

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

**The Role of Trade and Foreign
Investment on the
Inland Empire's Regional Economy**

Pre Hearing Report



**November 6, 2013
Riverside City Council Chamber**

**Jose Medina, Chair
Allan R. Mansoor, Vice Chair**

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

Office Phone: 916.319.2090

Office Fax: 916.319.2190

Committee Website: <http://ajed.assembly.ca.gov/>

Mailing Address:

*California State Capitol
Assembly Committee on Jobs,
Economic Development, and
the Economy
Sacramento, CA, 95814*

Office Location:

*Legislative Office Building
Assembly Committee on Jobs,
Economic Development, and
the Economy
1020 N Street, Room 359
Sacramento, California 95814*

Jobs, Economic Development, and the Economy

Jose Medina, Chair
Allan R. Mansoor, Vice Chair
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Committee Staff:

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Natalee Vicencia, Committee Secretary
Ava Sanchez, Communications Director
Zach Hutsell, Legal Intern

Assembly Republican Caucus, Office of Policy:

Julia King, Principal Consultant

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The Role of Trade and Foreign Investment on the Inland Empire's Regional Economy

Executive Summary

International trade and foreign investment serve as critical components of California's \$2.0 trillion economy. If California were a country, it would be the 17th largest exporter and the 14th largest importer in the world. Exports from California (\$162 billion) accounted for over 10.5% of total U.S. exports in goods, shipping to over 220 foreign destinations in 2012. California's land, sea, and air ports of entry serve as key international commercial gateways for the \$537 billion in products entering and exiting the U.S.

Statewide, 4.4 million California jobs are dependent on foreign trade. Over 562,700 California workers benefit from jobs with foreign-owned firms, which accounts for 5.1% of all private sector jobs in the state. Trade and foreign investment support new job creation, bring new technologies and skills to California workers, generate local and state revenues, and generally strengthen the state's economic base.

On Wednesday, November 6, 2013, the Assembly Committee on Jobs, Economic Development, and the Economy (JEDE Committee) is holding an oversight hearing on the role of international trade and foreign investment on the regional economy of the Inland Empire.

During the course of the hearing, testimony will be provided by economic development experts, business leaders, and other important regional stakeholders. The purpose of this report is to provide a context for these presentations and offer possible recommendations for further actions.



Issues for Consideration

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

Being successful in this new globally connected economy requires governments, as well as businesses, to be innovative, prioritize actions, and consider long-term as well as more immediate impacts on

society. The *diagram below illustrates* California's multiple internal and external economic drivers including: capital, for-profit and nonprofit sectors, the public and private education system, available labor, research and development capacity, physical infrastructure, resource limitations, the consumer base, and government actions.



At any given time, the relevance of one or more of the 10 drivers of the California economy is amplified. Furthermore, the ability of government to influence the individual drivers varies - from setting a majority of rules, as with education, to being one of several participants, as with business development. Over the long term, however, the economic health of a community, region, and the state is dependent on the quality of all 10 drivers.

Rapid globalization in the past several decades has permanently changed the economic development paradigm in Southern California. Between 2003 and 2012, the contributions that exports made to the California economy increased from \$93.9 billion to \$161.9

billion. These changes provide both unique opportunities for accessing international capital and commerce, as well as challenges, such as financing infrastructure, providing a skilled workforce, and maintaining a goods movement network suitable to support substantial participation within the global economy.

In developing a framework for regional prosperity, in this case for the Inland Empire, understanding the linkages between the needs of business, the range of domestic and foreign resources, and the impact of government action is essential. Among other issues, the speakers have been asked to address the following:

- What actions can the state take to minimize economic and workforce challenges of Inland Empire communities?
- How can the state support local and regional efforts to catalyze private investments in all areas of the Inland Empire including historically underserved and emerging areas?
- What opportunities are available to enhance the Inland Empire's global competitiveness and economic integration leveraging its southern trade corridor through the Coachella and Imperial Valleys into Mexico, and its western trade corridor to foreign markets through the Ontario air and Los Angeles/Long Beach air and sea ports?
- What actions can the state take to facilitate cross-border commerce and reduce de facto barriers to cross-border investment and goods movement?

Information and research from this hearing will be used when the legislative session resumes in January 2014 and the Members of JEDE begin deliberations on legislation affecting business attraction and expansion, economic development strategies, and the expanding the role of international trade and foreign investment within the state's post-recession economic activities. *Descriptions of pending measures before the Legislature are included in Appendix A and a list of preliminary recommendations is provided in Section V of the report.*

Organization of the Report

The report is organized into five sections. The first section provides general background on the California economy and the role trade plays within differing industry sectors. In Section II similar themes are discussed relative to the economy of the Inland Empire including the important role of regional collaboration in advancing trade and foreign investment activities. Section III includes information on California's role in the development and implementation of trade agreements and other trade promotion activities. The material in Section IV focuses on cross-border goods movement including information on the state of the Inland Empire's infrastructure. In the fifth, and final, section, is a list of possible recommendations to help drive the hearing discussions toward tangible and concrete next steps. Some of the recommendations have been developed by committee staff based on independent research and previous legislative hearings, while others have been suggested by hearing presenters.

In addition to these sections, the report includes a number of appendices that are designed to be useful references including:

- Appendix A includes a short fact sheet on the California trade-based economy;
- Appendix B has a fact sheet on the California economy;
- Appendix C provides a list of economic development and trade-related legislation;
- Appendix D includes information on the new SoCal Link iHub;
- Appendix E has a summary of key reports related to the hearing;
- Appendix F includes a summary of the findings and recommendations from a recent higher education report by the Little Hoover Commission;
- Appendix G provides the statutory language to California's international trade consultation process;
- Appendix H has a list of higher education institutions in the Inland Empire; and
- Appendix I includes a list of the Members of the Inland Empire Legislative Caucus;
- Appendix J provides additional background on the State Trade Promotion Program, which has services offered through the Riverside Community College District's Center for International Trade and Development; and
- Glossary of terms used in the report.

Closing Thought

"I am a firm believer in the people. If given the truth, they can be depended upon to meet any national crisis. The great point is to bring them the real facts." Abraham Lincoln

Section I – California's Trade-Based Economy

California is one of the largest and most diversified economies in the world with a gross domestic product (GDP) of over \$2.0 trillion in 2012. If California were a country, its 2012 GDP would place it 8th among worldwide GDP ranking as follows: United States (\$15.7 trillion), China (\$8.2 trillion), Japan (\$6.0 trillion), Germany (\$3.4 trillion), France (\$2.6 trillion), United Kingdom (\$2.4 trillion), Brazil (\$2.3 trillion), Russian Federation (\$2.0 trillion), Italy (\$2.0 trillion), and California (\$2.0 trillion). According to the Center for the Continuing Study of the California Economy, when the 2013 numbers are posted, California's GDP may surpass Italy and possibly Canada and the Russian Federation in the near future.

In the first section of this report information is provided on the California economy and the role of international trade. *Sources used in the preparation of this section are included in the Bibliography and key reports are summarized in Appendix E.*

Overview of California's Economy

Historically, the state's significance in the global marketplace resulted from a variety of factors, including its strategic west coast location, its economically diverse regional economies, and its culture of innovation and entrepreneurship, particularly in the area of technology. **Chart 1** developed using California Employment Development Department (EDD) data, which shows employment numbers for

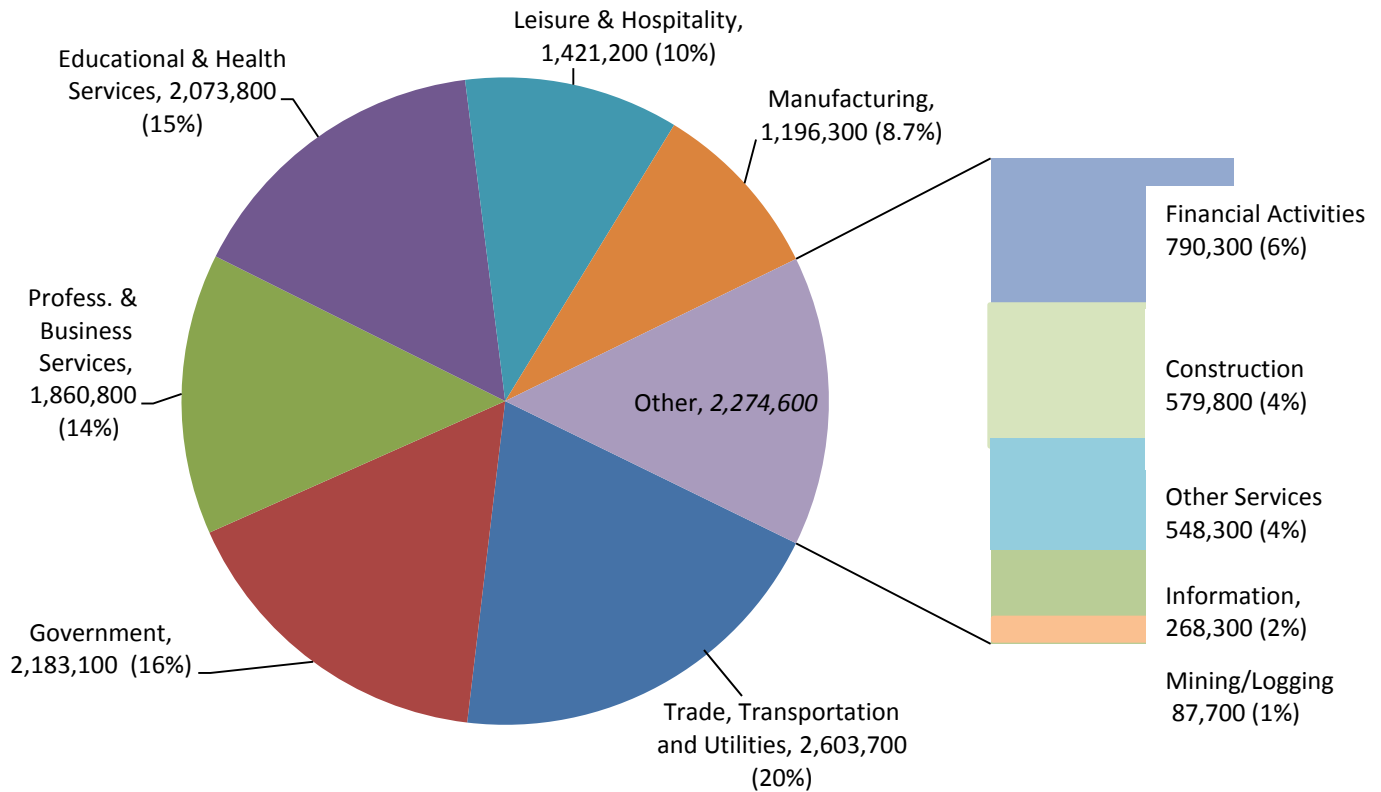


Chart 1 - Total Nonfarm Employment by Industry Sector August 2013 (percentages rounded)

California's 11 industry sectors.

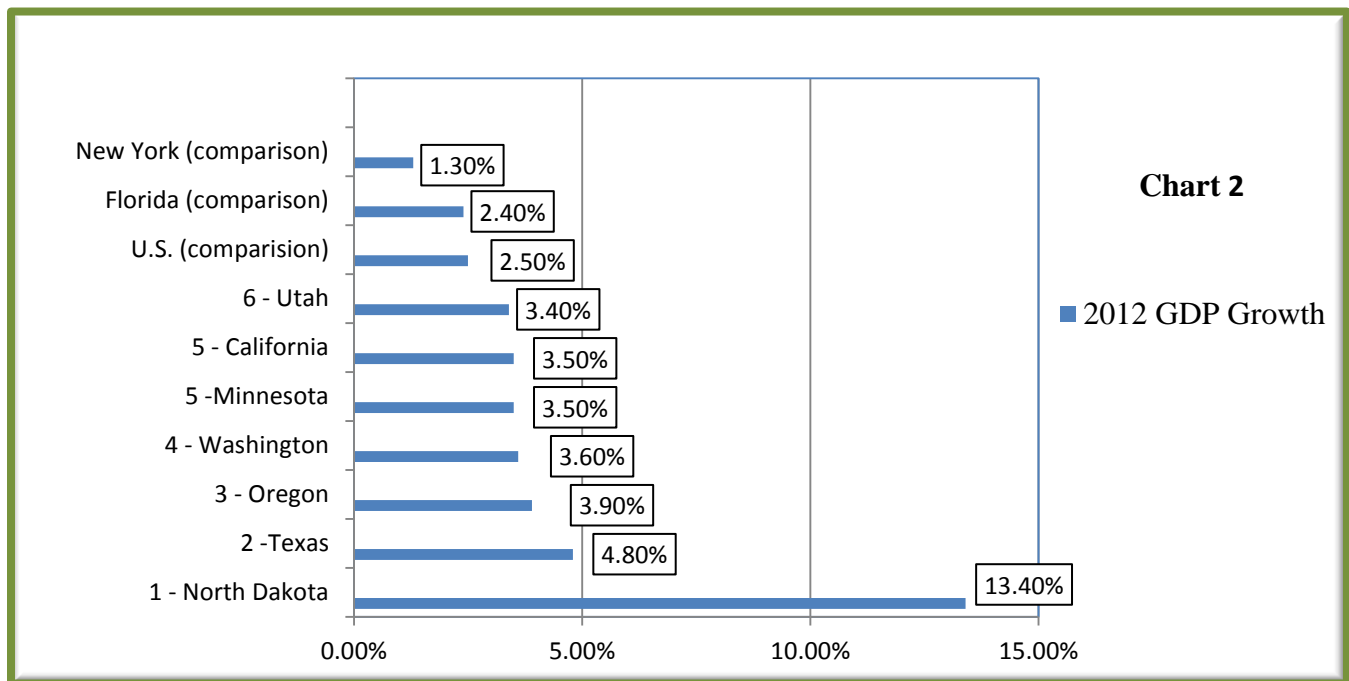
Among other things, Chart 1 illustrates that Trade, Transportation and Utilities (20%), Government (16%), Education and Health Services (15%), Professional Services (14%), and Leisure and Hospitality (10%) represent the top five largest industry sectors based on payroll.

California's 28.6 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 32% of the working age population holds at least a bachelor's degree. California's well diversified small business base also provides an economic advantage by meeting the niche needs of the state's dominant and emerging innovation-based industry sectors.

Along with California's competitive advantages, the state also has economic challenges including a large Boomer workforce that is retiring, a growing skilled workforce outside the state, and lower education attainment levels among California's younger workforce.

California Economic Growth

In 2012 California experienced continued economic and job growth tying with Minnesota for 5th place in terms of overall GDP growth. Although the national average for GDP growth in 2012 was 2.5%, California recorded a 3.5% increase. **Chart 2** shows the top 7 states, the U.S. average and Florida, Nevada, and New York for comparison.



California's \$2.0 trillion economy, as expressed by its GDP, is the largest in the U.S. As noted before, the size of the population, its comparative youth, and its diversity are key economic advantages. Texas has the second largest economy at \$1.3 trillion, with New York ranking third with a 2012 GDP of \$1.2 trillion. Texas and New York would be ranked as the 14th and 15th largest economies in the world, as compared to California's 2012 ranking of eighth.

Closer Look at Employment Trends

California's economic growth in 2012 is especially noteworthy as the state was particularly hard hit first by the financial crisis and then with the global recession. While employment growth has been steadily increasing over the past 23 months, July and August 2013 unemployment figures were slightly counter to this prevailing trend, reporting a 0.2% increase in each month. California's seasonally adjusted unemployment rate for August 2012 was 8.9% with 16 counties still reporting unemployment levels above 11% including Imperial County with a reported unemployment rate of 26.3%. **Chart 3** includes information on unemployment within the Inland Empire for August 2013. For comparison, the U.S. unemployment rate was 7.3% in August 2013 which is the lowest national unemployment rate since December 2003.

Chart 3 - Unemployment August 2013 (not seasonally adjusted) (in thousands)				
	Labor Force	Employment	Unemployment	Rate
California	18,655,700	17,005,900	1,649,900	8.8%
Riverside San Bernardino Ontario Metropolitan Statistical Area	1,786,200	1,599,700	186,500	10.4%
Riverside County	937,100	835,600	101,600	10.8%
San Bernardino County	849,100	764,100	85,000	10.0%

Source: EDD

In analyzing the July and August 2013 unemployment data, EDD dismisses the repeated 0.2% increase in unemployment as countering California's 23-month consistent drop in unemployment. More importantly, EDD states that between August 2012 and August 2013, unemployment fell by 279,000 people (14.5%), and compared to the recession (September and October of 2010), there were 629,000 (27.7%) fewer unemployed. Further, in the same 23-month period, California's unemployment rate continued to drop at a faster pace than the U.S. rate overall.

By industry sector, nine California industry sectors gained jobs and two lost jobs in August 2013. Employment in the construction (7,700) and professional and business services (6,300) sectors added the most jobs. In addition, three sectors had monthly gains in August of 2013 of 4,000 or more including financial activities (4,200); education and health services (4,300); and other services (4,000). *Appendix B includes a Fast Facts on the California Economy.*

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

Future Economic Growth

For the purposes of developing and analyzing economic growth and competitiveness strategies, EDD assessed the California economy and divided the 11 industry sectors shown on **Chart 1** into those that have internal population-driven markets and those that have external markets, which sometimes are referred to as economic base industries.

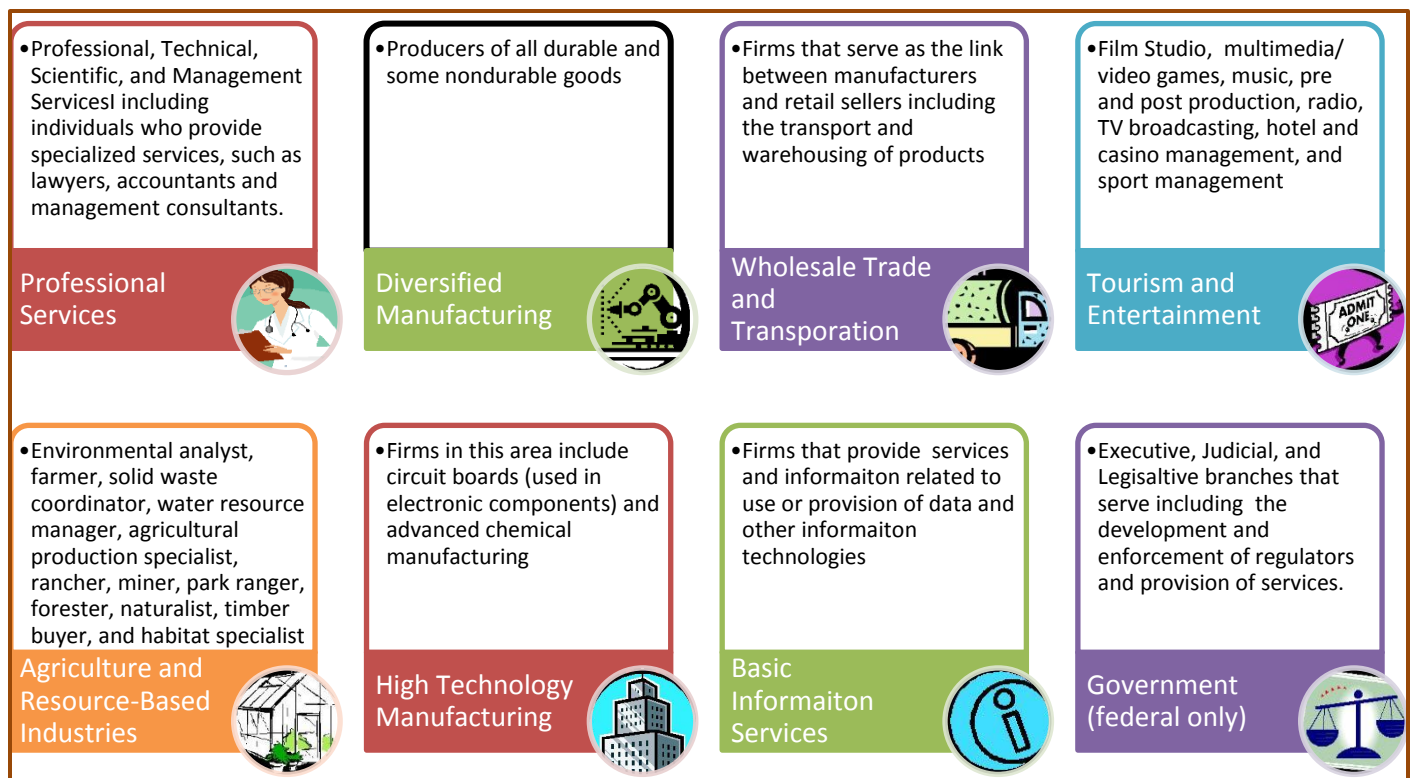
As an example, some industry sectors, such as Health and Education, are primarily driven by local market needs, while other industry sectors, such as Manufacturing, typically serve external markets. Providing a good or service that is attractive to external markets means a broader consumer base, as well as having greater location flexibility. According to EDD, "the state's ability to attract and retain businesses within these [economic base] industries largely determines how fast the state will grow relative to other states." These eight economic base industries employ 37.3% of the state's total employment. EDD estimates that the growth in these eight industries will be double that of the overall state economy.

The state's ability to attract and retain businesses within these eight industries largely determines how fast the state will grow relative to other states.

California Labor Market and Economic Analysis 2012, prepared by Labor Market Division, EDD May 2012

Each of these industries is described in **Chart 4** with examples of the types of businesses that comprise the sector. This information is used for many purposes by the state, including the development of the state Workforce Investment Strategy, which is prepared by the California Workforce Investment Board and submitted to the federal Department of Labor for the purpose of drawing down federal Workforce

Chart 4 – California Economic Base Industries



Investment Act funds.

Key National and Global Economic Trends

Remaining competitive in the next two decades will require new and more agile thinking about resources and the deployment of human, physical and financial capital. **Chart 5** describes seven key trends that economic researchers have identified which will redefine the U.S. economy in the post-recession era.

Experts have noted that being successful in the second decade of the 21st Century will require governments, businesses and workers to transcend old economic and workforce development frameworks. The emerging workplace will demand deeper collaborations among businesses, workers, governments and educators. Education and training will also need to be more highly integrated within career pathways which are clearly articulated between the K-12, the state's higher education systems, and workforce training providers.

Chart 5 - Key Economic Trends Affecting the California Economy

- 1 - Cities and regions will become more dominant economic players.
- 2 - Global networks will be supported through more advanced information and transportation technologies.
- 3 - The world's largest companies will increasingly be headquartered in emerging foreign markets.
- 4 - Global and more diversified markets will provide new opportunities for smaller sized companies.
- 5 - Scarcity and rising prices will increase pressure on the development and deployment of cleaner technologies.
- 6 - The retirement of Boomers will place an even greater need for new middle and high skilled workers.
- 7 - The available workforce will be smaller, more diversified, and have educational backgrounds that lag other industrial countries.

In the post-recession economy, governments will need to conceive of, approve, and help finance comprehensive infrastructure networks that support both the joint development, as well as the exchange of goods, services and ideas across rural and urban communities, state-to-state, and state-to-nations.

Imports, Exports, and Foreign Owned Businesses

International trade is an important component of California's \$2.0 trillion economy supporting 4.4 million California jobs. The importance of trade to the California economy is increasing as a percentage of California jobs tied to trade more than doubled from 1992 to 2011, 10.6% v. 22.0%. If California were a country, its \$162 billion in exports would place the state as the 11th largest exporter in the world. Exports from California accounted for over 10.5% (\$162 billion) of total U.S. exports in goods, shipping to over 220 foreign destinations in 2012. **Chart 6** includes additional information on the major goods

California exported in 2012. Small businesses played a key role in the state's export market by both exporting themselves and in selling goods and services to other companies that ultimately export.

Chart 6 - 2012 Exports From California to the World		
Product	Value (\$ billions)	Percent
334 Computers & Electronic Prod.	44.5	27.6 %
333 Machinery (except electrical)	14.8	9.2 %
336 Transportation Equipment	16.1	10 %
325 Chemical Manufactures	12.7	7.9 %
339 Misc. Manufacture Commodities	13.8	8.6 %
111 Agricultural Products	11.9	7.4 %
All Others	27.2	29.3 %
Total	\$162 (rounded)	100 %
Source: Tradestates.com		

The state's top five imports in 2012 were: Computer and Electronic Products (\$112 billion); Transportation Equipment (\$60 billion); Oil & Gas (\$32 billion); Miscellaneous Manufactured Commodities (\$19.4 billion); and Apparel Manufacturing Products (\$18.8 billion) for a total of \$242.2 billion in imported products.

Mexico is California's top trading partner, receiving \$26 billion (16%) in goods in 2012. The state's second and third largest trading partners are Canada and China with \$17.3 billion (11%) and \$14 billion (9%) in exports respectively. Other top-ranking export destinations include Japan, South Korea, Hong Kong, Taiwan, Germany, the Netherlands and the United Kingdom. *Appendix A includes Fast Facts on California's Trade-Based Economy.*

In January 2010, President Barack Obama announced the National Export Initiative (NEI) which proposes to double the country's total exports by the end of 2014. The initiative also calls for improvements to the U.S. transportation and supply chain infrastructure to enable exporters to transport their goods to ports quickly and inexpensively. In 2012, U.S. exports hit an all-time record of \$2.2 trillion, a 40% increase from 2009, supporting 9.8 million U.S. jobs. Additionally, in 2012, California's export shipments of merchandise represented a 35% increase (\$162 billion) over 2009. So while the most recent data shows that U.S. exports significantly increased, exports in 2012 were below targets and exports will need to be very robust in order to meet the national goal by 2014. The following page includes a sidebar with additional information about the National Export Initiative.

Moving these products requires a highly integrated infrastructure and logistical network that links raw materials with manufacturers and distribution systems. *Section IV includes an expended discussion on the U.S. and California's logistical networks.*

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

The federal International Trade Administration estimates that over 567,000 California workers benefit from jobs with foreign-owned firms, which accounts for 5.1% of all private sector jobs in the state.

Approximately 11% of all U.S. workers at foreign-owned firms are located in California, which has had the highest level of employment in foreign-owned firms since at least 1997.

According to the Business Roundtable, there are:

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

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

Manufacturing within the California Economy

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

Manufacturing is California's most export-intensive activity, contributing significantly to the value of California's \$162 billion in exports in 2012. Overall, manufacturing exports represent 9.4% (\$120 billion in goods) of California's GDP, and computers and electronic products constitute 29.3% of the state's total manufacturing exports. More than one-fifth (21.9%) of all manufacturing workers in California directly depend on exports for their jobs. In today's globally linked economy, manufacturing utilizes products from across the U.S., as well as from other nations. In 2012, 61% (\$1.3 trillion) of the products imported into the U.S. were inputs and components used by American producers. In addition, U.S. imports often include components and required services provided by U.S. firms, including California semiconductors and design.

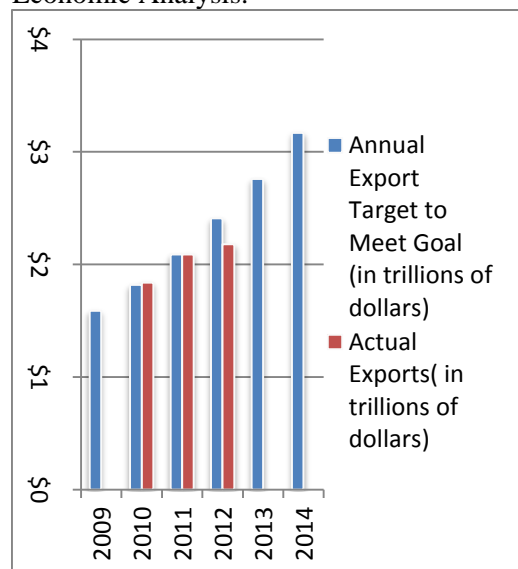
National Export Initiative

In January 2010, the President launched the National Export Initiative with the goal of doubling U.S. exports over 5 years.

The initiative is directed through a newly established Export Promotion Cabinet and an internal Trade Promotion Coordinating Committee which has been tasked to coordinate and align their export promotion activities including counseling, customer matchmaking services, and financing for exporters. Initiative priorities include:

- Exports by small and medium-sized businesses
- Federal export assistance
- Increased export credit
- Reduced barriers to trade
- Export promotion of services

The chart below illustrates the U.S. progress toward meeting the national export goal. The chart was developed using a GAO analysis based on data from the U.S. Bureau of Economic Analysis.



Manufacturing in California, however, even prior to the current economic recession, faced many challenges maintaining global and domestic competitiveness, including securing a skilled workforce to support the changing needs of manufacturing and goods movement and maintaining cost-effective productivity in the face of lower safety and wage standards in emerging foreign markets. Between 2001 and 2011, California lost 33% of its manufacturing base, losing 613,000 jobs. Despite this decline, manufacturing is still recognized as one of the most important economic sectors in the California economy.

Addressing California's Manufacturing Challenge

According to a June 2010 report by the Milken Institute, "Manufacturing 2.0: A More Prosperous California," the challenges in the manufacturing industry serve as an early warning of the challenges facing the state's economy as a whole. The report found that while manufacturing still drives the state's economy, California's competitive position is losing ground to other states and nations based on its regulatory climate, tax burden, and reputation as a difficult and costly place to do business. In 2010, the **JEDE Committee** held a hearing to review the report and hear from manufacturers and labor representatives on possible follow-up actions.

One of the report's key findings is that California is losing a larger share of manufacturing employment at a faster rate than other states. In addressing these challenges, the report recommends the state develop a new cooperative relationship with manufacturing. Among other issues, the report recommends that the

2013 Enacted Legislation Focus: Manufacturing

AB 93 (Assembly Committee on Budget) California Competes Tax Credit and State Sales and Use Tax Exemption

AB 250 (Holden and V. Manuel Pérez) California Innovation Hubs

AB 653 (V. Manuel Pérez) California Innovation and Jobs Act

AB 1400 (Assembly Committee on Jobs, Economic Development, and the Economy) Streamlining Export Label Processes

AB 1422 (Assembly Committee on Jobs, Economic Development, and the Economy) California Alternative Energy and Advanced Transportation Financing Authority

state streamline regulatory procedures for manufacturers and increase transparency and accountability in the regulatory process and increase coordination across state agencies for permit and licensing approvals.

In response to the study, hearing, and other legislative engagements, Assembly Leadership developed **SB 617 (Calderon)**, Chapter 496, Statutes of 2011, which requires the Department of Finance to adopt a standardized process for state rulemaking entities to use in conducting the impact analysis for regulations that have an estimated economic impact that exceeds \$50 million. Beginning **November 1, 2013**, the new economic impact methodology is required to be applied.

In this legislative session, additional work was accomplished to support California's manufacturing sector. The Governor proposed and the Legislature approved **AB 93 (Assembly Committee on Budget)**, Chapter 69, Statutes of 2013, which established a statewide tax exemption for manufacturing equipment, a modified new hire credit, and a California Competes Tax Credit to help attract and retain manufacturers including advanced manufacturing.

These types of improvements are essential in keeping California communities competitive in retaining and attracting manufacturers. Many other states have developed economic development programs that target manufacturing generally, while others focus on sub-industry and sub-subindustry sections such as energy generation, information technology, biotechnology, and food processing. As an example, the U.S. Department of Energy has taken a closer look at state incentives related to attracting renewable energy production and manufacturing and reports that 24 states have tax credits, 28 states authorize property assessed clean energy (PACE) programs, and 38 states offer property tax-based incentives.

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

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

Hearing Discussion Points

The November 6, 2013 hearing will provide an opportunity for the committee to hear testimony on a number of trade related challenges facing California, in general, and the Inland Empire, more specifically. Among the key challenges to be discussed are the condition of the state's trade related infrastructure, impediments to capital flow, workforce preparedness, as well as other impacts of globalization.

Witnesses have been asked to provide their own assessments, highlight successful models and recommend practical solutions for guiding the state's actions in the post-recession economy. While the hearing is focused on the role of trade and foreign investment in the Inland Empire, given its key logistical presence the information gained and lessons learned can be applied to other areas of the state and/or be expended as statewide policies.

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Section II – The Inland Empire

As noted in the prior section, regions, rather than states and even federal governments, are increasingly important in the more globally connected post-recession economy. State and federal policies and programs are reflecting this new economic reality by providing region-level funding, data analysis at the metropolitan statistical area (MSA or metro area), and requiring collaborative applications that include private, as well as public partners.

In a more region-centric world, local and neighborhood relationships need to be strengthened in order to successfully advocate for the interests of the broader community. Strengthening these relationships and improving regional economies is a worthwhile economic strategy as being more globally connected means new economic opportunities for businesses and workers within the region. With a significant portion of global growth expected to occur outside the U.S. and in places such as China, Brazil, and India, having the ability to connect products and services to those markets is important.

In this section, information is provided on the Inland Empire including data on the population, workforce, and key industry sectors. While the section includes substantive information about international trade, it also provides background on key drivers of the Inland Empire economy. Without a healthy overall economy to spur continued business development and quality job creation, growth within the region's manufacturing and logistic base will also be inhibited. *Sources used in the preparation of this section are included in the Bibliography and key reports are summarized in Appendix E.*

An Overview of the Inland Empire

The Inland Empire is the metropolitan region located directly east of Los Angeles. Much of what is generally considered the Inland Empire is contained within the Riverside-San Bernardino-Ontario MSA, which includes substantial portions of Riverside and San Bernardino Counties. As with many regions, there are varying definitions of which areas are included. The most narrow definition only includes the Riverside-San Bernardino-Ontario MSA and the broadest definition includes all areas of the two counties including the rural areas and more urban areas of the Coachella Valley. In this report, a majority of the data is drawn at the MSA level. Where possible, county level information is also provided in order to apply the broadest definition of the Inland Empire.

It has been suggested that the term "Inland Empire" was first coined by developers in order to promote the region and highlight the area's unique features and convenient location of just 60 miles "in land" from Los Angeles and the Pacific Ocean. Another story, suggests that the region was originally called the "Orange Empire," reflective of the citrus groves that extended from Pasadena to Redlands in the



early 20th Century. When the economy shifted, the name was changed to the Inland Empire. Regardless of its origin, references to the "Inland Empire" are found in local newspapers like the *Riverside-Enterprise*, as far back as 1914.

Today, the Inland Empire is the 12th largest metropolitan area in the U.S. and home to more than four million people, with approximately 2.3 million in Riverside County and 2.1 million located in San Bernardino County. Since the 1970s the region has experienced significant growth, mostly driven by the challenging search for affordable housing in Southern California. Between 1990 and 2000, the population of Riverside and San Bernardino Counties increased by 700,000 (26%). In the following eight years (2000 and 2008) the Inland Empire's population expanded by another 861,000 or 26.5%. **Chart 7** shows the population of the two counties and the nine largest cities in the Inland Empire.

Chart 7 - Ten Largest Cities in the Inland Empire (by population)		
	Population 2010	Estimated Population 2012
Riverside County	2,189,641	2,268,783
San Bernardino County	2,035,210	2,081,313
Cities		
Riverside	303,871	313,673
San Bernardino	209,952	213,295
Fontana	196,069	201,812
Moreno Valley	193,365	199,552
Rancho Cucamonga	165,350	170,746
Corona	152,374	158,391
Victorville	115,921	120,336
Murrieta	103,422	106,810
Temecula	100,746	105,208
Source: U.S. Census Bureau		

Given the recent dramatic growth of the past several decades, it is not surprising that a significant number of residents of the Inland Empire commute across county lines for work. **Chart 8** shows county-to-county commute patterns both within the region and between surrounding counties. Of course, commuters rely on public roads and highways creating bottlenecks at certain intersections as commuters and truckers overwhelm the capacity of the freeways. As a region that markets itself as a logistical hub, maintaining an acceptable flow of traffic is an important consideration. Diversifying the economic base and improving internal and external transportation linkages have been identified as important regional priorities. Studying commuting patterns also helps to identify skilled workforce pools, key infrastructure needs, and new economic development partners.

Chart 8 – County-to-County Commute Patterns		
County of Residence	County of Work	*Number of Workers Annually
Imperial County	Riverside County	1,231
Imperial County	San Bernardino County	101
Los Angeles County	Riverside County	15,228
Los Angeles County	San Bernardino County	57,390
Orange County	Riverside County	15,242

Orange County	San Bernardino County	12,106
Riverside County	Los Angeles County	50,901
Riverside County	Orange County	67,180
Riverside County	Riverside County	586,265
Riverside County	San Bernardino County	89,709
Riverside County	San Diego County	38,830
San Bernardino County	Imperial County	102
San Bernardino County	Los Angeles County	126,642
San Bernardino County	Orange County	34,997
San Bernardino County	Riverside County	65,136
San Bernardino County	San Bernardino County	570,048
San Bernardino County	San Diego County	2,062
*Source: American Community Survey based on data collection from 2006-2010		

Business Development

The Inland Empire's labor force includes approximately 1.7 million workers or a little over 9% of the state workforce. In 2011, resident per capita income in the two counties ranked among California's lowest, 49th in San Bernardino and 50th in Riverside. In August of 2013, 110,100 residents were unemployed. Specific workforce numbers by county are included in **Chart 9**.

Chart 9 - August 2013 Labor Force (Not Seasonally Adjusted)						
Area	Year	Period	Labor Force	No. of Employed	Unemployment	Unemployment Rate %
California	2013	Aug	18,655,700	17,005,900	1,649,900	8.8%
Riverside County	2013	Aug	937,100	835,600	101,600	10.8%
San Bernardino County	2013	Aug	849,100	764,100	85,000	10.0%
Source: Labor Market Information, EDD October 2013						

In **Chart 10**, employment is broken down further to show the number of people employed, those employed in service-related industries, total number of workers in the private sector, and the total number of private sector workers who are employed in service industries. As reflected in the chart, jobs in the service-related sectors are a significant source of employment for the Inland Empire.

Chart 10 - Employment by Industry for Inland Empire MSA August 2013 (Not Seasonally Adjusted)		
	California	Riverside-San Bernardino-Ontario MSA
CES Industry	No. of Employed	No. of Employed (% of the state)
Total Wage and Salary	15,038,200	1,164,500 (7.74 %)
Total Nonfarm	14,591,200	1,152,100 (7.90 %)
Service Providing	12,651,900	1,005,000 (7.94%)
Total Private	12,346,400	938,800 (7.60 %)
Private Service Providing	10,407,100	791,700 (7.60%)
Source: Source: Labor Market Information, EDD October 2013		

The chart below, **Chart 11**, shows the 11 major industry sectors in California, including the 2010 employment data for the Inland Empire and the projected number of jobs by 2020. The biggest change in jobs by industry sector are in **Educational Services, Health Care, and Social Assistance; Professional & Business Services; Trade, Transportation, and Utilities; and Leisure and Hospitality**. Also noteworthy, is that the growth in the **Information** and **Construction** sectors are significantly lower than the state average.

Relative to longer term impact on the region's economy, of greater note is the comparison of industry sectors with anticipated growth to current trends in educational attainment. In the Inland Empire there appears to be a mismatch between growth industries and the trend in lower educational attainment, which could have a significant economic impact on the region for decades to come. Workforce issues are discussed in greater detail later in this section.

Chart 11 - Industry Employment Projections for 2010-2020

	Riverside-San Bernardino-Ontario				California			
	2010 est.	2020 est.	Change in Jobs	% Change	2010 est.	2020 est.	Change in Jobs	% Change
Total Employment	1,253,300	1,460,000	206,700	16.5%	15,916,200	18,511,200	2,595,000	16.3%
Mining & Logging	1,000	900	-100	-10.0%	26,800	29,600	2,800	10.4%
Construction	5,9700	69,300	9,600	16.1%	559,800	706,400	146,600	26.2%
Manufacturing	8,5100	88,400	3,300	3.9%	1,241,000	1,246,500	5,500	0.4%
Trade, Transportation, and Utilities	2,70800	336,600	65,800	24.3%	2,623,500	3,200,800	577,300	22.0%
Information	1,5800	15,600	-200	-1.3%	427,700	463,100	35,400	8.3%
Financial Activities	4,1000	45,400	4,400	10.7%	760,200	868,700	108,500	14.3%
Professional & Business Services	1,23400	156,500	33,100	26.8%	2,074,400	2,558,100	483,700	23.3%
Educational Services, Health Care, and Social Assistance	1,33800	169,800	36,000	26.9%	1,788,300	2,246,400	458,100	25.9%
Leisure & Hospitality	122,800	151,300	28,500	23.2%	150,1600	1,884,900	383,300	25.5%
Other Services	38,200	43,300	5,100	13.4%	484,900	551,400	66,500	13.7%
Government	234,300	243,600	9,300	4.0%	2448,400	2,548,800	100,400	4.1%
Source: Labor Market Information, EDD May 2012								

Chart 12 displays more refined information on the occupations in the Inland Empire with the fastest growth between 2010 and 2020. Four of the five highest demand occupations are in the **Health and Education** sector, and the lead growth occupation, *biomedical engineers*, is within the **Professional Services** industry sector. As discussed in the next subsection of the report on regional advocacy, UC Riverside and the current Inland Empire biopharma industry cluster provide the region with a comparative advantage to other regions in the U.S. and the world.

Chart 12 - Occupations with Fastest Job Growth (% change) for Riverside-San Bernardino-Ontario MSA

Occupation	Estimated Year - Projected Year	Employment		Employment Change	
		Estimated	Projected	Number	Percent
<u>Biomedical Engineers</u>	2010 - 2020	130	220	90	69.2
<u>Home Health Aides</u>	2010 - 2020	5,000	7,690	2,690	53.8
<u>Veterinary Technologists and Technicians</u>	2010 - 2020	670	1,020	350	52.2
<u>Marriage and Family Therapists</u>	2010 - 2020	240	350	110	45.8
<u>Emergency Medical Technicians and Paramedics</u>	2010 - 2020	1,820	2,610	790	43.4

Source: Source: Labor Market Information, EDD October 2013

The Evolution of the Inland Empire as a Regional Powerhouse

As noted in the prior section, regional collaboration has become an increasingly important economic development tool. Working together, public and private entities can encourage business development by ensuring the regional employment pool matches the needs of dominant and emerging industries, contributing to a business climate that supports entrepreneurs and business start-ups, and by helping businesses obtain access to a range of private capital appropriate to its size and stages of business development.

While creating a successful business environment is an ongoing process, the Inland Empire is already home to a number of key groups that are sponsoring focused initiatives that support trade, foreign investment, and logistics, as well as other dominant and emerging industry sectors. In this subsection, an illustrative number of regional groups and activities are briefly described.

While the elimination of redevelopment and enterprise zones has limited some local government resources for economic development, one of the Inland Empire's long standing partners, the **Inland Empire Economic Partnership**

(IEEP), is still active facilitating regional economic and community development activities. The mission of the IEEP is to "help create the two-county region's voice for business and quality of life."

Chart 13 – Drivers of the California Economy



Chart 13, on the previous page, diagrams **10 drivers of the California economy**. At any given time, one or more of the drivers may need special focus. Through regional collaboration and drawing on a range of stakeholder expertise, weaknesses can be addressed and strengths can be leveraged. Key IEEP economic and business development initiatives in the region are described below and include a range of public and private partners from both Riverside and San Bernardino Counties. Collectively, these initiatives address a range of high priority issues to the Inland Empire including education, access to capital, labor, government and business.

- ***Inland Empire Business Council*** is comprised of various businesses and some nonprofit and education partners from throughout the region including Altura Credit Union, BNSF Railway, California Steele Industries, Cardenas Markets, Pacific Mercantile Bank, Redlands Community Hospital, and the San Bernardino Community College District.
- ***Inland Empire Education Council***, which includes the presidents of the higher education institutions, K-12 superintendents, and key business partners. The Education Council's top priorities include: (1) STEM Education, (2) Career and College Readiness, and (3) Communication and Advocacy.
- ***Inland Empire Public Partners*** are comprised of the regional cities, counties and economic development agencies including the location of the hearing, the City of Riverside.
- ***Community Foundation*** (serving Riverside and San Bernardino Counties), which is working with the other partners to help increase charitable giving and enhance the management strength of local nonprofits for the purpose of addressing the quality of life challenges within the region.
- ***Inland Latino Leadership and Policy Institute***, which promotes professional development, academic and health advancement of Latinos living in Riverside and San Bernardino Counties. More specifically, the priorities of the Inland Latino Leadership and Policy Institute are to:
 - Promote professional achievement and leadership development of the Latino community in the Inland Empire
 - Highlight best practices models for college and career readiness
 - Train Latino students for leadership positions in the business, health and public policy arenas
 - Advocate for health solutions, programming and strategies for Latino Inland Empire residents
 - Provide hands-on job experience through specialized internships
 - Create opportunities for Latino college students to pursue advance degrees
 - Promote strategies and regional programs to increase Latino high school completion rates

The Inland Empire benefits from a range of industry, labor, education, government, and nonprofit stakeholder advocacy efforts. Some stakeholders, such as **UC Riverside**, play multiple stakeholder roles including educating students, developing new research, and helping to commercialize new technologies. On any given economic development issue, one or more of these key regional stakeholders may take the lead. Regional strength and positive outcomes are often dependent on the ability of stakeholders to successfully contribute to policies and programs even when they are not necessarily leading the initiative.

Inland Empire economic development activities also include collaborations between existing collaborations. The **Inland Empire Regional Collaborative** is one such model where the **Greater Riverside Chamber of Commerce, Monday Morning Group, Inland Action, Economic Development Corporation of Southwest California, Coachella Valley Economic Partnership** and the **IEEP** all come together to strategize on regional priorities.

Chart 14 includes a list of regional economic development recommendations that were presented by the IEEP to the **Inland Empire Legislative Caucus**, which includes the 16 members of the California Legislature who represent a portion of the region. *Appendix I has a list of the Inland Empire Legislative Caucus, which meets on a monthly basis in Sacramento while the Members are in Session to hear presentations on key Inland Empire issues and strategize on solutions that the whole Caucus can support.*

Case Study on Regional Advocacy: UC Riverside

Most recently, the region came together to support the opening and ongoing funding of the **UC Riverside School of Medicine**, the first new public medical school in California in four decades. The UC Riverside School of Medicine will expand and diversify the region's physician workforce, as well as provide research and health care delivery programs to improve the health of medically underserved populations. The School of Medicine welcomed its first class in August 2013.

In addition to improving the medical care of the region, the medical school will offer Ph.Ds. in the biomedical sciences. This will provide an important competitive advantage to the Inland Empire's biopharma industries. Within the three-county industry cluster of Orange, San Diego, and Riverside there are over 200 biopharmaceutical companies, which employ 11,440 people. Economic forecasters expect that jobs within the sector will increase by 8% over the next two years by adding an additional 425 high-wage jobs.

Biopharma is an example of just one of the Inland Empire's international trade opportunities. Between 2005 and 2010, U.S. biopharma exports increased 60% from \$29.1 billion in 2005 to \$46.7 billion in 2010. As a comparison, 2010 U.S. biopharma exports exceeded U.S. automobile exports by nearly \$12 billion. Having a major research university within the Inland Empire that can specialize in biomedical sciences is a clear economic advantage to the region.

Chart 14 - Regional Economic Development Policy Recommendations

1. Equitable and proportional funding under any state infrastructure bond.
2. Local control of the Ontario Airport.
3. Modernization of the California Environmental Quality Act.
4. Streamlining of state laws related to project planning and delivery.
5. Continued focus on improvements to the region's airport including cargo handling capability.
6. Continued federal and state investment in trade and transportation infrastructure.
7. Strengthen partnerships and collaborative initiatives to support college and career readiness.
8. Increased coordination between community colleges and four-year higher education institutions.
9. Increasing the state and region's focus on career technical education.

Without the significant advocacy from civic leaders, state and local government leaders, nonprofits, and the business community, the final \$15 million in ongoing funding for the UC Riverside Medical School would likely have not have been included within the California state budget.

Stronger Regional ties means better Statewide Advocacy

Regional collaboration is an effective economic development tool for advancing issues both within regions and outside regions. Acting collectively, the needs and priorities of the Inland Empire can also be better represented in larger coalitions. The Inland Empire currently participates, often holding leadership positions, in a number of statewide and Southern California policy and advocacy organizations including:

Related Legislation Focus: Economic Development

- **AB 93** (Assembly Budget) Sales Tax Exemption, New Hire Credit and California Competes Tax Credit
- **AB 250** (Holden and V.M. Perez) IHub Program
- **AB 1399** (Medina and V.M. Perez) New Market Tax Credit

- **Regional Economic Association of Leaders (REAL) Coalition:** The REAL Coalition is a partnership of 21 regional business groups, those from Los Angeles, Orange County, and the Silicon Valley. The REAL Coalition is currently focused on issues relating to education and workforce, transportation and infrastructure, economic competitiveness, and water. All issues of relevance to the Inland Empire.
- **Mobility 21:** Mobility 21 is a coalition of public, business, and community stakeholders that pursue regional solutions to transportation issues affecting Southern California. Mobility 21 advocates in both Sacramento and Washington D.C.

New opportunities for regional collaboration and enhancement of the Inland Empire's advocacy muscle will be available through the recently designated iHub, the **SoCal Link**. The new iHub will help attract new foreign investment to the region while working on goods movement and logistical issues along the Inland Empire's east-west economic trade corridor, which includes the Ontario Airport, manufacturers, warehousing, the Los Angeles Airport, Los Angeles/Long Beach sea port, and the related highways. Riverside County currently serves as the lead partner, with the senior advisor to the iHub being located at UC Riverside within the Office of Research and Economic Development. Structurally, the SoCal Link iHub is a collaboration of pre-existing regional collaborations that have come together with the specific focus of trade and foreign investment-related to business development and job creation. *Appendix D includes a summary of the SoCal Link iHub.*

Workforce to Support Emerging and Dominant Industries

According to Inland Empire stakeholders, workforce is one of the region's primary economic competitiveness challenges. Below are several charts that display key economic indicators including **Chart 15**, which has information on high school graduation rates; **Chart 16**, which looks at the percentage of the Inland Empire population that attends some form of higher education; and **Chart 17**, which displays the percentage of the Inland Empire residents lacking core literacy skills.

Chart 15 – High School Graduation Rates in Inland Empire (*most recent data)				
Ethnicity	Gender	2008	*2009	Regional Average 1996 to 2009
Black	Male	51%	51%	52%
	Female	60%	62%	63%
Native American	Male	52%	62%	45%
	Female	66%	60%	52%
Asian	Male	93%	87%	83%
	Female	94%	92%	91%
Pacific Islander	Male	68%	76%	60%
	Female	71%	69%	68%
Latino	Male	53%	54%	53%
	Female	64%	66%	65%
White	Male	65%	68%	62%
	Female	74%	77%	72%
Filipino	Male	89%	90%	91%
	Female	94%	88%	93%
Inland Empire Overall Rate		63%	65%	63%
California Overall Rate		66%	68%	67%

Source: California Postsecondary Education Commission, accessed from web 10/18/13

Chart 15 shows that, on average, high school graduation rates are slightly lower than the statewide average for the same term. Some population groups, however, have significantly lower graduation rates, including Black, Native American, and Latino males. This gap in educational attainment increases when comparing the number of Inland Empire residents having attended some form of higher education to California residents overall, as shown in **Chart 16**. With many of the jobs in emerging and dominant industry sectors requiring some form of additional education, whether it be specialized certificates or advanced degrees, low higher education attendance rates are a concern.

Chart 16 – Inland Empire Population Attending College					
Ethnicity	Gender	2008	2009	2010	Regional Average 1996 to 2010
Black	Men	14%	12%	13%	15%
	Women	21%	18%	18%	22%
Native Americans	Men	15%	11%	10%	15%
	Women	20%	13%	11%	20%
Asian / Pacific Islander	Men	39%	39%	38%	39%
	Women	39%	40%	37%	41%
Latino	Men	11%	11%	13%	10%
	Women	17%	17%	18%	16%
White	Men	23%	21%	24%	20%
	Women	28%	26%	29%	26%
Inland Empire Overall Rate		19%	18%	19%	18%
Statewide Overall Rate		48%	40%	NA	NA

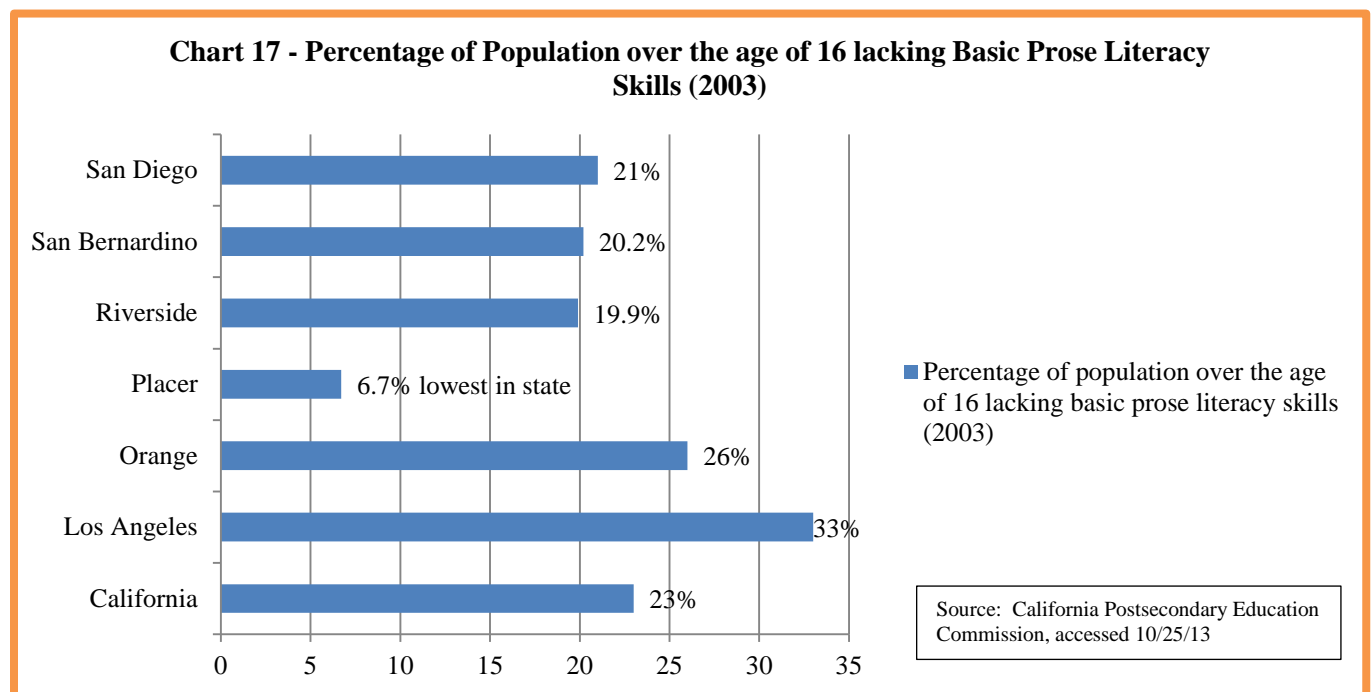
Source: California Postsecondary Education Commission, data generated 10/25/13

The gap continues to widen when the percentage of Inland Empire workers with masters degrees or higher is compared to the U.S. as a whole, 22.64% v. 33.66% nationally. According to research by the

Milken Institute, this ranking places the Inland Empire in tie for 50th place with the Las Vegas-Paradise MSA among the 50 most populated MSAs in the U.S.

In a policy paper prepared by the IEEP, the Inland Empire's education and workforce challenge is described as having two basic and interrelated challenges. First, with the Baby Boomers retiring, replenishing the existing skilled workforce with an equal number of skilled workers is difficult given the current low education attainment within the region. Second, as seen in **Chart 11**, the graduation rate among Latinos is low, 53% for males and 65% for females. The impact of low education attainment of Latinos is amplified because Latinos comprise nearly half of the region's population. Addressing the education challenges of Latino youth and providing ongoing educational opportunities of Latino adults will be a basic determiner for the economic health of the region.

Chart 17 compares the percentage of individuals in the Inland Empire with literacy challenges, as compared to other counties and the statewide average. The significant differences between the California average and the anticipated growth of key industry sectors in the Inland Empire suggest an education focus that includes remedial, as well as a focus on higher education and advanced degrees.



A February 2013 report on regional economies by the Milken Institute also found a clear empirical link between educational attainment and regional prosperity. According to the study, adding just one year to the average years of schooling among the employed in MSA's across the U.S. is associated with an increase in real GDP per capita of 10.5% and an increase in real worker wages of 8.4%.

Trade as an Economic Development Tool

Riverside County's Office of International Trade (OFT) is a unique economic development tool. According to various diplomat offices in California, the OFT is the only county-level office of its kind, perhaps in the nation. Being located within the county's Economic Development Agency allows the

OFT to connect international trade and foreign investment within the County's broader economic agenda. Established in 2009, the OFT's mission is to assist business owners, corporate officers, investors, and entrepreneurs with export and import assistance with the objective of creating new jobs and investment within the county. The OFT also serves as a link to federal trade programs and services including those offered through the U.S. Export Assistance Centers, Foreign Agricultural Services, U.S. Chambers of Commerce operating abroad, U.S. Commercial Service, Foreign Trade Offices, and investors from other nations interested in establishing a business location in the County of Riverside.

Further, the OFT regularly participates in legislative hearings at both the state and federal level. Most recently, Tom Freeman, the Commissioner of Foreign Trade, testified at a California State Senate informational hearing on California trade with the European Union and at legislative bill hearings in support of **AB 1067 (Medina)**, Chapter 535, Statutes of 2013, relating to the codification of the EB-5 Foreign Investment Visa Program.

The Commissioner also works within the Diplomatic Corps and Foreign Service to foster relationships and good will with potential trading partners and trade organizations. Regional collaboration with other Inland Empire stakeholders is a central feature of the activities of the OFT and it is not uncommon to see the Commissioner at a variety of Inland Empire economic development meetings.

Increases in Export Intensity

In the 21st century, the role of trade within local and state economies shifted. Rather than being something outside or in addition to the core local economy, economic developers and economists started to see how trade related activities were interwoven within the local economy. Most recently, the value of trade-related work, as a component of the broader economy was the subject of a 2013 study by the Brookings Institute and JP Morgan Chase. The report found that during 2003 to 2012 exports drove post-recession growth in the 100 largest metro areas including Riverside County. The study is unique in that it collects data by origin or production rather than origin of export movement, as is the case with the U.S. Department of Commerce export data.

Using the Export Nation methodology, total California exports for goods and services in 2012 was \$252 billion, as compared to the U.S. Census Bureau 2012 number of \$162 billion for goods only, as measured by origin of movement. In measuring both goods and services, California ranks first in the nation ahead of Texas. Exports represented **8.8% of California GDP** in 2012. In the Inland Empire, total exports represented **9.2% of total Inland Empire output**, meaning that the Inland Empire's economy is more reliant on exports of goods and services than the state in general. Relative to other metro areas in California, the Inland Empire ranks fifth (**5.2%) in contributing to the state's total share of exports in 2012**. Metro areas ahead of the Inland Empire include: (1) Los Angeles (37.1%); (2) San Francisco (15%); (3) San Jose (13.7%); and (4) San Diego (8.5%). As a share of the total metro GDP, from 2009-2012, the relative value of exports has grown 1.8%, which is the same growth rate as Los Angeles.

Chart 18 includes nominal Inland Empire exports of goods and services, meaning the actual amount of dollars paid for the goods and services in each year, and the growth rate of goods and services, as expressed in 2012 dollars as adjusted for inflation.

Chart 18 – Inland Empire Exports (2007-2012)(in millions, adjusted for inflation)						
	2007	2008	2009	2010	2011	2012
Exports in Goods and Services	12,389.98	12,748.23	11,422.93	11,868.06	12,648.68	13,128.07
Growth Rates over prior year in Goods and Services	9.4%	2.9%	-10.4%	3.9%	6.6%	3.8%
Export Share of Metro GDP	8.0%	8.8%	8.1%	8.5%	9.2%	9.2%
Goods Exports	7,963.79	8,194.37	7,139.42	7,481.02	8,061.77	8,407.38
Services	4,426.19	4,553.86	4,283.51	4,387.05	4,586.92	4,720.70
Manufacturing	7,215.84	7,525.79	6,480.40	6,735.51	7,317.52	7,690.82
Source: Global Cities Initiatives, Joint Project of Brookings and JP Morgan Chase, September 2013						

Among other findings, the Milken regional export study of the 100 largest metro areas also found that:

- The most export-intensive metro areas are highly specialized in certain industries (i.e. have a developed industry cluster).
- Metro areas whose export intensity grew fastest experienced higher economic growth.
- The 10 largest metro areas, by export volume, produced 28% of U.S. exports in 2012. However, 2/3rd of the largest metro areas underperformed compared to the U.S. as a whole on export intensity.
- Services accounted for more than half of post-recession export growth in 11 metros, including San Francisco, Washington DC, and New York.
- Certain industries, especially in the services sector, produced almost all of their exports in the top 100 metro areas. *[Service sectors that are appropriate for exports tend to require workers with some level of specialized training, which generally need to be provided within or near the industry cluster. The Riverside Community College logistics program is an example of a service-oriented educational program that is designed to support the regional economy.]*

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

Another relevant aspect of the Milken study to the Inland Empire is the growing importance of service industries. **Chart 10**, shown on page 16, displays the importance of the services sector to the current Inland Empire economy. Export-related services often require workers to have some level of specialized training, which generally need to be provided within or near the industry cluster. Providing access to this type of training would be key to the continued growth of the export-related businesses. Even with the documented education challenges of the region, there are positive examples of effective training and education programs. The Riverside Community College logistics program is one of those examples of a service-oriented educational program that is designed to support dominant and emerging industry sectors.

Local Small Business Resources

California's dominance in many economic areas is based, in part, on the significant role small businesses play in the state's \$1.9 trillion economy. Among other advantages, small businesses are crucial to the

state's international competitiveness and are an important means for dispersing the positive economic impacts of trade within the California economy. Inland Empire small businesses have a range of options in obtaining free and low-cost technical assistance. Several are discussed in this subsection.

The **State Trade and Export Promotion (STEP)** Program is a three-year pilot trade and export initiative authorized by the federal Small Business Jobs Act of 2010. The program is regionally administered through the Centers for International Trade and Development (CITD). The primary purpose of the program is to create jobs by increasing the number of, and the volume of, small businesses exporting. Inland Empire businesses can learn about the STEP Program through the **Riverside Community College District's CITD**, or call the statewide director for CITDs, Jeff Williamson at 951.571.6458. *Appendix J includes additional background on the STEP Program.*

STEP grants can help small businesses participate in foreign trade missions, subscribe to specialized federal Department of Commerce services, pay website translation fees, design international marketing media, participate in domestic trade shows, and generally become more “export ready.” In November 2013, the STEP Program is participating in two events, Airtec, an international aerospace supply fair in Frankfurt, Germany, and a multi-sector trade mission to Chihuahua City, Mexico. For Airtec, the STEP Program is offering financial and marketing support for small businesses interested in participating.

Another Inland Empire resource are the **Small Business Development Centers (SBDC)**, which have 5 locations within the region. The SBDC program is sponsored by the federal Small Business Administration and functions as a cooperative effort of the private sector, the educational community, and federal, state, and local governments. Each SBDC provides one-on-one counseling, workshops, advice, and referrals to prospective and existing business owners. The SBDCs assist with financing, government contracting, business planning and management, marketing, international trade, energy efficiency and sustainability, disaster preparedness and other business issues. They also assist small businesses access other public and private business service providers, such as financial institutions, local workforce investment boards, economic development corporations, and federal, state and local government entities.

There is also one SBDC (**TriTech**) which serves the Inland Empire that specializes in assisting technology based companies with advice and training on angel and venture capital presentation preparation, funding strategies, product positioning, market launch strategies, applications for federal grants, technology transfers with research universities, intellectual property issues, and strategic partnerships.

In 2013, assisting small businesses prepare to export is one of the SBDC's program priorities. In this way, the SBDCs can work in partnership with the CITDs by assisting small businesses who are interested in exporting, but may not have business fundamentals down to maximize their participation within the global economy.

As noted earlier, the **SoCal Link iHub** has recently been designation by the Governor's Office of Business and Economic Development to facilitate business development and goods movement along the east-west economic trade corridor that connects the Inland Empire with the seaports in Los Angeles and Long Beach.

EB-5 Investment Visas

Created as a pilot program in 1990, the **EB-5 Investment Visa Program** is designed to stimulate the U.S. economy through capital investment and resulting in job creation by immigrant investors. As of June 30, 2011, it is estimated that the program has resulted in more than \$1.5 billion in capital investments and created 34,000 jobs. The Governor just signed **AB 1067 (Medina)**, Chapter 535, Statutes of 2013, which codifies California's participation within the EB-5 Investment Visa Program.

Under this **U.S. Citizenship and Immigration Service (USCIS)** administered program, permanent-resident status is provided to foreign investors who have invested – or are actively in the process of investing – at least \$1 million into a new commercial enterprise, which can entail: the creation of an original business; the purchase of an existing business and restructuring or reorganizing the business to the extent that a new commercial enterprise results; or a significant expansion of an existing business.

An applicant seeking status as an immigrant investor must demonstrate that his or her investment will benefit the U.S. economy and create at least 10 full-time jobs, or maintain the number of existing employees in a troubled business. For investors who choose to invest in TEAs, the required investment is decreased to \$500,000. A TEA is either a high-unemployment area that has experienced an unemployment rate of at least 150% of the national average rate or a rural area. In 2012, over 6,500 TEA-based visas were issued for investors and immediate family, while only three visas were issued for non-TEA investments.

Based on 2011 state figures (most current) and a high unemployment rate defined as 13.4% or greater, 58 urban cities, 16 counties, 21 rural areas, and 13 metropolitan statistical areas in California have been identified as eligible TEAs. In addition to individual investors, the federal government can also recognize regional centers which allows for a pooling of investor money. There are over **60 federally recognized regional centers** currently operating in California, significantly more than any other state. These regional centers are based across the state, however, Riverside County is reported to have the largest number of EB-5 Regional Centers. Their focuses are widely varied and include commercial real estate development, agricultural products, film projects, and high-tech ventures.

Hearing Discussion Points

The November 6, 2013 hearing will provide an opportunity for the committee to hear testimony on a number of trade-related challenges facing California, in general, and the Inland Empire, more specifically. Among the key challenges to be discussed is the Inland Empire's ability to act regionally to leverage its strategic geographic location, improve workforce preparation, and support business development.

Witnesses have been asked to provide their own assessments, highlight successful models and recommend practical solutions for guiding the state's actions in the post-recession economy. Related recommendations, as summarized in Section V. – Recommendations for Future Actions, may include:

1. *Access to Capital*: Facilitate the development of a MOU between the U.S. Small Business Administration, the State of California, financial intermediaries and private lenders, including micro-

lenders, that focuses on export finance and meeting the new national goal of doubling exports within the next five years.

2. *Workforce Development:* Engage education, business and civic leaders to discuss opportunities for complementary educational curricula and internships related to emerging sectors in the bi-national economic corridors including biotech, aerospace, and manufacturing.
3. *Labeling Standards:* Adopt "made in U.S.A." labeling standards consistent the with federal Trade Commission standards. [suggested by presenter Paul Cramer]
4. *Multi-Region and Bi-National Marketing:* Engage with the San Diego and Imperial Valley Economic Development Corporations and other members of the CaliBaja Bi-National Mega Region for the purpose of identifying ways that Inland Empire communities could meaningfully participate in the bi-national trade and business development activities.

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Section III – California's Role within U.S. Trade Policy

Within a globally connected economy, trade agreements create the framework by which a significant number of businesses and workers must compete, collaborate, and create economic value. The U.S. is currently negotiating two major trade promotion agreements, the Trans-Pacific Partnership and the Transatlantic Trade and Investment Partnership. In their current iterations, these trade agreements will cover 21% of the world's population, with the U.S. at the nexus. These agreements are especially important to Riverside County, which has been particularly proactive in using federal trade promotion activities as a springboard for their own economic program.

In this section, information is provided on the legal and practical basis of U.S. trade policy. A special emphasis has been placed on the unique consultation role of states and other stakeholder groups.

Sources used in this preparation of the section are included in the Bibliography and key reports are summarized in Appendix E.

U.S. Trade Policy and the State Consultation Process

U.S. trade policy, as provided for by the U.S. Constitution, advances two mechanisms for negotiating and approving treaties and trade promotional agreements. The first (Article II, Section 2, Clause 2, of the U.S. Constitution) empowers the President to chiefly negotiate treaties with the advice and consent of a supermajority of the U.S. Senate. The second method is structured as a congressional-executive agreement in which the U.S. Congress authorizes the President to negotiate trade promotion-related agreements, but ratification is achieved through the adoption of an agreement in the form of a bill by a majority vote of both Houses. This second method is more commonly called Fast Track or Presidential Trade Promotion Authority. When granting Fast Track authority, the U.S. Congress is prohibited from making substantive amendments to the enacting resolution and, instead, participates in an early consultation period with the Administration and then, upon the passage of the ratifying bill, has the option to send the President related legislation to mitigate the potentially negative impacts of the final trade promotion agreement on communities, workers, and businesses.

In recognition of this inability to substantively modify elements of already negotiated trade agreements and their far reaching impact on state and local economies, Congress has also directed the U.S. Trade Representative (USTR) to seek advice from states during the negotiation process through a Governor appointed State Point of Contact (SPOC). California's SPOC is Alexis Podesta, who also serves as the Governor's Director for External Affairs. Under California law, the SPOC is required to share with the Legislature information received from the

Role of the SPOC (Gov §99501)

(b) The state point of contact shall, in addition to any other duties assigned by the Governor, do all of the following:

(1) Promptly disseminate correspondence or information from the United States Trade Representative to the appropriate state agencies and departments and legislative committees.

(2) Work with the appropriate state agencies and departments, and the Legislature, to review the effects on the California environment, and California businesses, workers, and general lawmaking authority, of any proposed or enacted trade agreement provisions, and communicate those findings to the United States Trade Representative.

(3) Serve as liaison to the Legislature on matters of trade policy oversight.

(Added by Stats. 2006, Ch. 663, Sec. 3. Effective January 1, 2007.)

USTR and then work with the Legislature to assess its impact on California.

In addition to the SPOC process, the USTR maintains nearly 30 trade-related advisory committees, including the Intergovernmental Policy Advisory Committee on Trade (IGPAC). The IGPAC is currently comprised of 24 state and local officials, including members of state legislatures, state trade directors, and related national associations. Former State Senator, and current Los Angeles City Councilmember Curren Price and Carlos J. Valderrama, who represents the Los Angeles Area Chamber of Commerce, are members of IGPAC.

The U.S. has trade agreements in force with 20 countries, including Australia, Bahrain, Canada, Chile, Colombia, Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Israel, Jordan, Korea, Mexico, Morocco, Nicaragua, Oman, Panama, Peru, and Singapore. In addition to trade agreements, the U.S. maintains a number of trade preference programs that allow special access to U.S. markets for countries that are considered developing markets and/or where the U.S. wants to cultivate a stronger relationship. The Andean Trade Preference Act (ATPA) and the Andean Trade Promotion and Drug Eradication Act (ATPDEA) are examples of two such trade programs which assist Bolivia, Colombia, Ecuador, and Peru in promoting "broad-based economic development, diversification of exports, consolidation of democracy, and to help defeat the scourge of drug trafficking by providing sustainable economic alternatives to drug-crop production in beneficiary countries."

California's Role in Foreign Trade Agreements

Recent developments have greatly expanded the interests of individual states in the negotiations of international trade agreements. While trade agreements previously concerned themselves with issues exclusively within federal jurisdiction, many trade agreements now include rules on issues that are within the traditional purview of state government. Trade agreements now affect such issues as public procurement, professional licensing, and investor rights, and foreign companies are increasingly using the terms of trade agreements to challenge state laws related to environmental standards, the hiring of local workers, and the purchase of local products.

Previously, the role of state legislatures in trade negotiations was ill-defined; however, the current U.S. trade model now features a clear path for increased state government engagement in the negotiation process through the establishment of the SPOC and IGPAC consultation process as a means to directly engage the USTR.

In the last few years, California Legislative Members and stakeholder groups have emphasized the importance of California's engagement on trade agreements in order to ensure California communities are not disadvantaged. For example, in 2011 the Legislature adopted AJR 15 (Alejo), which urged the U.S. government to consider the potential negative economic impact of the Colombian Free Trade Agreement on the California economy, especially as it related to the California floriculture industry. The issue was raised, not from a protectionist perspective, but based on the U.S.' significant involvement under the ATPA and the ATPDEA in the development of the Colombian cut flower industry. Today, the Colombian cut flower industry, with its U.S. subsidized infrastructure and \$333 (589,500 pesos) per month minimum wage, competes directly with California producers.

As illustrated in the Colombian example, the U.S. and California economy is increasingly entwined with business and consumer markets in other counties. These trade agreements and other trade policies can have direct economic impacts on domestic workers and businesses. State consultation and resolutions such as AJR 15 express the state's priorities on the negotiation framework and ratification of U.S. treaties and trade promotion agreements. The policy parameters serve as the economic foundation for the development of new business opportunities and the development of new consumers for California and U.S. products and services.

Trade Agreements Currently Under Discussion

The U.S. is currently negotiating the Trans-Pacific Partnership, which will consists of 12 Pacific Rim nations, and the Transatlantic Trade and Investment Agreement, which will cover 28 European Union (EU) countries. These agreements are intended to provide new business opportunities for U.S. companies and spur economic growth and job creation.

Supporters of free trade agreements believe that these agreements can level the playing field for American products entering new markets, especially useful for businesses first entering an emerging economy with rapidly increasing consumer base. The success of businesses being able to export into these new markets is well documented. As an example, the Business Roundtable reports that per capita 2012 purchases of California goods was \$159.21 per capita from countries that have a U.S. trade agreement in place and only \$14.57 per capita from countries in which there was no agreement.

Chart 19 has been developed to illustrate California's top 25 trade partners and highlight how many these key trading partners are already included within U.S. trade agreement. As noted in an earlier in the report, Mexico is California's top trading partner, receiving \$26.3 billion (16.3%) in goods in 2012. The state's second and third largest trading partners are Canada and China with \$17.4 billion (10.8%) and \$13.9 billion (8.6%), respectively. Other top-ranking export destinations include Japan, South Korea, Hong Kong, Taiwan, Germany, the Netherlands, and the United Kingdom.

Chart 19 – California Exports (in millions of dollars)								
Rank	Country	2009 Value	2010 Value	2011 Value	2012 Value	2011 % Share	2012 % Share	% Change, 2011 - 2012
Total CALIFORNIA Exports and % Share of U.S. Total		120,080	143,208	159,136	161,880	10.8	10.5	1.7
Total, Top 25 Countries and % Share of State Total		106,816	128,083	142,231	143,694	89.4	88.8	1.0
1	Mexico	17,474	20,949	25,807	26,370	16.2	16.3	2.2
2	Canada	14,315	16,214	17,261	17,424	10.8	10.8	0.9
3	China	9,744	12,474	14,194	13,970	8.9	8.6	-1.6
4	Japan	10,902	12,177	13,096	13,033	8.2	8.1	-0.5
5	Korea, South	5,913	8,028	8,425	8,246	5.3	5.1	-2.1
6	Hong Kong	5,800	6,757	7,664	7,826	4.8	4.8	2.1
7	Taiwan	4,120	6,517	6,245	6,318	3.9	3.9	1.2
8	Germany	4,441	5,123	5,307	4,979	3.3	3.1	-6.2
9	Netherlands	3,566	3,953	4,417	4,344	2.8	2.7	-1.6
10	United	3,916	4,181	4,155	4,343	2.6	2.7	4.5

	Kingdom							
11	Australia	3,445	3,149	3,716	4,062	2.3	2.5	9.3
12	Singapore	3,222	4,028	4,139	4,010	2.6	2.5	-3.1
13	India	2,178	3,295	3,793	3,209	2.4	2.0	-15.4
14	Brazil	2,050	2,813	2,931	3,009	1.8	1.9	2.7
15	Belgium	1,983	2,237	2,681	2,765	1.7	1.7	3.1
16	France	2,316	2,343	2,361	2,660	1.5	1.6	12.7
17	Israel	1,219	1,953	2,680	2,656	1.7	1.6	-0.9
18	Malaysia	1,626	2,209	2,474	2,398	1.6	1.5	-3.0
19	Chile	1,146	790	1,478	2,138	0.9	1.3	44.7
20	Italy	1,888	1,937	2,065	1,856	1.3	1.1	-10.1
21	United Arab Emirates	1,150	1,360	1,435	1,811	0.9	1.1	26.2
22	Thailand	1,466	1,951	1,926	1,793	1.2	1.1	-6.9
23	Switzerland	1,334	1,573	1,621	1,741	1.0	1.1	7.4
24	Philippines	1,005	1,345	1,414	1,563	0.9	1.0	10.5
25	Saudi Arabia	598	729	946	1,171	0.6	0.7	23.7
* Countries already covered by a U.S. trade agreement are highlighted.								
Source: U.S. Census Bureau, State trade data series, obtained 10/30/13								

Background on the Trans-Pacific Partnership

The Trans-Pacific Partnership currently includes the following Pacific Rim countries: Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, U.S., and Vietnam. Negotiations have been underway for three years and in October 2013, the White House announced they would complete negotiations by the end of the year.

In 2012, \$67.5 billion (43%) of California exports went to countries that have free trade agreements with the U.S. Four of the countries that will be included in the Trans-Pacific Partnership do not currently have a free trade agreement with the U.S. including Brunei, Malaysia, New Zealand and Vietnam. In 2011, these countries received \$3.9 billion in California exported products.

As noted earlier, U.S. trade promotion agreements include a wider range of issues than simply lowering tariffs and allowing market access. The Trans-Pacific Partnership agreement also includes services, investment, financial services, and government procurement, to name a few. For illustrative purposes, below is a list business development issues being directly negotiated with Japan relative to its economic relationship to the other 11 Trans-Pacific Partnership countries.

- *Insurance*: Address level playing field issues related to Japan Post. Japan Post Insurance is Japan's primary provider of life insurance policies.
- *Investment*: Facilitate meaningful opportunities for mergers and acquisitions into Japan, including strengthening the role of truly independent directors.
- *Intellectual Property Rights*: Strengthen the protection of and enforcement measures for intellectual property rights, copyright, technological protection measures, and civil and criminal enforcement procedures.

- *Standards*: Provide greater flexibility and transparency in standards setting and use, including greater acceptance of international standards.
- *Government Procurement*: Improve the bidding process and take steps to hinder bid allocation.
- *Express Delivery*: Address level playing field issues related to international express services offered by Japan Post.
- *Sanitary and Phytosanitary Measures (SPS)*: Accelerate and streamline risk assessments related to common food additives, and address other issues related to fungicides and gelatin/collagen for human consumption.

Transatlantic Trade and Investment Partnership (TTIP)

In February 2013, President Obama announced the initiation of a Transatlantic Trade and Investment Partnership. If successful, this will be the largest free trade agreement in history, covering more than 40% of global GDP. Currently, the European Union is the largest economic market in the world with over 500 million consumers and a 2012 GDP of \$17 trillion. U.S. GDP was \$15.7 trillion during the same period.

In addition to the agreement, President Obama has also asked for Presidential trade promotion authority (Fast Track) from the U.S. Congress. While no action has been made on the Fast Track authority request, the USTR has already completed its first round of negotiations (July 2013 in Washington D.C.) the second round, scheduled for October 2013 in Brussels was canceled due to a lack of travel authority for federal representatives. While the exact timeline is difficult to define, both parties have set a two-year deadline for the conclusion of the negotiations, meaning the Spring of 2015.

A significant driver of the structure of these negotiations comes from a final report by the joint High-Level Working Group on Jobs and Growth (HLWG). Given that the U.S and European Union already have substantially open economies the focus of the Transatlantic Trade and Investment Partnership is to focus on identifying, removing and establishing trade rules that are globally relevant. In addition to addressing conventional barriers to trade, such as tariffs and tariff rate quotas, HLWG recommendations include:

- Elimination, reduction, or prevention of barriers in goods, services, and investment;
- Enhanced compatibility of regulations and standards;
- Elimination, reduction, or prevention of unnecessary "behind the border" non-tariff barriers to trade in all categories; and
- Enhanced cooperation for the development of rules and principles on global issues of common concern and for the achievement of shared global economic goals.

In advancing these types of trade harmonization issues and requesting Fast Track authority, concerns have been raised by some U.S. stakeholder groups including the National Conference of State Legislatures, who have asked for deeper consultation among U.S. stakeholders including local and state governments, labor organizations, and small businesses. Several of those challenging issues may include:

1. Regulatory process convergence;
2. Regulation of manufactured goods;
3. GMO and agriculture;
4. Data protection and privacy;
5. Financial services;
6. Investment liberalization;
7. Energy standards;
8. Labor standards;
9. Tariff Reduction and elimination; and
10. Pharmaceuticals.

In addition to sending messages through the SPOC, consultation with the IGPAC, and passing resolutions, the USTR and other federal agencies also sponsor public outreach meetings. Most recently, a Fresno meeting was sponsored by the U.S. Department of Agriculture.

The U.S. trade negotiations with the EU lag behind a newly announced agreement between Canada and the E.U., referred to as the Comprehensive Economic and Trade Agreement. The details of the agreement have yet to be announced, but reports by the negotiators suggests that it is the biggest trade agreement that Canada has negotiated to date and is more sweeping than free trade with the U.S. or the North American Free Trade Agreement (NAFTA). Details of the agreement may take up to 18 months for drafting. Unlike U.S. law where the treaty or agreement becomes effective upon ratification, in Canada the content of the trade agreement must first be incorporated into domestic law. This is a very different process than in the U.S. In the U.S., these interpretations must be discovered through the courts, sometimes foreign extra-governmental court of law convened by the World Trade Organization.

Hearing Discussion Points

The November 6, 2013 hearing will provide an opportunity for the committee to hear testimony on a number of trade related challenges facing California, in general, and the Inland Empire, more specifically. Among the key challenges to be discussed are the trade rules and trade policies that inhibit or do not adequately support domestic business development, local control, and the need to engage on the conditions to be set under fast track and/or the development of a new trade framework.

Witnesses have been asked to provide their own assessments, highlight successful models and recommend practical solutions for guiding the state's actions in the post-recession economy. Related recommendations, as summarized in Section V., may include:

1. *Trade Agreement Equity*: Advocate for fair treatment of the Inland Empire within the context of the Trans-Pacific Partnership and the Transatlantic Trade and Investment Partnership. The impact of these agreements should strengthen the regional economy, enhance foreign investment, provide new economic opportunities to the businesses and workers in the region, and improve the quality of life of Inland Empire residents. As a first step, call on the SPOC for a trade agreement update.
2. *State Trade Strategy*: Advocate before the California Governor's Office of Business and Economic Development on the importance of the Inland Empire and its role as a key north-south trade corridor

from Mexico and an east-west trade corridor to the Los Angeles/Long Beach port when developing recommendations in for the 2014 update to the California Trade and Foreign Investment Strategy.

3. *Multi-Region and Bi-National Marketing:* Engage with the San Diego and Imperial Valley Economic Development Corporations and other members of the CaliBaja Bi-National Mega Region for the purpose of identifying ways that Inland Empire communities could meaningfully participate in the bi-national trade and business development activities.
4. *Border Coalitions:* Join other states and nations in collaborating on border security issues and enhancements of goods movement. Oregon, Washington, Idaho, Montana, and Alaska joined the Pacific Northwest Economic Development Council in order to partner with the Canadian provinces of Alberta, British Columbia, and Yukon, on key trade and economic development issues. Imperial and San Diego Counties have joined the CaliBaja Bi-national Mega-region to address economic development in collaboration with the states of Baja California, Mexico.
5. *Inland Border Inspection Pilot:* Establish a pilot project in the Inland Empire that examines how inland border pre-clearance security inspection sites can be used to increase border security and expedite the transport of goods to the Los Angeles/Long Beach Port and the land ports of entry in San Diego and Imperial Counties.

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Section IV – Goods Movement and Logistical Networks

Goods movement supports employment, business profit, and state and local tax revenue. California businesses rely heavily on the state's ports and their related transportation systems to move manufactured goods. Firms rely on fast, flexible, and reliable shipping to link national and global supply chains and bring products to the retail market. Transportation breakdowns and congestion can idle entire global production networks.

In this fourth section of the report, information is provided on the state's logistical network with a specific focus on the role of the Inland Empire in producing, storing, and moving products through the region. *Sources used in the preparation of this section are included in the Bibliography and key reports are summarized in Appendix E.*

Infrastructure and the Economy

World-class infrastructure plays a key role in business attraction, as multinational companies consistently rank the quality of infrastructure among their top four criteria in making investment decisions. U.S. global competitiveness has suffered as the nation's infrastructure has declined. In 2013, the U.S.' global ranking relative to quality of infrastructure continued to drop. The 2012-13 Global Competitiveness Report by the World Economic Forum places U.S. infrastructure 25th in the world, down from 23rd in 2010 and 7th in 2000.

A recent report by the American Society of Civil Engineers (ASCE), shows that California's infrastructure is in a similar state. **Chart 20**, shows California's 2013 Infrastructure Report Card and an estimate by the ASCE of a \$97.9 billion investment gap in infrastructure over the next 20 years. The impact of this lack of investment is compounded by the substantial new infrastructure investments made in other states and nations, including the expansion of the Panama Canal. With the logistics sector alone employing over 73,000 workers, failing to remain competitive will impact California jobs.

As the world has globalized and transportation and communication times and costs have shrunk, new business paradigms have evolved. Industry clusters remain important, however, their relationship to other clusters and individual companies is becoming increasingly important. Even small businesses can now access foreign markets and participate within global supply chains. In order to remain competitive, regions must demonstrate their external connectivity to other centers of innovation and consumers around the world.

Chart 20 - California's Infrastructure Report Card

According to the 2013 Report Card on America's Infrastructure, California's overall infrastructure scored a "C" in 2012, up from a "C-" in 2006. At a more granular level, California scored:

- B- in Ports (down from B+ in 2010)
- C+ in Aviation
- C- in Transportation
- D in Levees/Flood Control
- B- in Solid Waste (down from B in 2010)
- D+ in Urban Runoff
- C+ in Wastewater
- C in Water

California's infrastructure investment gap is estimated at \$97.9 billion over next 20 years. For comparison, the U.S. infrastructure received a D+ with an estimated \$3.6 trillion investment gap.

Source: American Society of Civil Engineers

Unfortunately, this increased demand for quality and a highly networked infrastructure is occurring at a time of constrained public budgets. Issuing more bonds or even simply adding capacity isn't a realistic answer. New approaches to infrastructure are necessary including new financial structures, more collaborative planning, and an enhanced use of technology.

Transportation and Goods Movement in the Inland Empire

Riverside and San Bernardino Counties are among the fastest growing areas within California. While vehicle miles traveled has increased in the past decade, the transportation infrastructure network of the Inland Empire has not kept pace. Automobiles and trucks regularly drive over freeways that were completed between 1955 and the 1970s. Further slowing of the transportation network is arterial congestion from an imbalance between housing and jobs within the region. Manufacturers, retailers, and businesses in the wholesale trade and transportation industries depend on these roads to move goods.

According to the ASCE 2010 report card (most recent), infrastructure development has also not kept pace with the increase of the region's importance as a goods movement and logistical hub. The Inland Empire sits at the crucial epicenter of two important economic trade corridors: the north-south movement of goods between the U.S. and Mexico and the east-west movement of goods into and out of Ontario and Los Angeles airports and seaports in Los Angeles and Ventura Counties. Also key within the Inland Empire logistical resources are the freight rail lines that bring raw materials, semi-processed materials, and finished products from foreign countries and around the U.S. for further processing in California businesses and/or shipment to domestic and foreign markets through California ports.

Maintaining this logistical network is economically challenging and requires constant attention to the quality of the transportation flow. ASCE estimates that the Inland Empire has a total additional infrastructure investment need of \$12.4 billion (2010) just for minimum transportation improvements to highways and aviation facilities. **Chart 21** includes additional information on Inland Empire goods movement related infrastructure.

While the recession slowed down development within the Inland Empire, the movement of cargo through the region continues to increase. Goods movement planning and development within the region are undertaken by a number of different public agencies including the California Department of Transportation District 8, the Riverside Transportation Commission, the San Bernardino Associated Governments, Riverside County's Transportation Department, Western Riverside Council of Government, the Coachella Valley Association of Governments, and over 50 municipalities. One of the key partners is the Southern California Association of Governments (SCAG), which produces the regional transportation plan that includes "hundreds of strategic transportation projects, including funded and financially constrained projects" in the Inland Empire, as well as the regional goods movement plan.

Chart 21 - Inland Empire Infrastructure Report Card

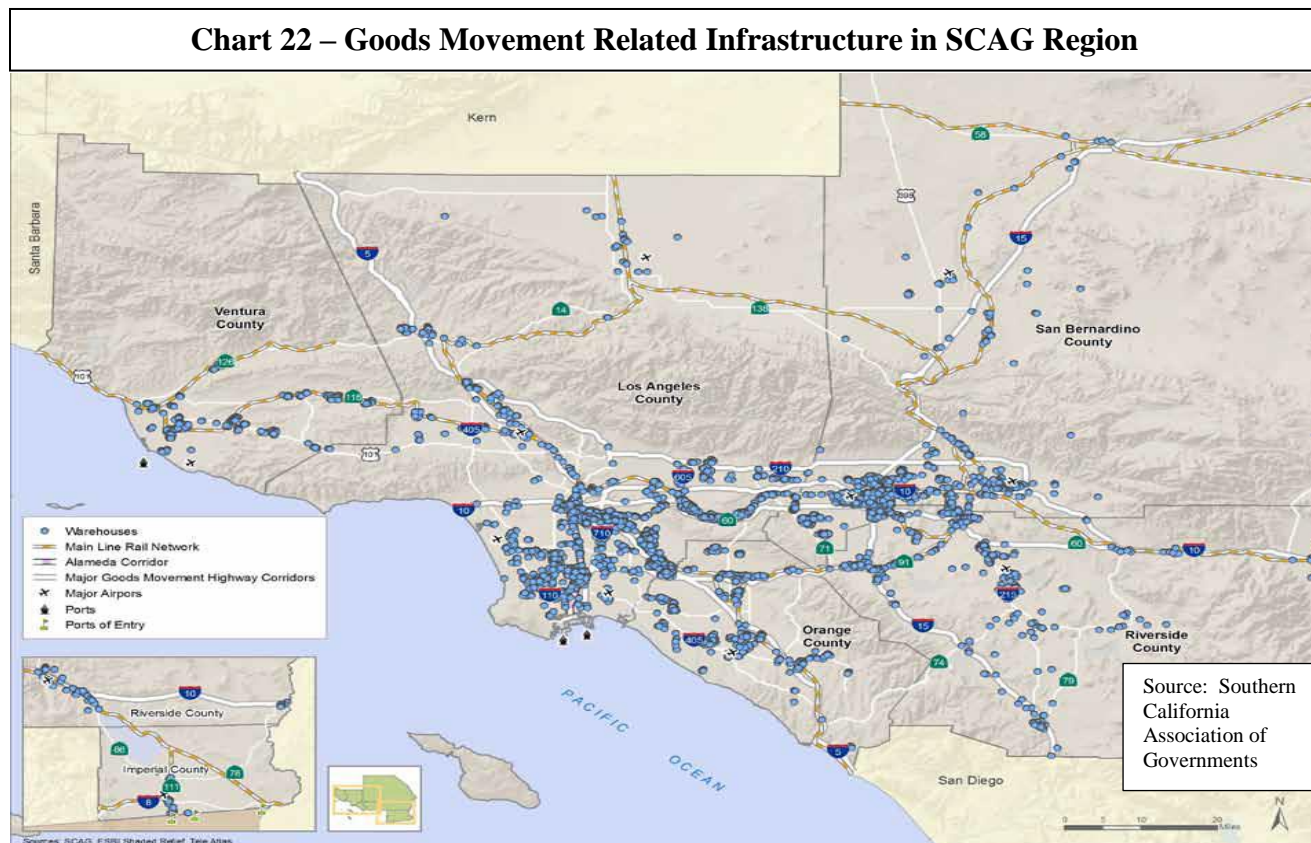


- D+ in Transportation Infrastructure
 - Highways and Arterials (40% weight)
 - Bridges (20%)
 - Transit (20%)
 - Goods Movement (20%)
- C+ in Aviation

Source: ASCE, 2010 Inland Empire Infrastructure Report Card

According to the ASCE, the region does not lack transportation studies, capital improvement plans, and other goods movement related reports. The challenge is coordinating and funding identified projects.

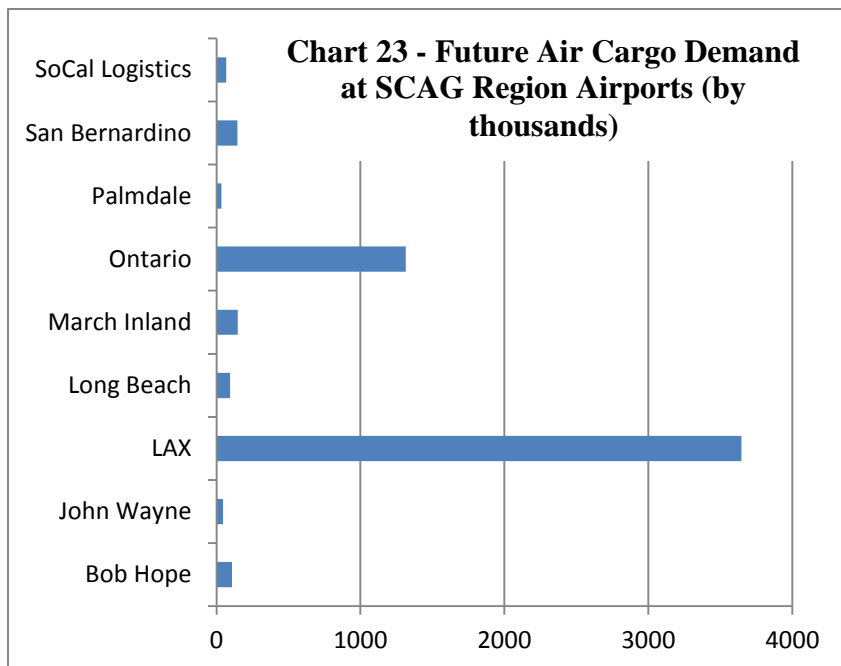
Chart 22, provided by the Southern California Association of Governments (SCAG), shows the goods movement and logistical network in Southern California. In Riverside and San Bernardino Counties there are a significant number of warehouses located along the north-south economic trade corridor of Highway 15 and east-west Highways 10. In 2010, these highways contributed to the movement of 1.5 billion tons of goods valued at almost \$2 trillion within the SCAG region. Over 2.9 million people in Southern California contributed to moving those goods, which added \$249 billion to the state's in GDP.



Ports of Entry

California's land, sea, and air ports of entry serve as key international commercial gateways for products entering and exiting the country. The Port of Los Angeles continues to rank as the nation's most significant POE in terms of two-way trade, valued at \$273.6 billion in 2011. It is followed by JFK International Airport (\$192.3 billion) and the Port of Houston (\$168.8 billion).

In terms of global container activity, the Los Angeles-Long Beach container port ranked 8th globally, behind Shanghai, China; Singapore, The Republic of Singapore; Hong Kong, China; Shenzhen, China; Busan, South Korea; Ningbo, China; and Guangzhou, China.



California is also home to other major ports of entry including: Long Beach (\$94.7 billion, ranked 9th); LAX (\$84.6 billion, ranked 12th); San Francisco International Airport (\$50.5 billion, ranked 21st); Port of Oakland (\$45.8 billion, ranked 24th); Otay Mesa Station (\$34.2 billion, ranked 30th).

For many of California's high value products, transportation through land and seaports is too slow and these products ship by air. LAX and Ontario airports are already leading cargo shippers and this position is expected to increase in the following decades. **Chart 23** displays the estimated air cargo demand at

airports in the SCAG region by 2035 including Ontario.

Congestion at the Ports of Entry

For California, expanded supply chains for manufacturing and product distribution have resulted in congested seaports, where cargo ships are often delayed for extended periods of time waiting to unload. Truck access is often cited for the delays. At international airports, truck access is also a problem, and expansion of major airports is severely limited by urbanization, ground access, air quality impacts, and local opposition.

Another congestion challenge exists at the land-based border crossing between California and Mexico. There are six land crossings referred to as Points of Entry (POEs). The San Diego County-Tijuana/Tecate region is home to the San Ysidro-Puerta México, the Otay Mesa-Mesa de Otay, and the Tecate-Tecate POEs while the Imperial County-Mexicali region hosts the Calexico-Mexicali, Calexico East-Mexicali II, and Andrade-Los Algodones.

U.S. firms with significant business passing through the three Imperial Valley ports of entry report that their logistics-supply chain is highly time sensitive and these long wait times delay access to intermediary goods and ultimately lead to problems in the manufacturing chain. Long wait times (as high as three to four hours) between Imperial County and the Mexico border accounted for an estimated output loss of \$1.4 billion and 11,600 lost jobs nationally in 2007. More recent studies on the Imperial POEs show that losses to California, alone, were \$620 million. The San Diego POEs have similarly been impacted, with 2005 estimated output losses of \$716 million and \$204 million in labor income losses (or more than 3,600 jobs).

Chart 24 includes a map of the Inland Empire to the Mexico Border showing the economic relationship between the two regions. Changes in U.S. and global trade patterns since the enactment of NAFTA,

expansion and upgrades in the quality of shipping infrastructure around the world, and the continuing development of foreign markets place challenges on California's goods movement systems. The SCAG Regional Goods Movement Plan includes a number of projects to improve the economic trade corridors between the Los Angeles/Long Beach Ports, Port Hueneme, to the east and shown on **Chart 22**, and south to the Imperial County port of entries, as shown on **Chart 24**. San Diego is in another regional government organization, the San Diego Association of Governments, which is also working on goods movement improvements along the border.

Chart 24 – SCAG Map of Inland Empire to the Mexico Border



These challenges are only expected to become greater as the rate of innovation within the manufacturing, transportation, and the communication technology sectors get faster and the ability of multiple geographic locations to successfully use these technologies expands. Remaining competitive in this new global marketplace will require California to be more aggressive about marketing, attracting, and retaining business activities at the ports.

Border Security

Since September 11, 2001, maintaining border security has become a top national priority. Tighter borders, however, also impact commerce and have added to the weight times at California's land, sea, and air ports. Given that North America is a \$1 trillion marketplace, finding ways to facilitate the legal flow of individuals and goods is important to the overall U.S. economy.

The need to thoughtfully address border delays is especially important given extended supply chains where components of some manufactured products may pass over several borders before being assembled and shipped to markets around the world. At the 2013 North American Competitiveness Conference it was reported that U.S. manufactured products are key components of foreign "produced" products. Most recent data estimates, at the aggregate level, Mexican imports contain 40% U.S.

components and Canadian imports contain 20% of U.S. components, as compared to Chinese imports that contain less than 5%.

The Inland Empire's unique geographic location as both a key north-south trade corridor and an east-west trade corridor makes the region a prime location for pilot projects to improve border wait times between California and Mexico and to facilitate the flow of goods to and from the seaports in Los Angeles and Ventura Counties. New technologies that allow for electronic locks, electronic filing of transport manifestos, and tracking of previously inspected containers can be used to reduce border crossing times through pre-clearance of trucks and railcars at inland border security checkpoints. The Inland Empire already has several federally approved and state-recognized foreign trade zones, which could serve as possible locations.

Freight Mobility Plan

Improving the Inland Empire and California's goods movement logistical system will take a major coordinated effort. Caltrans is currently updating the Goods Movement Action Plan (GMAP), which was originally issued by the Business, Transportation, and Housing Agency and the California Environmental Protection Agency in two phases in 2005 and 2007. The GMAP was a comprehensive plan to address economic and environmental issues associated with moving goods via the state's highways, railways, and ports. It also provided guidance for allocating \$3.1 billion of the \$19.9 billion approved by voters in Proposition 1B, the Highway Safety, Traffic Reduction, Air Quality and Port Security Bond Act of 2006.

The new plan, known as the **Freight Mobility Plan**, will expand beyond the GMAP to address additional issues such as greenhouse gas emissions goals, as well as to meet the parameters outlined in MAP-21. The Freight Mobility Plan, [AB 14 (Lowenthal), Chapter 223, Statutes of 2013], will focus more attention on community impact issues, take a more in-depth look at trucking, and more thoroughly identify the freight needs of portions of California that did not receive sufficient attention during implementation of the GMAP. In addition to AB 14, the Legislature also considered **AB 1081 (Medina)**, which would have included goods movement related infrastructure identified in the Freight Mobility Plan and the ITI Strategy on the state's five-year infrastructure plan. The five-year infrastructure plan provides the basis for that Legislature and the Governor to make mid- and long-term financing commitments.

State Planning and Funding

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

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

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

Currently the EGPR and Infrastructure Plan are out of date. The requirement for an Economic Development Strategic Plan was removed in a 2010 budget action. Governor Brown has, however, committed to preparing a Strategic Growth Plan in 2013, which could serve as a partial Infrastructure Plan.

Alternative Financing Models

In order to keep up on the state's need for world class good movement infrastructure there is a need to consider alternative financing models. One such model is seeking infrastructure investment funding through the **West Coast Infrastructure Exchange**.

Launched in 2012 with the support of the California State Treasurer and the California Public Employees Retirement System (CalPERS), the West Coast Infrastructure Exchange was designed to overcome some of the challenges private investors were having in identifying good infrastructure projects. In the last decade, private investment and public pension fund investment have increasingly diversified their portfolios to include infrastructure investments. Kearsarge Global Advisors reported that as of 2010 over \$190 billion of global equity capital had been committed for infrastructure investment – up from only \$60 billion in 2007.

As an example, CalPERS currently has over \$525 million invested in a combination of physical infrastructure investments, infrastructure-targeted private equity funds, and credit enhancement for infrastructure bonds. This is addition to the \$800 million available for project finance including transportation, energy, natural resources, utilities, water, communications and other social support services.

Members of the West Coast Infrastructure Exchange include California, Oregon, Washington, and British Columbia. Several states in Mexico are considering joining. The West Coast Infrastructure Exchange is designed to both support financing innovations and to serve as a clearinghouse for investment ready projects. **AB 1272 (Medina)**, which was held in the Assembly Appropriations Committee in 2013, would have authorized the California Infrastructure and Economic Development Bank to join the West Coast Exchange as a means to assist other state agencies list infrastructure projects on the Exchange.

On November 7 and 8, 2013, the California State Treasurer, the Pro Tempore of the Senate, and the Chair of JEDE Committee will be attending the California Economic Summit in Los Angeles where they will be discussing, among other things, alternate methods for financing infrastructure including the West Coast Infrastructure Exchange.

Hearing Discussion Points

The November 6, 2013 hearing will provide an opportunity for the committee to hear testimony on a number of trade related challenges facing California, in general, and the Inland Empire, more specifically. Among the key challenges to be discussed are the condition of the state's trade related infrastructure, impediments to capital flow, workforce preparedness, as well as other impacts of globalization.

Witnesses have been asked to provide their own assessments, highlight successful models and recommend practical solutions for guiding the state's actions in the post-recession economy. Related recommendations, as summarized in Section V. - Recommendations for Future Actions, may include:

1. *Freight Mobility Plan*: Advocate before the California Transportation Agency for the inclusion of key Inland Empire goods movement related infrastructure within the 2014 Freight Mobility Plan. The Plan should prioritize transportation infrastructure that facilitates the interregional, domestic, and international connectivity that is necessary for Inland Empire communities to access and participate within expanded supply chains of the global marketplace. As a first step, review the SCAG regional goods movement plan to learn more about already identified regional priorities and funding options.
2. *State Infrastructure Plan*: Advocate before the Department of Finance and the Strategic Growth Council for the inclusion of goods movement-related infrastructure within the states Five-Year Infrastructure Plan. The Plan should also consider how the Freight Mobility Plan and privately funded goods movement infrastructure and businesses can be integrated within state planning efforts. Similar to **AB 1081 (Medina)** which passed JEDE on a 9-0 vote in April 2013, but was ultimately held in Senate Appropriations Committee.
3. *State Trade Strategy*: Advocate before the California Governor's Office of Business and Economic Development on the importance of the Inland Empire and its role as a key north-south trade corridor from Mexico and an east-west trade corridor to the Los Angeles/Long Beach port when developing recommendations in for the 2014 update to the California Trade and Foreign Investment Strategy.
4. *Streamline Weigh Station Requirements*: Facilitate the development of a pilot project to streamline the truck weigh station process for trucks that are crossing through California.
5. *Multi-Region and Bi-National Marketing*: Engage with the San Diego and Imperial Valley Economic Development Corporations and other members of the CaliBaja Bi-National Mega Region for the purpose of identifying ways that Inland Empire communities could meaningfully participate in the bi-national trade and business development activities.
6. *Federal Point of Contact on Permitting*: Call on President Barack Obama to designate a point person to facilitate the permitting process among federal agencies for ports of entry and other issues related to goods movement.
7. *State Permit Streamlining*: Establish a pilot project administered through the Permit Assistance Office at GO-Biz to streamline state permitting and early CEQA consultation by state agencies of port facility enhancements.
8. *Private Investment in State Infrastructure*: Facilitate the participation of the California Infrastructure and Economic Development Bank as a mentor to other state agencies that are looking to place state infrastructure projects on the West Coast Infrastructure Exchange for private sector financing. Similar to **AB 1067 (Medina)** which passed JEDE on a 9-0 vote in April 2013.
9. *Border Coalitions*: Join other states and nations in collaborating on border security issues and enhancements of goods movement. Oregon, Washington, Idaho, Montana, and Alaska joined the Pacific Northwest Economic Development Council in order to partner with the Canadian provinces of Alberta, British Columbia, and Yukon, on key trade and economic development issues. Imperial and San Diego Counties have joined the CaliBaja Bi-national Mega-region to address economic development in collaboration with the states of Baja California, Mexico.

10. *Inland Border Inspection Pilot:* Establish a pilot project in the Inland Empire that examines how inland border pre-clearance security inspection sites can be used to increase border security and expedite the transport of goods to the Los Angeles/Long Beach Port and the land ports of entry in San Diego and Imperial Counties.

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Section V – Recommendations for Further Actions

The November 6, 2013 hearing will offer an opportunity to identify potential actions that can strengthen existing networks and contribute to the resolution of key economic challenges within the Inland Empire and its southern and western economic trade corridor partners.

A list of preliminary recommendations have been developed around three themes: advocating for the Inland Empire, improving business fundamentals, and enhancing infrastructure and logistical networks.

Advocating for the Inland Empire

1. *Trade Agreement Equity:* Advocate for fair treatment of the Inland Empire within the context of the Trans-Pacific Partnership and the Transatlantic Trade and Investment Partnership. The impact of these agreements should strengthen the regional economy, enhance foreign investment, provide new economic opportunities to the businesses and workers in the region, and improve the quality of life of Inland Empire residents. As a first step, call on the SPOC for a trade agreement update.
2. *Freight Mobility Plan:* Advocate before the California Transportation Agency for the inclusion of key Inland Empire goods movement related infrastructure within the 2014 Freight Mobility Plan. The Plan should prioritize transportation infrastructure that facilitates the interregional, domestic, and international connectivity that is necessary for Inland Empire communities to access and participate within expanded supply chains of the global marketplace. As a first step, review the SCAG regional goods movement plan to learn more about already identified regional priorities and funding options.
3. *State Infrastructure Plan:* Advocate before the Department of Finance and the Strategic Growth Council for the inclusion of goods movement related infrastructure within the states Five-Year Infrastructure Plan. The Plan should also consider how the Freight Mobility Plan and privately funded goods movement infrastructure and businesses can be integrated within state planning efforts. Similar to AB 1081 (Medina) which passed JEDE on a 9-0 vote in April 2013, but was ultimately held in Senate Appropriations Committee in 2013.
4. *State Trade Strategy:* Advocate before the California Governor's Office of Business and Economic Development on the importance of the Inland Empire and its role as a key north-south trade corridor from Mexico and an east-west trade corridor to the Los Angeles/Long Beach port when developing recommendations for the 2014 update to the California Trade and Foreign Investment Strategy.
5. *Border Coalitions:* Join other states and nations in collaborating on border security issues and enhancements of goods movement. Oregon, Washington, Idaho, Montana, and Alaska joined the Pacific Northwest Economic Development Council in order to partner with the Canadian provinces of Alberta, British Columbia, and Yukon, on key trade and economic development issues. Imperial and San Diego Counties have joined the CaliBaja Bi-national Mega-region to address economic development in collaboration with the states of Baja California, Mexico.

Improving Business Fundamentals

6. *Access to Capital:* Facilitate the development of a MOU between the U.S. Small Business Administration, the State of California, financial intermediaries and private lenders, including micro-lenders, that focuses on export finance for small businesses.
7. *Higher Educational Attainment:* Adopt a Master Plan for Higher Education that, among other policies, facilitates a workforce and entrepreneurial-base that is supportive of dominant and emerging industry sectors within California's regions.
8. *Workforce Development:* Engage education, business and civic leaders to discuss opportunities for complementary educational curricula and internships related to emerging sectors in the bi-national economic corridors including biotech, aerospace, and manufacturing.
9. *Labeling Standards:* Adopt "made in U.S.A." labeling standards consistent with the U.S. Trade Commission standards. [suggested by presenter Paul Cramer]
10. *Streamline Weigh Station Requirements:* Facilitate the development of an e-commerce pilot project to streamline the truck weigh station process for trucks that are crossing through California.
11. *Multi-Region and Bi-National Marketing:* Engage with the San Diego and Imperial Valley Economic Development Corporations and other members of the CaliBaja Bi-National Mega Region for the purpose of identifying ways that Inland Empire communities could meaningfully participate in the bi-national trade and business development activities.

Enhancing Inland Empire Infrastructure and Linkage to Global Logistical Networks

12. *Federal Point of Contact on Permitting:* Call on President Barack Obama to designate a point person to facilitate the permitting process among federal agencies for ports of entry and other issues related to goods movement.
13. *State Permit Streamlining:* Establish a pilot project administered through the Permit Assistance Office at GO-Biz to streamline state permitting and early CEQA consultation by state agencies of port facility enhancements along the Mexico border and the Los Angeles/Long Beach sea port.
14. *Inland Border Inspection Pilot:* Establish a pilot project in the Inland Empire that examines how inland border pre-clearance security inspection sites can be used to increase border security and expedite the transport of goods to the Los Angeles/Long Beach sea port and the land ports of entry in San Diego and Imperial Counties.
15. *Private Investment in State Infrastructure:* Facilitate the participation of the California Infrastructure and Economic Development Bank as a mentor to other state agencies that are looking to place state infrastructure projects on the West Coast Infrastructure Exchange for private sector financing. Similar to AB 1067 (Medina) which passed JEDE on a 9-0 vote in April 2013.

Appendices

- Appendix A - Fast Facts on California's Trade-Based Economy
- Appendix B – Fast Facts on the California Economy
- Appendix C – Economic Development and International Trade-Related Legislation
- Appendix D – Inland Southern California (SoCal) Link iHub
- Appendix E - Significant Hearing Related Reports
- Appendix F – Summary of the Findings and Recommendations from the "A New Plan for a New Economy"
- Appendix G – California Law on Trade Agreements and Foreign Relations
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Appendix A

Fast Facts on California's Trade-Based Economy

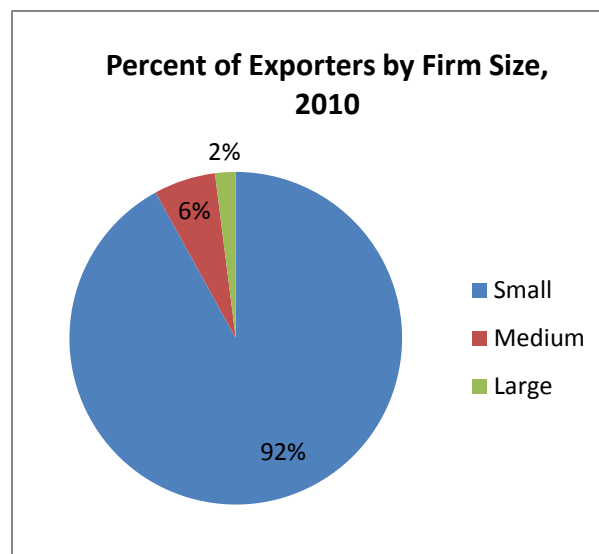
California is the eighth largest economy in the world with a 2012 state GDP of \$2 trillion.ⁱ Exports out of California were valued at \$162 billion in 2012 and represented 10.5% of total U.S. exports.ⁱⁱ Imports into California were valued at \$376 billion in 2012 and represented 16.5% of total U.S. imports.ⁱⁱⁱ

California and World Markets

- In 2012, California's GDP totaled \$2 trillion.⁴
- California exported \$162 billion in products in 2012. This is up from 2011 (\$159 billion).⁵
- California's largest export market is Mexico, where the value of exports totaled \$26 billion in 2012. After Mexico, California's top export markets in 2012 were: Canada (\$17.3 billion); China (\$14 billion); Japan (\$13 billion); South Korea (\$8.2 billion); Hong Kong (\$7.8 billion); Taiwan (\$6.3 billion); Germany (\$5 billion); Netherlands (\$4.6 billion); and the United Kingdom (\$4.3 billion).⁶
- California's top five exports in 2012 were: Computer & Electronic Products (\$44.6 billion); Transportation Equipment (\$16 billion); Machinery, Except Electrical (\$14.9 billion); Miscellaneous Manufactured Commodities (\$13.9 billion); and Chemicals (\$12.8 billion).⁷
- California exported \$26 billion in products to Mexico in 2012. The top five exports to Mexico were: Computer and Electronic Products (\$8.3 billion); Transportation Equipment (\$2.4 billion); Machinery, except Electrical (\$2 billion); Petroleum and Coal Products (\$1.8 billion); and Chemicals (\$1.5 billion).⁸
- California's second largest export market is Canada, with exports totaling \$17.3 billion in 2012. The top five exports to Canada were: Computer & Electronic Products (\$5.4 billion); Agricultural Products (\$2.4 billion); Food Manufactures (\$1.2 billion); Transportation Equipment (\$975 million); and Machinery, Except Electrical (\$939 million).⁹
- In 2012, California exported \$14 billion in products to China. The top five exports to China were: Computer and Electronic Products (\$3.9 billion); Waste and Scrap (\$2.4 billion); Machinery, except Electrical (\$1.4 billion); Transportation and Equipment (\$1.39 billion); and Agricultural Products (\$1.1 billion).¹⁰
- In 2012, California imported \$376 billion in products. California's top five imports in 2012 were: Computer and Electronic Products (\$112 billion); Transportation Equipment (\$60 billion); Oil & Gas (\$32 billion); Miscellaneous Manufactured Commodities (\$19.4 billion); and Apparel Manufacturing Products (\$18.8 billion).¹¹
- China is the largest source of imports into California. The 2012 value of Chinese imports was \$128 billion. China is followed by Japan (\$41.5 billion); Mexico (\$36 billion); Canada (\$25.8 billion); and South Korea (\$12.3 billion). Other major sources of import into California include: Germany (\$12 billion); Taiwan (\$11.2 billion); Malaysia (\$10 billion); and Saudi Arabia (\$8.5 billion).¹²

Trade and Jobs

- There were 849,316 companies in California in 2011.¹³ Of those companies a total of 75,028 (9%) exported goods from California, 72,039 (96%) were small and medium-sized companies with fewer than 500 employees.¹⁴
- Small and medium-sized companies generated 44.2% of California's total exports of merchandise in 2011.¹⁵
- Across the U.S. small and medium-sized companies contributed to 33.7% of goods exports and 97.8% of all exports in 2010.¹⁶



- Of the small and medium-sized U.S. companies that do export, 59% export to only one country.¹⁷
- This trend is also evident on the import side, with 62% of small and medium-sized companies importing goods from only one country.¹⁸

International Trade in Riverside

- Riverside County ranks 23rd in the world in exporting regions, a significant jump from its prior rank of 43rd in 2009.
- The county has three foreign trade zones located in Palm Springs, and western and south western Riverside County.
- In 2009, manufacturers sent a record \$11.5 billion in exports overseas.
- The county's export destinations are Canada (44%); the Netherlands (17%); Mexico (17%); China (11%); and Japan (11%).
- Foreign direct investment creates thousands of jobs for Riverside County workers. Manufacturer's exports account for 10% of direct jobs in the region.
- An estimated 11,800 direct jobs with a payroll of \$805 million have been created from foreign investment.
- The county has received investments from 35 nations, accounting for 636 businesses from around the world.
- Riverside County pays wages above the U.S. average, in its largest export industry, transportation equipment manufacturing.
- Moreover, Riverside county's export growth has recently been above the national average, expanding at 11.5%.

California's Trade Infrastructure

- In January 2010, President Barack Obama announced the National Export Initiative (NEI) which proposes to double the country's total exports by the end of 2014. The initiative also calls for improvements to the U.S.'s transportation and supply chain infrastructure to enable exporters to transport their goods to ports quickly and inexpensively.¹⁹ Most recent data suggests that U.S. exports are progressing. In 2012, U.S. exports hit an all-time record of \$2.2 trillion, a 40% increase from 2009, supporting 9.8 million U.S. jobs.²⁰⁻²¹ Additionally, in 2012, California's export shipments of merchandise totaled \$162 billion, a 35% increase from 2009.²²
- The Port of Los Angeles continues to hold the top rank in terms of two-way trade in 2011 (valued at \$273.6 billion). It is followed by JFK International Airport (\$192.3 billion) and the Port of Houston (\$168.8 billion).²³ Data on California's other major ports are as follows: Long Beach (\$94.7 billion, ranked 9th); LAX (\$84.6 billion, ranked 12th); San Francisco International Airport (\$50.5 billion, ranked 21st); Port of Oakland (\$45.8 billion, ranked 24th); Otay Mesa Station (\$34.2 billion, ranked 30th).^{2iv}
- In terms of container activity, the Los Angeles-Long Beach container port ranked 8th globally, behind Shanghai, China; Singapore, The Republic of Singapore; Hong Kong, China; Shenzhen, China; Busan, South Korea; Ningbo, China; and Guangzhou, China.^{2v}
- In 2011, ports in Northern California recorded a 7.1% increase in tonnage, accounting for nearly 37 million short tons (one short ton is equivalent to 2,000 pounds). Southern California also experienced a slight increase in tonnage from 59.3% to 59.9%.^{2vi}
- Border crossing delays between the California-Mexico border accounted for an estimated output loss of \$3.9 billion and a 30,000 national job loss due to reduced output in 2008. In California, losses were estimated at \$3.2 billion and a 25,000 job loss.^{2vii}
- San Diego-Imperial counties accounted for an estimated output loss of \$2.5 billion and a 23,000 job loss.^{2viii}
- Research shows that if border delays continue to grow, economic losses will continue to increase significantly by 2017. It is estimated that total economic impacts to San Diego County would increase by 45%, reaching a \$2.53 billion total output loss and more than 24,000 jobs would be lost. The output loss in Imperial County is estimated to increase by 44% with total output loss reaching \$378 million and 4,638 jobs would be lost. Statewide, the total output loss is expected to double while job loss is expected to increase by 10%.^{2ix}

Appendix B

Fast Facts on the California Economy

(Due to the federal Government shutdown, the release of more current unemployment data was delayed)

California's economy is the eighth largest in the world with a 2012 state GDP of \$2.0 trillion.^x In August 2013, the California unemployment rate was 8.9%, a slight rise from the previous month's 8.7%. This figure represents almost 1.6 million unemployed workers. Over the same period, the national unemployment rate dropped from 7.4% to 7.3%.^{xi}

California's Global Economy

- In 2012, California's total GDP was \$2.00 trillion, as compared to the U.S. total GDP of \$15.7 trillion.^{xii}
- If California were a country, its 2012 GDP would place tied with Italy and the Russian Federation for 8th in the world. Worldwide GDP ranking are as follows: United States (\$15.7 trillion), China (\$8.2 trillion), Japan (\$6.0 trillion), Germany (\$3.4 trillion), France (\$2.6 trillion), United Kingdom (\$2.4 trillion), Brazil (\$2.3 trillion), Russian Federation (\$2.0), Italy (\$2.0 trillion), and California (2.0.); India and Canada (\$1.8 trillion); Australia (\$1.5 trillion); Spain (\$1.4 trillion); and Mexico (\$1.2 trillion).^{xiii}
- With the European economies still in recession, California is expected to surpass both Italy and the Russian Federation in 2013 due to recent strong job growth and move closer to the GDP's of France and the United Kingdom. However, it is expected that India will surpass California in the near future, and that Canada and the Russian Federation will remain close.^{xiv}

Job Market in August 2013

- California civilian employment in August 2013 decreased by 53,000 workers from the prior month, dropping total civilian employment in the state to 16,935,000 persons. Between August 2012 and August 2013, civilian employment was up 381,000 persons, an increase of 2.3%.^{xv}
- In August 2013, nonfarm employment rose in nine major industry sectors: construction (+7,700); professional and business services (+6,300); educational and health services (+4,300); financial activities (+4,200); other services (+4,000); manufacturing (+3,300); leisure and hospitality (+3,000); government (+1,100) and mining and logging (+200). However, two sectors lost jobs: information (-3,400); and trade, transportation and utilities (-1,600).^{xvi}
- In 2012, California's major industry sectors accounted for \$140 billion worth of wages: professional and business services (\$38.6 billion); government (\$34.3 billion); trade, transportation, and utilities (\$29.5 billion); education and health services (\$23.6 billion); leisure and hospitality (\$9.3 billion); and other services (\$4.8 billion).^{xvii}

Unemployment Rates for Largest Areas: August 2013. *The following figures are not seasonally adjusted (as compared to the seasonally adjusted unemployment number above.) Monthly unemployment numbers by their nature are not seasonally adjusted.*^{xviii}

Statewide: 8.8%
Los Angeles-Long Beach-Glendale: 10.2%
Santa Ana-Anaheim-Irvine: 6.2%
San Diego-Carlsbad-San Marcos: 7.4%
Riverside-San Bernardino-Ontario: 10.4%
Oxnard-Thousand Oaks-Ventura: 7.8%

San Francisco-San Mateo-Redwood City: 5.4%
Oakland-Fremont-Hayward: 7.4%
San Jose-Sunnyvale-Santa Clara: 6.8%
Sacramento-Arden Arcade-Roseville: 8.5%
Fresno: 11.9%

The highest unemployment rates by race and ethnicity was among blacks (16.0%), then Hispanics (11.0%), and then whites (9.1%). By age group, the highest unemployment was among workers 16 to 19 (31.9%), a 0.3% decrease from the prior month.¹⁰ The largest group of unemployed persons when sorted by duration were those unemployed for 52 weeks or more (517,000 persons, 29.6% of all unemployed).¹¹ The number of persons not in the labor force increased by 15,000 (0.1%) in August to 10,911,000.¹²

Small Business in California (2010)

- There are approximately 3.7 million businesses in the state.¹³
- Of those 3.7 million businesses, 2.8 million (76.8%) were non-employer firms and 431,635 (11.8%) were microbusinesses (with less than 4 employees), accounting for 3.2 million (89%) of business in the state.¹⁴
- There were 3.4 million (92%) businesses with 9 or less employees; 3.44 million (94%) with 19 or less employees; and 3.5 million (96%) with 99 or less employees. Businesses with 100-499 employees accounted for 36,877 (1%) of businesses and businesses with 500+ employees accounted for 117,747 (3.2%), accounting for only 4.2% of business in the state.¹⁵

Foreign Investment & U.S. Based Subsidiaries

- California has the highest rate of employment by U.S. subsidiaries of foreign companies.¹⁶
- In 2010, insourcing companies employed 567,000 Californians and accounted for 5% of the state's total private sector employment.¹⁷ More than 30% of all jobs in California are in the manufacturing industry and account for 178,600 jobs.¹⁸

Energy Market

- In 2010-11, California produced 12% of the natural gas, 71% of the electricity, and 38% of the crude oil it consumes.¹⁹ The remaining electricity and natural gas was purchased from Canada, the Pacific Northwest, the Rocky Mountain States and the Southwest. Remaining crude oil was imported from Alaska and abroad.²⁰
- In 2010, 53.4% of California's electricity came from burning natural gas, 15.7% from nuclear energy, 14.6% was generated in large hydroelectric dams, 14.6% from renewable sources, and 1.7% came from coal.²¹
- Since 1978, energy efficient building and appliance standards have saved \$66 billion in electricity and natural gas costs. The 2013 Energy Efficient Standards (Standards) will result in 25% less energy for lighting, heating, cooling, ventilation, and water heating than the 2008 standards. Additionally, the Standards will save 200 million gallons of water per year (equal to more than 6.5 million wash loads) and avoid 170,500 tons of greenhouse gas emissions per year.²²

California's Innovation Economy

- The San Jose-Sunnyvale-Santa Clara region, also known as Silicon Valley, ranked #1 in the Best-Performing Cities Index over 2012. This region accounts for more than 40% of all venture capital placements in the U.S., has the highest high-tech GDP concentration in the nation, and recorded the fastest wage growth in the U.S.²³
- California ranked 1st in the nation in patents by the U.S. Patent and Trademark Office in 2012 with 34,660 patents granted. This accounts for roughly 12.5% of all patents issued in the world.²⁴
- The University of California system is one of the leading academic research enterprises in the world. UC research has contributed to California's emergence as the intellectual and economic power that it is today. In 2011, UC research produced 1,581 new inventions (an average of four a day).²⁵

- The UC system develops more patents than any other university in the nation and currently holds 3,900 active U.S. patents, many of which have led to the creation of today's leading industries.²⁶

California Trade and Foreign Investment Activity

- California exported \$161 billion in products in 2012. This is up from 2011 (\$159.1billion).²⁷
- California's largest export market is Mexico, where the value of exports totaled \$26.3 billion in 2012. After Mexico, California's top export markets in 2012 were: Canada (\$17.3 billion); China (\$13.9 billion); Japan (\$13 billion); and South Korea (\$8.2 billion).²⁸
- California's top five exports in 2012 were: Computer & Electronic Products (\$44.5 billion); Transportation Equipment (\$16.1 billion); Machinery, Except Electrical (\$15 billion); Miscellaneous Manufactured Commodities (\$14 billion); and Chemicals (\$13 billion).²⁹
- China is the largest source of imports into California; the 2011 value of Chinese imports was \$128 billion. China is followed by Japan (\$41.5 billion); Mexico (\$36 billion); Canada (\$25.7 billion); and South Korea (\$12.2 billion).³⁰
- California's top five imports in 2012 were: Computer & Electronic Products (\$112 billion); Transportation Equipment (\$60 billion); Oil & Gas (\$32 billion); Miscellaneous Manufactured Commodities (\$19.3 billion); and Apparel & Accessories (\$19 billion).³¹

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Appendix C

Economic Development and International Trade-Related Legislation

- **AB 14 (Lowenthal) State Freight Plan:** This bill requires the state's Transportation Agency to prepare a state freight plan and establish a freight advisory committee. Status: Signed by the Governor, Chapter 223, Statutes of 2013.
- **AB 29 (John A. Pérez, Feuer and V. Manuel Pérez) Governor's Office of Business and Economic Development:** This bill establishes the Governor's Office of Business and Economic Development for the purpose of serving as the lead entity for economic strategy and marketing of California on issues relating to business development, private sector investment and economic growth. Status: Signed by the Governor, Chapter 475, Statutes of 2011.
- **AB 93 (Assembly Committee on Budget) California Competes Tax Credit and State Sales and Use Tax Exemption:** This bill institutes two new tax programs, a Sales and Use Tax exemption for manufacturing and bio-tech equipment and similar purchases, and a hiring credit under the Personal Income Tax and Corporation Tax for employment in specified geographic areas. Additionally, the bill would result in phasing-out and ending certain tax provisions related Enterprise Zones and similar tax incentive areas, and ending the current New Jobs Credit tax incentive program. The bill also provides for allocating income tax credits through the Governor's Office of Business and Economic Development to assist in retaining existing and attracting new business activity in the state. Status: Signed by the Governor, Chapter 69, Statutes of 2013.
- **AB 250 (Holden and V. Manuel Pérez) California Innovation Hubs:** This bill codifies and expands the California Innovation Hub Program at GO-Biz for the purpose of stimulating economic development and job creation through the regional coordination of federal, state, and local innovation-supporting resources. Status: Signed by the Governor, Chapter 530, Statutes of 2013.
- **AB 311 (V. Manuel Perez) Bi-National Infrastructure and Economic Development Bank:** This bill would have expanded the role of the I-Bank to include facilitating infrastructure and economic development financing activities within the California and Mexico border region. Status: Held in Assembly Committee on Appropriations in 2013.
- **AB 337 (Allen) ITI Strategy and Ports:** This bill adds a required element to the state's ITI Strategy. The new requirement is an evaluation of the ports of entry to the state and their capacity for handling international trade, including industrial and postconsumer secondary materials, originated in or destined for other states. Status: Pending in the Assembly Committee on Jobs, Economic Development and the Economy.
- **AB 653 (V. Manuel Pérez) California Innovation and Jobs Act:** This bill establishes the California Innovation and Jobs Act, which increases the maximum value of the research and development credit and codifies the California Innovation Hub Program. Status: Pending in the Assembly Committee on Appropriations.

- **AB 886 (Allen) Export and Import Credit:** This bill would have established a capped and allocated tax credit for importers and exporters that increase cargo through California air and sea ports, hire additional staff, or incur capital costs at a California cargo facility. Status: Held in the Assembly Committee on Appropriations in 2013.
- **AB 1081(Medina) Moving Goods to Market:** This bill integrates goods movement within the states infrastructure planning including the Five-Year Infrastructure Plan and the ITI Strategy. Status: Pending in the Senate Committee on Transportation and Housing Committee.
- **AB 1399 (Medina and V. Manuel Pérez) New Markets Tax Credits:** This bill creates a \$200 million state New Markets Tax Credit Program for the purpose of stimulating economic development and hasten California's economic recovery, generally paralleling the federal New Markets Tax Credit. Tax expenditure authority for this measure is provided through the reallocation of previously authorized expenditures from the California State Sales and Use Tax Exclusion Program. Status: Pending in the Senate Committee on Governance and Finance.
- **AB 1400 (Assembly Committee on Jobs, Economic Development, and the Economy) Export Document Certificates:** This bill modifies the state's Export Document Program to accept requests electronically, expedite approval of existing labels, and extend the term of the export labels from 180 days to 365 days, in order to alleviate backlog of exports of food, drug, and medical devices. Status: Signed by the Governor, Chapter 539, Statutes of 2013.
- **AB 1422 (Assembly Committee on Jobs, Economic Development and the Economy) California Alternative Energy and Advanced Transportation Financing Authority:** California Alternative Energy and Advanced Transportation Financing Authority: This bill clarifies the definition of "participating party", used by the California Alternative Energy and Advanced Transportation Financing Authority (Authority) for their Sales and Use Tax Exclusion Program, to include out-of-state entities that demonstrably commit to opening a manufacturing facility within California. The bill also repeals a requirement that GO-Biz issue a report about advanced manufacturing and a report by the Authority on net benefits. Status: Signed by the Governor, Chapter 540, Statutes of 2013.
- **AB 2012 (John A. Pérez) Economic Development Reorganization:** This bill transferred the authority for undertaking international trade and foreign investment activities from the Business, Transportation and Housing Agency to GO-Biz. In addition, the bill transfers the responsibility for establishing an Internet-based permit assistance center from the Secretary of the California Environmental Protection Agency to GO-Biz. Status: Signed by the Governor, Chapter 294, Statutes of 2012.
- **AB 2443 (V. Manuel Pérez) State Point of Contact on Trade:** This bill would have required the State Point of Contact to provide specified Legislative committees with copies of any official position taken or comments that any entity within the executive branch of state government provided to the USTR relating to a pending trade agreement. Status: Vetoed by the Governor, in 2010.
- **AB 1276 (Skinner) Binding the State to Foreign Trade Agreements:** This bill would have prohibited a state official, including the Governor, from binding the state, or giving consent to the federal government to bind the state to provisions of a proposed International Trade Agreement,

including the government procurement rules, unless a statute is enacted that explicitly authorizes a state official to bind the state or to give consent to bind the state to that trade agreement. Status: Vetoed by the Governor in 2009.

- **AJR 27 (Torrico) Colombian Free Trade Agreement:** This resolution memorializes that the California Legislature opposes the United States-Colombia Trade Promotion Agreement. The primary basis for this position, as documented through bill analyses, was Colombia's record on human rights, particularly as it related to trade unionists. This resolution proposes that the Legislature transmit additional information to the U.S. Government and the President relative to the Colombia Agreement. In the case of AJR 27, the new information focuses on the potential negative impact to the domestic cut flower industry, its workers, and the communities in which they are located stemming from the Colombia Agreement. Status: Adopted, Resolution Chapter 145, Statutes of 2010.
- **AJR 55 (Villines) Colombian Free Trade Agreement:** This resolution would have memorialized to Congress that the California Legislature supports the United States-Colombia Trade Promotion Agreement. Status: The measure was refused adoption in the Assembly Committee on Jobs, Economic Development, and the Economy in 2008.
- **AJR 12 (Gatto) Rising Minimum Wages:** This resolution memorializes the California Legislature's request to the U.S. President to include a provision within future international treaties, trade agreements, and other international protocols relating to the raising of foreign minimum wages. Status: Approved by both Houses, September 11, 2013.
- **SB 460 (Price) International Trade and Marketing and Promotion:** This bill would have required the Secretary of the Business, Transportation and Housing Agency to convene a statewide business partnership for international trade marketing and promotion. Status: Held in the Assembly Committee on Appropriations in 2012.
- **SB 592 (Lieu) International Trade and Marketing and Promotion:** This bill requires the Governor's Office Business and Economic Development to convene a statewide business partnership for international trade marketing and promotion. Status: Pending on the Governor's desk, 2013.
- **SB 907 (Evans) 20-Year Infrastructure Master Plan:** This bill would have established an 11-member Master Plan for Infrastructure Financing and Development Commission. The Commission is required to submit to the Governor and Legislature, by December 1, 2013, a long-term plan and strategy for the state's infrastructure needs and a prioritized plan to meet those needs. The Commission would have been required to submit periodic progress reports. Status: Held in the Assembly Committee on Jobs, Economic Development and the Economy, 2012.
- **SB 1762 (Figueroa) Binding the State to Foreign Trade Agreements:** This bill would have prohibited the Governor from binding California to provisions of international trade agreements without consent from the Legislature. Status: The measure was held in the Assembly Committee on Jobs, Economic Development and the Economy in 2006.

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Appendix D

Inland Southern California (SoCal) Link iHUB

What is an iHUB?

The Governor's Office of Business & Economic Development (GO-Biz) is leading an initiative to prioritize the commercialization of innovation and technology as an economic development strategy through the California Innovation Hub (iHub) Program. Sixteen iHubs span the state from Redding to San Diego and cover some of California's most vibrant economic sectors from agriculture to life science and from medical technology to bio-mass.

The program was formed for the purposes of:

- Leveraging California's national and international market-share in human and investment capital as a global destination for leadership in innovation opportunities;
- Providing a platform for the transfer of ideas discovered in nationally recognized laboratories and universities to private industry for the enhancement of an existing product or the creation of a new startup enterprise;
- Providing an advantage to Californian firms through the introduction of new technologies, processes, research and development (R&D) solutions into its existing business practices;
- Providing conduit assistance for the interaction of existing government owned assets (federal and state), facilities and operations with venture-supported startup companies for the testing and evaluation of products in development; and
- Facilitating a linkage for the inducement of investment funding to an inventor towards the commercialization of concepts into products so that the eventual production occurs within the California economy.

Inland So-Cal Link iHUB

The Inland Southern California region plays a critical role in the economic prosperity of the state of California. The Inland SoCal Link iHub is anchored by an innovative partnership between the Port of Los Angeles and Inland Southern California. The overarching goal of this iHub is to maximize economic development opportunities within this regional transportation corridor. This is a proactive initiative to enhance our competitiveness amidst global threats such as the Panama Canal expansion etc. The primary objectives include:

- Promote collaboration and industry development in the advanced manufacturing and logistics sectors.
- Expand the volume of exports through the Port of Los Angeles that are manufactured or produced from Inland Southern California.
- Encourage the regional attraction of foreign direct investment as a mechanism for job creation.
- Form a sustainable platform to support federal, state and local legislative matters that are mutually aligned between the Port of Los Angeles and Inland Southern California.
- Serve as centers of information, expertise and assistance with respect to key industries that the region seeks to attract, develop and retain.

Stakeholders

Inland So-Cal Link iHUB is established on partnerships that have been formalized through Memorandums of Understandings and with letters of support. Key partners include: the Port of Los Angeles; the Counties of Riverside and San Bernardino, the University of California, Riverside as the anchoring educational institution; the Riverside Innovation Economy Initiative (RIEI); the National Center for Supply Chain Management, Norco College; Center for International Trade Development (CITD); California Network for Manufacturing Innovation (CNMI); local venture capitalist collaborations; the Riverside County Office of Foreign Trade; the Riverside and San Bernardino County Workforce Investment Boards and the Greater Riverside Chambers of Commerce.

Next Steps

We are in the process of organizing a November 2013 strategic planning meeting at the Port of Los Angeles to formally structure the program:

- Define a coordinated process of regional foreign delegations that represent industries and foreign direct investment (between Los Angeles, Riverside & San Bernardino Counties)
- Organize and globally market regional economic development assets
- Identify potential synergies of collaboration between multiple iHUBs such as the Inland So-Cal Link, California Network for Manufacturing Innovation and CleanTech LA.

CONTACT

CHIEF ADVISOR – INLAND SO-CAL LINK IHUB

Dr. Imran Farooq
Director – UC Riverside Center for Economic Development & Innovation (CEDI)
200 University Office Building
Riverside, CA 92521
951-827-5535
Farooq@ucr.edu

COORDINATOR – INLAND SO-CAL LINK IHUB

Rob Moran
Riverside County Economic Development Agency
3403 10th Street, Suite 400
Riverside, CA 92501
(800) 984-1000
rmoran@rivcoeda.org

Appendix E

Significant Hearing Related Reports

1. **2010 Inland Empire Infrastructure Report Card.** This report provides a comprehensive assessment of current infrastructure conditions and needs. Grades are assigned by experts in the various fields based on eight criteria: capacity, condition, funding, future need, operation and maintenance, public safety, resilience, and innovation.
2. **2012 San Diego Infrastructure Report Card.** This report provides a comprehensive assessment of current infrastructure conditions and needs. Grades are assigned by experts in the various fields based on eight criteria: capacity, condition, funding, future need, operation and maintenance, public safety, resilience, and innovation. San Diego County found four major areas that needed the most attention: land and sea ports of entry, levees/flood control/urban drainage, parks/recreation/environment, and surface transportation.
3. **2013 Report Card for American Infrastructure, American Society of Civil Engineers, 2013.** This report provides a comprehensive assessment of current infrastructure conditions and needs. The report is prepared every four years by the American Society of Civil Engineers. Grades are assigned based on eight criteria: capacity, condition, funding, future need, operation and maintenance, public safety, resilience, and innovation. The U.S. receives a D+ and has an estimated investment need of \$3.6 trillion by 2020. The accompanying materials include individual state scores and background. California received a C.
4. **Export Nation 2013, U.S. Growth Post recession, Global Cities Initiative – a Joint project by Brookings Institute and JP Morgan Chase, 2013.** This report analyses key export trends between 2003 and 2012 for the 100 largest metro areas in the U.S. Key findings from the report include:
 - Exports drove post-recession growth in the 100 largest metro areas.
 - Few metro areas are on track to achieve the NEI goal of doubling exports in five years.
 - The 10 largest metro areas, by export volume, produced 28 percent of U.S. exports in 2012.
 - Two-thirds of the largest metro areas underperformed the United States as a whole on export intensity.
 - The most export-intensive metro areas are highly specialized in certain industries.
 - Metro areas whose export intensity grew fastest experienced higher economic growth.
 - Metro area manufacturing exports grew to record levels in 2012.
 - Services accounted for more than half of post-recession export growth in 11 metros, including San Francisco, Washington DC, and New York.
 - Certain industries, especially in the services sector, produce almost all of their exports in the top 100 metro areas.
 - Both highly specialized and highly diversified metros performed well from 2003 to 2012.
5. **California Labor Market and Economic Analysis, California Employment Development Department, 2012.** This report provides a comprehensive economic and labor market analysis which was used, among other things, to inform the development of the state workforce investment strategy. Highlights from the report include: The California economy is recovering having added

327,600 jobs between September 2009-December 2011; identification of the state's eight economic base industries; profile of the California workforce; industry and occupational employment projections for 2010-2018; and identification of growth industries and high-demand occupations.

6. **The Global Competitiveness Report 2012-13, World Economic Forum, 2013.** This report provides a comprehensive assessment of 144 world economies through the use of over 100 indicators spread out among 12 basic categories. The findings of this report show that, despite an excellent university system that encourages public-private collaboration and flexible labor markets, the U.S. has become increasingly less competitive on the world stage in recent years due to macroeconomic instability related to political disputes.
7. **A Matter of Degrees: The Effect of Educational Attainment on Regional Economic Prosperity, The Milken Institute, 2013.** This report examines the relationship between human capital and regional economic prosperity. The study, which assessed the top 50 metropolitan statistical areas in the U.S., found that educational attainment increases regional prosperity, that there are quantifiable benefits to regional economies for adding even one year of education to its residents, that the regional impact is greatest when the additional year is added in certain technology industries, and that MSAs with clusters of high skilled occupations tend to attract more higher education attained workers.
8. **A New Plan for a New Economy: Reimagining Higher Education, Little Hoover Commission, 2013.** This report found that Californians are not adequately served by the current higher education system and, that given the state's finite resources, it needs to develop a way to achieve better outcomes for more students. To address these findings the Commission recommends (1) the development of a new master plan; (2) provide incentives for colleges and districts to collaborate and expand counseling and outreach to middle and high schools; (3) link a portion of funding to achieving specific goals; (4) require the UC to adopt standardized and comprehensive budgeting processes; (5) provide incentives for developing high-demand introductory courses and bottle-neck courses (traditional and online) that can be transferred to all campuses in all three higher education segments; and, (6) provide incentives for the creation of a student-focused Internet portal that aggregates individual student records into master transcripts of classes that have been taken at different institutions.
9. **On The Move: Southern California Delivers Goods. Southern California Association of Governments, 2012.** This report provides a comprehensive regional goods movement plan and implementation strategy for Southern California, and draws up certain key conclusions, including the need for completion of the regional freight corridor system, rail improvements, and the establishing a foothold for zero-emissions technology. The report concludes that these are needed in order for the region to stay integrated with global supply chains, and that funding, while challenging, can be realized through efficient and creative usage of local and federal sources.

Appendix F

Summary of Findings and Recommendations from "A New Plan for a New Economy"

The following language is taken from the October 2013 Little Hoover Commission Report: "A New Plan for a New Economy."

Over the course of this study, the Commission found the following problems:

- Californians are not adequately served by the current system.
- California has only recently set goals for public higher education, but it has not developed an overall strategy for attaining them.
- California is projected to face a shortfall by 2025 of one million students with four-year degrees and more than 2.3 million with degrees, certificates and diplomas needed to meet the state's workforce requirements. Enrollments at California's higher education institutions have not kept pace with population growth and tens of thousands of qualified California students are unable to attend public colleges every year.
- Insufficient classes, and in some cases, reported course bottlenecks, contribute to low completion rates at community colleges and four-year completion rates at CSU.
- Not enough Californians are getting to college. Many of those who attend community colleges and California State University campuses are unprepared when they arrive and take too long to attain a certificate or degree.
- Despite efforts to speed transfers and streamline the process, it still remains difficult to transfer course and unit credit within and among segments, forcing students to repeat work, which delays their progress. In the past, students who took prescribed courses at community colleges and performed well were guaranteed admission to the University of California or California State University. This is no longer true.
- The state has finite resources for higher education. The state has to figure out a way to achieve better outcomes for more students without adding more funding.
- Online education is emerging as an important technology, and one that holds great promise of increasing access to higher education and the potential to lower costs. Failure to adapt could put existing state institutions at a competitive and cost disadvantage. The Commission recognizes that there have been limited online offerings in the past, but not at the scale that will be necessary to address the burgeoning needs of the expanding technologically-savvy student body. It appears as though California is moving substantially slower than it should to integrate online because of faculty opposition and/or general inertia.

The Commission offers the recommendations below to address the finding of the report and to frame the broader public discussion that the state needs to build a new vision for California higher education.

- **Recommendation 1:** The Governor and the Legislature should direct the development of a New Master Plan for California Higher Education. The New Master Plan should lay out goals and a public agenda for higher education aimed at the needs of students and the needs of the state as a whole to increase the number of Californians with higher education.
- **Recommendation 2:** The Governor and the Legislature, in drafting the New Master Plan, should draw from students, alumni, civic organizations, local governments and business and economic development groups, as well as from the higher education institutions themselves.
- **Recommendation 3:** The Governor and Legislature should encourage the drafters to think responsibly about how higher education is structured, and through the New Master Plan process, re-examine the rationale for how the three-tier system is currently organized and to explore greater campus-level specialization in all segments.
- **Recommendation 4:** To encourage enrollment in higher education, improve higher education completion and reduce costs of remedial courses, the Legislature should provide incentives for districts and colleges to collaborate and expand counseling and outreach to middle schools and high schools in areas that have both state college campuses and community college districts.
- **Recommendation 5:** Link a portion of funding to progress in achieving targeted goals.
- **Recommendation 6:** The Governor and the Legislature should create an oversight body with the authority, or give the Department of Finance the authority, to obtain financial, workload and outcomes data from all institutions of California public higher education and require coordination among segments on data collection and transfer policies.
- **Recommendation 7:** To improve transparency and public understanding of how its resources are used, the University of California should standardize its budgeting systems across campuses as well as standardize its measures for faculty workload and educational outcomes and post this data in a form that can be assessed and analyzed by the public.
- **Recommendation 8:** The Legislature should provide incentives for developing high demand introductory courses and bottleneck courses, such as prerequisite courses, that can be transferred for both content and unit credit to all campuses at all three segments of California's public higher education system.
- **Recommendation 9:** The Legislature should provide incentives for developing online courses for high-demand introductory courses, bottleneck prerequisite courses and remedial courses that demonstrate effective learning. To qualify, the course must be able to be awarded course and unit credit, at a minimum, at all California community colleges, or all California state universities, or all campuses of the University of California. Better yet would be courses that would be awarded credit at any campuses of all three segments. Courses could be designed by private or nonprofit entities according to college and university criteria.
- **Recommendation 10:** The Legislature should develop incentives for the creation of a student-focused Internet portal that aggregates individual student records into master transcripts of classes they have taken at different institutions. The Legislature should require that sufficient privacy measures be incorporated into the portal and that California's higher education institutions cooperate in the release of individual student data.

Appendix G

California Law on Trade Agreements and Foreign Relations

Government Code: TITLE 20. INTERNATIONAL RELATIONS [99500 - 99503] (Title 20 added by Stats. 2006, Ch. 663, Sec. 3.)

99500. (a) The Governor is the primary state officer representing California's interest in international affairs, to the extent that representation is not in conflict with federal law or the California Constitution, and except as otherwise specified in this title, to the extent this title is not in conflict with federal law or the California Constitution.

(b) The Lieutenant Governor is the Chair of the California Commission for Economic Development, to improve trade opportunities for California. The Legislature finds that the commission has developed international partnerships that provide venues for foreign companies to do business in the state and for California-based companies to access foreign markets.

(c) The Attorney General is the chief law officer of California and as such assists the federal government in defending against international challenges to California laws.

(d) The Secretary of State oversees the International Business Relations Program, which aims to develop stronger connections between the international business community and the state by assisting foreign business entities with the various filing processes and procedures in California.

(e) The Department of Food and Agriculture is the primary state agency for the promotion of California agriculture, fish, and forest exports.

(f) The Natural Resources Agency and the California Environmental Protection Agency are the primary state agencies for the promotion of international exchange of environmental protection technologies, alternative energy technologies, and the promotion of the transfer of environmental technology to and from the state.

(g) The Governor's Office of Business and Economic Development is the primary state agency responsible for international trade and investment activities in areas other than those covered by the Department of Food and Agriculture.

(h) Subdivisions (a) to (f), inclusive, are declaratory of, and do not constitute a change in, existing law.

(Amended by Stats. 2012, Ch. 294, Sec. 12. Effective September 11, 2012.)

99501. (a) (1) The state point of contact, within the executive branch, acts, in compliance with federal practice, as the liaison between the state and the Office of the United States Trade Representative on trade-related matters.

(2) The state point of contact who, in compliance with federal practice, receives updates from the federal government on trade policies, is often provided the opportunity to review and comment on ongoing trade negotiations.

(b) The state point of contact shall, in addition to any other duties assigned by the Governor, do all of the following:

(1) Promptly disseminate correspondence or information from the United States Trade Representative to the appropriate state agencies and departments and legislative committees.

(2) Work with the appropriate state agencies and departments, and the Legislature, to review the effects on the California environment, and California businesses, workers, and general lawmaking authority, of any proposed or enacted trade agreement provisions, and communicate those findings to the United States Trade Representative.

(3) Serve as liaison to the Legislature on matters of trade policy oversight.

(Added by Stats. 2006, Ch. 663, Sec. 3. Effective January 1, 2007.)

99502. (a) The Office of Planning and Research shall maintain and update, a full and comprehensive list of all state agreements made with foreign governments. The list shall be updated within 30 days of the effective date of each new agreement. The list shall include at least all of the following:

(1) The dates of enactment or approval and termination.

(2) The agency, department, board, commission, or other governmental entity responsible for implementation.

(3) Activities proposed.

(4) Expected outcomes.

(b) Agencies may separately maintain detailed information or reports on these activities as those agencies determine to be appropriate, but that information or those reports shall not be deemed to meet the requirements of this section.

(Added by Stats. 2006, Ch. 663, Sec. 3. Effective January 1, 2007.)

Appendix H

Inland Empire Higher Education Resources

This is a list of public and private higher education institutions in the Inland Empire.

University of California

- UC Riverside

California State University

- CSU San Bernardino

California Community Colleges

- Barstow College
- Chaffey College
- College of the Desert
- Copper Mountain College
- Crafton Hills College
- Moreno Valley College
- Mt. San Jacinto College
- Norco College
- Palo Verde College
- Riverside City College
- San Bernardino Valley College
- Victor Valley College

WASC-Accredited Non-public 4-Year Institutions

- Azusa Pacific University
- Biola University
- California Baptist University
- La Sierra University
- Loma Linda University

- National University
- Southern California University of Health Sciences

- University of La Verne

- University of Redlands

State-Approved Institutions

- American Heritage University of Southern California
- Cambridge College
- Community Christian College
- Everest College
- Inland Valley University College of Law
- ITT Technical Institute
- Park University
- Platt College - Newport Beach
- Professional Golfers Career College
- Sage College
- Westwood College

Institutions Exempt from State Approval

- Calvary Chapel Bible College
- Embry-Riddle Aeronautical University

Source: California Commission on Postsecondary Education

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Appendix I

Inland Empire Legislative Caucus

Chair

Assemblymember Mike Morrell (R – Rancho Cucamonga), representing the 40th Assembly District

Vice Chair

Assemblymember Cheryl Brown (D – San Bernardino), representing the 47th Assembly District

Membership

Assemblymember Tim Donnelly (R – Twin Peaks), representing the 33rd Assembly District

***Assemblymember Steve Fox (D – Palmdale), representing the 36th Assembly District**

Assemblymember Curt Hagman (R – Chino Hills), representing the 55th Assembly District

Assemblymember Brian Jones (R – Santee), representing the 71st Assembly District

***Assemblymember Eric Linder (R – Corona), representing the 60th Assembly District**

***Assemblymember Jose Medina (D – Riverside), representing the 61st Assembly District**

***Assemblymember Melissa Melendez (R – Lake Elsinore), representing the 67th Assembly District**

Assemblymember Brian Nestande (R – Palm Desert), representing the 42nd Assembly District

***Assemblymember V. Manuel Pérez (D – Coachella), representing the 56th Assembly District**

Senator Joel Anderson (R – San Diego), representing the 36th Senate District

Senator Richard Roth (D – Riverside), representing the 31st Senate District

Senator Jean Fuller (R – Bakersfield), representing the 18th Senate District

Senator Bob Huff (R – Diamond Bar), representing the 29th Senate District

Senator Bill Emmerson (R – Redlands), representing the 23rd Senate District

*Members of JEDE Committee are highlighted

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Appendix J

State Trade and Export Promotion Program

Briefing for California Assembly Member Jose Medina
Jobs Economic Development and the Economy (JEDE) hearing in Riverside, CA, November 6, 2013.

Background

Global Markets are the largest source of new business growth for California companies. China is expected to become the world's largest economy by 2020, which combined with greater Asia will be responsible for nearly \$10 trillion in consumption spending. These events will result in shift of global consumption away from the United States and Europe and towards emerging economies, which will drive demand for U.S. exports. Last year alone, there was a 53% increase in exports of California food and agricultural products to China!

California and the United States need to look at exports and emerging markets much in the same way Germany, Taiwan, Korea and China [and other highly globalized countries], looked at the United States over the past 30 years to drive global demand for their products and services

- Jeffrey A. Williamson

Background on Centers for International Trade Development (CITD)

The Centers of International Trade Development (CITD) has 10 community college based locations across California that assist businesses in expanding globally, assist individuals and students advance their knowledge of global business and help colleges internationalize their curriculum. The Centers for International Trade Development also manage the California State Trade and Export Promotion program (California STEP), which is one of the largest state-based export promotion efforts in the United States.

The Centers for International Trade Development seek to add value by providing:

- Export and import education programs for businesses and entrepreneurs
- Faculty development programs targeting Community College faculty interested in global business
- Programs that prepare students and individuals to obtain industry-certified credentials, such as the Certified Global Business Professional (CGBP), and Customs House Broker (CHB) exams.
- Export promotion assistance for companies expanding globally – business matchmaking and trade missions
- "Help Desk" to ask questions about international trade and help solve international business transaction challenges

Recognition:

The CITDs have been the recipient of three (3) Presidential “E-Awards” for Export Service Excellence (2001, 2011 and 2013), and have successfully implemented projects/grants from U.S. Department of Commerce, the U.S. Department of Labor, and US Agency for International Development, U.S. Department of State, U.S. Department of Education and the U.S. Small Business Administration. In 2010, California Governor, Arnold Schwarzenegger formed the Governor’s Office of Economic Development, which is now the Governor’s Office of Business and Economic Development (GoBIZ). The CITD Statewide Director was selected to be a founding member of this office to respond to State international trade needs.

Partnerships:

The CITDs maintain several state and federal strategic partnerships including:

- Governor’s Office of Business and Economic Development;
- California Department of Food and Agriculture (under an existing Memorandum of Understanding with Secretary Ross) to implement Foreign Agriculture Service export programs for the State;
- The U.S. Department of Commerce, International Trade Administration (including 4 past and current Market Development Cooperator Awards);
- U.S. Small Business Administration (a cooperative agreement to execute the State Trade and Export Promotion Program) the
- Export Import Bank of the United States (City State Partner),
- Overseas Private Investment Corporation (Partners Program),
- The Port of Los Angeles, Port of Long Beach, Los Angeles Area Chamber of Commerce and others to deliver impactful programs that help advance California’s economy.

California State Trade and Export Promotion (California STEP)

Leveraging State Trade and Export Promotion dollars from the U.S. Small Business Administration, the California STEP (managed by CITD and the Community Colleges) assisted and financially supported over 250 companies were led on thirty (30) trade missions on five continents in 2012 and 2013 capturing over \$42 million in export outcomes. This was accomplished through working with project partners including eight (8) community college based CITDs (including Riverside Community College District), The Governors’ Office of Business and Economic Development, the California Department of Food and Agriculture, the Los Angeles Area Chamber of Commerce, the San Diego World Trade Center and the U.S. Department of Commerce.

Riverside, CA Firms that have participated/benefitted from the California STEP program include:

- PCI Gases – an industrial gases equipment manufacturer
- Harvest 2000 – a food and beverage manufacturer

- KPI Ultrasound – a manufacturer and reseller of medical equipment
- Phenix Technologies – a fire safety equipment manufacturer

Contact

Jeffrey Williamson - Statewide Director, Centers for International Trade Development
Hosted by Riverside Community College District

152 E. Sixth Street,

Corona, CA 92879

Phone: (951) 571-6458

Email: jeff.williamson@rccd.edu

Web: www.citd.org

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Glossary of Terms

Abbreviations

BTH: Business Transportation and Housing Agency.

CAEZ: California Association of Enterprise Zones.

CalBIS: California Business Investment Services.

CalED: California Association for Local Economic Development.

Cal EMA: California Emergency Management Agency.

CALGOLD: California Government Online to Desktops.

CALWORKS: The California Work Opportunity and Responsibility to Kids Program.

CDFI: Community Development Financial Institution.

CEDP: California Economic Development Partnership.

CWIB: California Workforce Investment Board.

DGS: Department of General Services.

DOL: Department of Labor.

DVBE: Disabled Veterans Business Enterprise.

EDC: Economic Development Corporation.

EDD: Employment Development Department.

ETP: Employment Training Panel.

EZ: Enterprise Zone.

FDI: Foreign Direct Investment.

GDP: Gross Domestic Product.

G-TEDA: Geographically-Targeted Economic Development Area.

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

GOED: Governor’s Office of Economic Development.

HCD: Department of Housing and Community Development.

I-BANK: Infrastructure and Economic Development Bank.

IEEP: Inland Empire Economic Partnership.

IHUB: Innovation Hub Program.

IGPAC: Intergovernmental Policy Advisory Committee on Trade.

ITA: International Trade Administration.

JEDE: Jobs, Economic Development and the Economy Committee.

JTPA: Job Training Partnership Act.

LAMBRA: Local Agency Military Base Recovery Area.

LHC: Little Hoover Commission.

MASA: Military and Aerospace Support Act.

MEA: Manufacturing Enhancement Area.

MOU: Memorandum of Understanding.

MSA: Metropolitan Statistical Area.

NEI: National Export Initiative.

PACE: Property Assessed Clean Energy.

REAL: Regional Economic Association of Leaders Coalition.

ROI: Return on Investment.

SBA: Small Business Administration.

SBE: Small Business Enterprise.

SBLGP: Small Business Loan Guarantee Program.

SBDC: Small Business Development Center.

SPOC: State Point of Contact.

STEP: State Trade and Export Promotion Program.

TEA: Targeted Employment Area.

TPP: Trans-Pacific Partnership

TTA: Targeted Tax Area.

TTIP: Transatlantic Trade and Investment Partnership.

USTR: United States Trade Representative.

WIA: Workforce Investment Act.

WIB: Workforce Investment Board.

Definitions:

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

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

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

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

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

CALIFORNIA GOVERNMENT ONLINE TO DESKTOPS (CalGOLD): The CalGOLD database is housed on the Governor's Office of Economic Development website and provides links and contact

information that direct businesses to agencies that administer and issue business permits, licenses and registration requirements from all levels of government. The CalGOLD listings include descriptions of the requirements, the names, addresses, and telephone numbers of the agencies that administer those requirements and issue the permits and licenses, and in most cases a direct link to the agencies' Internet web pages.

CALIFORNIA WORK OPPORTUNITY AND RESPONSIBILITY TO KIDS PROGRAM

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

CALIFORNIA WORKFORCE INVESTMENT BOARD (CWIB): The California Workforce Investment Board is responsible for assisting the Governor in performing duties and responsibilities required by the federal Workforce Investment Act of 1998. 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.

COMMUNITY DEVELOPMENT FINANCIAL INSTITUTION (CDFI): Nationwide, over 1000 CDFIs serve economically distressed communities by providing credit, capital and financial services that are often unavailable from mainstream financial institutions. CDFIs have loaned and invested in distressed communities. Their loans and investments have leveraged billions more dollars from the private sector for development activities in low wealth communities across the nation. California offers tax credits for investments in CDFI's under the Insurance Tax Law, as well as under the Personal and Corporate Income Tax Laws.

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

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 is responsible for oversight of California's G-TEDA programs.

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

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

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

ECONOMIC STRATEGY PANEL: The Economic Strategy Panel was established in 1993 to develop an overall economic vision and strategy to guide public policy. The Panel engages in an objective and collaborative biennial planning process that examines economic regions, industry clusters, and cross-regional economic issues. The California Regional Economies Project is currently the lead mechanism for these efforts.

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

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

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

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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

TARGETED EMPLOYMENT AREA (TEA): One of many options to voucher an employee, 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 are engaged in a trade or business within certain Standard Industrial Codes. State incentives include tax credits for sales and use taxes paid on certain machinery, machinery parts, and equipment; tax credits for hiring qualified employees; and a fifteen year net operating loss carry-forward.

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

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

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

WORKFORCE INVESTMENT ACT (WIA): The 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 by 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.

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