Assembly Committee on Jobs, Economic Development, and the Economy

Leveraging State Resources to Support an Inclusive and Prosperous Economy

Tuesday, March 5, 2019

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Jordan Cunningham (Vice Chair)
Assembly Committee on Jobs, Economic Development, and the Economy

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Leveraging State Resources to Support an Inclusive and Prosperous Economy

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Leveraging State Resources to Support an Inclusive and Prosperous Economy

On Tuesday, March 5, 2019, the Assembly Committee on Jobs, Economic Development, and the Economy (Assembly Jobs Committee) is holding an informational hearing, Leveraging State Resources to Support an Inclusive and Prosperous Economy.

This background report has been prepared to assist committee members in preparing for the hearing. In addition to providing an overview of the hearing, the report includes information on California’s economy and income disparities, as well as background on state policies and programs which will be discussed during the hearing.

Hearing Overview

The March 5, 2019 hearing is the second in a series of hearings sponsored by the Assembly Committee on Jobs to examine the California economy and opportunities for inclusive economic growth. In the first hearing, committee members were briefed on key elements of the state economy, including significant industry sectors, economic trends, and stakeholder initiatives and goals for 2019. Background was also provided and witnesses discussed the state’s many economic successes, as well as the increasing income and opportunity gap, which is resulting in certain areas of the state and population groups falling farther behind.

This second hearing builds on many of these same themes, as well as delving more deeply into strategies to support upward mobility and independent economic security within the context of the state’s other responsibilities. Just as income inequality is impeding community wellness, California communities are also being challenged to become more resilient in an increasingly hostile environment resulting from climate change and other community development issues.

During their opening remarks, Chair Sabrina Cervantes, Vice Chair Jordan Cunningham, and other members of the Assembly Jobs Committee will share their vision for leveraging sustainable development policies to deliver social and economic, as well as environmental, benefits. With the state already investing millions in infrastructure and climate mitigation/adaptation, the committee is very interested in learning more about how these investments can provide important opportunities to deliver triple-bottom line outcomes for historically underserved businesses, workers, and areas of the state.

Following the committee members’ opening comments, the hearing is organized into three parts: Overview of income inequality and potential roles for the state; a case study on neighborhood revitalization; and presentations from three of California’s larger community development-related programs.

The first speaker is Lenny Mendonca, Governor Newsom’s Chief Economic and Business Advisor and Director of the Governor’s Office of Business and Economic Development (GO-Biz). He will be talking about the Governor’s proposed budget and the related policies and programs the Administration is considering as a means to advance upward mobility and inclusive economic growth. This will be Mr. Mendonca’s first appearance before the Legislature since his appointment to the Newsom Administration.
From this very broad look at the California economy and income inequality, Dr. Jesus Hernández, Principal with JCH Research, will present a case study on how local communities are leveraging climate readiness to stabilize distressed neighborhoods. Based on his work with the Franklin Neighborhood Development Corporation in south Sacramento, Dr. Hernández will illustrate how environmentally driven, equity-conscience public investments made at the neighborhood scale can be restorative and regenerative to historically underserved, diverse, lower-income communities.

To expand on these circular economic principles, representatives from three key state programs will then discuss the unique opportunities their programs offer for leveraging existing state resources to enhance entrepreneurship and workforce development opportunities that lead individuals from historically underserved communities toward independent economic security. These programs include:

- Sustainable development grant programs administered by the Strategic Growth Council;
- Senate Bill 1 – The Road Repair and Accountability Act of 2017 and related legislation administered by the California Department of Transportation
- Contracting and grant programs administered by the State Energy Resources Conservation and Development Commission (Energy Commission)

A public comment period is scheduled upon the conclusion of the final panel. An agenda for the hearing can be found in Appendix A (page i).

**To Provide Public Comments**

The public and individuals representing organizations and businesses are encouraged to add their voices to this important dialogue. Individuals interested in providing testimony during the public comment agenda item may reserve a space through the Office of the Assembly Jobs Committee prior to the hearing or sign-up on the day of the hearing on the public comment sheet that will be available at the Sergeants' Desk during the hearing.

In addition to the public comment period during the hearing, written comments may be submitted through the Office of the Assembly Jobs Committee until April 15, 2019.

**Background on California's Economy**

This section includes background on the state's economy, including information on major industry sectors, economic trends, job creation, and the challenges California faces in creating an inclusive economy.

**The Fundamentals of the California Economy**

California is home to nearly 40 million people, providing the state with one of the most diverse populations in the world, often comprising the single largest concentration of nationals outside their native country. In 2017, this diverse group of business owners and workers produced $2.7 trillion in goods and services, $171 billion of which were exported to over 220 countries around the world.

California’s economy ranked fifth largest in the world in 2017 – only the national economies of the United States, China, Japan, and Germany being larger. Historically, a number of factors have contributed to California's significant position within the global marketplace, including its strategic west coast location, the size of its consumer base, the strength of its dominant industry sectors, its...
economically diverse regional economies, its skilled workforce, and its culture of innovation and entrepreneurship, particularly in the area of technology.

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

In 2017 (most recent data), California's largest industry sectors were: Finance and Insurance (21.6% of state GDP); Trade, Transportation, and Utilities (14.5%); Professional and Business Services (12.8%); Manufacturing (10.9%); Information (8.7%); Tourism and Arts (4.2%); and Construction (3.9%).

**Chart 1 – California GDP by Industry Sectors** shows state GDP in dollars by industry sector. One of the unique qualities of California’s economy is its multiple dominant industry sectors. The state's three largest industry sectors in terms of GDP – Finance and Insurance; Trade, Transportation, and Utilities; and Professional and Business Services – also provide a foundation to other industry sectors, including Manufacturing and Information. Each of these top performing industry sectors are also distinguished as being a tradable industry sector, meaning that it is a sector whose output in terms of goods and services is traded internationally, or could be traded internationally given a plausible variation in relative prices.

Due to its economic impact exceeding its proportional share of the U.S. population, California’s economy has been described as “hitting above its weight.” As an example, while California’s
population comprises 12% of the U.S. population, the state contributed 16% of total job growth between 2012 and 2017. Appendix H (page xxix) includes a summary of the current and longer term economic trends discussed and presented at the February 26, 2019, Assembly Jobs Committee hearing.

Chart 2 – California Employment by Industry Sectors shows employment data within the same industry sectors as are measured in Chart 1. In 2017 (most recent data), the Trade, Transportation, and Utilities sector represented the industry with the largest number of employees in California, followed by jobs in Education and Health Services.

Although Chart 2 displays aggregate data on employment by industry sector, this data does not reflect California workers who are self-employed, work as unpaid family workers, and those working in private households. Further, Chart 2 reflects both full- and part-time employment. The Employment Development Department estimates that 18% of California workers hold part-time jobs. Individuals who hold more than one job may be counted more than once. Given the rapidly changing global and domestic markets, these data limitations can be problematic for policy makers, as well as the public, in understanding our economy.

Defining What Constitutes a Business

In 2016 (most recent data), there were 4.2 million establishments (single business locations) in California. The most common structure for a business in California is a nonemployer sole proprietorship, comprising nearly 90% of all nonemployer establishments. The term “business” is often used as a general term representing a range of legal structures. As an example, while sole proprietorships most commonly have no employees, the single owner businesses are allowed to hire 1099-employees. Nonemployer firms may also have many legal structures, including those formed as S-corporations, partnerships, and C-corporations, among other corporate legal structures.

In 2016, of the 4.2 million establishments in California, there were 3.2 million nonemployer establishments as compared to 922,000 employer establishments. The top three industry sectors with the largest number of nonemployer sole proprietorships included Professional, Scientific, and
Technical Services (507,000 establishments), Transportation and Warehousing (297,000 establishments), and Real Estate and Rentals (271,000 establishments). Total establishments revenues for nonemployer sole proprietorships, across all industry sectors, were $113 billion in receipts in 2016.

Among businesses that employ workers, the most common employer establishment are those with under 20 employees, representing nearly 90% of all establishments. These smaller size businesses are also the state’s largest net job generators. Chart 3 -- California Small Business By Firm Size shows both employer and nonemployer data by industry subindustry sectors for 2015. Appendix E (page xii) includes additional information about California’s small business economy including a further breakdown by number of employees and their relationship to the U.S., in general, as well as other information from the 2012 Survey of Business Owners. For reference, one firm may have multiple locations, i.e. establishments.

### Income Inequality

While California’s dominance in innovation-based industries is unquestionable, the divide between the middle and lower income households and the top income earners is accelerating. Even as California’s unemployment is at historic lows, unemployment within certain geographic regions and population groups remains significantly higher, as does the number of people in the state who are not participating within the core economy. Chart 4 – Selected Data on Unemployment shows unemployment-related information by selected counties and population groups.

<table>
<thead>
<tr>
<th>Industry</th>
<th>1-499 Employees</th>
<th>1-20 Employees</th>
<th>Nonemployer</th>
<th>Total Small Firms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professional, Scientific, &amp; Technical Services</td>
<td>112,446</td>
<td>104,922</td>
<td>548,841</td>
<td>661,287</td>
</tr>
<tr>
<td>Health Care and Social Assistance</td>
<td>90,191</td>
<td>82,057</td>
<td>270,162</td>
<td>360,353</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>69,266</td>
<td>63,031</td>
<td>236,204</td>
<td>305,470</td>
</tr>
<tr>
<td>Construction</td>
<td>68,623</td>
<td>62,392</td>
<td>222,031</td>
<td>290,654</td>
</tr>
<tr>
<td>Other Services (except Public Administration)</td>
<td>66,292</td>
<td>61,262</td>
<td>489,079</td>
<td>555,371</td>
</tr>
<tr>
<td>Accommodation and Food Services</td>
<td>63,456</td>
<td>49,241</td>
<td>46,460</td>
<td>109,916</td>
</tr>
<tr>
<td>Wholesale Trade</td>
<td>50,495</td>
<td>43,661</td>
<td>62,926</td>
<td>113,421</td>
</tr>
<tr>
<td>Real Estate, Rental, and Leasing</td>
<td>41,346</td>
<td>39,350</td>
<td>324,150</td>
<td>365,496</td>
</tr>
<tr>
<td>Administrative, Support, and Waste Management</td>
<td>36,101</td>
<td>31,524</td>
<td>251,710</td>
<td>287,811</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>35,088</td>
<td>27,151</td>
<td>47,837</td>
<td>82,925</td>
</tr>
<tr>
<td>Finance and Insurance</td>
<td>28,170</td>
<td>26,195</td>
<td>87,348</td>
<td>115,518</td>
</tr>
<tr>
<td>Arts, Entertainment, and Recreation</td>
<td>22,276</td>
<td>20,434</td>
<td>210,277</td>
<td>232,553</td>
</tr>
<tr>
<td>Transportation and Warehousing</td>
<td>18,373</td>
<td>16,102</td>
<td>241,833</td>
<td>260,206</td>
</tr>
<tr>
<td>Information</td>
<td>15,903</td>
<td>13,989</td>
<td>61,246</td>
<td>77,149</td>
</tr>
<tr>
<td>Educational Services</td>
<td>12,112</td>
<td>9,498</td>
<td>88,655</td>
<td>100,767</td>
</tr>
<tr>
<td>Agriculture, Forestry, Fishing and Hunting</td>
<td>1,815</td>
<td>1,587</td>
<td>12,994</td>
<td>14,809</td>
</tr>
<tr>
<td>Mining, Quarrying, &amp; Oil and Gas Extraction</td>
<td>540</td>
<td>436</td>
<td>3,616</td>
<td>4,156</td>
</tr>
<tr>
<td>Utilities</td>
<td>477</td>
<td>419</td>
<td>1,589</td>
<td>2,066</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>734,243</strong></td>
<td><strong>656,542</strong></td>
<td><strong>3,206,958</strong></td>
<td><strong>3,941,201</strong></td>
</tr>
</tbody>
</table>

Source: Small Business Administration, California Profile, 2018
The data shows income disparities are increasing, which is impacting a range of economic and societal issues. California is not unique in experiencing a rise in income inequality. National data shows that while the top 1% of income households were significantly impacted by the recession, by 2017 annual revenues had risen to the highest levels ever. Between 1979 and 2017, the income for the top 1% of income households cumulatively rose by 157%.

*Chart 5 – The Upward March of Income Inequality* is based on data from “Working Economies,” a blog of the Economic Policy Institute, and shows the significant divergent increases in income between three groups during the period of 1979 through 2017. For the top 0.1% of income households, earnings had increased by 343.2%, as compared to the earnings of the bottom 90% of households, which experienced an increase of only 22.2%.

The Economic Policy Institute also reviewed income inequality by state and major metropolitan area. Based on 2015 data, every state had a sizable gap between the top 1% and the bottom 99%, with the national average being a top-to-bottom ratio of 26.3-to-1. In eight states, plus the District of Columbia (30.4-to-1), the top-to-bottom ratio exceeded the national average, including California which received a 30.7-to-1.
Other states with above national average income inequality included New York (44.4-to-1), Florida (39.5-to-1), Connecticut (37.2-to-1); Nevada (32.7-to-1), Wyoming (31.2-to1), Massachusetts (30.9-to-1), and Illinois (27-to-1). These income discrepancies were also reported by metropolitan areas, where 45 of the 916 major metropolitan areas in the U.S. had income gaps wider than the national average.

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

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

According to the report “The New Gilded Age,” these findings are particularly significant, as the rise of top incomes relative to the bottom 99% represents a reversal of the trend that prevailed in the U.S. during the mid-20th century. From 1928 to 1973, the share of income held by the top 1% declined in every state for which data was available.

What Happened to the California Dream?
The impact of this expanding income inequality is being felt broadly across our society. The ability to get an education, pursue a career, purchase a home, and live-out old age with some level of economic security is being challenged. While median income remains above $71,000 a year, 5.1 million people in California have incomes below the federal poverty line, including 18.1% of all children. For too many people, a big medical bill or an unforeseen home repair could result in a downward spiral potentially even ending in homelessness.

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

The Public Policy Institute of California published data for a similar time span for households in California. **Chart 6 – Income Inequality in California (2007 to 2014)** shows the growing income inequality within six major regions in the state. Between 2007 and 2014, the income gap grew most significantly in the Inland Empire, followed by the Sacramento Region.

In addressing income inequality and creating inclusive economic growth, the Legislature undertook a range of actions. Some actions focused on the needs of California’s lowest income residents, while others addressed the loss of the middle class. Legislation is described in Appendix C (page v), and past budget actions are outlined in Appendix G (page xxiii). Appendix F (xvii) includes highlights
from Governor Newsom’s proposed budget for 2019-20, which he is calling “The Budget for All Californians.”

The Franklin Plan – One Community’s Experience

In December of 2016, the Franklin Neighborhood Development Corporation (FNDC), working in partnership with the Franklin Boulevard Business Association, published “The Franklin Plan,” a neighborhood-based strategy, developed and authored by Dr. Jesus Hernández, which would help stabilize the Franklin Boulevard business corridor and the surrounding community.

Geographically bounded by Sutterville Road to the north, Turnbridge Road to the south, State highway 99 to the east, and the Union Pacific Railroad line to the west, the area had experienced significant social and economic hardship for decades. According to the strategy, the Franklin neighborhood has served as a “port of entry” for immigrants from South America and South East Asian countries for over 50 years. It is an ethnically diverse and youthful population of 11,000 residents.

In guiding the development of the Franklin Plan, FNDC set three goals:

- Create a healthy and safe place to live and work.
- Promote an active and growing business district that supports the needs of the neighborhood and local entrepreneurs.
- Become an active participant in the rapidly changing regional economy.

In achieving these goals, the strategy applies energy efficiency and economic development tools to implement sustainable community principles. Complicating the development of the strategy was the loss of redevelopment, which historically served as a funding source and policy framework for these types of activities. Today, among the largest sources of funds and initiatives are those associated with climate change adaption and mitigation. During the course of the March 5, 2019, Assembly Jobs Committee hearing, representatives from several of these large public programs will be participating, including Caltrans, the California Energy Commission, and the Strategic Growth Council.

At its core, the Franklin Plan sets out the building blocks for “circular economic activity – where ecologically driven, equity conscience public investment is restorative and regenerative by design at the neighborhood scale.” Dr. Hernández’ presentation will provide members with a unique perspective by learning how local communities are applying for and combining resources to meet neighborhood-level community and economic development challenges.

The California Department of Transportation

The Road Repair and Accountability Act of 2017 [SB 1 (Beall), Chapter 5, Statues of 2017] was enacted by the Legislature to provide a long-term transportation funding source for road safety improvements and the repair of local streets, highways, and bridges. Over a ten-year period, $54 billion is expected to be made available for a range of specified transportation activities. Among other provisions, SB 1 and the related bill SB 103 (Senate Budget Committee), Chapter 95, Statutes of 2017, require:

1. The establishment of a pre-apprenticeship and apprenticeship training grant program.
2. An increase in procurement opportunities for new and limited contracting small business enterprises owned by women, minorities, members of the LGBT community, and other disadvantaged groups.

3. The achievement of at least 25% small business participation in state-funded contracts and procurements. The requirements apply to all Caltrans transportation programs, including, but not limited to, state road repairs, bridge repairs and maintenance, trade corridors, congestion commute corridors, and local partnerships.

To operationalize these requirements, Caltrans is required to develop and share with the Legislature a detailed outreach plan and to report on its contracting practices annually. The outreach plan is also subject to regular review by the Inspector General of the Independent Office of Audits and Investigation.

In January 2019, Caltrans released its Small Business Outreach Plan and Implementation Report, which “proposes a balance of new outreach strategies and approaches, as well as enhancements to existing efforts, that seek to build upon Caltrans’ successes at increasing dollar value of contracts and procurement awarded to certified small businesses, disabled veteran business enterprises (DVBEs), and disadvantaged business enterprises (DBEs).”

**Definition of DVBE**

A DVBE is a business certified by the administering agency as meeting all of the following requirements:

- The legal structure of the business is one of:
  - Sole proprietorship with at least 51% owned by one or more disabled veterans;
  - Publicly owned business with at least 51% of its stock unconditionally owned by one or more disabled veterans;
  - Subsidiary that is wholly owned by a parent corporation, but only if at least 51% of the voting stock of the parent corporation is unconditionally owned by one or more disabled veterans; or
  - Joint venture in which at least 51% of the joint venture’s management, control, and earnings are held by one or more disabled veteran.

- The management and control of the daily business operations are by one or more disabled veterans. A disabled veteran is a veteran of the military, naval, or air service of the U.S. who has a service-connected disability of at least 10% and who is domiciled in the state.

- The disabled veterans who exercise management and control are not required to be the same disabled veterans as the owners of the business.

- The business has a home office located in the United States, which is not a branch or subsidiary of a foreign corporation, foreign firm, or other foreign-based business.

**Background on Current State Targeted Procurement Programs**

The SB 1 and SB 103 requirements build upon and enhance existing state laws and practices that encourage state agencies to contract with small businesses and DVBEs. This includes the Small Business Procurement and Contract Act (Small Business Procurement Act), administered through the Department of General Services.

Implemented more than 30 years ago, the purpose of the Small Business Procurement Act is to increase small business and DVBE (added in 1989) participation in state procurement activities. The Small Business Procurement Act states that by aiding the interests of small business, the state is preserving free, competitive enterprise and that it is California’s policy to ensure that a fair portion of the total purchases and contracts be placed with these enterprises. The statute further states that DVBE participation is strongly encouraged to address the special needs of disabled veterans seeking rehabilitation and training through entrepreneurship, and to recognize the sacrifices of California's disabled military veterans. Statute sets an annual 3% DVBE participation goal, and a 25% goal is set through executive order for small businesses and microbusinesses.
A majority of DVBEs are smaller size firms with 75.4% having a dual certification as a DVBE and microbusiness and 9.6% having a dual DVBE and small business certification. The remaining 15% of DVBEs operate with only a single DVBE certification. In 2015-16, DGS certified 2,043 DVBEs and 25,824 small businesses and microbusinesses.

The 25% small business and the 3% DVBE procurement participation goals are applied to the state agency’s or department's overall contracting activities in the given fiscal year and may be achieved by awarding contracts to certified small businesses and DVBEs as prime contractors or when certified small businesses and DVBEs are used as subcontractors.

Awarding departments have an option of including small business and DVBE participation in every contract or making alternative arrangements, as long as the 25% and 3% objective is met at the end of the year. Departments also have the option of offering a 1% to 5% DVBE contracting preference or a 5% small business incentive to encourage bidders to use certified small business and DVBE subcontractors.

Each agency and department is required to designate a small business and DVBE contracting liaison to facilitate it in meeting the 3% DVBE goal and the 25% small business goal. Due to the size of its contracting activities, Caltrans has a special office to oversee its targeted procurement requirements – the Office of Business and Economic Opportunity. State departments that fail to meet the annual 25% and 3% goals can have their delegated contracting authority removed, although DGS has never removed program authority solely based on an agency’s or department's failure to meet its small business or DVBE contracting goals.

**Background on Federal Disadvantaged Business Enterprise**

While contracting preferences based on gender, race, and ethnicity are prohibited under the California Constitution *(Proposition 209)* for contracting using state public moneys, federal contracting requirements attached to federal transportation dollars require Caltrans to:

- Certify the eligibility of DBE firms to participate in their DOT-assisted contracts.
- Establish goals for the participation of disadvantaged entrepreneurs.
- Evaluate their DOT-assisted contracts throughout the year and establish contract-specific DBE subcontracting goals as necessary to achieve the overall goal of the agency.

DBEs are for-profit small businesses where socially and economically disadvantaged individuals own at least a 51% interest and are in control of management and the daily operations of the business. African Americans, Hispanics, Native Americans, Asian-Pacific and Subcontinent Asian Americans, and women are presumed to be socially and economically disadvantaged.

Other individuals can also qualify as socially and economically disadvantaged on a case-by-case basis. According to a DOT online flyer, in order to be regarded as “economically disadvantaged,” an individual must have a personal net worth that does not exceed $1.32 million. A small business is a
firm that meets Small Business Administration size criteria and have average annual gross receipts not exceeding $23.98 million.

The Outreach Plan

The Small Business Outreach Plan is intended to diversify the number of businesses and categories of business ownership which participate in the $54 billion in contracts anticipated to be made available through the Road Repair and Accountability Act of 2017. In meeting these requirements, Caltrans is mandated to minimally undertake the following actions: to diversify the number of businesses and categories of business ownership which will participate in the $54 billion in contracts anticipated to be made available through the Road Repair and Accountability Act of 2017:

- Improve partnerships with the Department of Industrial Relations, Division of Apprenticeship Standards, and Federal Highway Administration by exploring opportunities for underrepresented individuals to participate in apprenticeship programs to increase participation in the transportation construction industry [Government Code section 14110.1(b)(1)].

- Improve partnerships with business assistance organizations, including, but not limited to, Caltrans’ Disadvantaged Business Enterprise Supportive Services consultants, who host workshops, training classes, and other activities around the state focused on opportunities to contract with Caltrans [Government Code section 14110.1(b)(2)].

- Introduce new and limited contracting small business enterprises to prime contractors by organizing business matchmaking events and activities, contract-specific outreach events, and meetings with industry organizations [Government Code section 14110.1(b)(3)].

- Establish baseline metrics, collect and track contracting and procurement data, maintain district-specific contact lists, and inform new and limited contracting small business enterprises of upcoming opportunities to increase contacts between these enterprises and prime contractors [Government Code section 14110.1(b)(4)].

- Expand opportunities for underrepresented groups to participate in Caltrans’ statewide Small Business Council, Disadvantaged Business Enterprise Participation Committee, and other partnering activities to inform members of opportunities to participate in transportation contracts [Government Code section 14110.1(b)(5)].

To support the goals and objectives of the Small Business Outreach Plan, Caltrans has incorporated other small business contracting requirements, including the following:

- Achieve a minimum of 25% certified Small Business participation in Caltrans’ state-funded contracts and procurements [Government Code section 14110.3].

- Collect and report voluntarily reported data on recipients of Caltrans’ contract awards [Government Code section 14110.2].

- Take steps to raise the disparity indices for Caltrans’ contracts awarded under the federal DBE program [Government Code section 14110.4(a)].

- Implement recommendations from Caltrans’ DBE disparity studies [Government Code section 14110.4(b)].

- Publish notices of Caltrans’ contracting opportunities in publications whose primary audience consists of underrepresented groups [Public Contract Code section 10140(c)(2)].
Chart 7 – Caltrans Targeted Procurement Activities, on the following page, shows Caltrans’ baseline and benchmarks for evaluating their outreach efforts.

<table>
<thead>
<tr>
<th>Program</th>
<th>Overall Goal</th>
<th>Scope</th>
<th>Authority</th>
<th>Caltrans’ 2017-18 Participation Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small Business</td>
<td>25%</td>
<td>Applies to state-funded contracts and procurements</td>
<td>Government Code Section 14110.3</td>
<td>28.5%</td>
</tr>
<tr>
<td>DVBE</td>
<td>3%</td>
<td>Applies to state-funded contracts and procurements</td>
<td>Military and Veterans Code Section 999.1</td>
<td>4.9%</td>
</tr>
<tr>
<td>DBE</td>
<td>17.6%</td>
<td>Applies to contracts and procurements funded in part or in whole with U.S. Department of Transportation</td>
<td>Title 49, Code of Federal Regulations, Part 26.45</td>
<td>12.1%</td>
</tr>
</tbody>
</table>


Implementation of the Small Business Outreach Plan will be the responsibility of the Caltrans Office of Business and Economic Opportunity, who will engage with Caltrans’ 12 district offices, as well as other Caltrans divisions with project delivery-related functions.

In addition, the Office of Business and Economic Opportunity will chair a workgroup of internal stakeholders to facilitate the tracking and monitoring of the plan. The Training and Outreach Branch of the Office of Business and Economic Opportunity will be responsible for assisting small businesses, including DVBEs and DBEs, in understanding Caltrans procurement opportunities. As an example, the Training and Outreach Branch will host business certification events, subcontractor training workshops, pre-proposal conferences, and matchmaking events where prime contractors looking for new subcontractor partners can meet.

The Office of Business and Economic Opportunity also works with the District Small Business Liaisons to increase small business, DVBE, and DBE procurement participation, including hosting bimonthly conference calls and an annual two-day training symposium. Chart 8 – Examples of Outreach Goals highlights a selection of goals beyond contracting target amounts, as shown in the prior chart.

<table>
<thead>
<tr>
<th>Description</th>
<th>Target</th>
<th>Baseline and Measurement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase the number of newly certified DBEs who participate on highway construction and professional services contracts.</td>
<td>100% increase in calendar year 2019.</td>
<td>158 (the 2018 number of DBE certifications)</td>
</tr>
<tr>
<td>Conduct outreach to *new and **limited contracting small businesses to inform them of upcoming contracting opportunities. *A certified small business with fewer than two Caltrans contracts in prior two years. **A certified small business with fewer than five Caltrans contracts in previous two years.</td>
<td>To be determined based on a correlation between outreach efforts.</td>
<td>Based on the correlation between outreach efforts and bid submittals and potential awards.</td>
</tr>
<tr>
<td>Sponsor, fund, or partner with apprenticeship programs, including those in the transportation construction industry for all groups including women, minorities, LGBT, disabled veterans, disadvantaged youth, and formerly incarcerated.</td>
<td>Use Federal Highway Administration’s On-the-Job Training Supportive Services program.</td>
<td>Use forecasting by the U.S. Department of Labor and other to determine which crafts to target for apprenticeship training.</td>
</tr>
</tbody>
</table>

The California Energy Commission

The California Energy Commission was established for the purpose of serving as the state’s primary energy policy and planning agency. The work of the California Energy Commission is overseen by a five-member board, which is appointed by the Governor and subject to confirmation by the State Senate.

With the increasing impacts of climate change on the state, the need to develop and deploy new technologies to reduce GHG emissions and encourage the use of alternative energy sources has increased the urgency of the California Energy Commission’s role in advancing state energy policy, encouraging energy efficiency, investing in energy innovation, developing renewable energy, and transforming the state’s transportation networks. Chart 9 – GHG and Air Quality Standards highlights a number of the legislative and administrative policy changes, which have been adopted in recent years to address climate change and make air quality improvements.

<table>
<thead>
<tr>
<th>Policy Origin</th>
<th>Objectives</th>
<th>Goals and Milestones</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assembly Bill 32</td>
<td>GHG Reduction</td>
<td>Reduce GHG emissions to 1990 levels by 2020</td>
</tr>
<tr>
<td>Senate Bill 32 and Executive Order B-30-15</td>
<td>GHG Reduction</td>
<td>Reduce GHG emissions to 40 percent below 1990 levels by 2030</td>
</tr>
<tr>
<td>Executive Order S-3-05</td>
<td>GHG Reduction</td>
<td>Reduce GHG emissions to 80% below 1990 levels by 2050</td>
</tr>
<tr>
<td>Senate Bill 1383</td>
<td>GHG Reduction</td>
<td>Reduce emissions of short-lived climate pollutants to 40-50% below 2013 levels by 2030</td>
</tr>
<tr>
<td>Low-Carbon Fuel Standard</td>
<td>GHG Reduction</td>
<td>Reduce carbon intensity of transportation fuels in California by 10 percent by 2020</td>
</tr>
<tr>
<td>Clean Air Act; California State Implementation Plans</td>
<td>Air Quality</td>
<td>80% reduction in NOX by 2031</td>
</tr>
<tr>
<td>Executive Order B-16-2012</td>
<td>Increase Zero-Emission Vehicles</td>
<td>Infrastructure to accommodate 1 million electric vehicles by 2020 and 1.5 million electric vehicles by 2025 in California</td>
</tr>
<tr>
<td>Executive Order B-48-18</td>
<td>Increase Zero-Emission Vehicles</td>
<td>250,000 electric vehicle chargers and 200 hydrogen refueling stations by 2025; 5 million zero-emission vehicles by 2030</td>
</tr>
<tr>
<td>Executive Order B-32-15 on Sustainable Freight</td>
<td>Air Quality</td>
<td>Improve freight efficiency and transition freight movement to zero-emission technologies</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Petroleum Reduction</th>
<th>GHG Reduction Petroleum Reduction</th>
</tr>
</thead>
</table>

In meeting its responsibilities, the California Energy Commission administers a range of grant and loan programs, including the Alternative and Renewable Fuel and Vehicle Technology Program (Alternative Fuel Program). Up to $100 million is awarded annually through the Alternative Fuel Program to assist the state in transitioning to alternative and renewable fuels. Early adaptation and transition to alternative fuel and vehicle types is essential to the state’s reduction of GHG emissions.

Although workforce development is among the list of eligible activities, funding for training had been limited prior to 2016. Of the $100 million available each year, the California Energy Commission’s investment plan proposed under $3 million annually from 2014-15 through 2016-17.
In 2016, the Assembly Jobs Committee heard and passed legislation to expand the criteria for selecting projects funded through the Alternative Fuel Program as a means to incentivize applications that include workforce training components linked to career pathways in the clean technology and alternative fuels industry sectors [AB 1697 (Bonilla), Chapter 446, Statutes of 2016].

Since the enactment of AB 1697, the California Energy Commission has increased its annual investment plan recommendation to $3.4 million for new program awards and has stated that it is exploring new opportunities to expand workforce training and development efforts through pilot programs that focus on alternative fuels and vehicle career pathways for high school students, especially in disadvantaged communities. The California Energy Commission believes that the new high school pilot program compliments the commission’s ongoing program funding through the Community Colleges.

The state’s focus on zero emission vehicles is also providing additional funding opportunities to expand in-state manufacturing capacity of zero-emission vehicles, components, and infrastructure, as well as developing a workforce pipeline of sufficient size to support these emerging transportation technologies. The 2018-19 Investment Plan proposes $8.5 million for zero-emission vehicle infrastructure, including support for manufacturing and workforce development.

**Chart 10 – Workforce Training Funding** provides a breakdown of Alternative Energy Program investments in workforce from 2008 through 2015-16. Since inception, the California Energy Commission has awarded $31.9 million of Alternative Fuel Program funds to nearly 100 recipients for workforce development programs serving 17,440 trainees at 277 business sites.

<table>
<thead>
<tr>
<th>Partner Agency</th>
<th>Funded Training (in millions)</th>
<th>Match Contribution (in millions)</th>
<th>Trainees</th>
<th>Businesses Assisted</th>
<th>Municipalities Assisted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employment Training Panel</td>
<td>$13.5</td>
<td>$10.8</td>
<td>15,944</td>
<td>151+</td>
<td>16+</td>
</tr>
<tr>
<td>Employment Development Department</td>
<td>$8.2</td>
<td>$7.5</td>
<td>999</td>
<td>36+</td>
<td>--</td>
</tr>
<tr>
<td>Community College Chancellor's Office</td>
<td>$5.5</td>
<td>N/A</td>
<td>N/A</td>
<td>68+</td>
<td>--</td>
</tr>
<tr>
<td>California Workforce Development Board</td>
<td>$0.25</td>
<td>$0.5</td>
<td>N/A</td>
<td>N/A</td>
<td>--</td>
</tr>
<tr>
<td>Community College Chancellor's Office</td>
<td>$0.25</td>
<td>$0.5</td>
<td>N/A</td>
<td>N/A</td>
<td>--</td>
</tr>
<tr>
<td>Advanced Transportation and Technology Energy Centers</td>
<td>$2.0</td>
<td>N/A</td>
<td>Pending</td>
<td>Pending</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$29.70</strong></td>
<td><strong>$19.3</strong></td>
<td><strong>16,943</strong></td>
<td><strong>255+</strong></td>
<td><strong>16+</strong></td>
</tr>
</tbody>
</table>

Source: 2018-19 Investment Plan for the Alternative and Renewable Fuel and Vehicle Technology Program

Here is an example of the type of work being undertaken through these interagency agreements: The Employment Training Panel and Blue Sky received a $59,280 Program grant to train 19 employees to update their manufacturing skills, including yard workers, operations/maintenance staff, refiners, and drivers in the processing and distribution of biodiesel products.

**Diversifying Contracting Opportunities**

The California Energy Commission adopted its Diversity Policy Resolution in 2015, which outlines its commitment to ensure “all Californians have an opportunity to participate in and benefit from Energy
Commission programs that can lead to job creation and training, improved air quality, and energy efficiency and environmental gains.”

The resolution memorializes the Commission’s belief that California’s energy goals can best be met by tapping into the diversity of thought, talent, and perspectives of all Californians and by fulfilling its commitment to encourage disadvantaged and underrepresented businesses and communities – including disabled veteran-, women-, LGBT- and minority-owned businesses – to access commission programs. The California Energy Commission’s three diversity goals are to:

- Increase funding opportunities for diverse business enterprises.
- Increase program benefits in disadvantaged communities (as defined by Cal EnviroScreen).
- Increase diversity among the Commission workforce and vendors.

That same year, the Assembly Jobs Committee heard and passed AB 865 (Alejo), Chapter 583, Statutes of 2015, which required the California Energy Commission to develop and implement an outreach program to specifically inform businesses owned by women, minorities, disabled veterans, and LGBTQ individuals of California Energy Commission workshops, training, and funding opportunities. The bill also encouraged the establishment of a diversity task force to help guide the commission’s efforts. The bill also required contractors, grantees, and loan awardees to report demographic information in order to assist the commission in tracking outcomes or outreach activities.

In responding to their new diversity policy and AB 865, the California Energy Commission opened a new proceedings in 2016. Among other actions, the commission launched a new diversity webpage to consolidate information (https://www.energy.ca.gov/commission/diversity/index.html) and established the legislatively recommended task force. Task force members included key stakeholder groups, including representatives from industry, minority businesses, women-owned businesses, DVBE advocates, LGBT business enterprises, disadvantaged community advocates, and tribes. Staff was not able to identify the mandated energy reports on the website and will follow-up with the California Energy Commission directly.

**Background on Supplier Diversity Through Public Utilities**

AB 865 is based on supplier diversity programs offered through the California Public Utilities Commission (CPUC). Below is background on the CPUC program.

Beginning in 1986, the Legislature enacted a series of statutes, and the CPUC adopted GO 156 for the purpose of encouraging greater diverse business participation in utility contracts. Currently, utilities that are mandated to participate in GO 156 include electrical, gas, water, wireless telecommunications service providers, and telephone corporations with gross annual revenues over $25 million including commission-regulated subsidiaries and affiliates.

Statute and GO 156 include rules and regulations for the utilities’ compliance with the Supplier Diversity contracting program, and require participating utilities to inform, recruit, and work toward having at least 21.5% of their procurement activities over a five-year period be with business enterprises primarily owned and operated by minorities, women, and disabled veterans. More specifically, the targets are 15% for minority-owned businesses, 5% for women-owned businesses, and 1.5% for DVBEs. The CPUC has not yet set a minimum procurement participation target for LGBT-owned business enterprises.
In order for the procurement activities to count toward supplier diversity goals, a woman-, minority-, or LGBT-owned business enterprise has to become certified through an entity recognized by the CPUC’s Utility Diversity Supplier Program clearinghouse. These third-party certifications generally cost money. Businesses owned and operated by disabled veterans use the free DGS certification process established under the California Disabled Veteran Business Enterprise Program. As of July 31, 2017, the Clearinghouse database has a total of 8,270 verified diverse vendors, including:

- 2,736 woman business enterprises
- 2,514 minority business enterprises
- 1,232, minority woman-owned or woman and minority male–owned businesses
- 1,823, DVBEs
- 110 LGBT-business enterprises

Regulated entities are also required to annually submit a detailed and verifiable plan, with goals and timetables, for increasing diverse business participation in all categories of procurement, including technology, equipment, supplies, services, materials, and construction. Although there is no penalty for the failure of a utility to meet the goals, each utility is required to report annually on its progress. The CPUC, in turn, is required to make an annual progress report to the Legislature.

**Strategic Growth Council**

The Strategic Growth Council is a cabinet level committee established through Senate Bill 732 (Steinberg), Chapter 729, Statutes of 2007. The Strategic Growth Council is responsible for coordinating state agency activities related to:

1. Strengthening the economy;
2. Improving transportation;
3. Promoting water conservation;
4. Improving air and water quality;
5. Promoting public health and equity;
6. Revitalizing community and urban centers;
7. Protecting natural resources and agricultural lands;
8. Increasing the availability of affordable housing;
9. Encouraging greater infill and compact development;
10. Assisting state and local entities in the planning of sustainable communities and meeting AB 32 (Nunez) goals; and
11. Advancing the priorities developed in Safeguarding California, the State’s climate adaptation strategy.

Members of the Strategic Growth Council include the Director of State Planning and Research; the Secretary of the Natural Resources Agency; the Secretary for Environmental Protection; the Secretary of Transportation; the Secretary of California Health and Human Services; the Secretary of Business, Consumer Services, and Housing; the Secretary of Food and Agriculture; one member of the public appointed by the Speaker of the Assembly; one member of the public appointed by the Senate Committee on Rules; and one member of the public appointed by the Governor.

Among other activities, the Strategic Growth Council works with member state entities to achieve enhanced environmental, social and economic outcomes, including helping the state to meet the goals of the California Global Warming Solutions Act of 2006 and the strategies and priorities developed in the state’s climate adaptation strategy. A particular focus of the Strategic Growth Council is their

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**Strategic Growth Council Vision**

We advance California’s collaborative efforts to shape how and where we grow, working to achieve equitable and resilient communities and landscapes for all Californians.
work with local governments and regional agencies in developing and planning sustainable communities. In support of this work, the Strategic Growth Council administers a number of grant and loan programs.

**Chart 11 – Strategic Growth Council 2017-18 Awards** shows aggregate funding levels for the Strategic Growth Council for the prior fiscal year. Funding for these activities primarily comes from the Cap-and-Trade auction proceeds. Both the Affordable Housing and Sustainable Communities and Sustainable Agricultural Lands Conservation programs have committed annual funding of 20% of Greenhouse Reduction Fund moneys through 2030.

According to their annual report, key achievements of the Strategic Growth Council for 2017-18 include:

- Awarding the first round of **Transformative Climate Communities** funding ($140 million) — $70 million to the City of Fresno, $35 million to the City of Ontario, and $35 million to the neighborhood of Watts in the City of Los Angeles. This place-based, community-driven program will provide significant catalytic investments of resources in some of the state’s most disadvantaged communities.

- Establishing the **Climate Change Research Program** ($11 million), which will provide grants between $100,000 and $1 million for smaller research projects and up to $5 million for larger research partnerships. As an initial step, the Strategic Growth Council held listening sessions with the research community at the Lawrence Berkeley National Laboratory, the Greenlining Institute, and the University of Southern California. In its first year, the Strategic Growth Council received 69 applications totaling $87 million of requested funds.

- Awarding the third round of the **Affordable Housing and Sustainable Communities** and **Sustainable Agricultural Lands Conservation** programs ($300+ million). In total, these two programs have invested over $750 million, built 4,100 affordable homes, and reduced 1.1 million tons of GHG. These programs fund affordable housing near transit, protect agricultural lands, and create healthier, stronger, and more sustainable communities.

- Awarding another round of the **California Climate Investments Technical Assistance Program** ($5 million), which assists communities with fewer resources in accessing the other funding through the California Climate Investment Programs. Awards were made to the City of Moreno Valley, City of Oakland, City of Richmond, City of Stockton, Gateway Cities Council of Governments, Sacramento County, Los Angeles County, Riverside County, the Coachella Valley Association of Governments, and Bay Area Air Quality Mitigation District. Technical assistance represents a key aspect of the Strategic Growth Council’s vision of socially equitable, vibrant communities.

- Hosting the **Community Leadership Summit** in March 2018 and other activities to promote California Climate Investment Programs and Technical Assistance opportunities.

<table>
<thead>
<tr>
<th>Program</th>
<th>Aggregate Funding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Affordable Housing and Sustainable Communities Program</td>
<td>$257.4 million</td>
</tr>
<tr>
<td>Sustainable Agricultural Lands Conservation Program</td>
<td>$75 million</td>
</tr>
<tr>
<td>Transformative Climate Communities Planning Grants</td>
<td>$1.5 million</td>
</tr>
<tr>
<td>Technical Assistance Pilot for CCI’s</td>
<td>$7 million</td>
</tr>
<tr>
<td>Climate Change Research Program</td>
<td>$27 million</td>
</tr>
<tr>
<td><strong>Total Funding</strong></td>
<td><strong>$547.9 million</strong></td>
</tr>
</tbody>
</table>

- Being designated as the lead state agency to coordinate the Sustainable Communities Challenge Area of the *Global Climate Action Summit*. The Global Climate Action Summit, held in September 2018 in San Francisco, brought together stakeholders from states, regions, cities, business, and citizens to discuss what new and ambitious actions can be taken to address the potential impacts of climate change.

- Launching the first ever state-level *Government Alliance on Race and Equity*, which included a range of state agencies for the purpose of developing action plans that identify priority policy opportunities to advance racial equity through their work.

- Launching a *new, user-friendly, and informative website* to help stakeholders navigate the Strategic Growth Council’s programs and initiatives.

The Strategic Growth Council uses an innovative application review process and governance structure, which includes, depending on the specific program, interagency review panels, steering committees, and working groups, as well as subject panel specialists. While GO-Biz is not currently a member of the Strategic Growth Council, relevant applications are shared with GO-Biz as a subject matter specialist.

To learn more about the application awards process, Assembly Jobs Committee staff reviewed several agenda packets of the Strategic Growth Council. The multi-level and interagency application review process has resulted in detailed assessments of not only proposed projects, but of the application review process itself. As an example, the December 2018 award packet for the Transformative Climate Communities Program included recommendations on several areas for program improvement including, but not limited to:

- Providing clarity on the workforce requirements, noting that all applications lacked a clear plan for place-based workforce development aligned with regional goals. “New updates to the TCC Guidelines should encourage applicants to explore how TCC funds can result in identifying innovative approaches to workforce development that would address workforce needs of the Project area residents.”

- Supporting arts and culture. The program staff requested approval to provide specific guidance on how arts and culture can be used as a strategy for transformation.

- Expanding eligibility for future rounds of funding. Program staff recommend expanding eligibility to include unincorporated areas of the state, as current eligibility was limited to disadvantaged communities within urban areas.

**Framing the Issues**

Creating inclusive economic growth requires policies that move beyond safety nets and traditional poverty alleviation programs. Individuals and families must have options that represent real opportunities to start a business or undertake work within career pathways that are forward looking, flexible, and relevant within the Fourth Industrial Revolution’s world of work. If the goal is for all Californians to achieve independent economic security, state policies will need to be realigned, integrated, and funded in ways not currently being broadly practiced.

Inclusive growth is not a new program, but a way of thinking and doing. Presenters at the Assembly Jobs Committee’s February 26, 2019, hearing identified three key actions for addressing the increasing disparities within California: upskilling individuals to meet market challenges, establishing integrated
and accountable governance structures, and removing barriers for start-ups, entrepreneurs, and expanding businesses, including manufacturers.

With an economy larger than all but four nations in the world, an annual state budget exceeding $100 billion, and a culture of diversity and innovation, California could be ready to embrace an inclusive development model that builds resiliency and supports regional and neighborhood priorities while creating competitive advantages for businesses and workers.

At the March 5, 2019, hearing, Members will hear from government leaders and an academic/practitioner about many of these similar topics. Each of our valued witnesses have been asked to share their insights on the right mix of policies and programs to leverage existing state resources to advance a more prosperous and inclusive economy. Among other issues, the Members may want to consider questions related to the following:

**Upskilling individuals to meet market challenges**
- How can the public and private sectors address the needs of individuals who have historically been left behind when economic development and workforce preparation activities are undertaken?
- Can the state's education and workforce development systems meet the challenges of the Fourth Industrial Revolution?
- How can the state help to transcend historic divisions between career tech, college degrees, and employer needs?

**Establishing integrated and accountable governance structures**
- Does California have a strategy and organizational structure to support upward mobility and inclusive growth?
- Does the state have the right metrics to track regional progress in supporting upward mobility and inclusive growth?
- Is focusing on “biggest bang for your buck” impeding the effectiveness of state programs to serve neighborhood-level community development needs?
- Can current city planning models address the challenges of low income neighborhoods?
- Are state agencies and staff prepared to support a sustainable development model that places social and economic justice on an equal footing with environmental needs?
- How can e-commerce platforms, technical assistance, and the development of better regulatory implementation methods reduce government impediments to economic growth and support upward mobility?

**Removing barriers for start-ups, entrepreneurs, and expanding businesses, including manufacturers**
- Where are the opportunities for enhancing the global competitiveness of businesses and workers?
- What actions can the state take to reduce de facto barriers to the re-shoring of manufacturing and encourage expansion of research and development facilities in California?
- What strategies should the state use to engage nonprofit and for-profit investors in helping to build a modern infrastructure network capable of producing and moving goods, services, and workforce throughout the state, country, and across the world?
• What role can the state play in supporting California businesses within an evolving federal policy on international trade and investment?

• How can the state use existing programs and resources to enhance the specific conditions necessary to support young entrepreneurs, microenterprises, and small business development?

**Materials in the Appendices**

The appendices include a summary of the California economy and other related background materials.

• Appendix A – *Agenda for the March 5, 2019, Hearing*
• Appendix B – *Fast Facts on the California Economy*
• Appendix C – *Selection of Related Legislation*
• Appendix D – *Selection of Related Reports*
• Appendix E – *California Small Business*
• Appendix F – *Summary of Selected 2019-20 Budget Proposals*
• Appendix G – *Summary of Selected Budget Actions*
• Appendix H – *Economic Trends*

**Committee Contact Information**

The Assembly Committee on Jobs, Economic Development, and the Economy is the standing committee of the California State Legislature responsible for overseeing issues related to business formation, foreign trade and investment, industrial innovation and research, and state and local economic development activities. The Committee Office is located in the Legislative Office Building at 1020 N Street, Room 359. The phone number for the Committee is (916) 319-2090.
APPENDICES
Appendix A

Leveraging Sustainable Development Resources to Support an Inclusive and Prosperous Economy

March 5, 2019, Agenda

The Assembly Committee on Jobs, Economic Development, and the Economy is convening the second in a series of hearings on the California economy and opportunities for inclusive economic growth. In this hearing, the committee will be delving more deeply into strategies to support upward mobility and independent economic security within the context of undertaking other state responsibilities.

Governor Newsom’s Chief Economic and Business Advisor will open the hearing by discussing the state’s role in income inequality and followed by presentation of a case study on neighborhood vitalization. The hearing will conclude with presentations of three of the state’s key programs that provide unique opportunities for leveraging existing state resources to support entrepreneurship and workforce development for individuals from historically underserved communities.

I. Welcome, Introductions, and Opening Statements

Chair and members of the JEDE Committee will give opening statements and frame the key issues to be examined during the hearing.

II. Framework for an Inclusive Economy

- Lenny Mendonca, Chief Economic and Business Advisor to the Governor and the Director of the Governor’s Office of Business and Economic Development.

III. Franklin Neighborhood Case Study

- Dr. Jesus Hernández, Principal with JCH Research, and former lecturer in the Sociology Department of the University of California, Davis

IV. Leveraging Sustainable Development Resources to Support Entrepreneurship and Workforce Opportunities

- Dr. Louise Bedsworth, Executive Director of the Strategic Growth Council

- Drew Bohan, Executive Director of the California Energy Commission

- Laurie Berman, Director of the California Department of Transportation

V. Public Comment

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

VI. Closing Remarks

Assembly Members will make closing remarks and offer recommendations for further actions.
Appendix B

Fast Facts on the California Economy
Compiled by: Assembly Committee on Jobs, Economic Development, and the Economy
Assemblymember Sabrina Cervantes, Chair

California Gross Domestic Product (GDP)

- California’s economy in 2017 ranked the fifth largest in the world.\textsuperscript{ii}

- California’s largest private industry sectors in 2017 were: finance, insurance, real estate, rental, and leasing (21.6% of state GDP); trade, transportation, and utilities (14.5%); professional and business services (12.8%); manufacturing (10.9%); information (8.7%); tourism and arts (4.2%); and construction (3.9%).\textsuperscript{iii}

<table>
<thead>
<tr>
<th>Comparison of 2017 GDPs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Country</td>
</tr>
<tr>
<td>---------</td>
</tr>
<tr>
<td>1 United States</td>
</tr>
<tr>
<td>2 China</td>
</tr>
<tr>
<td>3 Japan</td>
</tr>
<tr>
<td>4 Germany</td>
</tr>
<tr>
<td>5 California*</td>
</tr>
<tr>
<td>6 United Kingdom</td>
</tr>
<tr>
<td>7 India</td>
</tr>
</tbody>
</table>

Source: Department of Finance\textsuperscript{i}

Firms, Employment, and Wages

- There were 3,206,958 firms in California that had no employees in 2015, representing 82% of all firms in California (3,906,497 in total). Of firms which have employees (699,539 in total), 49.9% had 1 to 4 employees, 78.0% had less than 20 employees, 87.0% had less than 100 employees, and 89.0% had less than 500 employees (federal small business definition). Approximately 6,115 firms in California had 500 employees or more.\textsuperscript{iv}

- There were 19.5 million workers in the California labor force in December 2018 with 18.7 million individuals employed, a month-over increase of 68,000 jobs. This represents a 259,000 (1.4%) increase in jobs over the prior 12-month period.\textsuperscript{v}

- Nonfarm employment rose in ten sectors in 2018, including: professional and business services (3.2%); leisure and hospitality (2.8%); construction (2.6%); education and health services (2.5%); information (1.5%); government (1.2%); mining and logging (0.9%); financial activities (0.5%); manufacturing (0.4%); and trade, transportation, and utilities (0.4%). The only sector that lost jobs in 2018 was business in the other services r (0.7%).\textsuperscript{vi}

- California exported $171.9 billion in products in 2017 to over 220 foreign countries. Mexico ($26.7 billion) and Canada ($16.8 billion) are the state's largest export markets.\textsuperscript{vi} California imported $440.7 billion in products from other countries, accounting for 18.8% of total U.S. imports in 2017. China ($159.2 billion) and Mexico ($46.4 billion) are the state's largest import markets.\textsuperscript{vi}

- California median household income was $71,805 ($60,336 for U.S.) with 13.3% of individuals in the state (13.4% for U.S.) living on incomes at or below the federal poverty designation.\textsuperscript{vi} Using the federal Supplemental Poverty Measure, which accounts for geographic differences, transfer payments, and out-of-pocket expenses, 19% of California residents live in poverty, as compared to 14.1% nationally using a three-year average of 2015 through 2017.\textsuperscript{vi}
Future California Job Market

- The Employment Development Department is responsible for assessing future employment needs based on regional industry clusters. By 2026, it is estimated that total civilian employment (including self-employment, farm employment, and private household workers) will increase by 1.9 million jobs (10.7%) over the 10-year projected period of 2016-2026. The chart below displays projected growth in civilian employment for 2016-2026, including new and replacement jobs.\textsuperscript{xii}

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

December 2018 Unemployment (most recent data)

- In December 2018, the California seasonally adjusted unemployment rate was 4.2%, which represents a 0.1% increase from the prior month. This unemployment rate represents approximately 814,000 unemployed workers reflecting a labor force participation rate of 62.5%.\textsuperscript{xiii} Over the same period, the comparable national unemployment rate was 3.9%.\textsuperscript{xiv}

- For December 2018, the counties with the highest not seasonally adjusted unemployment were Imperial (17.3%), Colusa (15.7%), and Tulare (9.6%). Eight out of 58 counties had unemployment rates below 3%, including San Mateo (2.0%), Marin (2.2%), San Francisco (2.2%), Santa Clara (2.4%), Sonoma (2.6%), Alameda (2.8%), Orange (2.8%), and San Luis Obispo (2.8). The comparable non-seasonally adjusted state unemployment rate was 4.2%.\textsuperscript{xv}

- The highest not seasonally adjusted unemployment rates by race and ethnicity were among blacks (6.5%), Hispanics (5.1%), and whites (4.1%) in December 2018. The comparable state non-seasonally adjusted 12-month moving average unemployment rate was 4.2%\textsuperscript{xvi}

- Most Californians, 82%, generally worked full-time. There were 725,000 persons in California who worked part-time involuntarily in December 2018, comprising 3.9% of all employed workers during the survey week and down 7.2% from the prior 12-month period.\textsuperscript{xvii} California’s labor participation rate was 62.5% in December 2018, representing over 11.7 million people not participating in the labor force.\textsuperscript{xviii}

- By age group, the highest unemployment group in December 2018 was among workers 16 to 19 years of age (16.2%).\textsuperscript{xix} The largest group of unemployed persons, when sorted by duration, were individuals unemployed for less than five weeks, which represented 263,000 persons or 29.6% of those unemployed. These are not seasonally adjusted rates.\textsuperscript{xx}
Appendix C
Selection of Related Legislation

This appendix includes summaries of selected legislation related to the informational hearing Leveraging State Resources to Support an Inclusive and Prosperous Economy. These include bills related to climate change, business development, and workforce training.

Active Legislation from the Current Session

- **AB 176 (Cervantes) Sales and Use Tax Exclusion**: This bill extends the termination date for five years, from January 1, 2021, to January 1, 2026, for the Sales and Use Tax Exclusion program. The purpose of the program administered by the California Alternative Energy and Advanced Transportation Financing Authority is to eliminate the payment of local and state sales and use tax on certain equipment and machinery used in: an advanced manufacturing process, the manufacturing of alternative source products or advanced transportation technologies, or the processing of recycled feedstock or the use of recycled feedstock for the production of another product or soil amendment. Status: Pending in the Assembly Natural Resources Committee.

- **AB 186 (Cervantes) Apprenticeship Tax Credit**: This bill authorizes, beginning in tax year 2020 through 2023, a tax credit of up to $10,000 which can be claimed on taxpayers’ Personal Income Tax or Corporation Tax for the hiring and training of registered apprentices. Apprentices are required to be at least 16 years old and currently enrolled in high school or a General Educational Development (GED) test preparation program, or receive a high school diploma or GED credential while participating in the apprenticeship. An individual taxpayer is authorized to claim no more than ten apprentices per year. The maximum aggregate amount of credits to be allocated in a single tax year is limited to $10 million. Status: Pending in the Assembly Committee on Revenue and Taxation.

- **AB 417 (Arambula) Agriculture and Rural Prosperity Act**: This bill establishes a position within the executive office of the California Department of Agriculture to advise on matters relating to rural agricultural economies, including, but not limited to, increasing broadband access; providing technical, resource, and regulatory compliance assistance; advancing agricultural innovation and technology; establishing programs for education and workforce development; and evaluating recreation and tourism opportunities. Status: Pending in the Assembly Committee on Agriculture.

- **AB 470 (Limón) California Green Business Program**: This bill establishes the California Green Business Program for the purpose of funding green business certification programs operated by local governments. The bill would also delete an existing similar program. Status: Pending in the Assembly Committee on Natural Resources.

- **AB 639 (Cervantes) Modern Port Infrastructure**: This bill establishes a program through the California Infrastructure and Economic Development Bank to help finance the cost of modernizing the state’s port infrastructure to meet low and zero emission standards. Funds available to the public port agency are based on the future financial impact of the upgrades to the state. Status: Pending in the Assembly Committee on Jobs, Economic Development, and the Economy.
• **AB 742 (Cervantes) Place Based Economic Strategies**: This bill establishes the Office of Place-Based Economic Strategies within the Governor’s Office of Business and Economic Development for the purpose of supporting place-based and other geographically targeted economic development programs. Status: Introduced, pending referral to a policy committee.

• **AB 906 (Cooley, Kiley, Cervantes) California Economic Development Strategic Plan**: This bill requires the Governor's Office of Business and Economic Development to take the lead in preparing a five-year California Economic Development Strategic Action Plan (Action Plan). The purpose of the Action Plan is to identify economic challenges and provide a set of actions to address the shifting economic landscape, changing demographics, and unique strengths of California’s industries, businesses, workers, and entrepreneurs. Status: Introduced, pending referral to a policy committee.

• **AB 1274 (Arambula) California Partnership for the San Joaquin Valley**: This bill codifies the California Partnership for the San Joaquin Valley for the purpose of identifying projects and programs that improve the economic vitality of the San Joaquin Valley; working with members of the state’s congressional delegation and federal officials to gain federal support for projects identified by the partnership as critical to the region; partnering with the state’s research and educational institutions and private foundations to support relevant studies; reviewing state policies and regulations; and making recommendations to the Governor. Status: Pending in the Assembly Agriculture Committee.

• **AB 1259 (Rivas, Cervantes, E. Garcia) California New Markets Tax Credit**: This bill authorizes a New Market Tax Credit for qualified investments in low-income communities beginning in year 2020. The Governor’s Office of Business and Economic Development is tasked to administer the program. The bill authorizes $40 million in tax credits over a five-year period for a total program of $200 million in credits. The estimated total private investment raised by the bill is $512 million. Status: Introduced, awaiting referral to policy committee.

• **AB 1479 Opportunity Zone Credit Enhancement**: This bill establishes a credit enhancement program through the California Infrastructure and Economic Development Bank for projects located in an Opportunity Zone that meet certain social, economic, and environmental criteria, including creating wealth and building assets within the local community. Status: Introduced, pending referral to policy committee.

• **AB 1693 Supplier Diversity Contracting Programs**: This bill modifies the definition of a diverse supplier to include a requirement that the business entity has a principle office in California. This includes businesses owned by women, minorities, and members of the LGBT community. Status: Introduced, pending referral to policy committee.

• **AB 1701 (Cervantes) Teacher Village and Other Local Projects**: This bill establishes a process of state participation in significant local redevelopment projects, administered by the California Infrastructure and Economic Development Bank. More specifically, a local government is authorized to apply for a portion of the tax increment attributed to a school district’s share to be dedicated to a significant project within a redevelopment project area, including, but not limited to, teacher villages. Status: Introduced, pending referral to policy committee.

• **AB 1726 (Arambula and Cervantes) Work Opportunity Tax Credit**: This bill establishes the California Work Opportunity Tax Credit (CalWOTC), which authorizes a credit under the personal income tax and
the corporate tax of up to 40% of a qualified worker's wages, not to exceed $2,400 per employee. Status: Introduced, pending referral to a policy committee.

- **AJR 7 (Gloria) Green New Deal**: This resolution memorializes the Legislature’s encouragement to the U.S. Congress to enact legislation for a Green New Deal that does all of the following:
  a) Comprehensively addresses our current climate emergency and transforms our economy to one that places the health and wellness of communities at its center, promotes ecological resilience, and restores biodiversity; and
  b) Authentically includes the leadership and voices of underrepresented communities via a process that is transparent, inclusive, and democratic; and
  c) Centers on a “just transition” and places the economic needs and well-being of workers and frontline communities at the forefront, and as we make this immense economic transformation, policies should ensure that vulnerable communities are not again left behind; and
  d) Respects tribal sovereignty; and
  e) Creates family supporting jobs within the expanding green economy. Status: Pending in the Assembly Natural Resources Committee.

**Legislation from the Prior Session**

- **AB 809 (Quirk-Silva) Priority Enrollment for Veterans**: In instances where registration uses multiple criteria, this bill, as it passed the Assembly, required that the priority registration for enrollment of members and former members of the Armed Forces of the United States and of members and former members of the State Military Reserve be applied. Status: Priority registration was included in the 2018-19 State Budget and the vehicle was amended to serve another purpose.

- **AB 863 (Cervantes and Quirk-Silva) Buy Local and Train Local**: This bill requires the Strategic Growth Council to seek methods for integrating local entrepreneurs and the workforce training and certification of workers into the evaluation and approval of projects. The bill also requires reporting on small business activities related to program expenditures. Status: Provisions amended into the program guidelines in August 2017.

- **AB 865 (Alejo) California Energy Commission Grants and Loans Diversity**: This bill requires the California Energy Commission (CEC) to develop and implement an outreach program to inform certified businesses owned by women, minorities, disabled veterans, and gay, lesbian, bisexual, and transgender individuals of CEC workshops and funding opportunities, as specified. Status: Signed by the Governor, Chapter 583, Statutes of 2015.

- **AB 1678 (Gordon) LGBT Procurement Participation**: This bill extends provisions that require investor owned electrical, gas, water, wireless telecommunication service providers, and telephone corporations to encourage, recruit, and utilize minority, women, disabled veteran owned business enterprises to include Lesbian, Gay, Bisexual, and Transgender business enterprises. Status: Signed by the Governor, Chapter 633, Statutes of 2014.

- **AB 1715 (Quirk-Silva, Travis Allen, Berman, Cervantes, Grayson, and Rodriguez) State New Market Tax Credit**: This bill would have authorized the establishment of a New Market Tax Credit for qualified investments in low-income communities beginning in tax year 2019. The NMTC Program would have been administered through the Governor's Office of Business and Economic Development. The bill authorized $40 million in tax credits over a five-year period for a total program of $200 million
in credits. Estimated total private investment raised was $512 million. Status: New Markets Tax Credit was discussed as part of the 2017-18 State Budget, but ultimately the Assembly Budget Committee decided to not move forward on a new tax credit. Status: Bills was amended with different subject matter.

- **AB 3678 (Moore) PUC Procurement Goals**: This bill codified the broader parameters of GO 156, and requires electrical, gas, and telephone corporations (with gross annual revenues exceeding $25 million) to annually submit a detailed and verifiable plan for increasing women- and minority-owned business procurement in all categories that includes short- and long-term goals and timetables, and furnish an annual report. It also required the PUC to establish guidelines for the plans. Status: Signed by the Governor, Chapter 1259, Statutes of 1986.

- **SB 2398 (Dills) PUC DVBE Procurement Goal**: This bill included DVBEs in the classes of entities eligible under women- and minority-owned business programs. A subsequent PUC decision includes disabled veteran-owned business enterprises (D. 95-12-045) and establishes a 1.5% goal for disabled veteran-owned businesses. Status: Signed by the Governor, Chapter 516, Statutes of 1990.

- **ACR 77 (Swanson) California Global Warming Solutions Act of 2006**: This resolution calls on the California Air Resources Board to meet the statutory requirements of the California Global Warming Solutions Act of 2006 for the preparation of the best available economic analysis of the emission reduction measures proposed in the AB 32 Scoping Plan and related rulemaking, particularly by enumerating the projected employment impacts by industry sector, identification of the types of jobs that will be created and lost to the state, as well as the expected wage levels for these new jobs. Status: This resolution was chaptered by the Secretary of State, Res. Chapter 109, Statutes of 2009.

- **SB 32 (Pavley) Greenhouse Gas Emission Reductions**: This bill requires the Air Resources Board to approve statewide greenhouse gas reduction targets equivalent to 40% below the 1990 level by 2030 and 80% below by 2050. Status: Pending in the Assembly Committee on Natural Resources.

- **SB 189 (Hueso) Clean Energy Jobs Committee**: This bill would have established the Clean Energy and Low-Carbon Economic and Jobs Growth Blue Ribbon Committee (Clean Energy Jobs Committee) for the purpose of making recommendations to state agencies on how to use climate mitigation funds to create a more inclusive economy, including business development and job creation activities. Status: Held on Suspense in the Assembly Committee on Appropriations, 2015.

- **AB 2758 (Bradford) PUC Minority and Women Procurement Goal Reporting**: This bill requires the PUC to include in their required report to the Legislature the renewable energy, wireless telecommunications, broadband, smart grid, and rail projects as categories for which utilities should increase procurement participation with women-, minority-, and disabled veteran-owned enterprises, specified. Status: Signed by the Governor, Chapter 475, Statutes of 2010.
Appendix D

Selection of Related Reports

This appendix includes summaries of key reports related to the informational hearing *Leveraging State Resources to Support an Inclusive and Prosperous Economy*.

1. **Advanced Energy Now - 2017 Market Report** (2017): This report by the Advanced Energy Economy, a national business association, reports that advanced energy-related business now represent $1.4 trillion in revenues globally, including $200 billion within the U.S. Advanced energy activities represent a broad array of technologies, products, and services, including building efficiency, electricity delivery and management, advanced fuel production and delivery, and advanced electricity generation. Since 2011, these activities have grown 5% annually, which is three times faster than the U.S. economy. Advanced energy-related jobs represent over 3.3 million people in the U.S. During 2017, these businesses experienced significant growth with a 48% increase in electric cars, 54% increase in energy storage, 30% increase in solar PV, and a 21% increase in fuel cell generators. [http://info.aee.net/reports](http://info.aee.net/reports)

2. **Advancing Equity in California Climate Policy: A New Social Contract for Low-Carbon Transition** (2016): This report by the UC Berkeley Center for Labor Research and Education examines the relationship between climate change policies and equity. As California makes the hard choices in meeting its greenhouse gas reduction goals, the costs of these actions should not disproportionately be borne by the low-income and working class. To address these concerns, the report proposes a Climate Equity Framework, comprised of three equity criteria:
   - Equity principles and goals are articulated as a means to guide design.
   - Key criteria is presented to analyze how close a particular climate policy or program comes to meeting these equity goals.
   - Indicators are proposed that point the way to mechanisms and strategies to advance climate equity. [http://laborcenter.berkeley.edu/advancing-equity/](http://laborcenter.berkeley.edu/advancing-equity/)

3. **California’s Future** (2019): This report by the California Public Policy Institute reviews a range of issues impacting California, including climate change, prisons and the incarcerated population, health care, higher education, housing, K-12 education, political landscape, impact of demographic trends, and the economy. Among the key findings related to the economy, the report stated that the economy was strong but that persistent disparities could affect the state’s long-term growth. While unemployment is at historic lows, labor force participation also remains historically low. Growing economic differences among the regions and the quality of jobs are driving income inequality. While jobs in construction and service industries are expected to continue increasing, higher paying manufacturing jobs will remain stagnant. Looking forward, the report recommends pursuing policies to build a skilled workforce and spur economic growth; addressing barriers to work; and recognizing that broad labor market indicators often mask challenges. [https://www.ppic.org/publication/californias-future/](https://www.ppic.org/publication/californias-future/)

4. **The Global Competitiveness Report** (2018): This report, prepared for the World Economic Forum, provides a comprehensive assessment of 140 world economies through the use of 98 indicators spread out among 12 pillars representing key drivers of competitiveness, including institutions, infrastructure, ICT adoption, macroeconomic stability, health, skills, product market, labor market, financial system, market size, business dynamism, and innovation capability. The 2018 report launches a new Global Competitiveness Index 4.0, the foundation of which is the Fourth Industrial Revolution. In this
inaugural release, the global average score was 60, which the report stated as suggesting that many economies have yet to implement the measures that would enhance their long term growth and resilience. Under the new rating and ranking system, the U.S. ranks highest with a competitiveness score of 85.6, followed by Singapore (83.5), Germany (82.8), Switzerland (82.6), Japan (82.5), Netherlands (82.4), Hong Kong SAR (82.3), the United Kingdom (82.0), Sweden (81.7), and Denmark (80.6). Among other findings, the report notes that weak institutions continue to hamper competitiveness, business development, and well-being in many countries. In this instance, institutions are defined as including security, property rights, social capital, checks and balances, transparency and ethics, public-sector performance, and corporate governance.

https://www.weforum.org/reports/the-global-competitiveness-report-2018

5. The Global Risks Report (2019): This report prepared for the World Economic Forum presents the survey results of the Global Risks Perception Survey, in which nearly 1,000 decision-makers from the public sector, private sector, academia, and civil society assess the risks facing the world. Among other findings, the survey found that nine out of 10 respondents expect worsening economic and political confrontations between major powers this year. Inequality was also seen as an important driver of the global risks landscape with “rising income and wealth disparity” ranking fourth in respondents’ lists of key underlying trends. Further, over the next decade, extreme weather and climate-change policy failures are seen as the gravest threats. The report also includes survey results on “what-if” scenarios that examine quantum computing, weather manipulation, monetary populism, emotionally responsive artificial intelligence, and other potential risks.

https://www.weforum.org/reports/the-global-risks-report-2019

6. Income Inequality and the Safety Net in California (2016): This report, prepared by the Public Policy Institute of California, examines the rise of income inequality in California between 2007 and 2014. During this period, unemployment continued to decline and jobs were added at rates exceeding the rest of the country. The report found that income inequality had been growing for decades and remained at a higher point than before the Great Recession. The report also examines the role of social safety net programs and found that they had successfully reduced income inequality by 40%.


7. The New Gilded Age: Income inequality in the U.S. by state, metropolitan area, and county (2018): This report, the fourth in a series prepared by the Economic Policy Institute, looks at trends in income inequality. The report examined income for the top 1% and the bottom 99% in each state over the years 1917–2015. The report found that income inequality has risen in every state since the 1970s and, in most states, it has grown in the post–Great Recession era. From 2009 to 2015, the incomes of the top 1% grew faster than the incomes of the bottom 99% in 43 states and the District of Columbia. The top 1% captured half or more of all income growth in nine states. In 2015, a family in the top 1% nationally received, on average, 26.3 times as much income as a family in the bottom 99%. These findings are significant, as the rise of top incomes relative to the bottom 99% represents a reversal of the trend that prevailed in the mid-20th century. From 1928 to 1973, the share of income held by the top 1% declined in every state for which data was available.


8. Poverty: 2016 and 2017: This report, prepared by the U.S. Census Bureau under its American Community Survey Briefs series, highlights changes in poverty at national, state, and regional scales. In 2017, 13.4% of the U.S. population had income below the poverty level, a decline from 14.0% in 2016. The poverty rate declined in 20 states, including California between 2016 and 2017. Poverty in
California dropped from 14.3% to 13.3% in the report period, representing 365,316 fewer individuals. Certain areas of California, including the San Joaquín Valley and Imperial County, still experienced poverty rates at or above 27%.


9. **Roadmap to Shared Prosperity** (2019): This report prepared by California Forward while serving as the secretariat for the California Economic Summit represents the collective vision of more than 500 participants at the 2018 Economic Summit, as well as hundreds of others who contributed through policy task forces and related events. The 2019 Roadmap to Shared Prosperity outlines the California Economic Summit’s plans for a comprehensive agenda to address the state’s biggest challenges with a triple bottom line approach.

- Creating the California Dream Index, a new scorecard for tracking the state’s progress toward improving economic mobility.
- Developing a poverty prescription through innovative “two generation” strategies and system change efforts that can improve results with adequate investments in a smarter safety net and put the CA Dream within reach of every child.
- Encourage early childhood strategies that support community, regional, and state efforts to coordinate and expand high quality learning and nurturing for all children age 0 to 5 through system change strategies, partnerships, and adequate investments.
- Continuing the Summit’s “One Million Challenges,” ongoing initiatives to close gaps in skilled workers, livable communities, and well-paying jobs.

http://caeconomy.org/resources/entry/2019-roadmap-to-shared-prosperity

10. **Skills Attainment for Upward Mobility; Aligned Services For Shared Prosperity** (2018): This report was prepared by the California Workforce Development Board to serve as the state’s unified plan under the Workforce Innovation and Opportunity Act (WIOA) for program years 2016-2019. The plan outlines a comprehensive four-year strategy for the investment of federal workforce training and employment services dollars in a manner intended to align, coordinate, and, when appropriate, integrate service delivery for the six core programs funded under WIOA, including: Title I Adult, Dislocated Worker, and Youth programs; Title II Adult Basic Education and Basic Skills programs; Title III Wagner-Peyser Employment Services programs; and Title IV Vocational Rehabilitation services. By state statute, the plan is required to foster the building of regional alliances between employers and workforce and educational professionals to develop programs that meet industry’s workforce needs. The plan has three policy objectives:

- Fostering demand-driven skills attainment.
- Enabling upward mobility for all Californians, including populations with barriers to employment.
- Aligning, coordinating, and integrating programs and services to economize limited resources, while also providing the right services to clients.

The goal of the plan is to produce a million “middle skill” industry-valued and recognized postsecondary credentials and to double the number of people enrolled in apprenticeship programs between 2017 and 2027. Collectively, the federal funds represent hundreds of millions of dollars annually, a substantial portion of which is administered at the local and regional levels. The plan also aligns other relevant state and federally funded workforce, education, and human services programs.

https://cwdb.ca.gov/plans_policies/

**Small Business Outreach Plan & Implementation Plan** (2019): This report prepared by the California Department of Transportation (Caltrans) meets a statutory obligation of SB 103, Chapter 95, Statues of
2017 regarding $54 billion approved through Road Repair and Accountability Act of 2017 [SB 1, Chapter 5, Statutes of 2017]. The purpose of outreach plan is to increase procurement opportunities for new and limited contracting small business enterprises owned by women, minorities, LGBT, and other disadvantaged groups.

http://www.dot.ca.gov/obeo/reports.html
Appendix E
California Small Business

Small businesses play an essential role in California’s regional economies and industry sectors. Businesses with less than 100 employees comprised 97% of all California firms, employed 4.9 million (35%) of all workers, and generated an annual payroll of $213 billion in 2015. One of the challenges public policy makers have in discussing small businesses is the variety of definitions of small business, which often vary by program and industry. Small businesses are in some cases defined by their number of employees and in other cases they are defined by gross receipts and/or other financial data.

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

<table>
<thead>
<tr>
<th>Area Description</th>
<th>Employment Size</th>
<th>Number of Firms</th>
<th>Percent of Firms</th>
<th>Employees</th>
<th>Percent of Jobs</th>
<th>Annual Payroll ($1,000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>Total</td>
<td>5,531,169</td>
<td>12.6%</td>
<td>118,402,027</td>
<td>11.6%</td>
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<tr>
<td>California</td>
<td>Total</td>
<td>699,539</td>
<td>U.S. Firms</td>
<td>13,778,365</td>
<td>U.S. Jobs</td>
<td>$809,412,979</td>
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<tr>
<td>United States</td>
<td>0-4</td>
<td>3,363,572</td>
<td>60.8%</td>
<td>5,694,167</td>
<td>4.8% of U.S. Jobs</td>
<td>$230,001,545</td>
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<tr>
<td>California</td>
<td>0-4</td>
<td>420,966</td>
<td>60.2%</td>
<td>705,815</td>
<td>5.1% of CA Jobs</td>
<td>$34,735,744</td>
</tr>
<tr>
<td>United States</td>
<td>&lt;20</td>
<td>4,927,534</td>
<td>89.1% of U.S. Firms</td>
<td>20,121,823</td>
<td>17.0% of U.S. Jobs</td>
<td>$751,260,260</td>
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<tr>
<td>California</td>
<td>&lt;20</td>
<td>617,761</td>
<td>88.3% of CA Firms</td>
<td>2,511,281</td>
<td>18.2% of CA Jobs</td>
<td>$108,008,542</td>
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<tr>
<td>United States</td>
<td>0-99</td>
<td>5,432,522</td>
<td>98.2% of U.S. Firms</td>
<td>39,902,354</td>
<td>33.7% of U.S. Jobs</td>
<td>$1,562,951,677</td>
</tr>
<tr>
<td>California</td>
<td>0-99</td>
<td>680,541</td>
<td>97.3% of CA Firms</td>
<td>4,926,469</td>
<td>35.8% of CA Jobs</td>
<td>$213,372,965</td>
</tr>
<tr>
<td>United States</td>
<td>&lt;500</td>
<td>5,512,710</td>
<td>99.7% of U.S. Firms</td>
<td>55,584,064</td>
<td>46.9% of U.S. Jobs</td>
<td>$2,324,647,175</td>
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<tr>
<td>California</td>
<td>&lt;500</td>
<td>693,424</td>
<td>99.1% of CA Firms</td>
<td>6,824,598</td>
<td>49.5% of CA Jobs</td>
<td>$318,075,284</td>
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<tr>
<td>United States</td>
<td>500+</td>
<td>18,458</td>
<td>0.33% of U.S. Firms</td>
<td>62,817,964</td>
<td>53.1% of U.S. Jobs</td>
<td>$3,583,936,513</td>
</tr>
<tr>
<td>California</td>
<td>500+</td>
<td>6,115</td>
<td>0.87% of CA Firms</td>
<td>6,953,767</td>
<td>50.5% of CA Jobs</td>
<td>$491,310,694</td>
</tr>
</tbody>
</table>

Source: U.S. Census https://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=ASE_2015_00CSA04&prodType=table
Small Business by Industry Sectors

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

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

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

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

The 2012 Survey of Business Owners

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

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>U.S. Firms</td>
<td>27.5%</td>
<td>-45.8%</td>
<td>7.9%</td>
</tr>
<tr>
<td>Receipts from all firms (employer and nonemployer)</td>
<td>35.1%</td>
<td>6.7%</td>
<td>33.8%</td>
</tr>
<tr>
<td>Employer Firms</td>
<td>15.7%</td>
<td>-25.8%</td>
<td>5.3%</td>
</tr>
<tr>
<td>Receipts from Employer Firms</td>
<td>35.4%</td>
<td>13.2%</td>
<td>34.9%</td>
</tr>
<tr>
<td>Employment</td>
<td>19.4%</td>
<td>-11.9%</td>
<td>11.5%</td>
</tr>
<tr>
<td>Payroll</td>
<td>35.3%</td>
<td>-0.9%</td>
<td>25.8%</td>
</tr>
</tbody>
</table>

Source: National Women's Business Council

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

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

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

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

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

<table>
<thead>
<tr>
<th>Business Ownership</th>
<th>Percent Change 2007-2012 Number of all Firms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asian American Women</td>
<td>44.3%</td>
</tr>
<tr>
<td>Asian American Men</td>
<td>25.7%</td>
</tr>
<tr>
<td>Black Women</td>
<td>67.5%</td>
</tr>
<tr>
<td>Black Men</td>
<td>18.8%</td>
</tr>
<tr>
<td>Hispanic Women</td>
<td>87.3%</td>
</tr>
<tr>
<td>Hispanic Men</td>
<td>39.3%</td>
</tr>
<tr>
<td>White Women</td>
<td>10.1%</td>
</tr>
<tr>
<td>Veteran Women</td>
<td>29.6%</td>
</tr>
<tr>
<td>Veteran Men</td>
<td>7.7%</td>
</tr>
</tbody>
</table>

Source: 2012 Survey of Business Owners
Appendix F
Summary of Selected 2019-20 Budget Proposals

This appendix includes summaries of the Governor’s Proposed 2019-20 California Budget related to economic, community, and workforce development.

A Budget for All
Governor Gavin Newsom has branded the 2019-20 budget the “Budget for All” in order to emphasize his commitment to an inclusive economy and the reclaiming of the California Dream, which he describes as “the idea that every person can achieve a better life, regardless of where they start out.”

The budget presents an expenditure plan of $209 billion with $144.2 billion in General Fund expenditures, including significant investments in strengthening the resiliency of the state budget against a future economic downturn. Below is a summary prepared by the JEDE Committee of key business and economic development related elements included in the Governor’s Proposed 2019-20 Budget.

Investments in Building Budget Resiliency
The Governor states that making the $13.6 billion investment in budget resiliency (described below) is an essential component to his “comprehensive framework for making the California Dream more accessible and affordable.”

- **$4 billion** to eliminate budget debts and reverse the deferrals of past decades, including:
  - **$2.4 billion** to eliminate all outstanding loans from special funds and transportation accounts. First time in a decade.
  - **$1 billion** to eliminate the annual June payroll deferral.
  - **$700 million** to eliminate the deferral of the fourth-quarter payment to the California Public Employees Retirement System (CalPERS).

- **$1.8 billion** transfer to the **Rainy Day Fund**. There are an additional $4.1 billion in estimated transfers during the estimate period for a total of $19.4 billion available by 2022-23. Please note that additional payments in prior years do not offset the 10% mandated deposits.

- **$700 million** to the **Safety Net Reserve** created in the 2018-19 budget, bringing the total amount of reserves to $900 million.

- **$2.3 billion** to the **Special Fund for Economic Uncertainties** to address emergencies and unforeseen events.

- **$3 billion** General Fund to make a supplemental contribution to pay down unfunded pension liabilities at CalPERS. This is estimated to save $7.2 billion over the next 30 years.

- **$1.1 billion** supplemental pension payment toward the state’s share of the unfunded liability for the California State Teachers Retirement System’s defined benefit program. Another $1.8 billion payment is anticipated and, when combined, these payments are estimated to save $7.4 billion over the next 30 years.
**Investments in Emergency Response, Recovery, and Preparedness**

The Governor states that “[f]our consecutive years of catastrophic wildfires have surpassed all previous records. [...] The budget proposes to bolster the preparedness of individuals and communities, makes additional investments in prevention and critical emergency response systems, and builds up the state’s firefighting capabilities, [...] and provides critical relief to communities struggling to recover.”

- One-time funds to backfill local governments for wildfire-related property tax losses.
- Waving of the local government cost share for debris removal related to wildfires.
- One-time funds to backfill schools for reduced property taxes related to wildfires.
- $50 million one-time General Fund for local grants to prepare a comprehensive, statewide education campaign on disaster preparedness and safety.
- $60 million one-time General Fund to jump-start upgrades to the 911 system.
- $13 million one-time General Fund to finish the build-out of the Earthquake Early Warning System.
- $200 million General Fund to augment CalFIRE’s firefighting capabilities.
- $25 million ongoing for pre-positioning local government fire engines to support the state’s critical infrastructure.
- $214 million one-time for increased fire prevention and completion of additional fuel reduction projects.

**Investments in Advancing a Prosperous and Inclusive Economy**

The Governor states in his submittal letter of the 2019-20 budget that “[e]ven in a time of economic growth and record employment, too many Californians are experiencing the squeeze of stagnant wages and the rising price of building block necessities such as housing costs, health care premiums, higher education and child care.”

- $600 million General Fund impact of a new Working Families Tax Credit, which can be applied in conjunction with the existing Earned Income Tax Credit (EITC). The $500 Working Families Tax Credit allows a credit for households with children under the age of six and also increases the maximum household income to align with a full-time $15 an hour job. The EITC can be claimed by income-eligible workers, as well as those who are self-employed. Approximately $400 million in EITC is expected to be granted in the 2019 tax year.
- $1 billion General Fund impact for targeted federal tax conformity, including small business flexibility; capital gain deferrals and exclusions for Opportunity Zones; and limitations on fringe benefit deductions, like-kind exchanges, and losses for non-corporate taxpayers.
- $20 million California Cannabis Tax Fund to implement the California Community Reinvestment Grants Program, a competitive grant program approved through the passage of Proposition 64 - The
Adult Use of Marijuana Act and administered by the Governor’s Office of Business and Economic Development. Local public health departments and qualified community-based nonprofit organizations are eligible to apply for grants to support mental health treatment, substance abuse treatment, job placement, legal services, and other health and wellness-related programs for California communities disproportionately affected by past federal and state drug policies.

- **$17 million** General Fund for the Small Business Technical Assistance Expansion Program, administered by the Governor’s Office of Business and Economic Development. The program provides grants to existing federally designated nonprofit small business service providers to provide free or low-cost one-on-one consulting and low-cost training. Program funding is focused on services to underserved business groups, including women-, minority-, and veteran-owned businesses and businesses in low-wealth, rural, and disaster-impacted communities.

- **$3 million** General Fund for the Capital Infusion Program, administered by the Governor’s Office of Business and Economic Development. The program supports free one-on-one business consulting provided by the Small Business Development Center Network.

**Investments in Modernizing State Government to Meet Current Market Challenges**

The Governor’s 2019-20 Proposed Budget states that “the state must **transform from a passive government** model that largely responds to individual statutory and policy mandates to one that actively establishes **measurable customer service benchmarks.**”

- **$36.2 million** with $33.7 million from the General Fund to establish the Office of Digital Innovation (Office) within the Government Operations Agency. The Office will be provided with the authority to develop and enforce the requirement that departments assess their service delivery models and underlying business processes from an end-user perspective. The Office will focus on business process reengineering and leveraging digital innovation.
  - Establishment of an **Innovation Academy** within the Office of Digital Innovation that will help foster a culture of continuous improvement and a thoughtful approach to human change management within the state government. All state supervisors, managers, and executives will be mandated to attend.
  - **Mandatory training** for state contract management staff on agile and other modern information technology methods to improve service delivery.
  - **$20 million** for the establishment of an **Innovation Fund** that can be used by the Office to assist state agencies in undertaking transformational customer-focused digital service delivery.

- **$5.8 million** General Fund for the California Highway Patrol to coordinate with the Department of Justice in the creation of regional task forces aimed at reducing organized retail theft, pursuant to AB 1065 (Jones-Sawyer) from 2018.

**Investments in Educating and Training California’s Current and Future Workforce**

The Governor’s proposed budget states that “[p]roviding **children in California with a healthy start** is one of the **best investments** the state can make.” The early childhood education framework proposed in the Governor’s budget invests in **universal preschool, full-day kindergarten, and child care**, including new facilities.
• **$124.9 million** non-Proposition 98 General Fund to provide **universal full-day, full year preschool** for all income eligible four-year-olds. With additional investments in the following two years, the goal is to have 200,000 preschool slots.

• **$50 million** one-time General Fund to support **Child Savings Account** pilot projects that support the development and testing of cost-effective models.

• Expands the state’s **paid family leave program** to cover the first six months after birth with implementation developed through a task force.

• **$500 million** one-time General Fund to build **childcare infrastructure**, including the education of the childcare workforce.

• **$80.7 billion** is the **Proposition 98 guaranteed General Fund** amount for K-12 schools and community colleges. This is up from a recessionary low of $47.3 billion in 2011-12.

• **$576 million** Proposition 98 guaranteed General Fund to support expanded **special education services** in school districts with high concentrations of special education students.

• **$750 million** one-time General Fund to address **barriers to full-day kindergarten**. This builds on the $100 million in the 2018-19 budget.

• **$1.4 billion** ($942 million ongoing) for higher education, comprised of the following:
  o **$402 million** ongoing Proposition 98 guaranteed General Fund for **Community Colleges**, including funding a **second year of free Community College** education.
  o **$300 million** ongoing General Fund for the **California State University** for operational costs, **increased enrollment**, and continued progress on **equity goals**.
  o **$247 million** one-time General Fund for expansion of **California State University** on-campus child care facilities, and $15 million one-time General Fund for student hunger and housing initiatives.
  o **$240 million** ongoing General Fund to the **University of California** for operational costs; student success, **student hunger**, and **housing initiatives**; ongoing graduate medical school support; and mental health resources.
  o **$138 million** one-time General Fund for **deferred maintenance** for the **University of California**.

• **$10 million** General Fund for grants to **higher education institutions serving the Inland Empire** and the **San Joaquin Valley** to implement innovative education strategies that increase postsecondary capacity, reduce achievement gaps, and create a multi-generational culture of educational attainment.

• **$27 million** out of $1 billion in proposed expenditures from the Greenhouse Gas Reduction Fund to increase **job training and apprenticeship opportunities** within the green economy for workers from disadvantaged communities:
  o **$10 million** General Fund annually for five years for **Pre-Apprenticeship Construction Partnerships**. This will place approximately 3,000 disadvantaged workers in apprenticeships for careers in the trades by **doubling the training capacity** for each of the existing 14 regional hubs.
- **$10 million** General Fund annually for **five years for training partnerships** to place 2,000 disadvantaged workers into entry-level jobs and develop their skills in climate and technology-related occupations through the expansion of existing partnerships.

- **$5 million** General Fund annually for **five years for a Worker Transition Fund** to provide income replacement in conjunction with retraining for approximately 1,500 displaced workers resulting from climate policies or automation.

- **$2 million** one-time General Fund to the California Workforce Development Board, including **11 positions for technical assistance** and program administration.

- **$5.5 million** General Fund for a package of programs targeted at **improving literacy rates** among the **offender population**. Key elements of the package include a diagnostic remedial reading program, computer-based learning, English as a Second Language courses, a teacher mentor program, and literacy coaches.
Appendix G
Summary of Selected Budget Actions

This appendix includes summaries of the 2017-18 and the 2018-19 California Budget actions related to economic, community, and workforce development.

2017-18 Budget Highlights

Investments in Economic and Small Business Development

- **Approved the expansion** of the Earned Income Tax Credit (EITC) to include self-employment income and increased the maximum income for which EITC is allowed from $14,161 to $22,300. The increase represents just slightly more than the annual income of a full-time minimum wage worker. Under this proposal, the number of families participating in this program is expected to quadruple.

- **$3 million** for the Capital Infusion Program, administered through the Governor's Office of Business and Economic Development. This is $1 million above the Governor's May Revise Proposal.

- **$5 million** in ongoing General Fund to support and expand Veteran’s Resource Centers. Additionally provides **$7 million** in one-time funding to create and expand Veterans Resource Centers, of which $2 million one-time will go to support the veteran center at Norco Community College.

- **$1.5 million** in one-time Proposition 98 funding for the Department of Education to establish the California-Grown Fresh School Meals Grant Program to incentivize schools to purchase California-grown food and expand the number of freshly prepared meals.

- **$49,000 for 2017-18, and $16,000 in 2018-19 and ongoing** to support the additional workload associated with the offering of **four insurance licensing exams in Spanish**, mandated through AB 1899 in 2016.

- **$2.4 million** from the Business Programs and Modernization Fund to continue implementation of the California Business Connect. The total project cost of 2017-18 is $4.11 million, with $2.04 million coming from existing resources of the Secretary of State.

Investments in the Current and Future Workforce

- **$150 million** in one-time Proposition 98 funds to implement the Guided Pathways Program to improve student outcomes at Community Colleges.

- **$200 million** in 2017-18 one-time Proposition 98 funds for the Career Technical Education Incentive Grant.

- **Rejected the Governor's proposal to eliminate funding for the Career Technical Education Pathways Program.** Provides **$15.3 million** in ongoing Proposition 98 funds for the Department of Education to retain the program.
$8 million one-time to the Economic Workforce Development Program, located within the Community College Chancellor's Office, to fund the creation and expansion of career technical education programs in areas with high unemployment.

$57.8 million from the Clean Energy Job Creation Fund Proposition 39 funds to support projects in the areas of lighting efficiency, systems efficiency, and other energy efficiency programs, including workforce training.

Approved trailer bill language that ensures that veterans are eligible to pay in-state tuition rates at California Community Colleges.

$3 million in one-time General Fund moneys to support the Career Online High School program offered through the California State Library.

$670,000 in additional General Funds for the Work for Warriors program, administered through the California Military Department.

$2 million and necessary trailer bill language for the Supervised Population Workforce Training Grant funded programs to develop competitive workforce training programs for individuals on parole, probation, mandatory supervision, and post release community supervision. In addition, $250,000 one-time General Fund for expansion of the Underground Scholars program to the Community Colleges.

$5 million in one-time General Fund moneys to provide the necessary equipment and technology to support career technical education programs at the Department of Corrections and Rehabilitation. In addition, the budget continues the $5.5 million in existing restorative justice and innovative long-term offender programming.

Approved trailer bill language to create a CalWORKs Outcomes and Accountability effort that will assist with evaluating the strengths and areas for improvement in the program over time.

$4 million General Fund for 2017-18 on a one-time basis to fund allied health educational awards and stipends for qualified individuals completing their high school diploma or enrolled in an eligible educational or training program leading to a career technical education program certificate, an associate's degree, or a bachelor's degree.

Adopted trailer bill language which requires that performance objectives included in regional center contracts measure progress and outcomes in implementing the Employment First policy. Updates the rate paid for vouched community-based training services and specified supportive employment services to $14.99 per hour and $36.57 per hour, respectively, to reflect the rate increases provided in 2016 enacted legislation: Assembly Bill X2 1 (Thurmond), Chapter 3, Statutes of 2016.

Approved one permanent full-time position to support the management of the California Innovations Program, which is funded through a six-year, $9 million federal Work-Based Learning Grant for Students with Disabilities.

Approved trailer bill language to align statute with the requirements of the $500 million in Proposition 51, a 2016 state General Obligation bond, designated for facilities that support K-12 career technical education programs.
• **$15 million** General Fund loan to cover the necessary start-up and administrative costs of Secure Choice Retirement Savings, a retirement program open to small business owners and workers with deposits made through payroll deductions.

• **$877,000 in federal funds** from 2016-17 and **$923,000** in 2017-18, for the purpose of expanding existing apprenticeship programs and creating new programs in nontraditional fields. An additional **$300,000** is provided for apprenticeship programs in collaboration with the California Firefighter Joint Apprenticeship Committee to develop a pilot program.

• **Authorizes funding** from the Road and Accountability Act for pre-apprenticeship programs, including those targeting underserved communities and women in nontraditional fields.

### 2018-19 Budget Highlights

**Investments in Economic and Small Business Development**

• **$17 million** annually General Fund to GO-Biz for five years to establish a new Small Business Technical Assistance Expansion Program to support one-on-one counseling and training.

• **$3 million** annually General Fund to GO-Biz for five years to continue funding the Small Business Access to Capital Program.

• **$3 million** one-time General Fund to GO-Biz to establish a matching grant program to help draw down federal small business technical assistance dollars and fund one-on-one counseling and training.

• General augmentation to the Department of Food and Agriculture for grants to small businesses for refrigeration units.

**Investments in Industry-Level and Regional Economic Development Activities**

• **$180 million** in annual tax credit allocation authority and a five-year extension of the California Competes Tax Credit program through 2022-23.

• **$330 million** in annual tax credit authority and a five-year extension of the Film and Television Tax Credit.

• **$6.5 million** for the California Autotech Testing and Development Project at Castle Air Force Base in Merced County.

• **$1 million** for the Green Business Network Program, administered through the California Environmental Protection Agency.

• **$5.1 million** Business Fees Fund for the continuation of resources needed to maintain an average of 5 business days or better turnaround/processing time for business filings and statements of information until California Business Connect is implemented.
Investments in Building a More Inclusive Economy

- **$8.5 million** in one-time General Fund to the County Veteran Resource Centers.
- **$10 million** in Proposition 64 funds to GO-Biz for a community and economic development program to serve communities impacted by the state and federal war on drugs.
- **$10 million** to GO-Biz for a program to assist underserved business owner groups in participating in legal cannabis production, wholesale, and retail business opportunities. Funding is subject to the Governor signing a bill.
- Expands the Earned Income Tax Credit (EITC) to cover working individuals who are aged 18 to 24 or are over the age of 65 and also increases the qualifying income range for the credit so that employees working up to full-time at the 2019 minimum wage of $12 per hour would qualify for the credit.
- **$2.5 million** General Fund loan to the Secure Choice Retirement Savings Program for the program's startup and administrative costs. Also changes the name of California Secure Choice Retirement Savings Program to CalSavers. This program requires small businesses to set up retirement accounts for employees through CalSavers. Business owners and employees are authorized, but not mandated, to participate.

Investments in the Current and Future Workforce

- **$1 billion** in federal and state funds over four years for early childhood education to add 13,400 child care and 2,947 preschool slots, increase rates for providers, and make new quality investments.
- **$100 million** in one-time non-Proposition 98 General Fund for facility grants for local educational agencies that want to implement full-day kindergarten programs.
- **$78.4 billion** in Proposition 98 funding to provide record-level funding for K-14 education and fully fund the Local Control Funding Formula. Proposition 98 funding climbs to $11,639 per K-12 student — up more than $1,000 per student since 2016-17.
- **$1 million** in one-time General Fund to support and expand the Career Online High School program. The program offers free GED courses for students and has nearly 650 libraries participating.
- **$314 million** for K-14 Career Technical Assistance:
  - **$150 million** ongoing Proposition 98 funds for the Career Technology Education Incentive grant program, administered through the Department of Education.
  - **$150 million** ongoing Proposition 98 funds for the Governor’s K-14 CTE Program, administered through the Community Colleges’ Strong Workforce program.
  - **$14 million** ongoing Proposition 98 funds to support Workforce Pathway Coordinators, K-14 Technical Assistance Providers, and the consortia administrative costs.
- Authorizes charter schools to participate in College and Career Access Pathways programs and clarifies that a charter school participating in a College and Career Access Pathways dual enrollment agreement – like a school district or community college district – not be funded for the same instructional time.
$100 million in one-time costs and $20 million in ongoing costs to create an online college to provide industry-valued credentials to meet the vocational and educational needs of Californians who are not currently accessing higher education.

$21.6 million increase for the Adult Education Block Grant to reflect a cost-of-living adjustment, and requires adult education providers to participate in regional planning consortia and report adult education services and funds to the state as a condition of receiving these and other state or federal funds.

$10 million to establish the California STEM Pathways Grant Program to provide students in grades 9-14 with educational pathways focused on STEM programs, and establish partnerships between community colleges, high schools, and industry.

Provides significant funding increases for the CSU and UC systems.

- $92 million ongoing General Fund increase for the UCs, as well as additional increases of $177 million in one-time General Fund and $5 million ongoing from the General Fund. In combination with actions from the 2017-18 Budget, UC will increase California enrollment by 2,000 students in the 2018-19 academic year.

- $92 million ongoing General Fund increase for the CSUs, as well as additional increases of $105 million from the General Fund, plus another $167 million of one-time General Fund resources. The one-time CSU funding includes $120 million to support a cohort of 3,641 new students at about $30 million per year over the next four years.

$5.2 million in General Fund to support a Cal Grant expansion for foster youth. This will allow former foster youth up to age 26 to be eligible for the Cal Grant entitlement program and allow these students to receive a Cal Grant for up to eight years.

$5 million increase in funding for a reentry grant program at the California Community Colleges to provide support for currently and formerly incarcerated students.

$10 million in one-time General Fund to fund the Workforce Education and Training Program which funds stipends for psychiatric nurse practitioners and social workers, and for residency and training slots for psychiatric mental health nurse practitioners.

$1 million one-time Mental Health Services Act State Administration Fund and budget bill language to create scholarships for primary care physicians in medical shortage areas of California to enroll in UC primary care psychiatric fellowship programs.

$16 million in General Fund in 2018-19 and $20 million in 2019-20 to the California Workforce Investment Board to administer a revised form of the Breaking Barriers in Employment program called the Prison to Employment program. This program is designed to provide a stronger connection between education and job training activities in prison and post-release employment; integrate services of reentry service providers and career centers; and fund regional integration, direct services, and post-release supportive services.

$15 million in General Fund over a two-year period to the California Workforce Investment Board through the Breaking Barriers in Employment Program for training programs that serve farmworkers and veterans.
• $1.5 million to the California Workforce Investment Board through the Breaking Barriers in Employment Initiative for training programs targeted to serve adults with autism.

• $8.2 million to the California Department of Corrections and Rehabilitation to expand Career Technical Education programming and refresh core equipment statewide.

• $26.6 million to the California Department of Corrections and Rehabilitation to establish the Ventura Training Center to provide firefighting training and certification for people on parole.

• $5 million in one-time Proposition 98 funds for a Refugee Career Pathways program.

• $1 million in ongoing Proposition 98 funding for the California College Guidance Initiative’s Student Friendly Services project.
Appendix H
Economic Trends

This appendix includes a brief summary of the current and emerging trends discussed during the February 26, 2019, hearing of the Assembly Jobs Committee.

Current and Emerging Economic Trends

Overall the U.S. economy is moving forward with 2018 growth numbers likely, once released, to show GDP growth of 3.1% as compared to 2.2%, on average, during the post-recession economic expansion. The best indicators, however, were those that were backward looking, such as U.S. GDP growth, corporate earnings, productivity, and state and local revenues. Forward looking indicators, however, were less positive, including soft U.S. consumer purchasing, volatile end-of-the-year stock trading, and slowing housing markets.

John Rothfield, the Head Economist of the California Public Employees Retirement System, also noted that there were, however, a number of factors contributing to the slowing down of the housing market, including rising interest rates and a significant lack of construction workers. Higher federal government spending may also be crowding out private sector debt. There was a general question raised as to whether federal actions could be compressing U.S.’s longer term economic growth.

Policies that can engage workers who were currently sitting out of the labor market would be useful, as participation rates among males is continuing to lag. While wage growth is finally accelerating, worker incomes as a proportion of total incomes is still low.

Areas of particular concern include an aging business cycle, labor market constraints, impacts of the trade war, the slow-down of China’s economy, the rise and impact of increasing U.S. debt; and the potential for a lack of liquidity in the financial markets. Also noted was Brexit and the rise of European populism.

Longer Term Economic Trends

California’s economy is in transition. Some have named it the dawning of the Fourth Industrial Revolution (4IR) and others the second machine age. Regardless of the term being used, there is little doubt that the combination of advances in science and technology are disrupting industries around the world and transforming not only systems of production, but also creating new opportunities for businesses, governments, and individuals. Examples of these technologies include such things as Big Data, the Internet of Things (IoT), artificial intelligence and machine learning, blockchain, autonomous vehicles, advanced robotics, additive manufacturing, advanced materials, nanotechnologies, next-generation biotechnologies and genomics, as well as new energy technologies. In harnessing these opportunities,

The Forth Industrial Revolution (4IR)

The mechanization of production through water and steam power characterizes the First Industrial Revolution, which began in Great Britain in the mid-1700s. In the Second Industrial Revolution, beginning in the late 1800s, electric power and the combustion engine provided a step change to mass production. Automation of production beginning in the mid-1900s supported by electronics and information technology is a key characteristic of the Third Industrial Revolution (3IR).

Economist Klaus Schwab describes the 4IR as the fusion of technologies that result in a “blurring of the lines between the physical, digital, and biological” and stating that it is distinct from the 3IR in its velocity, scope, and systems impact.

The 4IR, similar to previous revolutions in technology, “will disrupt industries around the world and transform not only systems of production, but also management and governance.”
however, new issues are arising around privacy, displacement of workers, ethics, morality, and equity, in general.

Similarly, the power of national governments are giving way to growing regional influence. Advances in information and transportation technologies are allowing the public and private sectors to build global networks based on shared economic, social, and environmental interests. The growth of subnational collaborations around climate change, manufacturing supply chains that rely on globally-sourced partially assembled components, and Internet platforms that link researchers and developers in different hemispheres, are just a few examples.

As regions become more dominant, barriers to trade are expected to continue to decline among developed and emerging economies. Even as the U.S. federal government moves toward economic isolationism, individual states and other nations seek ways to increase the free flow of capital, business, and people. A significant driver of these changes is that decades of globalization have resulted in over 80% of the world’s purchasing power and 92% of the world’s economic growth being located outside the boundaries of the U.S. This diminishes the exclusivity of the U.S. as a major market and increases the economic viability of many areas around the world. These changes also offer new opportunities for small businesses, which can now be a global business on day one. In order to compete in this broader market, economies will need to rethink international trade and foreign investment strategies. California has an opportunity to begin this work with the adoption of a new International Trade and Foreign Investment Strategy by July 1, 2019.

Economies, like California’s, will also need to realign programs and services to support regional competitiveness and strengthen areas of historical weakness in order to support more inclusive economic growth. Legislation proposed this year, AB 906 (Cooley, Cervantes and Kiely), calls for a new state economic development strategy to support regional economies competing in an increasingly connected and complex global market driven by changes in technologies, demographics, and geopolitics.

Increased globalization and integrated markets also mean more demand for infrastructure to move people and goods. The U.S., including California, has significant infrastructure deficits. Updating and modernizing the state’s goods movement capabilities is essential to the health of the state economy. As a first step, the Assembly Jobs Committee will be considering AB 371 (Frazer) in April of 2019, which proposes the undertaking of a new statewide economic vitality assessment of the freight industry.

Another significant risk affecting major global economies, including the California economy, is climate change. While the direct impact of climate change is environmental, solutions often require significant economic and social responses. Current state climate policies focus too heavily on one-off projects rather than providing for a broader transition to a lower carbon economy. Given that nearly 90% of businesses in California have under 20 employees, small businesses need to have sufficient access to resources to be part of the transition. While scarcity and rising prices of resources are increasing pressure on the development and deployment of cleaner technologies, the state still needs to focus on removing barriers to innovation and supporting research and development. Command and control policies will only move business so far. In a globally linked world, the development of clean technologies, such as solar, are no longer the unique domain of California.

Changing demographics are also creating challenges and opportunities. In 2014, California became the ninth state in the U.S. to have the size of the Hispanic population surpass the white population. That same year, Millennials became the largest cohort within the workforce. As the large and primarily white Baby Boomer population retires, a much smaller, less trained, and more diverse workforce is taking their place.
These demographic shifts in age and race/ethnicity are having a profound impact on the availability of a skilled workforce. California (and the rest of the world) is facing a significant gap between available labor and potential need for middle skill workers. California has set a goal under its implementation of the federal Workforce Innovation and Opportunity Act (WIOA) to double the number of individuals participating in apprenticeship-type programs and to deliver one million middle-skill industry-valued and recognized postsecondary credentials between 2017 and 2027.

Appendix D (page ix) includes additional information used to prepare this report, including the state WIOA plan. Chart – California by the Numbers includes additional demographic information.

Much more work, however, needs to be done to address the workforce training needs of individuals from historically underserved regions and population groups. In the near future, access to middle-skill workers will likely be a driver of domestic and global competitiveness.

The global financial crisis, followed by the Great Recession, fueled an expanding income inequality and increased competition over limited resources. Within this context, the World Economic Forum released a new Global Competitiveness Index 4.0 in 2018, based on the needs of the 4IR. Under the Competitiveness Index 4.0 criteria, the U.S. ranked highest with 84 points. The report, however, cautions that rapidly evolving conditions require all countries, even those ranked in the top 10, to take strategic actions now if they are to remain competitive and take advantage of global economic opportunities. A more specific selection of report findings and recommendations include:

- Openness is good for growth economies.
- Agility and future-readiness are key in a changing world.
- Ignoring the needs of those who lose out to globalization could serve as a damper on continued economic growth.
- Attempting to address inequality by reversing globalization is counterproductive for the sustained economic growth of the economy.
- By enhancing the fundamentals of competitiveness today, economies will become more resilient to economic shocks.
- In practice, technology-based leapfrogging remains elusive.
- A formula for innovation remains obscure for most economies.
- The financial system continues to be a source of weakness in some economies including India, China, Russia, and Italy. As these countries are among the G20 economies, they present specific vulnerabilities in their financial systems.
Achieving equity, sustainability, and growth together is possible, but requires proactive, far-sighted leadership.

As illustrated by the list above, the Global Competitiveness Index 4.0 puts forth a very comprehensive set of findings and recommendations that move beyond a narrow interpretation of economic conditions that contribute to economic competitiveness. Sustaining California’s future economic growth will also require investments in these broader measures of competitiveness today.
End Notes

i Department of Finance, CA World Ranking 2017, http://www.dof.ca.gov/Forecasting/Economics/Indicators/Gross_State_Product/, accessed September 16, 2018

ii Bureau of Economic Analysis, “Regional Data: GDP by State” https://bea.gov/iTable/iTable.cfm?reqid=70&step=1&isuri=1&acrdn=2#reqid=70&step=10&isuri=1&7003=200&7035=-1&7004=naics&7005=-1&7006=06000&7036=-1&7001=1200&7002=1&7090=70&7007=2016&7093=levels, accessed November 10, 2018


