AMENDED IN ASSEMBLY MAY 6, 2009

CALIFORNIA LEGISLATURE—2009–10 REGULAR SESSION

ASSEMBLY BILL No. 699

Introduced by Assembly Members Portantino and V. Manuel Perez
(Principal coauthors: Assembly Members Beall and Salas)

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 amended, 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: ⅔. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

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

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

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

(a) In December 2008, the National Bureau of Economic Research officially declared that the United States was indeed in a recession, which had begun in December 2007. The California Labor Market Review reports that ~~78,200~~ *62,100* jobs were lost in California during ~~December~~ *March* following a job loss of ~~73,500~~ *114,000* in ~~November and a job loss of 27,800 in October~~ *February*. Current total California jobs are estimated at ~~14,900,000~~ *14,474,700* in nonfarm industries.

(b) In ~~2007~~ *2008*, California was the eighth largest economy in the world, with a gross state product of over ~~$1.7~~ *$1.8* trillion. Historically, the state's significance in the global marketplace results from a variety of factors, including the following:

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

(2) Its diverse regional economies.

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

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

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

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

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

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

(c) In general, California is well-positioned to take advantage of the new technologies and innovations. However, other states and foreign countries are also vying for direct investment and for leadership in current and emerging technology industries as well as the sciences supporting and relating to those industries. Connecticut, Massachusetts, Texas, New Mexico, New York, New Jersey, Florida, and Pennsylvania all have proactive economic competitiveness policies. Countries in Europe and Asia, such as Finland and Singapore, are also successfully pursuing national innovation strategies. Germany and Japan have already surpassed California's once leading position in solar and wind energy through targeted policies and initiatives.

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

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

(f) Supporting the state's technology economy will require the state to increase its investment in the human and physical infrastructure necessary to support this type of innovation. This investment cannot simply fund "more of the same." Rather, the state needs new kinds of fundable strategies that will lead it into 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 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 19 members:

(A) The Secretary of Labor and Workforce Development, who shall serve as the chairperson of the panel.

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

(C) The Secretary of Food and Agriculture.

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

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

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

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

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

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

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

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

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

(2) Members of the panel shall be representatives of state government, business, economic developers, labor, finance, and academic institutions, and shall be broadly reflective of the state’s population as to gender, ethnicity, and geographic residence within California.

(3) At least one-half of all the persons on the panel shall be from the private sector and at least two appointments shall be from private businesses with less than 50 employees. At least two appointments shall be from rural areas of the state.

(4) Beginning January 1, 2004, appointments to the panel shall be for four-year terms, except that the Governor's appointments made pursuant to subparagraph (D) of paragraph (1) shall be made as follows:

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

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

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

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

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

(d) Among other activities, the panel shall prepare the California Economic Development Strategic Plan. The secretary, working in collaboration with the Secretary of Business, Transportation and Housing, and the Secretary of Food and Agriculture, shall lead the preparation of the plan. The secretaries shall invite businesses, labor unions, organizations representing the interests of diverse ethnic and gender groups, local government leaders, academic economists and business professors, national laboratories, the University of California, the California State University, private research universities, the California Community Colleges, chambers of commerce, business organizations in biotech, nanotech, multimedia, information technology, and similar fields, government agencies, and key industries to provide advice on economic development issues and to contribute to the preparation of the recommended economic strategy.

(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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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