

AMENDED IN ASSEMBLY MAY 28, 2010

AMENDED IN ASSEMBLY APRIL 8, 2010

CALIFORNIA LEGISLATURE—2009—10 REGULAR SESSION

**ASSEMBLY BILL**

**No. 2734**

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**Introduced by Assembly Member John A. Perez**

February 19, 2010

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An act to *amend Section 15570 of*, to add Chapter 1.6 (commencing with Section 12096) to Part 2 of Division 3 of Title 2 of, and to repeal Chapter 3 (commencing with Section 15570) of Part 8.5 of, and Article 7 (commencing with Section 65054) of Chapter 1.5 of Division 1 of Title 7 of, the Government Code, relating to economic development.

LEGISLATIVE COUNSEL'S DIGEST

AB 2734, as amended, John A. Perez. Office of Economic Development.

**Existing**

(1) *Existing* law provides for various state programs and services for the purpose of attracting and retaining businesses in this state. ~~Existing law requires the Secretary of Labor and Workforce Development to lead the development of a biennial California Economic Development Strategic Plan and, in doing so, to review the recommendations of the California Economic Strategy Panel, which is created for this purpose.~~ Existing law creates the Office of Small Business Advocate in the Office of Planning and Research in the Governor's office.

This bill would create the Office of Economic Development, which would be ~~directed~~ *administered* by a ~~secretary~~ *director* appointed by the Governor. The bill would require that the office serve the Governor as the lead entity for economic strategy and marketing of California on

issues relating to business development, private sector investment, and economic growth, and make recommendations to the Governor and the Legislature regarding policies, programs, and actions to advance statewide economic goals. ~~The bill would also create the Economic Development Council within the office, and the council would, in conjunction with the office, prepare the Economic Development Strategic Plan, as specified, to guide the state's activities and investments related to economic and workforce development, among other things. The bill would establish certain requirements regarding the composition of the membership of the council. The bill would create the California Business Investment Services Program, as specified, within the office, under the authority of the secretary~~ *director*, for the purpose of serving employers, corporate executives, business owners, and site location consultants who are considering California for business investment and expansion. The bill would also ~~repeal provisions regarding the biennial California Economic Development Strategic Plan and the California Economic Strategy Panel, described above, and~~ move the Office of Small Business Advocate to the Office of Economic Development.

*(2) Existing law requires the Secretary of Labor and Workforce Development to lead the development of a biennial California Economic Development Strategic Plan and, in doing so, to review the recommendations of the California Economic Strategy Panel, which is created for this purpose. Existing law requires the secretary to convene a biennial economic strategy panel, conduct meetings, and submit a report to the Legislature regarding its findings and recommendations regarding developing a system of accountability, as specified.*

*This bill would delete the date for the submission of the report described above and instead require that the report also be submitted to the Governor's office of Economic Development after the necessary meetings have been held.*

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: no.

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

- 1 SECTION 1. Chapter 1.6 (commencing with Section 12096)
- 2 is added to Part 2 of Division 3 of Title 2 of the Government Code,
- 3 to read:

1           CHAPTER 1.6. OFFICE OF ECONOMIC DEVELOPMENT

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3       12096. This chapter shall be known, and may be cited, as the  
4 Economic Revitalization Act.

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6                           Article 1. Intent

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8       12096.1. The Legislature finds and declares all of the following:

9       (a) In 2008, California had the eighth largest economy in the  
10 world, with a gross state product of over one trillion eight hundred  
11 billion dollars (\$1,800,000,000,000).

12       (b) California’s significance in the global marketplace results  
13 from a variety of factors, including:

14       (1) Its strategic west coast location that provides direct access  
15 to the growing markets and technology centers of Mexico, Latin  
16 America, Japan, China, and Southeast Asia.

17       (2) Its diverse regional economies.

18       (3) Its ethnically diverse population and well-educated  
19 workforce.

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

22       (5) Its rich inventory of pioneering businesses.

23       (6) Its culture of entrepreneurship, particularly in the areas of  
24 computer technology, biotechnology, and clean and green  
25 technology.

26       (7) Its access to world-class research and educational  
27 institutions.

28       (c) It is ~~the~~ therefore in California’s best interest to have a  
29 designated Office of Economic Development within the Governor’s  
30 office to provide a visible, point of contact for entrepreneurs  
31 seeking information on business growth and economic development  
32 opportunities, as well as technical assistance for navigating the  
33 state’s regulatory environment.

34       (d) It is further in California’s best interest to reexamine and  
35 reframe the state’s apparatus for the delivery of services to the  
36 business community, particularly the small business community,  
37 to better position California to compete in the global economy.

Article 2. Definitions

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12096.2. For purposes of this chapter:  
~~(a) "Council" means the Economic Development Council.~~  
~~(b)~~  
(a) "Office" means the Office of Economic Development.  
~~(c) "Plan" means the Economic Development Strategic Plan.~~  
~~(d) "Secretary" means the Secretary~~  
(b) "*Director*" means the *Director* of the Office of Economic Development.

Article 3. General

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12096.3. (a) The Office of Economic Development is hereby established in state government within the Governor's office. The office shall be under the direct control of a ~~secretary~~, *director*, who shall be responsible to the Governor.  
(b) The Governor shall appoint the ~~Secretary~~ *Director* of the Office of Economic Development, ~~subject to confirmation by the Senate~~, who shall perform all duties, exercise all powers, assume and discharge all responsibilities, and carry out and effect all purposes vested by law in the office, including contracting for professional or consultant services in connection with the work of the office.  
(c) The salary of the ~~Secretary~~ *Director* of the Office of Economic Development shall be fixed pursuant to Section 12001.

Article 4. Powers and Duties

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12096.4. The office shall serve the Governor as the lead entity for economic strategy and marketing of California on issues relating to business development, private sector investment, and economic growth. In this capacity, the office shall:  
(a) ~~In conjunction with the council, prepare~~ *Prepare* a five-year plan, as described in Section 12096.6, to guide the state's activities and investments related to economic and workforce development, and maintain an Internet Web site for public dissemination of the plan and other information.  
(b) ~~In conjunction with the council, recommend~~ *Recommend* to the Governor and the Legislature new state policies, programs,

1 and actions, or amendments to existing programs, as required,  
2 advance statewide economic goals and respond to emerging  
3 economic problems and opportunities, and ensure that all state  
4 policies and programs conform to the adopted state economic and  
5 business development goals.

6 (c) Assist the Department of Finance in preparing, as part of  
7 the annual state budget, an integrated program of priority actions  
8 to achieve statewide economic goals and objectives and take other  
9 actions to ensure that the program budget, submitted annually to  
10 the Legislature, contains information reporting the achievement  
11 of state economic goals and objectives by departments and agencies  
12 of state government.

13 (d) Coordinate the development of policies and criteria to ensure  
14 that federal grants administered or directly expended by state  
15 government advance statewide economic goals and objectives.

16 (e) Market the business and investment opportunities available  
17 in California by working in partnership with local, regional, federal,  
18 and other state public and private institutions to encourage business  
19 development and investment in the state.

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~~Article 5. Economic Development Council~~

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23 ~~12096.5. (a) The Economic Development Council is hereby~~  
24 ~~created within the office for the purpose of developing a vision~~  
25 ~~for economic growth and a strategic plan that leverages the state's~~  
26 ~~economic development programs with local, regional, federal,~~  
27 ~~public, and private efforts. The council may make policy as well~~  
28 ~~as fiscal recommendations to the Governor and the Legislature on~~  
29 ~~issues related to economic and workforce development.~~

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~~(b) Membership of the council is as follows:~~

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~~(1) The secretary, who shall serve as the chairperson of the~~  
32 ~~council.~~

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~~(2) The Secretary of Labor and Workforce Development.~~

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

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~~(4) The Secretary of Food and Agriculture.~~

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~~(5) Four persons appointed by the Governor.~~

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~~(6) One person appointed by the Speaker of the Assembly.~~

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~~(7) One person appointed by the Senate Committee on Rules.~~

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~~(8) The Director of the Office of Small Business Advocate.~~

- 1     ~~(e) (1) The four persons appointed by the Governor shall~~
- 2 ~~broadly reflect the state’s population as to gender, ethnicity, and~~
- 3 ~~geographic residence, and each appointee shall represent at least~~
- 4 ~~one of the following categories:~~
- 5     ~~(A) Local government.~~
- 6     ~~(B) Small business.~~
- 7     ~~(C) Manufacturing.~~
- 8     ~~(D) Workforce development.~~
- 9     ~~(E) Economic development.~~
- 10    ~~(F) Labor.~~
- 11    ~~(G) Finance.~~
- 12    ~~(H) Academic institutions.~~
- 13    ~~(2) At least six members of the council shall be from the private~~
- 14 ~~sector of the economy and at least one appointment shall be from~~
- 15 ~~a rural area of the state.~~
- 16    ~~(3) Beginning January 1, 2011, appointments to the council~~
- 17 ~~shall be for four-year terms, except that the Governor’s~~
- 18 ~~appointments made in the first year shall be made as follows:~~
- 19     ~~(A) Two members shall be appointed on January 1, 2011, and~~
- 20 ~~every four years thereafter.~~
- 21     ~~(B) Two members shall be appointed on January 1, 2011, for a~~
- 22 ~~two-year term.~~
- 23    ~~(d) Vacancies in the council membership shall be filled in the~~
- 24 ~~same manner provided for the original appointment.~~
- 25    ~~(e) The council shall meet on call of the secretary, who shall~~
- 26 ~~convene at least two public council meetings during each year.~~
- 27    ~~(f) Council members shall serve without compensation, but they~~
- 28 ~~may be reimbursed for actual expenses incurred in connection with~~
- 29 ~~their duties.~~

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~~Article 6. Economic Development Strategic Plan~~

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- 33     ~~12096.6. (a) By July 15, 2011, the secretary, in partnership~~
- 34 ~~with the council shall prepare the Economic Development Strategic~~
- 35 ~~Plan.~~
- 36     ~~(b) The plan shall include, at a minimum, the following~~
- 37 ~~components:~~
- 38     ~~(1) Policy goals, objectives, and recommendations required to~~
- 39 ~~implement a comprehensive economic and workforce development~~
- 40 ~~strategic plan for the state.~~

- 1 ~~(2) Measurable outcomes and timelines for implementing the~~  
2 ~~goals, objectives, and recommendations for the strategic plan.~~
- 3 ~~(3) Identification of impediments to achieving the goals,~~  
4 ~~objectives, and recommendations described in paragraph (1).~~
- 5 ~~(4) Identification of key stakeholder partnerships to use in~~  
6 ~~implementing the plan.~~
- 7 ~~(5) Identification of options for funding the goals, objectives,~~  
8 ~~and recommendations described in paragraph (1).~~
- 9 ~~(6) Identification of an organizational structure, including global~~  
10 ~~logistical and Internet-based networks, for the implementation of~~  
11 ~~the policies, programs, and services recommended in the plan.~~
- 12 ~~(e) In developing the plan, the secretary and council shall, at a~~  
13 ~~minimum, assess the following factors:~~
  - 14 ~~(1) Strengths and weaknesses of the California economy within~~  
15 ~~a regional, national, and global context.~~
  - 16 ~~(2) Current and emerging trends, industries, and services in~~  
17 ~~different regions of the state.~~
  - 18 ~~(3) Effectiveness of California's economic and workforce~~  
19 ~~development programs in creating and retaining jobs, providing~~  
20 ~~21st century workforce skills, and attracting industries providing~~  
21 ~~employment within the state's core and emerging industries.~~
  - 22 ~~(4) Government and marketplace impediments to economic~~  
23 ~~development.~~
  - 24 ~~(5) The unique opportunities and challenges in developing~~  
25 ~~businesses and attracting investment along the state's border areas~~  
26 ~~and in emerging domestic markets.~~
  - 27 ~~(6) As part of its deliberations in preparing the plan, the secretary~~  
28 ~~and council shall consult with other public and private entities they~~  
29 ~~deem necessary and appropriate.~~
  - 30 ~~(7) The secretary and council shall review the plan within five~~  
31 ~~years of the date it was prepared, and every five years thereafter,~~  
32 ~~and update the plan as the secretary deems appropriate. Nothing~~  
33 ~~in this subdivision prohibits the secretary from reviewing or~~  
34 ~~updating the plan more frequently.~~
  - 35 ~~(8) The secretary shall post the plan on the office's Internet Web~~  
36 ~~site.~~

1 Article 7: 5. California Business Investment Services Program

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3 12096.7. (a) The California Business Investment Services  
4 Program is hereby created within the Office of Economic  
5 Development.

6 (b) The program shall be under the direct authority of the  
7 ~~secretary~~ *director*.

8 (c) The purpose of the program is to serve employers, corporate  
9 executives, business owners, and site location consultants who are  
10 considering California for business investment and expansion.  
11 Among other things, the program shall provide:

- 12 (1) Economic and demographic data.
- 13 (2) Financial information to help link businesses with state and  
14 local public and private programs.
- 15 (3) Workforce information including labor availability, training,  
16 and education programs.
- 17 (4) Transportation and infrastructure information.
- 18 (5) Assistance in obtaining state and local permits.
- 19 (6) Information on tax credits and other incentives.
- 20 (7) Permitting, siting, and other regulatory information pertinent  
21 to business operations in California.

22 (d) The program shall have a well-advertised telephone number,  
23 an interactive Internet Web site, and an administrative structure  
24 that effectively supports the facilitation of business development  
25 and investment in the state.

26 (e) In implementing the program, the ~~secretary~~ *director* shall  
27 establish and implement a process for convening strike teams on  
28 key business development situations, including, but not limited  
29 to, attracting new businesses, relocation of large manufacturers,  
30 or the closure of a large business employer.

31 (f) In implementing the program, the ~~secretary~~ *director* shall  
32 work cooperatively with local, regional, federal, and other state  
33 public and private marketing institutions and trade organizations  
34 in attracting, retaining, and helping businesses grow and be  
35 successful in California.

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37 Article 8: 6. Small Business Advocate

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39 12098. (a) The Legislature finds and declares that it is in the  
40 public interest to aid, counsel, assist, and protect, insofar as is

1 possible, the interests of small business concerns in order to  
2 preserve free competitive enterprise and maintain a healthy state  
3 economy.

4 (b) In order to advocate the causes of small business and to  
5 provide small businesses with the information they need to survive  
6 in the marketplace, there is created within the Office of Economic  
7 Development the Office of Small Business Advocate.

8 (c) The advocate shall post on his or her Internet Web site the  
9 name and telephone number of the small business liaison  
10 designated pursuant to Section 14846.

11 12098.1. The following definitions apply to this article, unless  
12 otherwise indicated:

13 (a) "Advocate" means the Small Business Advocate who is also  
14 the Director of the Office of Small Business Advocate.

15 (b) "Director" means the Director of the Office of Small  
16 Business Advocate.

17 (c) "Office" means the Office of Small Business Advocate.

18 12098.3. (a) The Director of the Office of Small Business  
19 Advocate shall be appointed by, and shall serve at the pleasure of,  
20 the Governor.

21 (b) The Governor shall appoint the employees ~~that~~ *who* are  
22 needed to accomplish the purposes of this article.

23 (c) The duties and functions of the advocate shall include all of  
24 the following:

25 (1) Serve as the principal advocate in the state on behalf of small  
26 businesses, including, but not limited to, advisory participation in  
27 the consideration of all legislation and administrative regulations  
28 that affect small businesses, and advocacy on state policy and  
29 programs related to small businesses on disaster preparedness and  
30 recovery including providing technical assistance.

31 (2) Represent the views and interests of small businesses before  
32 other state agencies whose policies and activities may affect small  
33 business.

34 (3) Enlist the cooperation and assistance of public and private  
35 agencies, businesses, and other organizations in disseminating  
36 information about the programs and services provided by state  
37 government that are of benefit to small businesses, and information  
38 on how small businesses can participate in, or make use of, those  
39 programs and services.

1 (4) Issue a report every two years evaluating the efforts of state  
2 agencies and, where appropriate, specific departments that  
3 significantly regulate small businesses to assist minority and other  
4 small business enterprises, and making recommendations that may  
5 be appropriate to assist the development and strengthening of  
6 minority and other small business enterprises.

7 (5) Consult with experts and authorities in the fields of small  
8 business investment, venture capital investment, and commercial  
9 banking and other comparable financial institutions involved in  
10 the financing of business, and with individuals with regulatory,  
11 legal, economic, or financial expertise, including members of the  
12 academic community, and individuals who generally represent the  
13 public interest.

14 (6) Determine the desirability of developing a set of rational,  
15 objective criteria to be used to define small business, and develop  
16 those criteria, if appropriate.

17 (7) Seek the assistance and cooperation of all state agencies and  
18 departments providing services to, or affecting, small business,  
19 including the small business liaison designated pursuant to Section  
20 14846, to ensure coordination of state efforts.

21 (8) Receive and respond to complaints from small businesses  
22 concerning the actions of state agencies and the operative effects  
23 of state laws and regulations adversely affecting those businesses.

24 (9) Counsel small businesses on how to resolve questions and  
25 problems concerning the relationship of small business to state  
26 government.

27 (10) Maintain, publicize, and distribute an annual list of persons  
28 serving as small business ombudsmen throughout state government.

29 (11) Consult with the Department of Transportation in the  
30 development and administration of the Small and Emerging  
31 Contractor Technical Assistance Program established pursuant to  
32 Article 2.6 (commencing with Section 14137) of Chapter 2 of Part  
33 5.

34 12098.4. (a) Each agency of the state shall furnish to the  
35 advocate the reports, documents, and information that are public  
36 records and that the director deems necessary to carry out his or  
37 her functions under this chapter.

38 (b) The advocate shall prepare and submit a written annual  
39 report to the Governor and to the Legislature that describes the  
40 activities and recommendations of the office.

1 (c) The advocate may establish a centralized interactive  
2 telephone referral system to assist small and minority businesses  
3 in their operations, including governmental requirements, such as  
4 taxation, accounting, and pollution control, and to provide  
5 information concerning the agency from which more specialized  
6 assistance may be obtained. The advocate may establish and  
7 advertise a telephone number to serve this centralized interactive  
8 telephone referral system.

9 12098.5. In addition to his or her other responsibilities under  
10 this article, the advocate shall do the following:

11 (a) Develop on the office's Internet Web site, and update as  
12 necessary, a handbook about emergency preparedness, responses  
13 to emergencies, and recovery strategies for small businesses.

14 ~~(b) Conduct, no later than July 1, 2008, at least three public~~  
15 ~~meetings, and one public meeting every other year thereafter, to~~

16 (b) *Conduct at least one public meeting every year to share best*  
17 *practices for small business disaster preparedness. The meetings*  
18 *shall be held in consultation with regional and statewide small*  
19 *business organizations and shall take place in different locations*  
20 *throughout the state.*

21 ~~SEC. 2. Chapter 3 (commencing with Section 15570) of Part~~  
22 ~~8.5 of Division 3 of Title 2 of the Government Code is repealed.~~

23 *SEC. 2. Section 15570 of the Government Code is amended to*  
24 *read:*

25 15570. (a) The secretary shall lead the preparation of a biennial  
26 California Economic Development Strategic Plan. In fulfilling this  
27 duty, the secretary shall do the following:

28 (1) Review the recommendations made by the California  
29 Economic Strategy Panel in their biennial economic development  
30 strategic plan document. This document shall make  
31 recommendations regarding an economic development strategic  
32 plan for the state, covering a two-year time period and containing  
33 a statement of economic goals for the state, a prioritized list  
34 identifying significant issues learned from economic development  
35 strategic plan panel meetings, proposals for legislation, regulations,  
36 and administrative reforms necessary to improve the business  
37 climate and economy of the state, evaluation of the effectiveness  
38 of the state's economic development programs, a list of key  
39 industries in which the state shall focus its economic development  
40 efforts, and strategies to foster job growth and economic

1 development covering all state agencies, offices, boards, and  
2 commissions that have economic development responsibilities.

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

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

18 (B) Emerging and declining industries in California and  
19 elsewhere.

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

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

24 (E) Government impediments to economic development.

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

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

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

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

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

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

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

7 (vii) ~~Submit~~ *After the biennial economic strategy panel has*  
8 *been convened and its meetings are conducted, submit* a report of  
9 its findings and recommendations regarding this subparagraph to  
10 the Legislature ~~no later than one year after its first meeting after~~  
11 ~~January 1, 2005~~ *and the Governor's office of Economic*  
12 *Development.*

13 (b) The panel shall be composed of the following 15 members:

14 (1) The Secretary of Labor and Workforce Development, who  
15 shall serve as chair of the panel.

16 (2) Eight persons appointed by the Governor.

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

18 (4) The President pro Tempore of the Senate or his or her  
19 designee.

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

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

22 (7) One person appointed by the Speaker of the Assembly.

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

24 (c) The panel shall be representative of state government,  
25 business, labor, finance, and academic institutions, and shall be  
26 broadly reflective of the state's population as to gender, ethnicity,  
27 and geographic residence within California.

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

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

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

1 (3) Upon the expiration of the initial appointments made  
2 pursuant to paragraph (2), four members shall be appointed on  
3 January 1, 2006, and every four years thereafter.

4 (d) The secretary shall deliver copies of the economic strategy  
5 panel’s recommended California economic development strategic  
6 plan to every constitutional officer, legislator, member of the  
7 Governor’s cabinet, members of the economic development  
8 strategic plan panel, and every state agency, office, board, and  
9 commission having economic development responsibilities.

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

13 SEC. 3. Article 7 (commencing with Section 65054) of Chapter  
14 1.5 of Division 1 of Title 7 of the Government Code is repealed.