Assembly Committee on Jobs, Economic Development, and the Economy

DATE: February 29, 2016

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

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

RE: Legislative Hearing "Methods of Review for Economic Development Activities"

On Tuesday, March 1, 2016, the Assembly Committee on Jobs, Economic Development, and the Economy (JEDE) will be convening an informational hearing on evaluation methods for assessing economic development programs. This hearing will serve as the foundation for the Committee's program review of the Governor's Office of Business and Economic (GO-Biz) on March 15, 2016.

In preparation for these hearings, the JEDE Committee has reviewed statute, researched state and local economic development activities, engaged with public and private stakeholders, and met with executive and program staff from a variety of public and private entities involved in community, economic, and workforce development activities.

Presentations at the March 1, 2016, hearing are organized around two themes: evaluation methods for understanding economic development activities and assessment of the state's current economic development environment.

Following opening remarks by the Chair and members of the JEDE Committee, presentations will be made on Key Features to Program and Organizational Oversight from Elaine Howle, the California State Auditor; Ellen Harpel, Founder of Smart Incentives; and Jason Sisney, Chief Deputy Legislative Analysts on State and Local Finance.

The second set of presentations will be a panel discussion on Goals for Economic Development in California, which will include Gurbax Sahota, California Association for Local Economic Development; Joel Ayala, California Hispanic Chambers of Commerce; Malaki Seku-Amen, California Urban Partnership; and Tim Kelley, Imperial Valley Economic Development Corporation.

This memorandum provides background and context for the issues being discussed during the March 1, 2016, hearing, as well as selected background information for the JEDE Committee's future review of GO-Biz operations and activities. A Table of Contents is provided in upper right-hand corner of the
page and a list of appendices is provided on page 15. A copy of the preliminary hearing agenda is provided in Appendix A and the final agenda will be available at the hearing.

Foundation for Legislative Oversight

Program oversight is fundamental to the Legislature's duty as a co-equal branch of government. According to the National Conference of State Legislatures, there has been an increasing interest among state legislatures to schedule systematic program reviews within their policymaking process. These state legislatures, like the California Legislature, see legislative oversight as an essential check and balance within tripartite constitutional governments.

In choosing to calendar the programmatic review of GO-Biz, the JEDE Committee considered the following:

- The California State Assembly has never undertaken a comprehensive review of the government entity;
- 2016 marks the fifth year since codification of the Governor's Office of Economic Development through the enactment of AB 29 (John A. Pérez), Chapter 475, Statutes of 2011;
- 2016 marks the fourth year since the Governor submitted a reorganization plan to the Legislature, which added substantial new duties to GO-Biz;
- GO-Biz's role as the state's lead entity for economic strategy is central to the state's economic health and ability to finance services that protect and promote a high quality of life for its residents; and,
- Data shows that while overall state economic growth remains positive, and in some cases record breaking, not all areas of the state and only select demographics of the population are sharing in the resulting prosperity.

Given the lack of a prior review and the changing economic environment in the state, the JEDE Committee Chair directed staff to develop a preliminary oversight plan and submit the plan to the Office of the California State Assembly Speaker for review and hearing approval.

Framework for Legislative Review

Policy committees are encouraged to undertake both broad programmatic oversight, as well as holding targeted reviews of programs and services that pose especially high risk should they fail or for which evidence suggests a closer examination is warranted. Best practices recommend that legislative policy committees undertake program performance reviews in a systematic and objective manner. Careful attention is to be made to align the scope of the review to mandates and authorities contained in statute, regulation, and other official policy documents.

Legislative reviews provide policy committees with important information that can be called upon when considering legislation, as well as facilitating discussions between the Legislature and the Administration about program improvements to achieve greater policy objectives, increase transparency, better integrate programs within the state's broader portfolio of related programs, and to identify gaps or unintended outcomes. Ultimately, it is the responsibility of the Legislature to ensure statute and the policies that flow from those statutes reflect the priorities and values of the people they represent.
Future Oversight Hearing

Of the two types of oversight hearings described above, the GO-Biz hearing will be a general review of its programs, services, and policy mandates with a focus of ensuring alignment of policy priorities, funding, and statutory direction. Information on the website of the California State Auditor provides guidance on the types of questions which may be appropriate when developing the review framework for evaluating effectiveness and efficiency in meeting a program's mission and goals, including:

- The extent to which legislative, regulatory, or organizational goals are being achieved;
- The extent to which programs duplicate, overlap, or conflict with other related programs;
- The relative cost and benefits or cost effectiveness of program performance; and
- The reliability, validity, and relevance of data related to the performance of a program.

Presentations during the March 1, 2016, hearing are designed to assist Members in preparing for and engaging in the oversight hearing process, including better understanding economic development evaluation methods and stakeholder perspectives on the role of state and local programs in helping communities, businesses, and workers, be successful in the current economy.

Program Evaluation within the Context of the California Economy

Economic conditions change over time, which impacts the types of assistance communities, businesses and workers may need to mitigate challenges and leverage new opportunities. The capacity to take advantage of program and services also varies over time, as well as between different communities and among different population groups. In order to remain current, a state's overall portfolio of economic development programs must be continually evaluated both individually and as a part of the broader set of public and private programs and services that support economic growth and community prosperity.

As the JEDE Committee finalizes its framework for reviewing GO-Biz programs and services, it is appropriate to consider what economic development means within the context of California's economy today. Recognizing the current economic environment can provide an important policy overlay for reviewing programs that were established decades ago, as well as new programs that have been operating less than five years. It can also aid policy makers when reflecting on the current range of economic development tools available, the state's fiscal condition, and the possible role(s) for the state in addressing the most pressing economic issues of the day.

Along with statute and regulation, the demands of the current economy form another cornerstone for evaluating program performance.

What is Economic Development - Today?

The Government Code includes a statutory definition of both "economic development" and "local economic development." These definitions were added almost a decade ago at the request of the
California Association for Local Economic Development (CALED), AB 1721 (JEDE), Chapter 631, Statutes of 2007.

The need for the definitions arose, in part, because of the significant changes that occurred within state government upon the dissolution of the Technology, Trade and Commerce Agency in 2003. Economic development practitioners sought to reframe their work within the broader context of state activities. The relevant portions of Government Code 12100, subdivision (b) reads as follows:

(5) “Economic development” means any activity that enhances the factors of productive capacity, such as land, labor, capital, and technology, of a national, state, or local economy. “Economic development” includes policies and programs expressly directed at improving the business climate in business finance, marketing, neighborhood development, small business development, business retention and expansion, technology transfer, and real estate redevelopment. “Economic development” is an investment program designed to leverage private sector capital in such a way as to induce actions that have a positive effect on the level of business activity, employment, income distribution, and fiscal solvency of the community.

(6) “Local economic development” is a process of deliberate intervention in the normal economic process of a particular locality to stimulate economic growth of the locality by making it more attractive, resulting in more jobs, wealth, better quality of life, and fiscal solvency. Prime examples of economic development include business attraction, business expansion and retention, and business creation.

As economic and social conditions change, so do the programs and services designed to address those economic and community needs. Perhaps the most significant statutory changes that occurred were the elimination of the community redevelopment agencies and enterprise zones and the addition of GO-Biz, enhanced infrastructure financing districts, and the Community Revitalization and Investment Authority.

In preparation for this hearing, CALED submitted a new definition, which the organization believes reflects the current state of economic development in California.

"Economic development is broadly defined as the creation of wealth through which community benefits are created - it’s not about supporting business for the sake of supporting business, but rather about supporting businesses consistent with a community’s vision in order to increase the wealth of the residents and the jurisdiction so the jurisdiction can afford to provide the services residents expect and deserve."

Appendix E includes a diagram displaying the 10 drivers of the California economy and a chart identifying key economic trends impacting California's economy.

Profile on California

California is home to over 39 million people, providing the state with one of the most diverse populations in the world, often comprising the single largest concentration of nationals outside their native country. In 2014, this diverse group of business owners and workers produced $2.3 trillion in goods and services; $174.1 billion of which were exported to over 220 countries around the world.
If California were a country, its 2014 GDP would place it 8th among nations, ranking as follows: United States ($17.41 trillion), China ($10.38 trillion), Japan ($4.61 trillion), Germany ($3.86 trillion), France ($2.84 trillion), Brazil ($2.35 trillion), California ($2.31 trillion); Italy ($2.14 trillion), India ($2.05 trillion), and Russia ($1.85 trillion). *The Department of Finance will not release 2015 GDP for California until June 2016, so for comparisons 2014 data is being used.*

Historically, a number of factors have contributed to California's significant position within the global marketplace, including its strategic west coast location, the size of its consumer base, the strength of its dominant industry sectors, its economically diverse regional economies, its skilled workforce, and its culture of innovation and entrepreneurship, particularly in the area of technology. California's 29 million working age individuals comprise the single largest workforce in the nation, are comparatively younger, and have an educational achievement level above 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 a dozen or so regional economies. While biotech has a comparative advantage in some regions, information technology drives growth in others. This economic diversity contributed to California's ability to aggressively move out of the recession, ranking number two in the nation by *Business Insider* for fastest growing economy in the nation in August 2014 and being named as having the fourth best overall economy in March 2015. *Appendix B* includes a fact sheet on the state's economy.

California's has one of the most robust groups of small businesses in the nation, consistently meeting the niche needs of dominant and emerging innovation-based industry sectors in the U.S. and around the world. Businesses with no employees comprise 80% of businesses in the state and of those businesses with employees, nearly 90% have less than 20 employees. *Appendix D* includes two charts on California small businesses.

**Dominant and Emerging Business Sectors: California Strengths**

Many economic development programs are designed to encourage and support dominant and emerging industry sectors, including the State Sales and Use Tax Exclusion Program and state and local training activities paid for by federal Workforce Innovation and Opportunity Act of 2014. Not all programs are designed to target certain industry sectors. Some programs are intended to serve all or a majority of industry sectors. California Competes, one of the state newest tax credits, is designed to be a broad-based credit report on each credit ward the taxpayer's industry. *Chart 1* on the following page displays information from the U.S. Census Bureau on California's private industry sectors based on its contribution to the state's GDP.
In 2014, the finance and insurance sector provided the largest economic contribution to the state's overall GDP, $484 billion of the $2.3 trillion. Firms in this industry sector include entities that raise funds, pool risk, and facilitate financial transactions including real estate.

Chart 2, developed using data provided by the California Employment Development Department, shows California's largest industry sectors based on employment. Based on total employment, the trade, transportation, and utilities sector is largest, employing 2.8 million (18.4% of California jobs). Jobs in this sector also support employment in other industry sectors including Manufacturing (8.1%), Professional Services (15.6%), and Financial Activities (5.0%).
Many of the jobs associated with these major industry sectors are also associated with high wages. Manufacturing is considered the "gold standard" for jobs because of its high wages, inclusion of small businesses within its global supply chains, and having a high multiplier effect on related jobs. The Milken Institute estimates that for every job created in manufacturing, 2.5 jobs are created in other sectors. In some industry sectors, such as electronic computer manufacturing, the multiplier effect is 16:1.

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 assembled and/or partially assembled before returning.

These trade related industry sectors comprise a majority of what EDD has designated as the state's "economic base" sectors, which include professional services, manufacturing, and transportation, among others. Employment in these economic base industries represents 37.3% of the state’s total employment and employment growth within these sectors grew at twice the pace of the overall state economy between 2010 to 2012.

**Income Inequality and Disparity in Economic Opportunities: California Weaknesses**

As noted above, for the past serval years, California's overall economic growth and increase in jobs has outpaced the U.S. in general, often ranking the state within the top five states in terms of its economic condition. This success, however, has not been consistent throughout the state with many regions and certain population groups still experiencing recession-related poor economic conditions.

According to the U.S. Census Bureau, California's poverty rate is 16.4% as compared to a national rate of 15.6%. It is estimated that nearly a quarter of the California children (22.7%) are living in households with annual incomes below the federal poverty line. Contributing factors to these poverty rates are stagnant wage rates, an increasing concentration of annual income among the highest income individuals, and differing job opportunities in the post-recession economy.

A review of the most recent unemployment numbers in Chart 3 illustrates this expanding pattern of economic disparity between regions and population groups in California.

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<th>Chart 3 - Unemployment December 2015 (not seasonally adjusted)</th>
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<td><strong>Unemployment Rate</strong></td>
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<td>San Mateo County</td>
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While the state's unemployment rate for December 2015 (not seasonally adjusted) was 5.8%, some areas of the state had lower rates, while others were considerably higher. San Mateo County recorded the lowest at 3.1% and Imperial County experienced the highest unemployment rate at 19.6%. Inland areas generally reported unemployment rates above the statewide average. As the chart above shows, Tulare County's unemployment rate was 12.2% and Riverside County was recorded as 6.1%. Coastal areas overall had lower rates than the state's, with Orange County at 4.1%, and Ventura County at 5.8%. Even densely populated and economically diverse areas like Los Angeles County reported a December 2015 unemployment rate of 5.8% (equal to the state's rate).

Looking more specifically at different population groups, the data also shows the great discrepancies between the statewide rate and key subgroups, including unemployment among Blacks and Hispanics being 11.0% and 7.6% respectively. For the youngest members of the workforce obtaining quality jobs remains a significant issue with unemployment among 16 to 34 years being well above the state average, ranging from 6.3% to 21.1%. In other words, one-in-five of California's next generation of workers is unemployed.

Just as the unemployment data shows the growing economic disparities by geography, race/ethnicity, and age, research also confirms that a greater percentage of total aggregate earnings is going to a smaller group of individuals. According to the World Top Income Database, pretax income among those with the highest 1% of income in California comprised 9.82% of total income in 1980 and 25.31% in 2013. These findings could signal a larger issue in that a growing body of economic studies show that large-scale income disparities correlate to shorter periods of economic growth, whereas societies with lower levels of income disparity have larger and longer-term periods of growth.

Achieving job growth within globally competitive industries and addressing the state's growing income disparities may require different community and economic development approaches, as well as more coordinated efforts by industry, labor, nonprofits, and governments on a range of issues, including education, workforce training, infrastructure repair and expansion, entrepreneurship, finance, among others.

**Geographic Differences in Economic Growth**

In September 2015, the California Employment Development Department released a special labor trends report which highlighted job growth in Coastal and Inland county economies. Among other findings, the report noted that total job growth between 2010 through 2014 was 9.4%, in contrast to the inland counties at only 8.7%. Reflective of the disparity in job growth were the differences in overall business development. Coastal counties added 56,000 new establishments (4.9% increase), while the inland areas had a net loss of 75 businesses during the same term. Of the 1.3 million business establishments in California in 2014, 89.4% were located in the coastal counties with the remaining (roughly) 11% headquartered in an inland county.
Further compounding the impacts of these trends was the significant concentration of inland California growth in five counties, including: Fresno, Kern, Stanislaus, Placer, and Tulare. These five counties out of the 29 classified as inland counties accounted for nearly two out of three of the new inland county jobs (64.6% of 124,000 additional jobs). Job growth in the coastal areas was also concentrated, but not as significantly, with Los Angeles, Santa Clara, and San Diego experiencing 44.8% of the 1.2 million new jobs created in coastal areas.

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

Among other issues, the special labor trends report highlighted two key factors as contributing to the jobs imbalance including a lack of trade-related infrastructure within the inland counties and different business development patterns. California's coastal areas have three of the nation's busiest sea ports, including Los Angeles, Long Beach, and Oakland. San Diego and Port Hueneme are also important to cars and agriculture respectively. While the inland counties have tried to develop inland ports and multimodal transportation facilities, bringing these inland resources to scale will take significant funding and focused public policy attention on upgrading inland California's logistical network.

**Economically Challenged Communities**

In November 2015, the National Research Network, with the support of the Annenberg Foundation, released a study that analyzed national data and related it to California's growing inequality challenge, *Hidden in Plain Sight: Why CA’s Economically Challenged Cities Matter*. The study looked at the economies of the 995 U.S. cities with a population of more than 40,000, and found that 296 met the National Resource Network definition of economically challenged. In analyzing the impact of these conditions, the report found that they have serving as a drag on the overall health of the economy and are impacting the pace of economic recovery.

California is cited as having the highest concentration of these economically challenged cities (77), which represents 25% of the cities on the report's list and 40% of all cities in the state. Approximately 12 million people in California live in an economically challenged city.

**Redefining the State and Local Relationship**

Addressing the increasing disparities of California communities as illustrated by the divergent unemployment rates, rising poverty, and geographic disparities will require a focused effort to remove impediments and leverage resources. California currently has no government sponsored ongoing stakeholder engagement that facilitates these types of discussions. In instances where these discussions are being led by private organizations, it does not appear as if the state has made a specific commitment to participate on a long-term and ongoing basis.

Ellen Harpel of Smart Incentives was asked to assist the JEDE Committee to think about program oversight within the context of soliciting input from stakeholders. Below are her suggested lines of inquiry.
• Do stakeholders see the state economic development organization primarily as a leader? convener? facilitator? capacity builder?
• How could the state-local partnership be strengthened to achieve local economic development objectives?
• How do stakeholder organizations and the individuals they work with view the portfolio of economic development programs offered through the state?
• Is there sufficient information on available programs and how to use them?
• What are the most useful programs? Are there significant gaps?
• How can information sharing and collaboration between local and state economic developers be improved?

Participants in the panel discussion on Goals for Economic Development in California will be asked for their opinions, including Gurbax Sahota, California Association for Local Economic Development; Joel Ayala, California Hispanic Chambers of Commerce; Malaki Seku-Amen, California Urban Partnership; and Tim Kelley, Imperial Valley Economic Development Corporation. The JEDE Committee will also reach out to other stakeholders as part of oversight hearing preparations.

Data for Evaluating Performance

Depending on the nature of the program or service, performance measures and metrics vary. For government programs many performance measures and metrics are contained within statute, while others are developed through regulation, set by a governing board, or provided in state guidance documents, such as the State Administrative Manuel (SAM). Government bodies may also need to develop their own measures, metrics, and tracking systems to ensure that statutory program priorities and missions are accomplished.

Defining the Difference between Metrics and Measurements

In general, a measurement is concrete and measures one thing. As in the example, GO-Biz helped 500 businesses in 2014. A metric describes a quality or the process by which the data is used, generally including a baseline, as in GO-Biz helped 50 more businesses than last year utilizing the same number of dedicated employees. Measures are useful in demonstrating workloads and metrics are better suited for evaluating compliance, program effectiveness, and measuring success toward a goal.

Applying Measures and Metrics

Some programs have unique metrics intended to assess how a program meets a specific targeted purpose, while other programs use core standardized sets of measures and metrics. Because of different local economic and social conditions, one set of common performance data may not be appropriate. Conversely, standardized sets of data are particularly useful for comparing programs. Without some level of comparative data, it can be challenging to identify programs that can be used simultaneously or sequentially, as well as where there are gaps, weaknesses, and unnecessarily duplicative programs.
Selecting appropriate economic measurements is challenging and often requires a mix of both standard and unique program measurements and metrics.

When choosing measures and applying metrics, it is also important to ensure that metrics are rationally tied to the purpose of the program, the client group being served, and the specific program activity. Most importantly, the data used in the measurement must be reasonably available within timelines that are consistent with the program's rules. This five-part review of metrics and measures should be routinely undertaken, including when the program is being authorized, implemented, and each time the program is being evaluated. **Diagram 1** illustrates elements of good metric selection.

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Even when program measures and metrics are included in statute and reported accurately and consistently, the resulting data can still be misleading, incomplete, and/or open to manipulation. Third party verification can be helpful, but is often expensive. Even if done "in-house," third party data must be closely reviewed so that when reporting of that data it can be clearly marked. The Franchise Tax Board (FTB), as an example, has no reasonable means for retrieving specific line item tax incentive information from every personal income tax (PIT) return.

In many cases, the FTB develops a methodology for calculating tax incentive usage. Data from corporate tax returns are gathered, certain assumptions are applied, and an estimate of the number and value of credits applied to PIT returns is produced. While the methodology may be sound, the assumptions are key. For some economic development programs, there is not necessarily good data on which to make these assumptions, including instances where small businesses are involved. While FTB consistently uses footnotes and other references to indicate the method of calculation, these footnotes are not always carried forward by public and private entities that use the data. Without consistent reporting on how the information was provided, policy makers may not be aware of the data limitation.

**Costs of Data Collection**

The reasons FTB uses the calculation method rather than direct reporting of tax credit usage are cost and time. There is not sufficient person-power to tabulate the information on the millions of PIT returns. Similar constraints exist in program implementation, where departments are sometimes unable to answer legislative questions about program delivery. In the case of enterprise zones, businesses were routinely required to report on jobs created and wages paid to workers in the zone. This information was, however,
never reported by the Department of Housing and Community Development because of the Department's insufficient staffing to aggregate and report the data.

Cost of compliance is not just limited to the administrative side. The cost of compliance can also be a limiting factor for prospective applicants, especially for small businesses and those located in lower income communities. When the application or monitoring costs are considered to be too high (whether accurate or not), applications will be low. In instances where program usage is low or primarily comprised of a handful of industry sectors or certain geographic locations, policy makers may need to seek additional information in order to identify the potential cause of the program outcome.

As an example, in a recent legislative hearing by the Assembly Committee on Revenue and Taxation, the Committee report notes that state's sales and use tax exclusion program was underutilized, while the state's sales and use tax exemption program was potentially oversubscribed in 2016 and 2017. One potential reason, according to the report, was the preserved complexity of the exclusion program where usage was anticipated to have been near $600 million per year, but actual usage was reported by the Board of Equalization to be closer to $91.2 million.

In developing and reviewing programs, appropriating funds, or extending program authority, policy makers have an important opportunity to add or modify existing measures or metrics to ensure all five of the key characteristics shown in Diagram 1 are being applied to the program.

**Special Challenges in Evaluating Services**

Overseeing and determining the quality of services can be particularly challenging. One straightforward and commonly used measurement is to identify the total number of individuals served over some unit of time. As an example, a call center may be measured by the number of calls received within 48 hours. These types of measurements can, however, be misleading if not accompanied by other information that addresses quality and provides context. In the call center example, it would be important to know whether all the callers have the same or different needs? Were callers' needs simple or complex to address? Did providing the service require consultation with other departments or multiple contacts with the caller in order to resolve the issue? Were the customers satisfied with the result?

Not understanding these quality-based conditions can limit the true qualitative value of "throughput" measurements. When evaluating government services it is also important to understand who isn't being served. Understanding those that are excluded facilitates a discussion about whether better advertising, longer hours, more resources, or what program changes may be warranted so that the services' primary purpose can be met. Alternatively, recognizing who isn't being served may set the foundation for creating a new service that can reach the target client group.

**Other Issues to Consider**

Evaluating program performance often requires assessing internal controls in order to understand management's methods and protocols for ensuring program implementation is aligned with statutory frameworks. Tracking systems can be good sources of this information. Among other things, an effective tracking system should provide aggregate level data on workload, expended resources, and outcomes. By utilizing these types of systems, a public entity should be able to detect program
anomalies and make adjustments to ensure that statutory goals and objectives are being met. Does the program track outreach events and use this information to make future planning decisions and program adjustments? What methods are being used to ensure statewide programs are available and being used statewide?

Several of the state entities that provide economic development programs have statutory frameworks that are primarily comprised of authorizations to undertake a range of actions, rather than mandates to take certain actions at certain times. These entities include, but are not limited to, the California Pollution Control Financing Authority, the California Infrastructure and Economic Development Bank, and GO-Biz. For these entities, program evaluation also needs to include an assessment of which authorities the agency is activating, how much of their resources are being directed toward each of their discretionary authorities, and how these decisions result in public entities' total program delivery.

**Preparation for the Oversight Hearing**

The information gained during this informational hearing will serve as an essential component to JEDE's preparations for the GO-Biz program oversight on March 15, 2015. Based on the suggestions and guidance provided by the California State Auditor, the Office of the Legislative Analysts, and economic, business, and community development leaders, the Committee will be able to finalize its evaluation framework.

**Overview of JEDE's Oversight Preparations**

In the initial months of the 2015-16 Session, JEDE held two informational hearings to provide background to Committee members on the significant issues impacting the California economy, including an overview of major state and federal economic and workforce development programs; *Overview of the California Economy* (February 2015) and *Major Economic Development Policies and Programs* (March 2015) respectively.

During the course of these hearings, the Committee members had an opportunity to hear from senior public policy advisors, economists, practitioners, businesses, and other stakeholders. Testimony ranged from demographic trends, identification of successful programs from other states, and changes in federal funding, to practical examples of economic challenges being faced by California businesses. Witnesses included: Mac Taylor, California Legislative Analysts; Jerry Nickelsburg, Senior Economist with the UCLA Anderson Forecast; Donna Davis, Region IX Administrator for the federal Small Business Administration; and Molly Ramsdell, Director, Washington Office, National Conference of State Legislatures, among others.

Businesses and stakeholder groups were encouraged as part of the scheduled testimony and during the public comment period to discuss current economic conditions and policies and priorities that affect California businesses. Business witnesses included Dave Petree with business start-up, Cloak and Dagger; Ehsan Gharatappeh with small business, Cellpoint Corporation; Scott Hauge representing Small Business California; Dorothy Rothrock representing the California Manufactures and Technology; and Paul Granillo with the Inland Empire Economic Partnership. Members also heard from Small Business Development Corporations and the Women's Business Centers.
During the March 2015 hearing, one panel specifically focused on the programs and activities related to GO-Biz, including having a comprehensive overview of their work by Kish Rajan, the Director of GO-Biz at that time. The background report for the hearing also described GO-Biz programs and services, reviewed its reports, and provided background on its impacts. Appendix G includes a brief summary of GO-Biz programs. From April through July 2015, the JEDE Committee heard and passed 15 bills related to GO-Biz. Each of the bill analyses included relevant program background to provide a context for Committee member deliberation.

In November 2015, JEDE held an informational hearing, Building an Inclusive Economy: The State's Role in Closing California's Opportunity Gap, which grew from the Committee member's interest in better understanding the conditions and potential options for addressing the increasing income disparities based on different geographic regions, race and ethnicity, gender, and age. Key among the hearing recommendations was that California does not necessarily need new programs; rather, its existing programs should be evaluated to ensure they promote a more inclusive economy.

Committee-Sponsored Research

Committee staff regularly track economic and workforce trends, publishing a monthly fact sheet on the California economy. In Appendix B a copy of the most recent Fast Facts on the California Economy is provided. Committee staff also develop charts and other fact sheets on key topics within the committee's jurisdiction. A chart featuring information on employment among different size businesses within the U.S. and California appears in Appendix D.

The JEDE Committee has also reviewed GO-Biz annual reports and strategic plans, as well as materials from other public and private economic development entities. A summary of these reports is included in Appendix C. Among other related reports are those prepared by the Public Policy Institute of California, Brookings Institute, World Economic Forum, Milken Institute, and the Little Hoover Commission.

Additional Outreach and Writing of the Background Report

As is the JEDE Committee's custom, staff will be preparing a background report for the March 15, 2016, hearing, which will be available through the Committee Office and posted on the Committee's website. Materials in the report will include information obtained from GO-Biz, Members of the Legislature, stakeholder groups, and the JEDE Committee's independent research. Some of the materials for the March 15, 2016, report have been included in the appendix of this report to provide greater transparency to the oversight process and time for Members, Stakeholders, and the public to prepare.

At the direction of the Chair, the JEDE Committee staff held a preliminary briefing for Committee members' staff on February 17, 2016, at which time they also received Committee Member recommendations on additional areas of examination. Information from this meeting was shared with GO-Biz on February 18, 2016. The Chair has also directed staff to keep GO-Biz updated on new issues that may arise as the oversight hearing approaches.

The JEDE Committee has also requested information from GO-Biz about its programs and services. An initial set of program information was requested on February 12. Based on a review of that information,
additional information may be requested for inclusion in the oversight hearing report. In general, the JEDE Committee requests have been related to data on business assistance, outreach activities, policy leadership, and individual program outcomes. While GO-Biz is generally current on its statutory reporting mandates, the JEDE Committee is interested in better understanding the workflow of the business assistance programs, as well as what types of businesses are utilizing GO-Biz services and programs, including size, industry, geographic location. A copy of the request is included in Appendix H.

Materials in the Appendix

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

- Appendix A. Agenda for "Methods of Review for Economic Development Activities"
- Appendix B. Fast Facts on the California Economy
- Appendix C. Preliminary Research – Summary of Reports
- Appendix D. Profile on Small Businesses
- Appendix E. Ten Drivers of the California Economy
- Appendix F. Preliminary Agenda for March 15, 2016, Oversight Hearing
- Appendix G. Summary of GO-Biz Programs and Services
- Appendix H. Preliminary Data Request for GO-Biz
- Appendix I. List of Signed Bills Impacting GO-Biz

Committee Contact Information

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

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

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