations add a significant cost to the everyday operations of a California business.

Hearing testimony from small businesses have identified a number of factors that add to the regulatory burden and inhibit the success of California small businesses. Examples include:

- Regulations designed to address abuses by large employers, which are not modified to reflect the likely very limited activity and the compliance capacity of non-employer and small employer firms;
- Multiple definitions of small business in state law;
- The ineffective implementation of existing laws that are designed to encourage the adoption of regulatory frameworks based on size;

- The lack of e-commerce solutions to address outdated paperwork requirements;
- Repetitive testing and compliance reviews of similar issues from various state divisions and programs;
- Procurement requirements that de facto favor larger size bidders; and
- A lack of technical assistance to support regulatory compliance.

Regularly updating the state report on the cost of regulatory compliance would be an effective means for the state and its individual agencies, departments, boards, and commissions to gain a better understanding of how various implementation models impact private sector costs, including small businesses and nonprofits.

The Federal Small Business Model

California's OSBA and several other regulatory processes are based on federal laws implemented to address the regulatory challenges of smaller size entities. The corner stone of the federal model is comprised of the Federal Office of Advocacy (FAO) and the Office of the National Ombudsman (ONA). Collectively, these two offices work with other federal agencies to implement more flexible regulatory frameworks, while amplifying the needs of small entities, including small businesses, small nonprofits, and small government jurisdictions.

Established in 1976, the primary purpose of the FAO is to advance and highlight potential small business regulatory compliance issues before rulemaking government entities, including legislative and administrative rules affecting small businesses. The ONA was established 20 years later to better support small businesses experiencing compliance problems with existing federal regulations.

Support for Small Businesses Engaging with Government Entities

In addition to establishing the ONA, the Small Business Regulatory Enforcement Fairness Act of 1996 (Small Business Regulatory Enforcement Fairness Act) charges each federal agency with designating a Small Business Regulatory Fairness Representative (RFR). Under this federal framework, the ONA serves as an "ambassador" that has the authority to act on the behalf of small businesses when they are confronting compliance issues with federal agencies. The RFR can also provide technical advice to the small entity, as well as enforce/follow-up on agreements ONA negotiated between the small business and the regulatory body.

Notably, federal regulatory support for small entities particularly focuses on potentially excessive enforcement actions by federal agencies. Excessive enforcement may include repetitive audits or investigations, excessive fines, penalties, threats, retaliation, or other unfair enforcement action.

As an impartial liaison, the ONA can talk with a small business about their concerns and then submit written comments on behalf of the small business to the appropriate agency for high-level fairness review. Being part of the SBA allows the ONA to work across federal agencies and to seek reasonable resolutions to small business challenges. The ONA, among other activities, publishes an annual report

which rates federal agencies' compliance with the Small Business Regulatory Enforcement Fairness Act using criteria such as timeliness and quality of responses.

Advocacy for Regulatory Flexibility on New Rules

Another important component to the model is the federal Regulatory Flexibility Act of 1980 (Federal Regulatory Flexibility Act), which places new duties on federal agencies when adopting and amending regulations to reflect the disproportionate burden regulations place on small businesses as compared to larger. These duties require federal rulemaking agencies to consider the impact of their proposed rules on small entities, including, as noted above, small businesses, small government jurisdictions, and small nonprofits.

If the rulemaking agency determines that the proposed rule or amendment may have "significant economic impact on a substantial number of small entities," the Federal Regulatory Flexibility Act requires the rulemaking agency to consider alternative implementation schemes or provide specific flexibility within the rule in order to minimize the regulatory burden while still achieving the rule's purpose. Further, the Federal Regulatory Flexibility Act requires the rulemaking agency to explain why the specific alternative chosen is optimal, as compared to other options.

To assist federal agencies in implementing both the Federal Regulatory Flexibility Act and the Small Business Regulatory Enforcement Fairness Act, the FAO reviews federal regulations and makes its own recommendations to agencies on how to reduce the burden and maximize small entity participation with the federal government. In 2019, the FAO issued 22 letters to federal agencies requesting alternative implementation methods and encouraging better technical review of proposed regulations. Key issues raised included, the federal agency failing to consider significant alternatives, inadequate analysis of small entity impacts, and a lack of outreach to small business entities likely impacted by the proposed regulation.

The FAO also convenes issue-specific Small Business Advocacy Review Panels pursuant to the Small Business Regulatory Enforcement Fairness Act. Utilizing the FAO facilitation authority has proven to be particularly useful in developing detailed comments and making technical recommendations to rulemaking agencies that appropriately respond to the key policy objectives while lessening a proposed rule's impact on small entities.

During 2018, the FAO also hosted 12 small business roundtables and conducted training sessions with six agencies (132 attendees) to help them become more familiar with the federal Regulatory Flexibility Act of 1980.

In addition to the Small Business Advisory Review Panels, there are ten Regional Regulatory Fairness Boards (RRFB) which meet in local communities across the nation and help to identify small business issues. The FOA and the RRFB often work together in collecting comments on pending major regulations. Most recently, the RRFB and the FAO held joint hearings on the regulations related to the federal Domestic Hemp Production Program.

The Federal Regulatory Flexibility Act also requires federal agencies to undertake a retrospective review of existing regulations that have a significant impact on small businesses. As part of this review, the rulemaking agency is required to consider the following:

- To what extent is there a continued need for the regulation?
- Have there been complaints or comments from the public regarding the regulation that should be addressed?
- Is the regulation overly complex?
- Does the regulation duplicate or conflict with federal, state, or local rules?
- Given the time since the adoption or amendment of the rule, to what degrees have technology or other factors changed?

Once the retrospective review is complete, the federal rulemaking agency is able to determine whether modifications are necessary to reduce the impact of the rule on small entities.

California's Small Business Regulatory Model

At its core, the federal small business regulatory framework provides a process for assessing and mitigating the potential impact of federal regulations on small entities, including small businesses. The process includes the publication of an annual regulatory agenda, an initial and final regulatory flexibility analysis, periodic reviews of existing regulations, assistance with compliance and special judicial review provisions.

California regulatory rule making laws include a majority of the key elements of the federal regulatory flexibility model. As an example, existing state law sets forth an extensive process for the development and adoption of regulations, including requiring the identification of potential adverse impacts on small businesses and individuals. California law further states that the purpose of the rulemaking process is to avoid the imposition of unreasonable and unnecessary regulations or compliance requirements.

California law, however, is lacking several elements of the federal model, and the value placed on these activities by the state is significantly less. As an example, the state does not include the retroactive review and the scope does not include small nonprofits and small government entities. It is also common for state rulemaking agencies to dismiss small business concerns based on overriding policy implications, rather than adopting specific compliance options.

The lack of state government support, including no dedicated staff for regulatory compliance within the OSBA weakens the impact of state law. California's regulatory law is a very open and public process, which provides many advantages. However, California's rulemaking process relies on interested parties' abilities to track various state agencies, understand the larger goals of the state policy, and submit appropriate alternatives to proposed rules in a timely fashion. In the federal model, the FAO, NOA, and the RRFs help ensure that the broader needs of small entities are identified and that professionally written alternatives and enforcement options are available for rulemaking agencies to consider when adopting new regulations or engaging with small entities.

In addressing the challenges faced by businesses in meeting state regulatory requirements, the Legislature undertook a range of activities during the 2019-20 Session. Legislation is described below, related hearings are summarized in *Section VIII*, and budget actions are outlined in *Section IX*.

Legislation from 2019-2020 Session

Below is a summary of the legislation heard by, or of interest to, JEDE during the 2019-2020 Legislation Session relating to the removal of regulatory barriers to economic growth. Legislation not heard by JEDE is marked with asterisks (**). Related hearings are summarized in *Section IX*, and budget actions are outlined in *Section X*.

AB 30 (Holden) College and Career Access Pathway Partnerships: This bill streamlines the process for developing College and Career Access Pathway partnerships (CCAP). Among other changes, the bill modifies the process for adopting CCAP partnership agreements, authorizes a high school student to submit one community college application which applies for the duration of their attendance, and extends the sunset of the CCAP partnership from January 1, 2022, to January 1, 2027. Status: Signed by the Governor, Chapter 510, Statutes of 2019.

AB 217 (Burke) Federal Conformity in Income Tax Credits: This bill enacts the Loophole Closure and Small Business and Working Families Tax Relief Act of 2019. Key provisions of the act include:

- (1) Increasing, for taxable years beginning on or after January 1, 2019, the maximum eligible earned income to \$30,000 for the California Earned Income Tax Credit.
- (2) Authorizing, for each taxable year beginning on or after January 1, 2019, a refundable young child tax credit to a qualified taxpayer of up to \$1,000.
- (3) Conforming with federal income tax law by:
 - (a) Prohibiting excess business losses, as defined, to be deducted by non-corporate taxpayers;
 - (b) Allowing small businesses with gross receipts of up to \$25 million to use the “cash method” of accounting, rather than the more complicated accrual method. The current state threshold is generally set at \$5 million;
 - (c) Limiting “like-kind” exchange treatment to real property, subject to limited exceptions for middle-income taxpayers; and
 - (d) Disallowing the use of net operating loss carrybacks by individual and corporate taxpayers.
- (4) Revising the definitions of a “covered employee” and “publicly held corporation” to limit the amount those specified taxpayers may deduct for executive employee compensation.
- (5) Allowing a small business to use the cash method of accounting if its average annual gross receipts for the three taxable years ending with the prior taxable year do not exceed \$25 million.
- (6) Excluding from an individual’s gross income the amount of student loan indebtedness discharged on or after December 31, 2018, due to the death or disability of the student, as provided.

Status: Pending on the Assembly Floor, 2019.

AB 308 (Muratsuchi, Smith) Veteran Exemption from Certain Business Taxes: This bill reinstates, for taxable years beginning on or after January 1, 2020, and before January 1, 2030, the veteran

exemption from the \$800 annual tax for certain qualifying limited liability companies (LLCs) or minimum franchise tax for certain qualifying corporations. The prior exemption sunset on January 1, 2018. In order to qualify, the LLC or corporation must be solely owned by a deployed member of the Armed Forces and have gross revenues in the tax year of \$250,000 or less. Status: Signed by the Governor, Chapter 421, Statutes of 2019.

AB 312 (Cooley) Review of State Agency Administrative Regulations: This bill would have required every state agency to review their regulations and to adopt, amend, or repeal any regulations identified during that review which are duplicative, overlapping, inconsistent, or out of date. The review and related administrative actions were to be complete by January 1, 2022. As part of this mandated review, each state agency would have been required to hold at least one noticed public hearing to accept public comment on proposed revisions, notify the appropriate policy and fiscal committees of the Legislature of the proposed revisions, and report to the Governor and the Legislature. Status: Held in the Assembly Committee on Appropriations, 2019.

AB 364 (Calderon) Small LP and LLC Tax Exemption: This bill eliminates, for taxable years beginning on or after January 1, 2020, the minimum annual tax for a limited partnership (LP) or a limited liability corporation (LLC) if the taxpayer is a new LP or LLC in its first taxable year and the LP or LLC has gross receipts, less returns and allowances, reportable to this state for the taxable year of less than \$50,000. Status: Pending in the Assembly Committee on Revenue and Taxation, 2019.

AB 498 (Weber) Veteran Business Licensing Fee Exemptions: This bill exempts a veteran of the U.S. Armed Forces from paying any local business license fee for a business that provides services if the veteran is the sole proprietor. Status: Signed by the Governor, Chapter 227, Statutes of 2019.

AB 1545 (Obernolte) Civil Penalty Reduction Policy for Small Businesses: This bill would have required a state agency, as defined, to assist small businesses in complying with statutes and regulations and to establish policies that would have allowed small businesses, under certain specified circumstances, to have the total amount of civil penalties reduced for noncompliance. Status: Held in the Assembly Committee on Appropriations, 2019.

AB 1577 (Burke) Microenterprise Development: This bill revises and recasts microenterprise provisions in the Business and Professions Code (BPC) to the Government Code; eliminates one of two requirements necessary to meet the statutory definition of microenterprise; and states findings and declarations. Status: Pending on the Senate Floor, 2019.

AB 1806 (Committee on Jobs - Cervantes, Cunningham, Chau, Chen, Ramos, L. Rivas, Smith) Business Development E-Government Platform: This bill would have formalized the role of the Information Technology Unit within the Governor's Office of Business and Economic Development, which is responsible for the design and maintenance of an online Internet platform, called the California Business Development Portal. In addition, the bill would have rebranded the state's permit and licensing application as the California Business License Center and expanded the California Business Portal. Status: Held in the Assembly Committee on Appropriations, 2019.

AB 1807 (Committee on Jobs - Cervantes, Cunningham, Chau, Chen, Ramos, L. Rivas, Smith) Clean-up to the Small Business Assistance Expansion Program: This bill would have updated, based

on experience from the first round of funding, the Small Business Assistance Expansion Program, which is administered through the Governor's Office of Business and Economic Development to provide funding to federally designated small business assistance centers, including Small Business Development Centers, Women's Business Centers, Minority Business Development Centers, Veteran Business Outreach Centers, Procurement Technical Assistance Centers, and the Manufacturing Extension Partnership. Status: Held in the Assembly Committee on Appropriations, 2019.

Section IX – JEDE Committee Hearings and Activities

During the 2019-2020 Legislative Session, the JEDE Committee has held five informational hearings addressing key economic and community development issues and examining three core policy topics:

1. What are current and emerging issues in economic and workforce development? How can the state best involve itself in addressing these issues, particularly those related to inclusive economic growth?
2. How could the state advance upward mobility and independent economic security priorities within the context of its other existing programs and responsibilities?
3. In what ways has the trade dispute between United States and the People's Republic of China affected the California economy? What actions can the state and/or businesses take to mitigate the impact of a protracted resolution of these trade issues?

2019 Current and Emerging Issues in Economic and Workforce Development (Sacramento, California)

On Tuesday, February 26, 2019, the Assembly Committee on Jobs, Economic Development, and the Economy (JEDE) convened its first hearing of the 2019-20 Session. This hearing was designed to provide Assembly Members with a foundation from which to oversee and evaluate state programs and legislative proposals in the coming Session. This hearing became the first in a series of hearings held by the Committee to examine how the state can create the conditions that support inclusive economic growth.

During the course of the hearing, Committee Members were briefed and engaged with stakeholders on the place California's \$2.7 trillion economy holds within the national and global economies, shifts in the disbursement of personal income and educational attainment, the formalization of a state economic strategy, the development of a scorecard for tracking California's progress toward improving economic mobility, apprenticeships, and closing skills and equity gaps across the state. Presentations were provided by:

- **John Rothfield**, Investment Director and Head Economist of the CalPERS Investment Office
- **Carolyn Chu**, Deputy Legislative Analyst of State and Local Finance of the Legislative Analyst's Office
- **Jim Mayer**, President and CEO of California Forward, which serves as one of two lead partners for the California Economic Summit
- **Bob Lanter**, Executive Director of the California Workforce Association
- **Rona Sherriff**, Co-Director of the California EDGE Coalition

After the presentations, stakeholders representing several key components of the state's economic position came before the Committee Members to participate in a rapid fire panel that highlighted possible next steps toward supporting the economic independence of all Californians. Panelists included:

- **Scott Hauge**, President of Small Business California and the small business CAL Insurance and Associates, Inc.
- **Paul Granillo**, President and CEO of the Inland Empire Economic Partnership
- **Nicole Rice**, Policy Director with the California Manufacturers and Technology Association

A public comment period followed the eight speakers and provided time for other economic development professionals, businesses, and the general public to add their voices to the dialogue.

A background memorandum was developed by JEDE staff to frame key issues and policy questions and to provide an overview of the state economy, including long-term economic trends, and a list of related reports for further research. The appendices contained fact sheets and other short narratives developed by the JEDE staff and other stakeholder groups. The background memorandum is available on the Committee website under <https://ajed.assembly.ca.gov/content/2019-hearing-schedule-and-background-materials>.

Leveraging State Resources to Support an Inclusive and Prosperous Economy (Sacramento, California)

On Tuesday, March 5, 2019, the Assembly Committee on Jobs, Economic Development, and the Economy held its second hearing of the 2019-20 Session and the second hearing in its series of hearings designed to examine the California economy and opportunities for inclusive economic growth. This second hearing built on many of the same themes from the previous hearing and delved more deeply into strategies to support upward mobility and independent economic security within the context of the state's other responsibilities.

Chair Sabrina Cervantes, Vice Chair Jordan Cunningham, and other members of the Assembly Jobs Committee shared their vision for leveraging sustainable development policies to deliver social and economic, as well as environmental, benefits. The committee expressed great interest in learning more about how investments of millions of dollars in infrastructure and climate mitigation/adaptation could provide important opportunities to deliver triple-bottom line outcomes for historically underserved businesses, workers, and areas of the state.

After the committee members' opening comments, the hearing's presentations were organized into three parts, each with presentations followed by a question and answer period between committee members and those presenting. First was an overview of income inequality and potential roles for the state provided by **Lenny Mendonca**, Governor Newsom's Chief Economic and Business Advisor and Director of the Governor's Office of Business and Economic Development (GO-Biz). He spoke to the Governor's proposed budget and the related policies and programs the Newsom Administration is considering as a means to advance upward mobility and inclusive economic growth. This was Director Mendonca's first appearance before the Legislature since his appointment to the Newsom Administration.

Following Director Mendonca's testimony was a case study on neighborhood revitalization provided by **Dr. Jesus Hernández**, Principal with JCH Research. His case study illustrated how

environmentally driven, equity-conscience public investments made at the neighborhood scale can be restorative and regenerative to historically underserved, diverse, lower-income communities.

Following Dr. Hernández's testimony were presentations from three of California's larger community development-related programs. **Dr. Louise Bedsworth**, Executive Director of the Strategic Growth Council, described the sustainable development grant programs administered by her organization. **Drew Bohan**, Executive Director of the State Energy Resources Conservation and Development Commission (California Energy Commission), described the contracting and grant programs administered by the California Energy Commission. **Laurie Berman**, Director of the California Department of Transportation (Caltrans), spoke to Senate Bill 1 – The Road Repair and Accountability Act of 2017 and other related legislation administered by Caltrans.

A public comment period followed the five speakers and provided time for other economic development professionals, businesses, and the general public to add their voices to the dialogue.

A background report was prepared by JEDE staff to assist committee members in preparing for the hearing. In addition to providing an overview of the hearing, the report included information on California's economy and income disparities, as well as background on state policies and programs which were discussed during the hearing. The background report is available on the Committee website under <https://ajed.assembly.ca.gov/content/2019-hearing-schedule-and-background-materials>.

Impact of the U.S. Trade Dispute with China on the California Economy (Sacramento, California)

On Tuesday, June 4, 2019, the Assembly Committee on Jobs, Economic Development, and the Economy (JEDE) convened the first in a two part series of informational hearings on the impact of the U.S. and China trade dispute on the California economy. This hearing was held jointly with the Assembly Committee on Agriculture (AG) and the Assembly Select Committee on International and Regional Agreements (IRA) and built upon JEDE's prior activities to track and monitor international trade and foreign investment.

Following opening remarks provided by the Chairs of the convening committees – Chair Sabrina Cervantes of JEDE, Chair Susan Talamantes Eggman of AG, and Chair Marc Levine of IRA – and committee members, the hearing's presentations were organized into three parts, each set of presentations followed by a question and answer period between committee members and those presenting. First was a keynote address provided by **Lieutenant Governor Eleni Kounalakis**. She discussed the importance of trade to the California economy and the state's organizational structure for monitoring the impact of the federal trade-related actions on California competitiveness.

In this context, Lt. Governor Kounalakis described her role as the Governor's Representative for International Affairs and Trade Development (Foreign Affairs Representative), as designated by Executive Order N-08-19 (EO). As such, she, in coordination with the Governor's Chief Business and Economic Advisor (Economic Advisor), advises the Governor on international opportunities and provides recommendations to promote and expand trade, investment, and foreign relations. The Foreign Affairs Representative and the Economic Advisor are also directed under the EO to convene a cabinet-level International Affairs and Trade Development Interagency Committee (Interagency

Committee) to advise the Governor and support the coordination of state activities related to trade, investment, and foreign relations.

After the Lt. Governor's remarks, two University of California, Davis economists were invited to discuss their work on trade and the potential impacts of the current disputes on California agricultural businesses – businesses that experienced the earliest impacts of the U.S.'s trade dispute with China.

Dr. Katheryn Russ, Associate Professor in the Department of Economics at UC Davis, shared her expert insights gained from her research on the macroeconomic outcomes arising from international trade and investment and from having served as a visiting scholar at the central banks of Germany, Portugal, and France, and at the Federal Reserve Banks of St. Louis and San Francisco. **Dr. Daniel Sumner**, Professor in the Department of Economics and Director of the Agricultural Issues Center at UC Davis, shared his expertise on the possible consequences of ongoing international trade disputes, including specific estimates and projections pertaining to important California agricultural commodities which are exported to countries targeted by the U.S.

Businesses within non-agricultural industry sectors may have been able to delay purchases, temporarily substitute products, or bring in “extra goods” prior to tariff effective dates, thereby briefly postponing the effects of the trade dispute upon their businesses. As these California businesses prepared to enter the second half of 2019, however, the effects of the dispute were felt more fully as businesses restocked shelves from the holidays, fulfilled new orders, and assembled products. To speak to the realities of these effects upon California industries, a panel of industry experts was assembled following the UC Davis economists' presentations. Panelists included:

- **Honore Comfort**, Vice President of International Marketing at the Wine Institute
- **Matt Davis**, Director of Governmental Affairs at the Port of Oakland
- **Courtney Jensen**, Executive Director of TechNet
- **Rachel Michelin**, President of California Retailers
- **Dave Puglia**, Executive Vice President of the Western Growers Association

A public comment period followed the eight speakers and provided time for other economic development professionals, businesses, and the general public to add their voices to the dialogue.

A briefing memorandum was prepared to assist committee members in preparing for the hearing. In addition to providing an overview of the hearing and witness biographies, the memo included information on California's trade-based economy, as well as information on some initial findings as to the impact of the trade dispute on the California economy. The briefing memorandum is available on the Committee website under <https://ajed.assembly.ca.gov/content/2019-hearing-schedule-and-background-materials>.

U.S. Trade Tariffs on China: Effects on California's Economy (San Francisco, California)

On Wednesday, July 17, 2019, the Assembly Committee on Jobs, Economic Development, and the Economy (JEDE) convened the second in a two part series of informational hearings examining the impact of the U.S. trade dispute with China on the California economy. This hearing was held jointly with the Assembly Select Committee on Asia/California Trade and Investment Promotion (ACTIP) and built upon JEDE's prior activities to track and monitor international trade and foreign investment.

After Chair Philip Ting of ACTIP opened the proceedings welcoming committee members, invitees, and the public to the proceedings, the hearing's presentations were organized into three parts, each with presentations followed by a question and answer period between committee members and those presenting. As in the first hearing in this series, ***Lieutenant Governor Eleni Kounalakis*** was invited to speak first following the opening remarks. Her testimony here provided important context to hearing topics as she shared new insights and perspectives on the current trade situation between the U.S. and China and how the California economy finds itself situated now and looking forward.

The committee was fortunate to receive testimony from ***Ren Faqiang, Deputy Consul General of the People's Republic of China***, who provided comments from the perspective of the other government and economy in this trade dispute. This was the third time that China had sent high-ranking representatives to discuss trade and investment with the committee.

Formal hearing presentations concluded with a panel of business development and trade promotion experts who discussed how their organizations were assisting California communities and businesses to mitigate the impact of and remain competitive during this protracted trade dispute. Panelists included:

- ***Stephen Cheung***, President of World Trade Center Los Angeles
- ***Darlene Chiu Bryant***, Executive Director of GlobalSF
- ***James Green***, Senior Research Fellow at Georgetown University and Senior Advisor at McLarty Associates
- ***John Grubb***, Chief Operating Officer of the Bay Area Council

A public comment period followed the six speakers and provided time for other economic development professionals, businesses, and the general public to add their voices to the dialogue.

A background report was prepared by committee staff to assist committee members in preparing for the hearing. In addition to providing an overview of the hearing and witness biographies, the report included information on California's trade-based economy, as well as information on some initial findings as to the impact of the trade dispute on the California economy. The background report is available on the Committee website under <https://ajed.assembly.ca.gov/content/2019-hearing-schedule-and-background-materials>.

Upward Mobility in the Inland Empire (Corona, California)

On Wednesday, September 25, 2019, the Assembly Committee on Jobs, Economic Development, and the Economy (JEDE) convened the third in a series of informational hearings examining solutions to and opportunities for addressing the root causes and impacts of income inequality in neighborhoods across the state. In the prior hearings in this series, key themes emerged, including the need to:

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

In order to advance JEDE's understanding of how sustainable and inclusive economic strategies can actually be implemented in the real world, this third hearing was conducted outside of the confines of the State Capitol and highlighted regional initiatives in the Inland Empire, including best practices, innovative solutions, and reinvigorated regional visions.

Following Chair Sabrina Cervantes' opening remarks, the hearing's presentations were organized into three parts, each set of presentations followed by a question and answer period between committee members and those presenting. After the opening remarks, **Dr. Karthick Ramakrishnan**, Chair of the Center for Social Innovation at the University of California, Riverside, delivered the hearing's keynote presentation.

Featured prominently in his testimony was research from the Center of Social Innovation's State of the Inland Empire series and from its recent collaboration with the program most commonly referred to as IEGO. Using this research as a basis, Dr. Ramakrishnan also briefed the committee on IE Squared, a related regional innovation project, as well as the activities of Inland California Rising, an initiative he co-launched in February 2019 and which has already hosted summits in both of its partner regions, the Inland Empire and the San Joaquin Valley.

Amber Bolden, Senior Project Manager at California Forward, spoke next and discussed other regional initiatives in the state, including Governor Newsom's Regions Rise Together initiative, for which her organization is a key partner. This initiative was designed to bring together diverse leaders in every region of the state over the course of the next year in order to develop an inclusive and comprehensive plan that would lift every part of California. California Forward was also the lead organizing partner of the 2019 California Economic Summit, where outcomes from this and many other regional initiatives were shared.

A panel of four economic and workforce development professionals concluded the hearing's formal presentations. Panelists highlighted projects, research, and initiatives that support upward mobility and inclusive economic policies. **Molly Wiltshire**, Assistant Director of the San Bernardino County Workforce Development Board, presented a case study on its "GenerationGo!" Career Pathways initiative, which integrates the education, industry, and workforce systems into one system designed to produce and retain relevant talent in the Inland Empire. She described how the San Bernardino County Workforce Board, through its GenerationGo! initiative, is creating a pipeline of talent to meet industry demand and help grow local businesses, in part through building connections between high school youth and local businesses through work experience opportunities.

Dr. Elsa E. Macias, author of *Too Big to Ignore: Latina Microbusiness Owners*, presented key findings and recommendations from this report she prepared for Hispanas Organized for Political Equality (HOPE). Highlighted were Latina entrepreneurs' 87% growth rate between 2007 and 2013 (most recent data), greatest among all business ownership groups; key challenges experienced by current and prospective Latina entrepreneurs, including information gaps about government programs and how to access private capital, competing demands for the entrepreneurs themselves, and gender and ethnic/racial discrimination; and policy recommendations on how to better support Latina microbusiness owners.

Matthew Horton, Associate Director of the Center for Regional Economics and California Center at the Milken Institute, presented research from the Milken Institute on *Seeding Regional Competitiveness and Building Innovation Ecosystems*. Beginning with a brief discussion on the current competitive ranking of the Inland Empire's innovation capacity among major U.S. metropolitan areas, he then identified key features of a regional innovation ecosystem life cycle. Mr. Horton then shared practical applications from this work, including projects underway in the Inland Empire.

A public comment period followed the five speakers and provided time for other economic development professionals, businesses, and the general public to add their voices to the dialogue.

A background report was prepared by JEDE staff to provide a context for the hearing's presentations. In addition to providing an overview of the hearing and witness biographies, the report included information on the California and Inland Empire economies, as well as information on recent legislation, studies, and reports related to upward mobility in the Inland Empire. The background report is available on the Committee website under <https://ajed.assembly.ca.gov/content/2019-hearing-schedule-and-background-materials>.

Section X – Economic Development Related Budget Actions

This section includes summaries of the 2019-2020 California budget actions related to economic, community, and workforce development.

Budget Details

The 2019-20 budget package approved by the Legislature and signed by Governor Newsom in June 2019 funds a range of important policies that are designed to support more inclusive economic growth that benefits all Californians.

Chart 20 – General Fund Expenditures (dollars in millions)		
	Expenditure Dollars	Percentage Total
Legislative, Judicial, Executive	\$5,336	3.6%
Business, Consumer, Housing	\$1,438	0.9%
Transportation	\$304	0.2%
Natural Resources	\$3,680	2.5%
Environmental Protection	\$193	0.1%
Health and Human Services	\$41,929	28.4%
Corrections and Rehabilitation	\$12,783	8.7%
K-12 Education	\$58,308	39.5%
Higher Education	\$17,502	11.8%
Labor and Workforce	\$138	0.1%
Government Operations	\$1,286	0.9%
General Government	\$4,884	3.3%
Total	\$147,781	100%
Senate Committee on Budget 12/5/2019		

The budget authorizes the expenditure of \$214.8 billion during 2019-20 fiscal year, including General Fund expenditures of \$147.8 billion, \$106 billion in federal funds, and \$61 billion in special nonfederal funds. All new expenditures are supported by fiscal projections that represent a balanced budget throughout the forecast period (through 2022-23).

Community Development Highlights

The 2019-20 budget is supported by a **strong fiscal foundation** by paying and pre-paying state debt, while continuing to set aside reserves to help the state stave off draconian budget cuts resulting from revenue reductions in the case of a recession. The 2019-20 budget package assumes an estimated **\$19.2 billion in reserves**, including \$16.5 billion in the Proposition 2 Budget Stabilization Account, often referred to as the rainy day fund.

As a result of these budget actions, California fully eliminates the “wall of debt” incurred during the last recession and makes nearly \$8.5 billion in supplemental pension payments to reduce long term pension costs to the state, as well as local agencies. These supplemental pension payments are estimated to save the state \$7.1 billion and local agencies \$14.5 billion over the long term.

Next, the 2019-20 budget makes key investments to address historic inequities and serve as a catalyst for more inclusive economic growth.

- **Moving Toward Universal Preschool and Childcare.** Building off of the work of the Assembly's Blue Ribbon Commission on Early Childhood Education, California is setting a path to a master plan that ensures comprehensive, quality, and affordable childcare and preschool. This budget funds major new investments in childcare (over 11,000 new vouchers and slots) and state preschool (10,000 new full-day slots).
- **Public Schools.** The budget provides record levels of Proposition 98 funding (about \$81 billion in state and local funds) to public schools and community colleges, equal to over \$12,000 per student. To address the real cost pressures facing school districts, the budget provides an unprecedented level of additional funding, over \$3 billion, to moderate districts' future pension cost increases. The budget contains new funding for special education in preschool and K-12, as well as for American Indian Education Centers and the American Indian Early Childhood Education Program.
- **Access to College.** The budget funds approximately 15,000 new slots for undergraduates at UC and CSU. It expands the College Promise fee waiver program to a second year at community colleges and funds over 15,000 new competitive Cal Grant awards, a major expansion of this program. The budget provides \$50 million to support state and local Child Savings Account programs, which are designed to help families build assets for their children's post-secondary education.
- **Housing and Homelessness.** The budget includes \$500 million in one-time funds for housing-related infrastructure to help boost needed construction, \$500 million in one-time funds for a mixed income loan program through California Housing Finance Agency, \$500 million in one-time funds to expand the Low Income Housing Tax Credit, \$250 million for planning grants to help local jurisdictions work through the Regional Housing Needs Assessment, and \$650 million in one-time funds to help local jurisdictions address the homelessness crisis.
- **Other Issues.** The budget provides tens of millions of dollars more for 2020 Census outreach, extending California's historic investment to help ensure a complete count. The package provides over \$300 million for disaster preparedness, including communications infrastructure, and new funding to help communities affected by disasters. Pending future legislative deliberations, the Budget Conference Committee package includes placeholder trailer bill provisions to change California's tax laws in response to Governor Newsom's proposals to conform state tax law to recently changed federal tax laws. The budget also temporarily ends the sales tax on diapers and menstrual products.

Information on Specific Appropriations in 2019-20 Budget

The following is a summary of key business and economic development related elements included in the 2019-20 Budget.

Investments in Advancing a Prosperous and Inclusive Economy

- **\$1 billion** General Fund impact for an expanded **Earned Income Tax Credit (EITC)**. Working families with young children may receive up to an additional \$1,000. The EITC can be claimed by income-eligible workers, as well as those who are self-employed.
- **\$428.6 million** in ongoing General Fund to increase and expand **Covered California** subsidies for Californians. The updated program subsidies are anticipated to:
 - Provide **\$120 in monthly premium relief** for Californians between **400% and 600% (\$150,000) of federal poverty**,
 - Provide an **additional \$10 per month supplement** to the current federal subsidies for Californians under **400% of federal poverty**, and
 - Result in **zero out of pocket premium costs** for Californians under **138% of federal poverty**.
- **\$25 million** in California Cannabis Tax Fund moneys (**\$10 million** of which is a re-appropriation from 2018-19 budget) to implement the **California Community Reinvestment Grants Program**, a competitive grant program approved through the passage of Proposition 64 - The Adult Use of Marijuana Act and administered by the Governor's Office of Business and Economic Development. Local public health departments and qualified community-based nonprofit organizations are eligible to apply for grants to support mental health treatment, substance abuse treatment, job placement, legal services, and other health and wellness-related programs for California communities disproportionately affected by past federal and state drug policies.
- **\$17 million** General Fund for the **Small Business Technical Assistance Expansion Program**, administered by the Governor's Office of Business and Economic Development. The program provides grants to existing federally designated nonprofit small business service providers to provide free or low-cost one-on-one consulting and low-cost training. Program funding is focused on services to underserved business groups, including woman-, minority-, and veteran-owned businesses and businesses in low-wealth, rural, and disaster-impacted communities.
- **\$27 million** in one-time General Fund to the California Arts Council for local arts and cultural projects, including \$6 million for the **Los Angeles Museum of the Holocaust**; \$5 million for the **Armenian American Museum and Cultural Center**; \$500,000 for the **National LGBTQ Center for the Arts**; \$1 million for the **Italian-American Museum**; \$2 million for the **Latino Theater Company**; \$4 million for the **Korean American National Museum**; and \$9 million for the **Navy Training Center Foundation** for renovations to the Performing Arts Center.
- **\$26.2 million** ongoing General Fund and 50 positions (20 exempt) to establish the **Office of Digital Innovation** (Office) within the Government Operations Agency. According to the Governor's proposed budget report, "the state must transform from a passive government model that largely responds to individual statutory and policy mandates to one that actively establishes measurable customer service benchmarks." The Office of Digital Innovation is intended to be provided with the authority to develop and enforce the requirement that departments assess their service delivery models and underlying business processes from an end-user perspective. **\$10 million** is also provided for the establishment of an **Innovation Fund** that can be used by the

Office to assist state agencies in undertaking **transformational customer-focused digital service delivery**.

- **\$5.1 million** for **local economic development projects**, including \$40,000 for the **Central Valley Economic Development Corporation**; \$2 million for the **Los Angeles Cleantech Incubator**; \$2.1 million for **Claremont Pomona Locally Grown Power**; and \$1 million for the City of **Glendale Tech Accelerator**.
- **\$3 million** General Fund for the **Capital Infusion Program**, administered by the Governor's Office of Business and Economic Development. The program supports free one-on-one business consulting provided by the Small Business Development Center Network.
- **\$2.3 million** in ongoing funds and 11 positions to the Governor's Office of Business and Economic Development including:
 - **\$148,000** in ongoing General Fund and one position to the Governor's Office of Business and Economic Development to support **geographically targeted economic development areas** as required by SB 635 (Hueso, Chapter 888, Statutes of 2018).
 - **\$592,000** in ongoing General Fund and three positions to support workload within the **International Affairs and Business Unit**.
 - **\$767,000** in ongoing Air Pollution Control Fund for four positions for the **Governor's Office of Business and Economic Development Zero Emission Vehicle Infrastructure Unit** to enable continuation of the **Zero Emission Vehicle initiatives**.
 - **\$806,000** in ongoing General Fund and three positions to provide resources to support the core duties of the **Office of the Small Business Advocate**.
- **\$2.7 million** from the Disability Insurance Fund and 12.5 positions in 2019-20 and **\$1.3 million** and 6.0 positions in 2020-21 related to the implementation of SB 1123 (Chapter 849, Statutes of 2018), which expands the **Paid Family Leave program** on January 1, 2021, to cover paid leave for individuals whose spouse, domestic partner, child, or parent needs assistance to prepare for military deployment.
- **\$241,000** in one-time General Fund to administer the provisions of **AB 2658 from 2018**, which requires, among other actions, the establishment of a **blockchain working group**.

Investments in California's Current and Future Workforce

The overall **Proposition 98** funding level is **\$81.1 billion** for **K-12 schools and community colleges**. This is up from a recessionary low of \$47.3 billion in 2011-12.

- **California's K-12th grade education system** is financially supported through a variety of sources, including Proposition 98 guaranteed funding, federal funds, state lottery proceeds, and other special fund and General Fund moneys. According to the Department of Finance, these funds will total **\$103.4 billion in the budget year**. Other 2019-20 budget highlights include:
 - **\$152.6 million** to increase base for **special education funding rates**.

- **\$50 million** in Proposition 63 funding (\$10 million of this is ongoing) for the **Mental Health Student Services Act** to provide **competitive grants to partnerships** between county mental or behavioral health departments and school districts, charters schools and county offices of education.
- **\$38.1 million** in one-time non-Proposition 98 General Fund moneys for the **Educator Workforce Investment Grant** to provide competitive grants for professional learning opportunities for teachers and paraprofessionals.
- **\$16.9 million** in federal funds to align with the federal grant award for **California partnership academies**. Part of these moneys will be used to fund 6.0 full-time agricultural career technical education positions within the California Department of Education.
- **\$7.5 million** in one-time General Fund moneys for **broadband infrastructure** in schools. The money will be expended through a contract with the **Corporation for Education Network Initiatives in California (CENIC)** and will focus on the most poorly connected school sites.
- **\$2 million** in one-time Proposition 98 guaranteed General Fund moneys to the **Southern California Regional Occupation Center** for **instructional and operational costs**.
- **\$500,000** in one-time Proposition 98 guaranteed funding for a new grant program, **Breakfast After the Bell**. Under the program, local education agencies can apply for funds to **start or expand programs** that feed students breakfast after the start of the school day.
- **\$500,000** for **San Diego Unified School District** to support the **education of homeless youth**.
- **\$349,000** to support foster youth, including:
 - **\$142,000** in ongoing General Fund and one position to provide **technical assistance** to county offices of education in developing and implementing **local inter-agency plans for the care of foster youth**, pursuant to Chapter 815 of 2018 (AB 2083, Cooley).
 - **207,000 federal funds and 1.5 positions to coordinate services for foster youth**.
- **\$275,000** in ongoing General Fund and two positions to support implementation of the **Career Technical Education Incentive Grant Program and the K-12 component of the Strong Workforce Program**.
- **\$207,000** in ongoing **federal McKinney-Vento Act** funding for 1.5 additional positions within the California Department of Education for **homeless student coordinators**.
- **\$38.3 billion** in total funds to the **University of California**, including \$4 billion in General Fund moneys. Selected **highlights** of the University of California system budget include:
 - **\$31.5 million** ongoing and one-time General Fund to the **University of California** to increase student **mental health resources (\$5.3 million)**, address **student hunger (\$15 million)**, expand **outreach programs** to better serve lower income prospective students, provide **student rapid rehousing (\$3.5 million)** services, fund **immigration legal** services for students, and support other **basic student needs**.
 - **\$143 million** one-time General Fund for **deferred maintenance** for the **University of California**.

- **\$15 million** one-time General Fund to **UC Extension programs** to develop or **expand degree and certificate completion programs**.
- **\$4 million** General Fund to **waive summer tuition** fees for **students eligible** for **state financial aid**.
- **\$10.2 billion** in total funding to the **California Community College system**, including **\$6.1 billion** in Proposition 98 guaranteed General Fund. Highlights of 2019-20 Community College investments include:
 - **\$534.9 million** one-time Proposition 51 funds for certain capital outlay projects at 60 campuses statewide, including utility infrastructure replacement, science and mathematics building replacement, and seismic and code renovations.
 - **\$42.6 million** in one-time Proposition 98 guaranteed General Fund for a second year of the **College Promise Program**, which offers tuition waivers at California Community Colleges for first-time, full-time students.
 - **\$38.6 million** one-time Proposition 98 guarantee General Fund to support deferred maintenance projects.
 - **\$16.9 million** Proposition 98 guaranteed General Fund, including **\$9 million** ongoing for a rapid rehousing program, **\$3.9 million** to support **student basic needs**, **\$3.5 million** to expand **re-entry programs**, and **\$500,000** to support a **study** of student hunger and **effective practices to reduce student hunger**.
 - **\$7.5 million** one-time Proposition 98 guaranteed General Fund with Fresno, Bakersfield, and Mendocino community colleges each receiving \$1 million; Modesto, and San Bernardino community colleges each receiving \$1.5 million; and \$750,000 to Norco community college to **improve workforce development programs**.
 - **\$7 million** one-time Proposition 63 state administration fund to support Community College **student mental health services**.
 - **\$81,000** on ongoing General Fund to support the **Historically Black Colleges and Universities Transfer Pathways Program**.
- **\$11.0 billion** in total funds to the **California State University**, including \$4.3 billion in General Funds. Selected highlights of the 2019-20 California State University system budget include:
 - **\$45 million** ongoing General Fund and **\$30 million** onetime General Fund to support the California State University's efforts to increase graduation rates, **Graduation Initiative 2025**.
 - **\$27.5 million** one-time General Fund for the **California State University system**, including **\$15 million** for **basic student needs**, **\$6.5 million** for **rapid rehousing** and **\$7 million** **immigration legal services**, **\$3 million** for **mental health services**, and **\$3 million** to help **close the student achievement gap**.
 - **\$6 million** one-time General Fund to **waive summer tuition fees** for students who are **eligible for state financial aid**.

- **\$4 million** one-time General Fund to support a \$2 million **new campus study in San Joaquin County**, and another **\$2 million to study sites in Chula Vista, Palm Desert, San Mateo County, and Concord**.
- **\$239 million** one-time General Fund to address **deferred maintenance** needs and provide **new on-campus child care facilities** at **California State University** campuses.
- **\$5.6 billion** (\$1.8 billion Proposition 98 General Fund, \$2.4 billion General Fund, \$1.2 billion federal funds, and \$80 million Proposition 64 Special Funds) is provided for **child care, state preschool, and transitional kindergarten programs**.
 - **\$1.5 billion** for state **preschool**, including **\$980.6 million** for part-day and **\$500.4 million** for full-day preschool including full-day wrap care.
 - **\$873 million** for transitional kindergarten, which serves as a supplemental year of kindergarten for students whose fifth birthday falls after the September 2nd cut off for enrolling in kindergarten.
 - **\$300 million** one-time General Fund for the **Full-Day Kindergarten Facilities Grant Program**.
 - **\$1.4 billion** one-time General Fund for **CalWORKS childcare programs** to **support adults who participate in education and workforce training activities** funded through Stages I, II, and III.
 - **\$1.1 billion** one-time General Fund for **nonCalWORKs child care programs**, a 25.6% increase over 2018-19.
- **\$135 million** to support combined **enrollment increases** of approximately **15,000 students** at both UC and CSU.
- **\$50 million** one-time General Fund to establish **two new child savings account programs**, including **\$25 million** to the Student Aid Commission to support the creation of a **Child Savings Account Grant Program** through local governments and nonprofit organizations who serve areas with higher percentages of children eligible for the free and reduced lunch program, and **\$25 million** to the **Scholarshare Board** to support the **California Kids Investment and Development Savings Program**.
- **\$37 million** ongoing and one-time General Fund moneys to reduce recidivism and improve successful reentry. Highlights of 2019-20 budget actions to **support youth and young adult rehabilitation and re-entry programs** include:
 - **\$10 million** one-time General Fund to the Board of State and Community Corrections for **tribal youth diversion programs**.
 - **\$8 million** ongoing General Fund to establish “**Therapeutic Communities**” in the Division of Juvenile Justice.
 - **\$5.5 million** ongoing and one-time General Fund for community based organizations to provide **rehabilitative programming in prisons**, including \$500,000 to the **City of Oakland (After Innocence)** to provide **reentry support to individuals who have been exonerated**.

- **\$5 million** one-time General Fund to the Board of State and Community Corrections for the **Youth Reinvestment Grant**.
- **\$5 million** General Fund to the Board of State and Community Corrections for the **Challenger Youth Memorial Center** in Los Angeles to fund its transition into a **residential vocational training center for young adults**.
- **\$1.2 million** ongoing General Fund to plan for and **transfer the Division of Juvenile Justice** from California Department of Corrections and Rehabilitation **to the Health and Human Services Agency** and **launch a new independent training institute** that will train Health and Human Services Agency staff on best practices.
- **\$1.4 million** ongoing General Fund to **establish a partnership** between the Division of Juvenile Justice and the California Conservation Corps for the purpose of developing and implementing an **apprenticeship program**.
- **\$1 million** General Fund to the Board of State and Community Corrections to award to the **County of Imperial** for the **Valley College Medical Assistant and Correctional Academy**.
- **\$32.95 million** ongoing General Fund to continue funding for the **Adult Reentry Grant** program, which provides a “warm hand-off and reentry” of offenders transitioning from state prison to communities. **Other budget actions** taken to address the **education and training needs of incarcerated and formerly incarcerated individuals** include:
 - **\$5.5 million** General Fund to the California Department of Corrections and Rehabilitation for a package of programs aimed at improving **literacy rates of incarcerated individuals**, including diagnostic remedial reading programs, literacy coaches, computer-based learning, English as a second language courses, literacy mentor programs, and teacher mentor programs.
 - **\$1.8 million** General Fund on a limited term basis to expand the Educational Partnership Program that **places students and recent graduates** in temporary **residency and internship positions within the state prisons**.
 - **\$2 million** one-time General Fund to provide **matching funds** for **California Volunteers/AmeriCorps federal grant**. This money supports **40 half-time AmeriCorps** members in **organizations assisting youth** released from the Division of Juvenile Justice.
 - **\$1.5 million** ongoing General Fund to provide a **5% contract rate increase** for **Male Community Reentry Program** providers.
 - **\$1.5 million** ongoing General Fund to provide **equal access** to rehabilitation programs and services to **inmates for whom sign language** is their primary method of communication.
 - **\$4 million** one-time General Fund to the **City of Oakland (UnCommon Law)** for a **parole preparation pilot in prisons**.
 - **\$5 million** General Fund to the Board of State and Community Corrections to fund a **restorative justice pilot** in **San Joaquin County**.
- **\$10 million** one-time General Fund to the **Governor’s Office of Planning and Research** for the development of the **California Cradle to Career Data System**. Of the total funding, \$2 million is

available for the administrative costs of a workgroup process, \$300,000 is available for the California Community Colleges, California State University, and University of California to integrate the use of Statewide Student Identifiers into their systems, and the remaining funds are available for initial implementation activities upon approval of an expenditure plan.

- **\$7.5 million** Proposition 98 guarantee General Fund moneys for **Community College Veteran Service Centers**, including \$5 million ongoing and one-time expenditures for **Sacramento City College Veteran Resource Center** (\$2.4 million), **Norco Veteran Resource Center** (\$1 million), and **Mira Costs Veteran Resource Center** (\$1.5 million).
- **\$3.4 million** federal **Adult Education Program** funds under the Workforce Innovation and Opportunity Act Title II, to support **adult basic education, English as a second language, and adult secondary education programs**. This augmentation reflects an increase in the federal grant award.
- **\$3.3 million of redirection** of 2018-19 funding for the **Breaking Barriers to Employment** Act grant **from local assistance to administration** and technical assistance, pursuant to AB 1111 (E. Garcia), Chapter 824, Statutes of 2017.
- **\$2.5 million** one-time General Fund and 9 positions in 2019-20 and **\$2 million** one-time General Fund and 9 positions in 2020-21 to provide the Labor and Workforce Development Agency with resources to establish the **Future of Work Commission**.
- **\$2.2 million** (\$1.65 million Federal Trust Fund and \$550,000 General Fund) to the California Military Department for the purpose of expanding the **Discovery Challenge Academy** in Lathrop in order to **serve 100 students annually**.
- **\$670,000** General Fund to the California Military Department for the **Work for Warriors** employment assistance program to **reduce unemployment amongst veterans**.
- **\$62,000** General Fund for 2019-20 and 2020-21 budget years and 0.6 positions to develop a policy regarding **mutual aid agreements** among **Local Workforce Development Boards** to enable them to effectively respond to disasters, pursuant to AB 2915 (Caballero), Chapter 722, Statutes of 2018.

Investments to Support the State's Transition to a Lower Carbon Economy

- **\$1.4 billion** in discretionary Greenhouse Gas Reduction Funds (GGRF) in 2019-20 in the following categories:
 - **\$60 million** in GGRF for the Strategic Growth Council to administer another round of funding under the **Transformative Climate Communities**. Among other activities, these moneys will fund:
 - **\$392,000** and three positions for two years to implement SB 1072 (Leyva) which requires the Strategic Growth Council to **establish regional climate collaborative programs** to **assist under-resourced communities** to access statewide public and other **grant moneys** for **climate change mitigation and adaptation projects**. In undertaking this work the

Strategic Growth Council will develop **technical assistance guidelines** that a **state agency will use in delivering its technical assistance resources**.

- **\$35 million** in Greenhouse Gas Reduction Funds (GGRF) for **apprenticeship and job training programs for workers and disadvantaged individuals**, including support for training opportunities for transitioning the workforce to a low-carbon economy. Funding will be used, for among other initiatives:
 - **\$10 million** General Fund annually for five years for **High Road Construction Partnerships**. This will place approximately 3,000 disadvantaged workers in apprenticeships for careers in the trades by **doubling the training capacity** for each of the existing 14 regional hubs.
 - **\$10 million** General Fund annually for **five years for High Road Training Partnerships** to place 2,000 disadvantaged workers into entry-level jobs and develop their skills in climate and technology-related occupations through the expansion of existing partnerships. The goal is to expand to 20 projects in climate-impacted industries, including transportation/logistics, healthcare, manufacturing, mass transit, and water and utilities.
 - **\$5 million** General Fund annually for **five years for a Worker Transition Fund** to provide **income replacement** in conjunction with retraining for approximately 500 displaced workers resulting from climate policies or automation. These moneys will also support the Future of Work Commission, announced by the Governor May, 1, 2019.
 - **\$2 million** one-time General Fund to the California Workforce Development Board, including **11 positions for technical assistance** and program administration.
- **\$19.4 million** one-time Air Quality Improvement Fund one-time for the Air Quality Improvement Program grant program, including funding the Truck Loan Program, which assists small business truck owners with replacing their trucks to reduce air toxins, criteria and climate pollutants, and comply with the statewide Truck and Bus Regulation. This brings the total amount of funds available for local assistance through this program to \$48 million for 2019-20.
- **Adopts trailer bill language** that codifies the AB 617 provisions previously in 2018-19 budget bill language and requires the Air Resources Board to report annually on the projects funded. Program changes include, but are not limited to:
 - Prohibiting certain funding from being used to purchase fully automated cargo handling equipment; and
 - Authorizing the Department of Finance to reduce allocations for certain programs while maintaining budgeted funding levels for other programs to ensure that funding for certain programs is prioritized and would be cut last in a shortfall scenario.
- **Adopts trailer bill language** to provide up to \$7.2 million in funding for the California Short Line Railroad Infrastructure Improvement Act of 2019 from the Trade Corridors Improvement Fund.

Source: Information presented in this section is derived from the Assembly and Senate Budget Committees' budget summaries, as well as online budget documents through <http://www.ebudget.ca.gov/>.

Appendix and Glossary of Terms

Appendix – Index by Bill Order

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AB 5	L. Gonzalez	Independent Contractors	Signed by the Governor, Chapter 296, Statutes of 2019	24, 44, 50, 55
AB 23	Burke	Business and Workforce Coordination Unit within GO-Biz	Vetoed by the Governor, 2019	25, 45, 55
AB 30	Holden	College and Career Access Pathway Partnerships	Signed by the Governor, Chapter 510, Statutes of 2019	10, 25, 67
AB 161	Ting	Paper Customer Receipts	Held in the Senate Committee on Appropriations, 2019	45
AB 176	Cervantes	California Sales and Use Tax Exclusion	Signed by the Governor, Chapter 672, Statutes of 2019	10, 56
AB 186	Cervantes	Apprenticeship Income Tax Credit	Pending in the Assembly Committee on Revenue and Taxation, 2019	10, 25, 45, 56
AB 217	Burke	Federal Conformity in Income Tax Credits	Pending on the Assembly Floor, 2019	45, 56, 67
AB 230	Brough	State Procurement Opportunities for DVBEs	Signed by the Governor, Chapter 676, Statutes of 2019	51
AB 245	Muratsuchi	California Aerospace and Aviation Commission	Pending in the Senate Committee on Governmental Organization, 2019	25, 35, 56
AB 263	Burke	Mandated Tax Expenditure Information	Signed by the Governor, Chapter 743, Statutes of 2019	57
AB 285	Friedman	California Transportation Plan	Signed by the Governor, Chapter 605, Statutes of 2019	35
AB 296	Cooley	Climate Innovation Grant Program	Vetoed by the Governor, 2019	
AB 308	Muratsuchi, Smith	Veteran Exemption from Certain Business Taxes	Signed by the Governor, Chapter 421, Statutes of 2019	67

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AB 364	Calderon	Small LP and LLC Tax Exemption	Pending in the Assembly Committee on Revenue and Taxation, 2019	46, 57, 68
AB 371	Frazier	Updates to the Sustainable Freight Plan	Held in the Assembly Committee on Appropriations, 2019	10, 35
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AB 562	Burke	Performance Measures for Prison Rehabilitation Programs	Pending in the Assembly Committee on Public Safety, 2019	12, 25
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AB 595	Medina	Student IDs for Community College Apprenticeship Programs	Signed by the Governor, Chapter 176, Statutes of 2019	12, 26
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AB 742	Cervantes	Office of Place-Based Economic Strategies Act	Held in the Assembly Committee on Appropriations, 2019	13, 46
AB 791	Gabriel	Low-Income Housing and Qualified Opportunity Zones	Held in the Assembly Committee on Appropriations, 2019	13
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AB 1558	Ramos	Apprenticeship Programs at High School Career Fairs	Vetoed by the Governor, 2019	16, 29, 60
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AB 1583	Eggman	California Recycling Market Development Act	Signed by the Governor, Chapter 690, Statutes of 2019	47, 60
AB 1693	Cervantes	Supplier Diversity Contracting Programs	Pending in the Assembly Committee on Utilities and Energy, 2019	52, 60
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SB 554	Roth	Advanced Scholastic and Vocational Training Program	Signed by the Governor, Chapter 528, Statutes of 2019	30
SB 558	Hueso	Commission on California-Mexico Affairs	Vetoed by the Governor, 2019	38
SB 586	Roth	College and Career Access Pathways Partnerships	Signed by the Governor, Chapter 529, Statutes of 2019	30
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SB 635	Hueso	Opportunity Zone Tax Conformity	Held in the Senate Committee on Appropriations, 2019	18
SB 716	Mitchell, Roth	Access to Education and Training for Juvenile Offenders	Signed by the Governor, Chapter 857, Statutes of 2019	19, 30
SB 736	Umberg	Creative Economy Incentive Program	Held in the Assembly Committee on Appropriations, 2019	19, 30
SB 738	Hueso	Initiative for Californians Abroad in Mexico City, Mexico	Held in the Assembly Committee on Appropriations, 2019	31, 38
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SJR 12	Grove	The United States-Mexico-Canada Agreement	Pending in the Assembly Committee on Jobs, Economic Development, and the Economy, 2019	39
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Glossary of Terms

Abbreviations used in committee work are as follows:

BTH: Business Transportation and Housing Agency

BIDs: Business Improvement Districts

CAEATFA: California Alternative Energy and Advanced Transportation Financing Authority

CalBIS: California Business Investment Services

CALED: California Association for Local Economic Development

Cal EMA: California Emergency Management Agency

CALGOLD: California Government Online to Desktops

CalCAP: California Small Business Capital Access Loan Program

CalCAP for ADA: California Small Business Capital Access Loan Program for Americans with Disabilities Act

CalCAP for Seismic Safety: California Small Business Capital Access Loan Program for Seismic Safety

CALWORKS: California Work Opportunity and Responsibility to Kids Program

CCTC: California Competes Tax Credit

CDFI: Community Development Financial Institution

CEDP: California Economic Development Partnership

CPCFA: California Pollution Control Financing Authority

CWDB: California Workforce Development Board

CWIB: California Workforce Investment Board

DGS: California Department of General Services

DOL: U.S. Department of Labor

DVBE: Disabled Veterans Business Enterprise

EDA: Economic Development Administration

EDC: Economic Development Corporation

EDD: Employment Development Department

ETP: Employment Training Panel

EZ: Enterprise Zone

FDI: Foreign Direct Investment

GEDI: Governor's Economic Development Initiative

GDP: Gross Domestic Product

GHG: Greenhouse Gas

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

IBANK: California Infrastructure and Economic Development Bank

IHUB: Innovation Hub Program

IGPAC: Intergovernmental Policy Advisory Committee on Trade

ITA: International Trade Administration

JEDE: Assembly Committee on Jobs, Economic Development, and the Economy

JTPA: Job Training Partnership Act

LAMBRA: Local Agency Military Base Recovery Area

LHC: Little Hoover Commission

LLR Program: Loan Loss Reserve Program

MASA: Military and Aerospace Support Act

MEA: Manufacturing Enhancement Area

MOU: Memorandum of Understanding

MSA: Metropolitan Statistical Area

NS-ADJ: Non-Seasonal Adjustment

NAICS: North American Industry Classification System

NEC: New Employment Credit

NEI: National Export Initiative

OZ: Opportunity Zone

PZ: Promise Zone

PACE: Property Assessed Clean Energy

REAL: Regional Economic Association of Leaders Coalition

ROI: Return on Investment

S-ADJ: Seasonal Adjustment

SBA: Small Business Administration

SBE: Small Business Enterprise

SBLGP: Small Business Loan Guarantee Program

SBDC: Small Business Development Center

SPOC: State Point of Contact

SUTE: State Sales and Use Tax Exemption

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

WIOA: Workforce Innovation and Opportunity Act

ZEV: Zero Emission Vehicles, as in the ZEV Infrastructure Unit

Related definitions are as follows:

BUSINESS IMPROVEMENT DISTRICTS (BIDS): Business Improvement Districts are nonprofit entities specifically formed to serve property and business owners. Once formed under California law, the Business Development District is authorized to place assessments on business and property owners within the district for the purpose of paying for capital improvements and/or operating improvements.

BUSINESS, TRANSPORTATION AND HOUSING AGENCY (BTH): BTH oversees the activities of 14 departments consisting of more than 45,000 employees and a budget greater than \$18 billion, as well as several economic development programs and commissions. Its operations address financial services, transportation, affordable housing, tourism, managed health care plans, and public safety. The Governor's Reorganization Plan 2 eliminated BTH and transferred all of its programs to other state entities. Several BTH programs and services were transferred to the Governor's Office of Business and Economic Development in 2012.

CALIFORNIA ALTERNATIVE ENERGY AND ADVANCED TRANSPORTATION FINANCING AUTHORITY (CAEATFA): A state financing authority which was established for the purpose of advancing the state's goals of reducing the levels of greenhouse gas emissions, increasing the deployment of sustainable and renewable energy sources, implementing measures that increase energy efficiency, creating high quality employment opportunities, and lessening the state's dependence on fossil fuels. Among other programs, CAEATFA administers the Sales and Use Tax Exclusion Program, which reimburses manufacturers for the local and/or state sales tax on specified equipment.

CALIFORNIA ASSOCIATION FOR LOCAL ECONOMIC DEVELOPMENT (CALED): CALED is a statewide professional economic development organization dedicated to advancing its members' abilities 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 BUSINESS INVESTMENT SERVICES (CalBIS): Housed in the Governor's Office of Business and Economic Development, CalBIS serves employers, corporate real estate executives, and site location consultants considering California for new business investment and expansion.

CALIFORNIA COMPETES TAX CREDIT (CCTC): The California Competes Tax Credit is a capped and allocated tax credit awarded through a competitive process overseen by the Governor's Office of Business and Economic Development. Credits are available to California taxpayers and those that are interested in locating in California.

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. Now defunct, its purpose was to facilitate coordination between the state, regional/local economic development organizations, and public/private resources for the retention, expansion, and attraction of jobs in California.

CALIFORNIA EMERGENCY MANAGEMENT AGENCY (Cal EMA): Cal EMA was established in 2009 through the merging of the duties and powers of the former Governor's Office of Emergency Services with those of the Governor's Office of Homeland Security. On July 1, 2013, Governor Brown's Reorganization Plan #2 eliminated Cal EMA and restored it to the Governor's Office, renaming it the California Governor's Office of Emergency Services (Cal OES) and merging it with the Office of Public Safety Communications.

CALIFORNIA GOVERNMENT ONLINE TO DESKTOPS (CalGOLD): The CalGOLD database is housed on the Governor's Office of Business and 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, as well as 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 POLLUTION CONTROL FINANCING AUTHORITY (CPCFA): A state financing authority which was established for the purpose of promoting access to capital through the delivery of financing options to California business and environmental industries, including financing to qualified waste and recycling projects, and other projects to control pollution and improve water supply. Additionally, CPCFA administers the California Small Business Capital Access Loan Program, which encourages financial institutions to make loans to small businesses and provides for specialty programs targeted toward building an improved infrastructure for zero- and partial-emission vehicles and assisting small businesses in making structural improvements to address seismic safety issues and compliance with the federal Americans with Disabilities Act.

CALIFORNIA SMALL BUSINESS CAPITAL ACCESS LOAN PROGRAM FOR AMERICANS WITH DISABILITIES ACT (CalCAP for ADA): A credit enhancement program administered by the California Pollution Control Financing Authority for the purpose of encouraging private financial institutions to provide small business loans for activities related to compliance with the requirements of the ADA.

CALIFORNIA SMALL BUSINESS CAPITAL ACCESS LOAN PROGRAM (CalCAP): A credit enhancement program administered by California Pollution Control Financing Authority for the purpose of assisting small business owners in obtaining loans for a variety of purposes through a loan loss reserve model.

CALIFORNIA SMALL BUSINESS CAPITAL ACCESS LOAN PROGRAM FOR SEISMIC SAFETY (CalCAP for Seismic Safety): A credit enhancement program administered by California Pollution Control Financing Authority for the purpose of assisting residential property owners and small business owners in seismically retrofitting residences and small businesses with a priority on soft-story buildings and unreinforced brick and concrete buildings.

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

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 Opportunity Investment 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 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, this board was replaced by the California Workforce Development Board.

COMMUNITY DEVELOPMENT BLOCK GRANTS (CDBG): The Community Development Block Grant Program is a federal program administered through the U.S. Department of Housing and Urban Development. Funding is provided to states through a formula based on population and poverty rates. The three primary goals of the federal program are to serve low- and moderate-income people, to eliminate slums and blight, and to address other community development needs that pose a serious and immediate threat to the health and welfare of the community. Funding is provided directly to local jurisdictions with populations over 50,000 for a city and 200,000 for a county. For the smallest size communities, the federal government provided the money to the state for allocation. In California, the California Department of Housing and Community Development administers a highly competitive award process to small cities and rural communities.

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 CDFIs 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 is 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 was 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, number of hours worked, unemployment insurance benefits, re-employment services, and a portion of the country's economic statistics. The U.S. Department of Labor is the lead federal agency on the implementation of the Workforce Innovation and Opportunity Act.

DISABLED VETERAN BUSINESS ENTERPRISE (DVBE): Certified DVBEs 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 ADMINISTRATION (EDA): The Economic Development Administration was established through the Public Works and Economic Development Act of 1965 as a part of the U.S. Department of Commerce. The EDA's main goals are to alleviate unemployment and diversify the economy as well as assist urban areas with planning and emergency public works programs.

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

ECONOMIC STRATEGY PANEL: The Economic Strategy Panel was established in 1993 and eliminated in 2010. The purpose of the Economic Strategy Panel was to develop an overall economic vision and strategy to guide public policy. The Panel engaged in an objective and collaborative biennial planning process that examined economic regions, industry clusters, and cross-regional economic issues. The California Regional Economies Project was a significant work product of the Economic Strategy Panel.

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): The Employment Training Panel 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. The Employment Training Panel also funds training for unemployed workers, and prioritizes small businesses and employers and workers in high unemployment areas of the State. The Employment Training Panel is funded by a tax on business.

ENTERPRISE ZONE (EZ): Geographically-based economic incentive areas in California that provided regulatory or tax benefits to businesses. There were 42 Enterprise Zones in California. The California Enterprise Zone Program was eliminated in 2013. In its place, three different tax incentives were established under the Governor's Economic Development Initiative.

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).

GOVERNOR'S ECONOMIC DEVELOPMENT INITIATIVE (GEDI): On July 11, 2013, California Governor Edmund G. Brown Jr. signed legislation to eliminate all Geographically Targeted Economic Development Areas tax incentives and to create three new incentives, including the State Sales and Use Tax Exemption, the New Employment Credit, and the California Competes Tax Credit.

GREENHOUSE GAS EMISSIONS (GHG): A greenhouse gas is any of the atmospheric gases that absorb infrared radiation and radiate heat. Common examples of these gases include carbon dioxide (CO₂), methane (CH₄), nitrous oxide (NO₂), ozone, and water vapor. While water vapor is the most abundant source of greenhouse gas, it has the least long-term heat impact on the earth.

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, and exports less imports that occur within a defined territory.

GOVERNOR'S OFFICE OF BUSINESS AND ECONOMIC DEVELOPMENT (GO-BIZ): GO-BIZ was established in 2012 as a one-stop shop intended to help businesses to invest and expand in California. The Governor's Office of Business and Economic Development was established through statute in 2012.

GOVERNOR'S OFFICE OF ECONOMIC DEVELOPMENT (GOED): GOED was 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.

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 (IBANK): The Infrastructure and Economic Development 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 Infrastructure and Economic Development Bank has financed more than \$40 billion in tax-exempt bonds and loans for economic development and public infrastructure projects throughout the state, as well as various other financings.

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 and current Los Angeles City Councilman 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.

LITTLE HOOVER COMMISSION (LHC): The Little Hoover Commission is an independent state oversight agency that was created in 1962. The Commission's creation, membership, purpose, 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 Assembly Members.

LOAN LOSS RESERVE PROGRAM (LLR Program): A method of providing a credit enhancement to financial institutions under which the state, lender, and borrower each contribute a set amount of funds, usually 2% to 5% of the total loan value, into a loss reserve fund. These funds are generally held by the financial institution and multiple loans would be enrolled into a single loss reserve fund. This method allows a lender to be fully compensated in the case of a default, to the extent there are sufficient moneys in the fund.

LOCAL AGENCY MILITARY BASE RECOVERY AREA (LAMBRA): A LAMBRA was an area located in California that was designated as such by the Business, Transportation and Housing Agency. LAMBRA's were established to stimulate growth and development in areas that experienced military base closures. Taxpayers that invested, operated, or were located within a LAMBRA may have qualified for special tax incentives. There were eight LAMBRA's: 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 streamlined 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.

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.

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

NATIONAL EXPORT INITIATIVE (NEI): In January 2010, the U.S. 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 have been tasked to coordinate and align their export promotion activities including counseling, customer matchmaking services, and financing for exporters.

NEW EMPLOYMENT CREDIT (NEC): The New Employment Credit provides a tax credit for taxpayers that increases net employment at businesses located in high poverty and high unemployment areas of the state, as well as the former Enterprise and LAMBRA Zones.

NON-SEASONAL ADJUSTMENT: A term used to describe data series that have not been subjected to the seasonal adjustment process. In other words, the effects of regular or seasonal patterns have not been removed from the series.

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 numbers 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).

OPPORTUNITY ZONE (OZ): A census tract in this state that has been designated by the United States Treasury as an Opportunity Zone, pursuant to Sections 1400Z-1 and 1400Z-2 of the Internal Revenue Code. Federal law allows a taxpayer to defer tax payments by depositing capital gains in a qualified Opportunity Fund. The Opportunity Fund is required to invest funds with Opportunity Zones, which are comprised of low-income census tracts which were recommended by Governors and approved by the U.S. Treasury as meeting certain income and/or poverty requirements.

PROMISE ZONES (PZ): An urban and rural geographic area designed by the federal Department of Housing and Urban Development and the U.S. Department of Agriculture. Promise Zones represent

areas of high poverty which can benefit from federal, state, and local collaboration of initiatives that are designed to increase economic activity, improve educational opportunities, leverage private investment, reduce violent crime, enhance public health, and address other priorities identified by the community. In 2018, 22 urban, rural, and tribal Promise Zones were selected through three rounds of national competition in which applicants demonstrated a consensus vision for their community and its residents, the capacity to carry it out, and a shared commitment to specific, measurable results. Tribal communities may also be designated as Promise Zones.

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 voluntary assessments on their property tax bills.

SALES AND USE TAX EXEMPTION (SUTE): Manufacturers and certain research and developers may qualify for a partial exemption of sales and use tax on certain manufacturing and research and development equipment purchases and leases. The partial tax exemption applies to the sale, purchase, and lease of qualified tangible personal property on or after July 1, 2014, and before July 1, 2022. In order to receive the exemption, the business must obtain a timely exemption certificate

SEASONAL ADJUSTMENT: A statistical technique that attempts to measure and remove the influences of predictable seasonal patterns to reveal how employment and unemployment change from month to month.

SMALL BUSINESS ADMINISTRATION (SBA): Since its founding in 1976, the U.S. Small Business Administration has delivered approximately 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 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 three-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, Targeted Employment Areas (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 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, resolve disputes, and participate in global trade policy organizations.

WORKFORCE INVESTMENT ACT (WIA): The federal Workforce Investment Act (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 of participants.

WORKFORCE INVESTMENT BOARD (WIB): The Governor has appointed a State Workforce Investment Board (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.

ZERO EMISSION VEHICLE (ZEV): Zero emission vehicles are anticipated to play an important role in California reaching its greenhouse gas emission reduction goals. There are two kinds of ZEVs: those that use all electric and those that are hybrids using both electric and gas combustion technologies.



Committee on Jobs, Economic Development, and the Economy

Assemblymember Sabrina Cervantes, Chair
Assemblyman Jordan Cunningham, Vice Chair
Assemblymember Ed Chau
Assemblyman Phillip Chen
Assemblymember James C. Ramos
Assemblywoman Luz Rivas
Assemblymember Christy Smith

Committee jurisdiction and oversight includes business advocacy within California and the United States; business advocacy of import/export trade; California-Mexico relations; California overseas trade offices; Department of Information Technology; development and expansion of new technologies, except energy; development of international high tech markets; economic disaster relief; economic impact reports; effect of balance of trade issues on California; expansion of overseas markets; foreign investments by California; foreign investments in California; impacts of federal budget on high tech projects; impacts of federal budget on international trade; industrial innovation and research; international capital, including capital formation; international trade; global research and development; import/export finance; interstate commerce; seaports and physical infrastructure; sister state agreements and friendship agreements with other nations; small business development and operations; state and local economic development; and women and minority business enterprises.