

AMENDED IN SENATE AUGUST 17, 2010

AMENDED IN ASSEMBLY MAY 28, 2010

AMENDED IN ASSEMBLY APRIL 8, 2010

CALIFORNIA LEGISLATURE—2009–10 REGULAR SESSION

ASSEMBLY BILL

No. 2734

Introduced by Assembly Member John A. Pérez
(Coauthors: Assembly Members Arambula, Bill Berryhill, Block,
Caballero, and Logue)
(Coauthor: Senator DeSaulnier)

February 19, 2010

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 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. Pérez. Office of Economic Development.

(1) Existing law provides for various state programs and services for the purpose of attracting and retaining businesses in this state. 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 administered by a director appointed by the Governor. The bill would require that the office serve the Governor as the lead entity for economic strategy and *the* 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 create the California Business Investment Services Program, as specified, within the office, under the authority of the 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 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:

4
5 CHAPTER 1.6. OFFICE OF ECONOMIC DEVELOPMENT

6
7 12096. This chapter shall be known, and may be cited, as the
8 Economic Revitalization Act.

9
10 Article 1. Intent

11
12 12096.1. The Legislature finds and declares all of the following:
13 (a) In 2008, California had the eighth largest economy in the
14 world, with a gross state product of over one trillion eight hundred
15 billion dollars (\$1,800,000,000,000).

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

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

(2) Its diverse regional economies.

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

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

(5) Its rich inventory of pioneering businesses.

(6) Its culture of entrepreneurship, particularly in the areas of computer technology, biotechnology, *medical devices and diagnostic tools*, and clean and green technology.

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

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

(d) It is further in California's best interest to reexamine and reframe the ~~state's~~ *state government's* apparatus for the delivery of services to the business community, particularly the small business community, to better position California to compete in the global economy.

Article 2. Definitions

12096.2. For purposes of this chapter:

(a) "Office" means the Office of Economic Development.

(b) "Director" means the Director of the Office of Economic Development.

Article 3. General

12096.3. (a) The Office of Economic Development is hereby established in state government within the Governor's office. The

1 office shall be under the direct control of a director, who shall be
2 responsible to the Governor.

3 (b) The Governor shall appoint the Director of the Office of
4 Economic Development, *subject to confirmation by the Senate*,
5 who shall perform all duties, exercise all powers, assume and
6 discharge all responsibilities, and carry out and effect all purposes
7 vested by law in the office, including contracting for professional
8 or consultant services in connection with the work of the office.

9 (c) The salary of the Director of the Office of Economic
10 Development shall be fixed pursuant to Section 12001.

11
12 Article 4. Powers and Duties
13

14 12096.4. The office shall serve the Governor as the lead entity
15 for economic strategy and *the* marketing of California on issues
16 relating to business development, private sector investment, and
17 economic growth. In this capacity, the office shall:

18 ~~(a) Prepare a five-year plan, as described in Section 12096.6,~~
19 ~~to guide the state's activities and investments related to economic~~
20 ~~and workforce development, and maintain an Internet Web site~~
21 ~~for public dissemination of the plan and other information.~~

22 ~~(b) Recommend to~~

23 ~~(a) Recommend to~~ the Governor and the Legislature new state
24 policies, programs, and actions, or amendments to existing
25 programs, ~~as required~~, advance statewide economic goals and
26 respond to emerging economic problems and opportunities, and
27 ensure that all state policies and programs conform to the adopted
28 state economic and business development goals.

29 ~~(c) Assist the Department of Finance in preparing, as part of~~
30 ~~the annual state budget, an integrated program of priority actions~~
31 ~~to achieve statewide economic goals and objectives and take other~~
32 ~~actions to ensure that the program budget, submitted annually to~~
33 ~~the Legislature, contains information reporting the achievement~~
34 ~~of state economic goals and objectives by departments and agencies~~
35 ~~of state government.~~

36 ~~(d)~~

37 ~~(b)~~ Coordinate the development of policies and criteria to ensure
38 that federal grants administered or directly expended by state
39 government advance statewide economic goals and objectives.

40 ~~(e)~~

1 (c) Market the business and investment opportunities available
2 in California by working in partnership with local, regional, federal,
3 and other state public and private institutions to encourage business
4 development and investment in the state.

5 (d) *Provide, including, but not limited to, all of the following:*

6 (1) *Economic and demographic data.*

7 (2) *Financial information to help link businesses with state and*
8 *local public and private programs.*

9 (3) *Workforce information, including, but not limited to, labor*
10 *availability, training, and education programs.*

11 (4) *Transportation and infrastructure information.*

12 (5) *Assistance in obtaining state and local permits.*

13 (6) *Information on tax credits and other incentives.*

14 (7) *Permitting, siting, and other regulatory information pertinent*
15 *to business operations in the state.*

16 (e) *Establish a well-advertised telephone number, an interactive*
17 *Internet Web site, and an administrative structure that effectively*
18 *supports the facilitation of business development and investment*
19 *in the state.*

20 (f) *Encourage collaboration among research institutions, startup*
21 *companies, local governments, venture capitalists, and economic*
22 *development agencies to promote innovation.*

23 (g) *In cooperation with the federal government, foster*
24 *relationships with overseas entities to improve the state's image*
25 *as a destination for business investment and expansion.*

26 (h) *Conduct research on the state's business climate, including,*
27 *but not limited to, research on how the state can remain on the*
28 *leading edge of innovation and emerging sectors.*

29 (i) *Support small businesses by providing information about*
30 *accessing capital, complying with regulations, and supporting*
31 *state initiatives that support small business.*

32 12096.5. (a) *During the 2010–11 fiscal year, the office shall*
33 *be funded with existing resources and staffed by personnel loaned*
34 *from agencies and departments that address economic*
35 *development, including, but not limited to, the promotion of small*
36 *business. The agencies shall include, but not be limited to, the*
37 *Labor and Workforce Development Agency, the Business,*
38 *Transportation and Housing Agency, the California Environmental*
39 *Protection Agency, the Natural Resources Agency, the State and*
40 *Consumer Services Agency, the Department of Food and*

1 *Agriculture, the State Chief Information Officer, and the Office of*
2 *Planning and Research.*

3 *(b) Each member of the Governor's cabinet shall identify a*
4 *senior manager within his or her agency who shall coordinate*
5 *business support activities with the office.*

6 *(c) For the 2011–12 fiscal year and subsequent fiscal years, the*
7 *office shall develop a budget in coordination with the Department*
8 *of Finance pursuant to the state budgeting process, including the*
9 *permanent transfer of associated positions.*

10

11 Article 5. California Business Investment Services Program

12

13 12096.7. (a) The California Business Investment Services
14 Program is hereby created within the Office of Economic
15 Development.

16 (b) The program shall be under the direct authority of the
17 director.

18 (c) The purpose of the program is to serve employers, corporate
19 executives, business owners, and site location consultants who are
20 considering California for business investment and expansion.
21 ~~Among other things, the program shall provide:~~

22 ~~(1) Economic and demographic data.~~

23 ~~(2) Financial information to help link businesses with state and~~
24 ~~local public and private programs.~~

25 ~~(3) Workforce information including labor availability, training,~~
26 ~~and education programs.~~

27 ~~(4) Transportation and infrastructure information.~~

28 ~~(5) Assistance in obtaining state and local permits.~~

29 ~~(6) Information on tax credits and other incentives.~~

30 ~~(7) Permitting, siting, and other regulatory information pertinent~~
31 ~~to business operations in California.~~

32 ~~(d) The program shall have a well-advertised telephone number,~~
33 ~~an interactive Internet Web site, and an administrative structure~~
34 ~~that effectively supports the facilitation of business development~~
35 ~~and investment in the state.~~

36 ~~(e)~~

37 (d) In implementing the program, the director shall establish
38 and implement a process for convening strike teams on key
39 business development situations, including, but not limited to,

1 attracting new businesses, relocation of large manufacturers, or
2 the closure of a large business employer.

3 (f)

4 (e) In implementing the program, the director shall work
5 cooperatively with local, regional, federal, and other state public
6 and private marketing institutions and trade organizations in
7 attracting, retaining, and helping businesses grow and be successful
8 in California.

9
10 Article 6. Small Business Advocate

11
12 12098. (a) The Legislature finds and declares that it is in the
13 public interest to aid, counsel, assist, and protect, insofar as is
14 possible, the interests of small business concerns in order to
15 preserve free competitive enterprise and maintain a healthy state
16 economy.

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

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

24 12098.1. The following definitions apply to this article, unless
25 otherwise indicated:

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

28 (b) "Director" means the Director of the Office of Small
29 Business Advocate.

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

31 12098.3. (a) The Director of the Office of Small Business
32 Advocate shall be appointed by, and shall serve at the pleasure of,
33 the Governor.

34 (b) The Governor shall appoint the employees who are needed
35 to accomplish the purposes of this article.

36 (c) The duties and functions of the advocate shall include all of
37 the following:

38 (1) Serve as the principal advocate in the state on behalf of small
39 businesses, including, but not limited to, advisory participation in
40 the consideration of all legislation and administrative regulations

1 that affect small businesses, and advocacy on state policy and
2 programs related to small businesses on disaster preparedness and
3 recovery including providing technical assistance.

4 (2) Represent the views and interests of small businesses before
5 other state agencies whose policies and activities may affect small
6 business.

7 (3) Enlist the cooperation and assistance of public and private
8 agencies, businesses, and other organizations in disseminating
9 information about the programs and services provided by state
10 government that are of benefit to small businesses, and information
11 on how small businesses can participate in, or make use of, those
12 programs and services.

13 (4) Issue a report every two years evaluating the efforts of state
14 agencies and, where appropriate, specific departments that
15 significantly regulate small businesses to assist minority and other
16 small business enterprises, and making recommendations that may
17 be appropriate to assist the development and strengthening of
18 minority and other small business enterprises.

19 (5) Consult with experts and authorities in the fields of small
20 business investment, venture capital investment, and commercial
21 banking and other comparable financial institutions involved in
22 the financing of business, and with individuals with regulatory,
23 legal, economic, or financial expertise, including members of the
24 academic community, and individuals who generally represent the
25 public interest.

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

29 (7) Seek the assistance and cooperation of all state agencies and
30 departments providing services to, or affecting, small business,
31 including the small business liaison designated pursuant to Section
32 14846, to ensure coordination of state efforts.

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

36 (9) Counsel small businesses on how to resolve questions and
37 problems concerning the relationship of small business to state
38 government.

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

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

6 12098.4. (a) Each agency of the state shall furnish to the
7 advocate the reports, documents, and information that are public
8 records and that the director deems necessary to carry out his or
9 her functions under this chapter.

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

13 (c) The advocate may establish a centralized interactive
14 telephone referral system to assist small and minority businesses
15 in their operations, including governmental requirements, such as
16 taxation, accounting, and pollution control, and to provide
17 information concerning the agency from which more specialized
18 assistance may be obtained. The advocate may establish and
19 advertise a telephone number to serve this centralized interactive
20 telephone referral system.

21 12098.5. In addition to his or her other responsibilities under
22 this article, the advocate shall do the following:

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

26 (b) Conduct at least one public meeting every year to share best
27 practices for small business disaster preparedness. The meetings
28 shall be held in consultation with regional and statewide small
29 business organizations and shall take place in different locations
30 throughout the state.

31 SEC. 2. Section 15570 of the Government Code is amended
32 to read:

33 15570. (a) The secretary shall lead the preparation of a biennial
34 California Economic Development Strategic Plan. In fulfilling this
35 duty, the secretary shall do the following:

36 (1) Review the recommendations made by the California
37 Economic Strategy Panel in their biennial economic development
38 strategic plan document. This document shall make
39 recommendations regarding an economic development strategic
40 plan for the state, covering a two-year time period and containing

1 a statement of economic goals for the state, a prioritized list
2 identifying significant issues learned from economic development
3 strategic plan panel meetings, proposals for legislation, regulations,
4 and administrative reforms necessary to improve the business
5 climate and economy of the state, evaluation of the effectiveness
6 of the state's economic development programs, a list of key
7 industries in which the state shall focus its economic development
8 efforts, and strategies to foster job growth and economic
9 development covering all state agencies, offices, boards, and
10 commissions that have economic development responsibilities.

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

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

26 (B) ~~Emerging-Existing~~, *emerging*, and declining industries in
27 California and elsewhere.

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

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

32 (E) Government impediments to economic development.

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

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

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

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

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

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

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

16 (vii) After the biennial economic strategy panel has been
17 convened and its meetings are conducted, submit a report of its
18 findings and recommendations regarding this subparagraph to the
19 Legislature and the Governor's office of Economic Development.

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

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

23 (2) Eight persons appointed by the Governor.

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

25 (4) The President pro Tempore of the Senate or his or her
26 designee.

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

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

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

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

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

35 At least one-half of all the persons on the panel shall be from
36 the private sector and at least two appointments shall be from
37 private businesses with less than 50 employees. At least two
38 appointments shall be from rural areas of the state. Beginning
39 January 1, 2004, appointments to the panel shall be for four-year

1 terms, except that the Governor's appointments made pursuant to
2 paragraph (2) of subdivision (b) shall be made as follows:

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

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

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

10 (d) The secretary shall deliver copies of the economic strategy
11 panel's recommended California economic development strategic
12 plan to every constitutional officer, legislator, member of the
13 Governor's cabinet, members of the economic development
14 strategic plan panel, and every state agency, office, board, and
15 commission having economic development responsibilities.

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

19 SEC. 3. Article 7 (commencing with Section 65054) of Chapter
20 1.5 of Division 1 of Title 7 of the Government Code is repealed.