

ASSEMBLY BILL

No. 699

Introduced by Assembly Members Portantino and V. Manuel Perez

February 26, 2009

An act to amend Section 15570 of, and to add Section 13997.5 to, the Government Code, relating to economic development, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

AB 699, as introduced, Portantino. Economic development.

(1) Existing law requires the Secretary of Labor and Workforce Development to convene a biennial economic strategy panel, known as the California Economic Strategy Panel and consisting of specified appointed members, for purposes of providing recommendations regarding a California Economic Development Strategic Plan and to review those recommendations made by the panel in its biennial economic development strategic plan document, as specified. Existing law requires the panel to address various specified matters of concern, including the development of a system of accountability for use in the annual state budget process and in the legislative process to measure the performance of all state policies, programs, and tax expenditures intended to stimulate the economy. Existing law also requires the panel to submit a report of its findings and recommendations to the Legislature no later than one year after its first meeting after January 1, 2005.

This bill would, instead, require the California Economic Strategy Panel to prepare and submit a preliminary version of the California Economic Development Strategic Plan to the Governor and the Legislature prior to May 1, 2010, and to prepare a final version of the plan within 5 months of the conclusion of required hearings by the

Legislature on the preliminary version of the plan. The bill would require the development of the plan to be funded from private donations. The bill would require the Secretary of Labor and Workforce Development to collaborate with the Secretaries of Business, Transportation and Housing and Food and Agriculture in leading the preparation of the California Economic Development Strategic Plan and would require the panel to assess specified matters in preparing the plan, to consult with other state entities, and to review and include certain materials appropriate to completion of the plan. The bill would require that particular components be included in the plan and would delete a system of accountability for use in the state budget process from required elements for the panel's consideration. The bill would require the panel to review the plan 5 years after its finalization and every 5 years thereafter and to update the plan as the panel determines necessary. The bill would modify the composition of the California Economic Strategy Panel by adding the Secretary of Business, Transportation and Housing, the Secretary of Food and Agriculture, the Director of the Office of Small Business Advocate, and the Executive Director of the California Council on Science and Technology as members of the panel and would require, beginning October 1, 2010, the panel to report biennially to the Legislature on its activities.

(2) Existing law creates the California Economic Development Fund, and provides for the deposit of government and private economic development funds into it. Under existing law, these funds, upon appropriation by the Legislature, may be expended by the Secretary of Business, Transportation and Housing for economic development purposes.

This bill would authorize the Secretary of Business, Transportation and Housing to accept monetary gifts, which would be deposited in the California Economic Development Fund, for the cost of developing and updating economic and workforce development studies, strategies, and policies. The bill would require the secretary to record each gift and to file a copy of the record with the Business, Transportation and Housing Agency.

(3) This bill would declare that it is to take effect immediately as an urgency statute.

Vote: $\frac{2}{3}$. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. This act shall be known and may be cited as the
2 Economic Recovery Through Sustainable Development and
3 Innovation Act.

4 SEC. 2. The Legislature finds and declares all of the following:

5 (a) In December 2008, the National Bureau of Economic
6 Research officially declared that the United States was indeed in
7 a recession, which had begun in December 2007. The California
8 Labor Market Review reports that 78,200 jobs were lost in
9 California during December following a job loss of 73,500 in
10 November and a job loss of 27,800 in October. Current total
11 California jobs are estimated at 14,900,000 in nonfarm industries.

12 (b) In 2007, California was the eighth largest economy in the
13 world, with a gross state product of over \$1.7 trillion. Historically,
14 the state's significance in the global marketplace results from a
15 variety of factors, including the following:

16 (1) Its strategic west coast location that provides direct access
17 to the growing markets and technology centers in Asia, Mexico,
18 and Latin America.

19 (2) Its diverse regional economies.

20 (3) Its large, young, and ethnically diverse population that
21 provides a ready workforce, a source of cultural intelligence for
22 pursuing international business, and a significant consumer base.

23 (4) Its access to a wide variety of venture and other private
24 capital.

25 (5) Its large number and broad base of small- and medium-sized
26 businesses.

27 (6) Its rich inventory of skilled participants in an innovation
28 economy, including not only technologists and scientists, but also
29 designers and entrepreneurs.

30 (7) Its history of pioneering innovation business models, with
31 the Hollywood entertainment industry, electronic commerce,
32 venture capital businesses, and the Lockheed skunk works
33 representing some well-known examples of this innovation.

34 (8) Its culture of innovation and entrepreneurship, particularly
35 in the area of high technology.

36 (c) In general, California is well-positioned to take advantage
37 of the new technologies and innovations. However, other states
38 and foreign countries are also vying for direct investment and for

1 leadership in current and emerging technology industries as well
2 as the sciences supporting and relating to those industries.
3 Connecticut, Massachusetts, Texas, New Mexico, New York, New
4 Jersey, Florida, and Pennsylvania all have proactive economic
5 competitiveness policies. Countries in Europe and Asia, such as
6 Finland and Singapore, are also successfully pursuing national
7 innovation strategies. Germany and Japan have already surpassed
8 California's once leading position in solar and wind energy through
9 targeted policies and initiatives.

10 (d) The bases for competition in an increasingly globalized
11 innovation economy are shifting. California can no longer compete
12 based on being the low-cost player. The increasing desirability of
13 countries, such as China, to companies seeking to outsource
14 manufacturing services and research and development is well
15 known. Dozens of countries around the world are pursuing national
16 innovation agendas at flank speed as the perception grows of a
17 global value chain with many different players and phases:
18 scientific discovery, research and development, business
19 development, management and logistics innovation, energy
20 efficiency, increases in productivity, and commercialization. These
21 countries are working to carve out new positions in this global
22 value chain. Given this global context, California must reexamine
23 and reframe its role within the emerging global innovation
24 economy and develop skills of systems integration and
25 collaboration in a world in which competition is less about "I win,
26 you lose" dynamics and more about "co-opetition," with the value
27 chain spreading out around the world to serve regional and local
28 markets.

29 (e) California could lose its pivotal global role in the design and
30 manufacture of technologies by not implementing its own
31 proactive, aggressive, and comprehensive strategy for supporting
32 California's technology-based industries, including, but not limited
33 to, computers, commercial space, biotech, digital media, Web 2.0,
34 cleantech, energy generation, and nanotech.

35 (f) Supporting the state's technology economy will require the
36 state to increase its investment in the human and physical
37 infrastructure necessary to support this type of innovation. This
38 investment cannot simply fund "more of the same." Rather, the
39 state needs new kinds of fundable strategies that will lead it into
40 new streams of opportunities.

(g) California’s innovation and technology policies should be regularly updated to reflect emerging scientific developments, business and financing trends, and the changing needs of California’s businesses and workers. It should seek to capitalize on best practices in strategic and technology foresight and related time dynamics that tie critical trends and actions together in order to capture a sense of the emerging agendas and emerging large-scale challenges that galvanize resources and the public’s imagination.

(h) California’s innovation and technology policies must pay attention to the methods used by educational institutions to provide critical advantages that leverage workforce training innovations in this new global economy. The California institutes provide an example of research innovation in this area. Other countries are now innovating in their education enterprise, and a recent example of this process is Finland’s announcement of an “Innovation University.”

(i) To be successful, the state’s innovation and technology policies must reflect a stewardship function that addresses fundamental questions such as who will be responsible; what authorities and resources will be provided to do the work; what provisions will be made to assure sustainability of the effort; and how will the state know that it is making the right decisions to support future business competitive advantages?

SEC. 3. Section 13997.5 is added to the Government Code, to read:

13997.5. (a) The Secretary of Business, Transportation and Housing may accept monetary gifts to pay for a part of, or the entire cost of, developing and updating the California Economic Development Strategic Plan pursuant to Section 15570. Any moneys received as a gift pursuant to this section shall be deposited in the California Economic Development Fund, established pursuant to Section 13997.6. Records of donations received and expenditures made pursuant to this section shall be subject to public disclosure.

(b) The secretary shall record each gift received pursuant to this section, including for each gift all of the following information:

- (1) The donor’s name and the amount of the donation.
- (2) A description of the manner in which the donation was expended.

(c) The secretary shall, within 30 days of receipt of the donation, provide a copy of the record to the Business, Transportation and Housing Agency, and the agency shall maintain the record with its statements of economic interests.

SEC. 4. Section 15570 of the Government Code is amended to read:

15570. (a) ~~The secretary shall lead the preparation of a biennial California Economic Development Strategic Plan. In fulfilling this duty, the secretary shall do the following:~~

(1) ~~Review the recommendations made by the California Economic Strategy Panel in their biennial economic development strategic plan document. This document shall make recommendations regarding an economic development strategic plan for the state, covering a two-year time period and containing a statement of economic goals for the state, a prioritized list identifying significant issues learned from economic development strategic plan panel meetings, proposals for legislation, regulations, and administrative reforms necessary to improve the business climate and economy of the state, evaluation of the effectiveness of the state's economic development programs, a list of key industries in which the state shall focus its economic development efforts, and strategies to foster job growth and economic development covering all state agencies, offices, boards, and commissions that have economic development responsibilities.~~

(2) ~~Convene a biennial economic strategy panel to provide recommendations regarding a California economic development strategic plan. This panel shall conduct meetings in Sacramento, all cities of the state with populations over 500,000, and in major cities of other regions of California as designated by the secretary. The secretary shall invite businesses, labor unions, organizations representing the interests of diverse ethnic and gender groups, local government leaders, academic economists and business professors, chambers of commerce and other business organizations, government agencies, and key industries to contribute to the preparation of the recommended economic strategy. These meetings shall address at least the following matters of concern:~~

(A) ~~Strengths and weaknesses of the California economy and the state's prospects for future economic prosperity.~~

~~(B) Emerging and declining industries in California and elsewhere.~~

~~(C) Effectiveness of California's economic development programs in creating and retaining jobs and attracting industries.~~

~~(D) Adequacy of state and local physical and economic infrastructure.~~

~~(E) Government impediments to economic development.~~

~~(F) The development of a system of accountability for use in the annual state budget process and in the legislative process to measure the performance of all state policies, programs, and tax expenditures intended to stimulate the economy. In developing a system of accountability, the panel shall, by using only existing resources and without future budget augmentation made for this purpose, do all of the following:~~

~~(i) Develop a standard definition of economic development.~~

~~(ii) Develop, for use in state law, standard measurements of real per capita income, job growth, new business creation, private sector investment, minority entrepreneurship, and income inequality.~~

~~(iii) Survey and evaluate efforts in other states to develop accountability measures for public investments in economic development.~~

~~(iv) Determine whether a return on investment calculation is feasible for public investments in economic development.~~

~~(v) Conduct a comparative study of various methodologies for preparing the economic development sections of a state budget, including unified functional budget, zero-based budget, and performance-based budget methodologies.~~

~~(vi) Study the feasibility of statutory disclosure requirements on specified publicly funded subsidies to private sector businesses.~~

~~(vii) Submit a report of its findings and recommendations regarding this subparagraph to the Legislature no later than one year after its first meeting after January 1, 2005.~~

15570. (a) The California Economic Strategy Panel within the office of the Secretary of Labor and Workforce Development shall research, facilitate outreach, and make policy and fiscal recommendations to the Governor and the Legislature on issues related to economic and workforce development.

~~(b) (1) The panel shall be composed of the following 15 19 members:~~

~~(1)~~

1 (A) The Secretary of Labor and Workforce Development, who
2 shall serve as ~~chair~~ *the chairperson* of the panel.

3 (B) *The Secretary of Business, Transportation and Housing.*

4 (C) *The Secretary of Food and Agriculture.*

5 ~~(2)~~

6 (D) Eight persons appointed by the Governor, *at least one of*
7 *whom shall have a background in economic development.*

8 ~~(3)~~

9 (E) The Speaker of the Assembly or his or her designee.

10 ~~(4)~~

11 (F) The President pro Tempore of the Senate or his or her
12 designee.

13 ~~(5)~~

14 (G) The Minority Leader of the Assembly or his or her designee.

15 ~~(6)~~

16 (H) The Minority Leader of the Senate or his or her designee.

17 ~~(7)~~

18 (I) One person appointed by the Speaker of the Assembly.

19 ~~(8)~~

20 (J) One person appointed by the Senate Committee on Rules.

21 (K) *The Director of the Office of Small Business Advocate.*

22 (L) *The Executive Director of the California Council on Science*
23 *and Technology.*

24 ~~(e) The~~

25 (2) *Members of the panel shall be* ~~representative~~ *representatives*
26 *of state government, business, economic developers, labor, finance,*
27 *and academic institutions, and shall be broadly reflective of the*
28 *state's population as to gender, ethnicity, and geographic residence*
29 *within California.*

30 ~~At~~

31 (3) *At least one-half of all the persons on the panel shall be from*
32 *the private sector and at least two appointments shall be from*
33 *private businesses with less than 50 employees. At least two*
34 *appointments shall be from rural areas of the state. Beginning*
35 *January 1, 2004, appointments to the panel shall be for four-year*
36 *terms, except that the Governor's appointments made pursuant to*
37 *paragraph (2) of subdivision (b) shall be made as follows:*

38 (4) *Beginning January 1, 2004, appointments to the panel shall*
39 *be for four-year terms, except that the Governor's appointments*

1 *made pursuant to subparagraph (D) of paragraph (1) shall be*
2 *made as follows:*

3 ~~(1)~~

4 (A) Four members shall be appointed on January 1, 2004, and
5 every four years thereafter.

6 ~~(2)~~

7 (B) Four members shall be appointed on January 1, 2004, for a
8 two-year term.

9 ~~(3)~~

10 (C) Upon the expiration of the initial appointments made
11 pursuant to ~~paragraph (2)~~, *subparagraph (B)*, four members shall
12 be appointed on January 1, 2006, and every four years thereafter.

13 (D) *All members of the panel as of January 1, 2010, shall*
14 *continue to serve as members of the panel for the remaining*
15 *duration of their terms.*

16 (c) *In fulfilling the duties described in subdivision (a), the*
17 *secretary shall, working in collaboration with the Secretary of*
18 *Business, Transportation and Housing and the Secretary of Food*
19 *and Agriculture, satisfy all of the requirements of this section.*

20 ~~(d) The secretary shall deliver copies of the economic strategy~~
21 ~~panel's recommended California economic development strategic~~
22 ~~plan to every constitutional officer, legislator, member of the~~
23 ~~Governor's cabinet, members of the economic development~~
24 ~~strategic plan panel, and every state agency, office, board, and~~
25 ~~commission having economic development responsibilities. Among~~
26 ~~other activities, the panel shall prepare the California Economic~~
27 ~~Development Strategic Plan. The secretary, working in~~
28 ~~collaboration with the Secretary of Business, Transportation and~~
29 ~~Housing, and the Secretary of Food and Agriculture, shall lead~~
30 ~~the preparation of the plan. The secretaries shall invite businesses,~~
31 ~~labor unions, organizations representing the interests of diverse~~
32 ~~ethnic and gender groups, local government leaders, academic~~
33 ~~economists and business professors, national laboratories, the~~
34 ~~University of California, the California State University, private~~
35 ~~research universities, the California Community Colleges,~~
36 ~~chambers of commerce, business organizations in biotech,~~
37 ~~nanotech, multimedia, information technology, and similar fields,~~
38 ~~government agencies, and key industries to provide advice on~~
39 ~~economic development issues and to contribute to the preparation~~
40 ~~of the recommended economic strategy.~~

~~(e) In each succeeding two-year cycle, the secretary shall undertake this process anew, so as to update the economic strategy on or before October 31 of each succeeding second year.~~

(e) As part of its deliberations in preparing the California Economic Development Strategic Plan, the panel shall, at a minimum, include an assessment of the following factors:

(1) Strengths and weaknesses of the California economy within a regional, national, and global context and the state's prospects for future economic prosperity, identifying industries and businesses in the state's nine regional economies that are significant in 2009, and those that are likely to be significant in 2019.

(2) Current and emerging trends, industries, and services and areas of the state, including electronic and surface or air transportation logistical capabilities, with a comparative advantage to other states and foreign countries. The assessment shall include a discussion of the state of innovation in foreign countries and the potential impact of the growing innovative capacity of foreign countries on the state's ability to compete in the global economy, including advantages that businesses, research institutions, and financial sectors in the state could obtain by networking with foreign countries in a smart and productive manner.

(3) Effectiveness of California's economic and workforce development programs in creating and retaining jobs, improving productivity, increasing innovation, providing 21st century workforce skills, and attracting industries providing employment within the state's core and emerging industry clusters. The assessment shall also include the ways in which public resources, such as angel capital networks, may be more effectively leveraged to attract additional private investment within the state's communities and small businesses.

(4) Adequacy of state and local physical, electronic, and human infrastructure, including digitally related skills, to meet the state's current and future needs. The analysis shall also include a discussion of the appropriate role for state government to improve inadequacies identified in the state's physical and human infrastructure.

(5) Government impediments to economic development.

1 (6) *The role of innovation in keeping the state's regional vibrant*
2 *economies, including models and strategies that encourage*
3 *partnerships among public, academic, and private entities, located*
4 *in this state or other states, that support the state's core and*
5 *emerging industries.*

6 (7) *The unique opportunities and challenges in developing*
7 *businesses and attracting investment along the state's border areas*
8 *and in emerging domestic markets.*

9 (8) *A review of significant literature by the federal government,*
10 *state governments, foreign countries, and international associations*
11 *concerning competitive advantages.*

12 (f) *As part of its deliberations in preparing the California*
13 *Economic Development Strategic Plan, as well as other projects*
14 *and activities of the panel, the panel shall, at a minimum, consult*
15 *with other state entities, including, but not limited to, the Office*
16 *of Military and Aerospace Support, the California Commission*
17 *on Industrial Innovation, the California Transportation*
18 *Commission, the California Workforce Investment Board, the*
19 *Employment Training Panel, the California Small Business Board,*
20 *the Small Business Council on Procurement, the office of the*
21 *Treasurer, the California Organized Investment Network, the*
22 *Department of Insurance, the California Infrastructure and*
23 *Economic Development Bank, and the State Energy Resources*
24 *Conservation and Development Commission.*

25 (g) *As part of its deliberations in preparing the California*
26 *Economic Development Strategic Plan, as well as other projects*
27 *and activities of the panel, the panel shall, at a minimum, review*
28 *and include, as appropriate, any of the following materials:*

29 (1) *The most recent version of the State Transportation Plan,*
30 *including those portions related to trade infrastructure and goods*
31 *movement.*

32 (2) *The significant findings and recommendations of the current*
33 *international trade and foreign investment strategies of the state*
34 *and of local governments.*

35 (3) *The findings and recommendations of the Environmental*
36 *Goals and Policy Report, of energy generation and*
37 *generation-related reports, and of global warming studies related*
38 *to the state.*

1 (4) *The findings and recommendations of the five-year*
2 *infrastructure plan prepared pursuant to Article 2 (commencing*
3 *with Section 13100) of Chapter 2 of Part 3.*

4 (5) *The findings and recommendations of other key stakeholder*
5 *organizations related to workforce and economic development.*

6 (h) *Based on the assessment by the panel pursuant to subdivision*
7 *(e), the California Economic Development Strategic Plan shall*
8 *include, at a minimum, the following components:*

9 (1) *Policy goals, objectives, and recommendations required to*
10 *implement a comprehensive economic and workforce development*
11 *strategic plan for the state, identifying the priority for each within*
12 *the overall strategy.*

13 (2) *Measurable outcomes and timelines for implementing the*
14 *goals, objectives, and recommendations for the strategic plan*
15 *showing the way in which key policy development and*
16 *implementation efforts are coordinated with emerging issues.*

17 (3) *Identification of impediments to achieving the goals,*
18 *objectives, and recommendations described in paragraph (1) and*
19 *the way in which they will delay the state's ability to improve its*
20 *competitive position.*

21 (4) *Identification of key stakeholder partnerships to use in*
22 *implementing the California Economic Development Strategic*
23 *Plan.*

24 (5) *Identification of options for funding the goals, objectives,*
25 *and recommendations described in paragraph (1).*

26 (6) *Identification of an organizational structure, including global*
27 *logistical and Internet-based networks, for the implementation of*
28 *the policies, programs, and services recommended in the California*
29 *Economic Development Strategic Plan, including a communication*
30 *plan for key constituencies that details the way in which the plan*
31 *interfaces with private, academic, and private nonprofit*
32 *corporations.*

33 (i) (1) *The panel shall prepare a preliminary California*
34 *Economic Development Strategic Plan and submit it to the*
35 *Governor, the Chief Clerk of the Assembly, and the Secretary of*
36 *the Senate prior to May 1, 2010. The Chief Clerk of the Assembly*
37 *and the Secretary of the Senate shall distribute the preliminary*
38 *strategic plan to the relevant policy and fiscal committees of the*
39 *Legislature.*

1 (2) *Development of the plan pursuant to this subdivision shall*
2 *be funded from private donations.*

3 (j) *The relevant policy and fiscal committees of each house of*
4 *the Legislature shall review the preliminary strategic plan, holding*
5 *hearings within 90 days of the date it is submitted to the*
6 *Legislature. If the preliminary strategic plan is submitted to the*
7 *committees when the Legislature is in recess, the hearings shall*
8 *occur within 90 days of the date that the Members convene. The*
9 *committees may make recommendations to the panel on the*
10 *preliminary strategic plan, and the panel may modify the*
11 *preliminary strategic plan in accordance with those*
12 *recommendations.*

13 (k) *Within five months of the final hearing held by the*
14 *Legislature on the preliminary strategic plan, the panel shall*
15 *prepare the final version of the California Economic Development*
16 *Strategic Plan. The panel, the Secretary of Labor and Workforce*
17 *Development, the Secretary of Business, Transportation and*
18 *Housing, and the Secretary of Food and Agriculture shall post the*
19 *preliminary and the final California Economic Development*
20 *Strategic Plan on their Internet Web sites.*

21 (l) *The panel shall review the California Economic Development*
22 *Strategic Plan within five years of the date it was prepared, and*
23 *every five years thereafter, and update the plan as the panel deems*
24 *appropriate. Nothing in this subdivision prohibits the panel from*
25 *reviewing or updating the plan more frequently.*

26 (m) *Beginning October 1, 2010, and biennially thereafter, the*
27 *panel shall report to the Chief Clerk of the Assembly and the*
28 *Secretary of the Senate on its activities during the preceding 24*
29 *months. The Chief Clerk of the Assembly and the Secretary of the*
30 *Senate shall transmit the report to the relevant fiscal and policy*
31 *committees of the Legislature.*

32 SEC. 5. *This act is an urgency statute necessary for the*
33 *immediate preservation of the public peace, health, or safety within*
34 *the meaning of Article IV of the Constitution and shall go into*
35 *immediate effect. The facts constituting the necessity are:*

36 *In order to preserve the public peace, health, and safety, it is*
37 *necessary that this act take effect immediately.*