

2008

## 2007-2008 Summary of Legislation

Assembly Committee on Jobs, Economic Development and the Economy

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**Assembly Committee on Jobs, Economic  
Development, and the Economy**

**2007-2008  
Summary of Legislation**

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## **Section I - The California Economy and Emerging Domestic Markets**

California is the one of the largest and most diversified economies in the world with a gross state product (GSP) of over \$1.8 trillion in 2007. For comparison, global gross domestic product (GDP) was \$53.3 trillion, with the U.S. (\$13.8 trillion) having the highest GDP of any individual nation, followed by Japan (\$4.3), Germany (\$3.3 trillion), China (\$3.2 trillion), United Kingdom (\$2.7 trillion), France (\$2.5 trillion), Italy (\$2.1 trillion), Spain (\$1.4 trillion), Canada (\$1.4 trillion), and Brazil (\$1.3 trillion). Based on these figures from the International Monetary Fund, if California were an independent nation it would rank as the eighth largest economy in the world.

The state's significance in the global marketplace results from a variety of factors, including: its strategic west coast location that provides direct access to the growing markets in Asia; its economically diverse regional economies; its large, ethnically diverse population, representing both a ready workforce and significant consumer base; its access to a wide variety of venture and other private capital; its broad base of small- and medium-sized businesses; and, its culture of innovation and entrepreneurship, particularly in the area of high technology.

As the largest state in the US, California is home to 12.1% of the nation's population and 11.6% of all jobs. Overall job growth in the state from 2001 to 2006 was 6.1%. Growth in California GSP outpaced the growth rate of the nation as a whole, 33.9% for California as compared to the US at 30.4%. Among other economic distinctions, the state leads the nation in export-related jobs, small business development, and business start-ups, in general.

### **Emerging Domestic Markets**

As unprecedented numbers of baby boomers are preparing to retire from the market place, a second and also significant wave of new workers and entrepreneurs are emerging to take their places within the American economy.

This demographic trend is particularly important for policy makers as it not only reflects a generational shift in the US, but it also reflects a shift in the race and ethnicity of the working age population. The California Budget Project estimates that by 2020, nearly 60% of the working age population in California will be comprised of Latinos, African-Americans, and Asian-Americans.

As with many demographic trends, it didn't start yesterday, but began decades ago becoming a measurable force most recently in the late 1990's when economic researchers at the Milken Institute began reporting on what they called "emerging domestic markets."

These emerging domestic markets, according to Milken, include people, places, or businesses with growth potential, which have historically faced systemic capital constraints. These constraints are often due to a lack of performance information which limits the ability of financial institutions and traditional investors to model and/or assess the economic viability of these business opportunities.

The demographics of emerging domestic markets include ethnic- and women-owned firms, urban and rural communities, companies which serve low- to moderate-income populations, and other small- and medium-sized businesses. The driving forces behind growth in emerging domestic markets comes from several areas, including the expanding minority purchasing power, increased flexibility in the personal credit markets, and demographic shifts in the workforce.

In the US, minority purchasing power is expected to triple from \$1.3 trillion in 2000 to over \$4 trillion by 2045. This represents over 70% of the growth of total US purchasing power during the same time period. Latino and African American purchasing power is already so significant in the US that if it were compared to national GDPs it would be greater than all but nine economies in the world.

As the purchasing power of minority communities has expanded, new product markets have opened up. Traditional product lines have also, and will to continue to be, modified in order to connect with this new and growing minority market. This growing minority and ethnic-based market is being served by an increase in the number of minority-owned and women-owned businesses.

Research shows that the growth of minority owned firms is surpassing the growth of all U.S. businesses, growing at a rate of 17% per year, which is six times the growth rate of all other firms. Sales from minority owned firms are also outpacing revenues in general - growing 34% per year - more than twice the rate of all other firms. The U.S. Internal Revenue Service predicts that Latinos will one day own 1-in-10 businesses in the US.

However, even with these impressive growth numbers, minority and women- owned businesses face systemic capital constraints. Blacks and Latinos are turned down for loans at three times the rate of similarly situated white applicants. Their participation rates in private equity and venture capital, in particular, are low. As an example:

- Minority owners comprise 8% of all owner firms, with Hispanics owning close to 4%. However, minority-owned firms receive less than 2% of venture capital.
- Women own approximately 40% of all businesses in the US; however, they receive less than five percent of all venture capital.
- Rural entrepreneurs account for 10% of all businesses but receive less than 2% of all venture capital.

With the current demographic shifts, minority workers will become, for the first time, the core of the working age population. As emerging central players in the state and national economy, issues relating to the potential success of minority-owned businesses must move from being a social equity consideration to a key economic consideration for the long-term success of the state. The California economy and in the coming years, the US economy, cannot be maintained and grow unless these emerging domestic markets can become mainstream.

In the fall of 2007, Chairman Arambula established the Emerging Domestic Market Advisory Group, comprised of investment and economic development professionals, for the purpose of increasing private investment in California's historically underserved areas. More information on Emerging Domestic Market Advisory Group is available in Section IX on JEDE informational hearings and advisory groups.

#### Legislation from 2007-08

Below is a summary of the legislation heard by JEDE during the 2007-08 Legislative Session relating to improving the state's economic development climate and increasing investments in emerging domestic markets.

#### **AB 27 (Parra): California Partnership for the San Joaquin Valley**

This bill codifies the California Partnership for the San Joaquin Valley for the purpose of increasing the living standards and the overall economic performance of the Central Valley. Through executive order, Governor Schwarzenegger created and then extended a substantially similar entity, which sunsets in November 2008. *Status:* Died pursuant to Art. IV, Sec. 10(c) of the Constitution.

#### **AB 49 (Arambula): 2007 Winter Freeze – Disaster Assistance**

As passed in JEDE Committee, this bill provides assistance to the victims of the January 2007 freeze. Specifically, the bill authorizes the Director of the Department of Finance, with the approval of the Governor, to transfer moneys in the Special Fund for Economic Uncertainties to the California Small Business Expansion Fund, in an amount necessary to make loan guarantees for the purpose of preventing business insolvencies and loss of employment in an area affected by a state of emergency. This authority sunsets on January 1, 2015. Further, the bill adds the extreme cold weather that occurred throughout January 2007, to the list of natural disasters that are eligible for full state reimbursement of local agency costs under the Natural Disaster Assistance Act. The bill includes an urgency provision for the immediate implementation of the measure. *Status:* Died pursuant to Art. IV, Sec. 10(c) of the Constitution.

#### **AB 232 (Price): Economic Opportunity Initiative Program**

This bill establishes a pilot project, the California Economic Opportunity Initiative Program, for the purpose of helping low-income communities become investment ready through the assistance of community development organizations. *Status:* Died pursuant to Art. IV, Sec. 10(c) of the Constitution.

#### **AB 816 (Carter): Microenterprise Development Organizations**

This bill establishes a \$5 million program at the Business, Transportation and Housing Agency for the purpose of making capacity-building grants to microenterprise development organizations. *Status:* Died pursuant to Art. IV, Sec. 10(c) of the Constitution.

**AB 1272 (Arambula): Small Cities Technical Assistance Program**

This bill establishes a local assistance program, within the California Infrastructure and Economic Development Bank, to assist small and rural communities obtain bond financing for infrastructure projects. *Status:* Died pursuant to Art. IV, Sec. 10(c) of the Constitution.

**AB 1418 (Arambula): Community Development: Banks and Credit Unions**

This bill improves the transparency on how financial institutions undertake community development and business development activities. The bill requires the Business Transportation and Housing Agency to track Community Reinvestment Act commitments over \$5 million made by state and federal-chartered banks. The bill also facilitates the exchange of information on how credit union leaders are using their existing resources, deployed under existing statute and regulation, to undertake community development activities and offer small business and microenterprise financing. *Status:* Vetoed by the Governor. In his veto message he stated:

"This bill would require the Department of Financial Institutions to develop a Credit Union Membership Investment Model to encourage state-chartered credit unions to identify best practices within the credit union industry. The bill would also require the Secretary of Business, Transportation and Housing to prepare a list of significant commitments made by federally- and state-chartered banks related to community investment.

"The department is a regulatory agency whose core mission is to enforce our state's banking laws and ensure that state-chartered banks and credit unions engage in sound fiscal and business practices. Neither major provision of this bill are consistent with the mission of the government agencies tasked with these responsibilities. It is additionally unclear that any of the activities envisioned in this bill would actually help in any material way the intended beneficiaries or that these activities are not better suited for the marketplace to act upon."

**AB 1431 (Arambula): Investment Guarantee Program**

This bill establishes the Early Stage Investment Guarantee Program, administered through the Small Business Loan Guarantee Program, for the purpose of assisting small businesses in attracting investors during the early years of their companies growth, as specified. *Status:* Died pursuant to Art. IV, Sec. 10(c) of the Constitution.

**AB 1455 (Arambula and Villines): Air Quality Zones**

This bill authorizes the establishment of the California Air Quality Zone Program for the purpose of assisting low-income communities address the conditions which have created severe air quality problems. The bill provides incentives for small business owners of mobile and stationary sources of air pollution to invest in air pollution control equipment that produce measurable emission reductions, and for owners of stationary sources of air

pollution to invest in the production and utilization of renewable energy technologies. *Status:* Died pursuant to Art. IV, Sec. 10(c) of the Constitution.

#### **AB 1606 (Arambula and Lieu): California Economic Development Strategic Plan**

This bill requires the development of a strategy to increase private investment in California's historically underserved communities, also known as emerging domestic markets. The bill also centralizes the state's existing economic development programs with the Economic Strategy Panel, in order to improve their coordination and impact on California communities. *Status:* Vetoed by the Governor. In his veto message the Governor stated:

"As I have said since the first days of my Administration, I am committed to fostering a healthy business environment in California. While this bill attempts to aid in that crucial effort, California needs a new overall strategy for its role in promoting economic development, not a piecemeal approach.

"I am instructing members of my Administration to build on their work and prepare new recommendations on how, and in what manner, state government can assist economic development in California. I look forward to working with the Legislature on this vital issue."

#### **AB 1721 (Arambula): State Economic Development Policy**

This bill designates the Business, Transportation, and Housing Agency as the state's primary agency responsible for the facilitation of economic development activities. The bill also establishes a fund for receiving federal, state, local, and private economic development moneys that can be used to further state economic development activities. No moneys may be used from this fund without a specific appropriation by the Legislature. The bill also adds economic development-related definitions and authorizes the Business, Transportation, and Housing Agency to administer specified federal Economic Development Administration disaster recovery moneys. *Status:* Signed by the Governor, Chapter 631, Statutes of 2007.

#### **AB 1840 (Charles Calderon): Definition of Retailer**

This bill modifies the definition of "retailer engaged in business in the state" for the purpose of collecting use tax. In modifying the definition, the bill would have increased the number of retailers with facilities outside of California which would have been required to collect a California use tax and remit it to the state. Existing law currently requires individual tax payers who purchase products from a retailer that doesn't collect a use tax to be personally responsible for paying the use tax directly to the state. *Status:* Removed from JEDE. Bill failed passage on the Assembly Floor.

**AB 1916 (Portantino): Economic Development**

This bill updates the membership and requirements of the California Economic Strategy Panel and requires that the next State Economic Development Strategy be submitted to the Legislature by January 1, 2010. *Status:* Vetoed by the Governor. In his veto message the Governor stated:

"The historic delay in passing the 2008-2009 State Budget has forced me to prioritize the bills sent to my desk at the end of the year's legislative session. Given the delay, I am only signing bills that are the highest priority for California. This bill does not meet that standard and I cannot sign it at this time."

**AB 2342 (Parra): California Partnership for the San Joaquin Valley**

This bill codifies the establishment and operation of the California Partnership for the San Joaquin Valley for the purpose of improving the economic, social, and environmental conditions of the San Joaquin Valley. *Status:* Held under submission in the Senate Committee on Appropriations.

**AB 2416 (Fuentes): California Small Business Board**

This bill expands the role of the California Small Business Board to include advising on innovative financial products. The bill further requires the Board to undertake a study on the viability of establishing a secondary market for loans that have received a loan guarantee under the California Small Business Loan Guarantee Program similar to the market for loans that have 7(A) guarantee from the federal Small Business Administration. *Status:* Held under submission in the Assembly Committee on Appropriations.

**AB 2636 (Arambula): Emerging Domestic Market Data Consortium**

This bill authorizes the establishment of a public/private consortium for the creation and maintenance of a comprehensive database of financial and other related information on emerging domestic markets. *Status:* Held under submission in the Assembly Committee on Appropriations.

**AB 2711 (Portantino): State Innovation and Technology Strategy**

This bill requires the Secretary of the Business, Transportation and Housing Agency to develop a comprehensive state technology and innovation strategy to guide future state expenditures and activities. *Status:* Held under submission in the Assembly Committee on Appropriations.

**AB 2854 (Mendoza) –Small Business One-Stop Website**

This bill requires, contingent upon funding becoming available, the establishment of a one-stop Web site for small business-related announcements and funding opportunities offered by state agencies. The Web site is only required to be maintained until January 1,



2014, when the provisions of this bill sunset. **Status:** Vetoed by the Governor. In his veto message the Governor stated:

"During my Administration, I have been committed to assisting small businesses and seeking ways for them to access valuable state resources. However, this bill does not offer any additional significant information to these businesses that is not already provided on the existing Small Business Advocate website. The Small Business Advocate currently consults with all parties required in this bill, and as such the bill is redundant and unnecessary.

"Additionally, the report mandate in this bill would create additional workload that would result in a General Fund cost pressure that is unsustainable during our current budget situation."

#### **AB 2998 (Carter): Microenterprise Development**

This bill requires the California Workforce Investment Board to develop guidelines for entrepreneurial training by January 1, 2010. The bill also adds legislative intent on the importance of all Californians having access to training related to self employment and entrepreneurship. **Status:** Held under submission in the Senate Committee on Appropriations.

#### **AB 3045 (JEDE): Economic Development Code Maintenance**

This bill adds definitions to the codes relating to the state's economic development programs. **Status:** Vetoed by the Governor. In his veto message the Governor said:

"The historic delay in passing the 2008-2009 State Budget has forced me to prioritize the bills sent to my desk at the end of the year's legislative session. Given the delay, I am only signing bills that are the highest priority for California. This bill does not meet that standard and I cannot sign it at this time."

#### **ACR 23 (Arambula): Entrepreneurship Week 2007**

This resolution memorializes California's support for Entrepreneurship Week USA, which is celebrated throughout the country during the week of February 24 through March 3, 2007. Entrepreneurs play an essential role in the California economy and therefore, the resolution calls on schools, community-based organizations, business groups, and volunteer organizations who work with youth to sponsor, organize, and hold events during this week to promote entrepreneurship and to educate youth about starting a business. **Status:** Approved by both Houses, Resolution Chapter 12, Statutes of 2007.

#### **AJR 120 (Silva): Entrepreneurship Week 2008**

This measure states the Legislature's support for the goal of Entrepreneurship Week to ignite the national and state consciousness of entrepreneurship, and encourage educators to incorporate opportunities to learn about entrepreneurial principles and ideals in school programs. **Status:** Approved by both Houses, Resolution Chapter 135, Statutes of 2008.

**AJR 22 (Lieber): Gulf Coast Civic Works Project**

This measure memorializes the state Legislature's support for the introduction and enactment of federal legislation to establish the Gulf Coast Civic Works Project, which would finance the creation of 100,000 jobs for displaced Gulf Coast residents, and rebuild communities and homes damaged by Hurricane Katrina. *Status:* Approved by both Houses, Resolution Chapter 15, Statutes of 2008.

**AJR 32 (Karnette): Federal Military Contracts and California Manufacturing Facilities**

This resolution memorializes California's support for the production of the C-17 transport aircraft and pledges the state's support for ongoing efforts to secure commitments from the President, Congress, and the military for funding that would continue the production of that aircraft. Support for continued production of the C-17 transport aircraft is based on the importance of the aircraft to the security of the nation and the negative impact that ending production would have on the economy of the nation, the state, and the Southern California region. *Status:* Approved by both Houses, Resolution Chapter 152, Statutes of 2007.

**SB 765 (Ridley-Thomas): California Urban Partnership**

This bill establishes the California Partnership for Urban Communities for the purpose of coordinating existing state and federal efforts designed to assist at-risk communities through locally led efforts. *Status:* Placed on the Inactive File on the Assembly Floor.

**SB 1200 (Ducheny): Indian Tribes: Economic Development**

This bill establishes the Native American Business Revolving Loan Program for the purpose of promoting the long-term economic viability of tribal communities by providing capital to create or retain jobs, offer business development and employment training, and provide general education to tribal members. *Status:* Held under submission in the Assembly Committee on Appropriations.

**SB 1550 (Florez): Climate Risk Disclosure Standard**

This bill requires the establishment of a voluntary, investor-driven climate change disclosure standard to guide disclosures made by publicly listed companies that operate within California. In establishing this standard and opportunity for publicly listed companies to disclose their climate risk, California is enhancing its competitive position as a state with a good business investment climate. The standard proposed in this bill is consistent with the ongoing efforts of institutional investors to have better information on the carbon exposure of the companies in their portfolios. *Status:* Failed concurrence in Assembly amendments on the Senate Floor.

## **Section II - Enterprise Zones and Other Geographically-Targeted Economic Development Areas**

The California Enterprise Zone Program and the other geographically-targeted economic development areas (G-TEDAs) are one of the largest state economic development programs in California. Eligibility for G-TEDA designation is limited to areas within communities that can demonstrate blighted conditions such as high poverty or high unemployment rates.

The Department of Housing and Community Development administers four G-TEDA programs including: Enterprise Zones (EZs), Manufacturing Enhancement Areas (MEAs), Local Agency Military Base Realignment Areas (LAMBRAs), and a Targeted Tax Area (TTA).

The G-TEDA programs are based on the principle that targeting significant economic incentives to low-income communities allows these communities to more effectively compete for new businesses and retain existing businesses, resulting in increased tax revenues, less reliance on social services, and lower public safety costs. Residents and businesses directly benefit from these more sustainable economic conditions through improved neighborhoods, business expansion, and job creation.

The 42 EZs, 8 LAMBRAs, 2 MEAs and one TTA are located in portions of 54 Assembly Districts and 34 Senate Districts. Each zone designation is for a period of 15 years, although the initial zones were given an additional five years due to the slow start-up of the program. No other extensions have been authorized.

G-TEDAs range in size from one square mile to over 70 square miles and in geographic locations ranging from Eureka and Shasta Valley near the Oregon border to San Diego and Calexico along the Mexican border. With the approval of the 2006 reforms (discussed later in this section), each designated area is governed by a comprehensive economic strategy that details local government commitments, benchmarks, and baselines.

### **Community Development Incentives**

Under the G-TEDA programs, businesses and other entities located within targeted areas are eligible for a variety of local- and state-provided incentives. Examples of incentives commonly offered by local governments include subsidizing the cost of development, funding related infrastructure improvements, providing job training and technical assistance to local businesses, and/or establishing more streamlined processes for obtaining permits.

The state also offers a number of incentives, including tax credits, priority notification when selling state surplus lands, access to certain brownfield clean-up programs, and preferential treatment for state contracts.

Below is a chart comparing the state tax incentives offered to businesses located in a G-TEDA.

Comparison of State Tax Benefits by Targeted Area (2005)					
	Hiring Credit	Longer NOL <sup>1</sup> Carry-Forward Period	Sales and Use Tax Credit	Accelerated Depreciation	Lender Interest Deduction
Enterprise Zone	X	X	X	X	X
Manufacturing Enhancement Zone	X				
Targeted Tax Area	X	X	X	X	
Local Agency Military Base Realignment Area	X	X	X	X	

Source: Legislative Analyst's Office

Below is a chart summarizing total G-TEDA credits claimed in the 2004 and 2005 tax years.

Comparison of Total G-TEDA Credits Claimed in 2004 and 2005 Tax Years				
	Number of Credits Claimed on Corporate Taxes	Value of Credits Claimed on Bank and Corporate Taxes (millions)	Number of Credits Claimed on Personal Income Taxes	Value of Credits Claimed on Personal Income (millions)
2004 Total G-TEDA Credits	3,256	\$218	5,696	\$130
2005 Total G-TEDA Credits	4,317	\$216	10,001	\$147

Source: Franchise Tax Board

Below is a chart comparing the use of individual credits under each of the G-TEDA programs for the 2005 tax year.

Comparison of Individual G-TEDA Credits Claimed in 2005				
	Hiring Credit (millions)	Sales and Use Tax Credit (millions)	Business Expense Deduction (millions)	
			Amount of deduction	Estimated Tax Impact
Total EZ Credits	\$287.3	\$50.7	\$4.7	\$0.3
Total LAMBRA Credits	\$4.3	\$0.2	\$0.1	*
Total MEA Credits	/a	---	---	---
Total TTA Credits	\$7.7	\$0.3	\$0.1	*

Source: Estimated by Franchise Tax Board \* = less than \$50,000

<sup>1</sup> NOL= Net Operating Loss

### Legislative Improvements in 2005-06 Session

The Assembly Committees on Jobs, Economic Development, and the Economy (JEDE) and Revenue and Taxation undertook a comprehensive, four-month examination of the G-TEDA programs during the 2005-06 Session.

One of the primary objectives of the hearings was to evaluate the programs' return on investment (ROI). The committees were, however, unable to make any reasonable ROI determination due to the Legislature's historic 20-year failure to establish benchmarks and implement a meaningful auditing process. At the conclusion of the hearings, JEDE chose to discount much of the previous research based on the lack of reliable and comparable data.

In June of 2006, a reform measure was put forward, AB 1550 (Arambula and Karnette), which better targeted the enterprise zone selection criteria and set benchmarks for measuring a zone's progress. AB 1550 also required each local enterprise zone program to be actively managed to ensure the program's objectives were being met and established a new de-designation process for zones where the local government failed to fund the administrative support necessary to implement the economic strategies that had been agreed to in their application. With these improvements, the G-TEDA programs have been re-established as an initiative that can be measured, monitored, and its success evaluated in the future.

### The Follow-up to AB 1550

Since the enactment of AB 1550, 32 enterprise zone designations expired and 32 new designations have received preliminary or final approval. Some of the new designations were awarded to communities which had previously had zone designations, although the zone boundaries are different to reflect current economic conditions within the community. Further, existing law requires each zone designation to meet current poverty and economic dislocation thresholds and propose a comprehensive economic development strategy that addresses the unique needs of the community.

In 2007, several additional bills were introduced to continue these reform efforts; however, each of the bills was held in the Assembly Committee on Appropriations due to their potential impacts on the state budget.

In 2008, there were again extended debates on the effectiveness of the G-TEDA programs. Local governments, economic development professionals, and business leaders believe the G-TEDA programs are necessary for lower income communities to be competitive and slow the downward spiral of poverty and blight. Many tax policy advocates, however, remain unconvinced. Due to poor historical data and a lack of realistic economic modeling, neither side can wield a defining blow.

After its extended review of the CAEZ Program, JEDE has concluded that without this type of focused and sustained economic initiative California communities, their residents, and the small- and medium-size businesses that form the core of the economy would be

significantly inhibited in creating the necessary momentum to attract further private investment and reduce the areas' and residents' dependence on public programs and services.

#### Legislation from 2007-08

Below is a summary of the legislation heard by JEDE during the 2007-08 Legislative Session relating to the G-TEDA programs.

#### **AB 121 (Maze): Foster Youth Hiring Credit**

This bill establishes a separate category of employee eligibility under the California Enterprise Zone Program's hiring income tax credit program to include a person who was a former foster care recipient. *Status:* Died pursuant to Art. IV, Sec. 10(c) of the Constitution.

#### **AB 579 (Swanson): Effective Date of LAMBRA Designation**

This bill extends the official term of the designation of a LAMBRA from eight years to 15 years, except that the term may be for 20 years if the Department of Housing and Community Development determines that certain conditions. *Status:* Died pursuant to Art. IV, Sec. 10(c) of the Constitution.

#### **AB 1398 (Arambula): G-TEDA Business Incentives**

This bill makes a number of changes to the hiring tax credit provisions for all four geographically-targeted economic development areas (G-TEDA). The bill also sunsets the individual hiring credit provisions for each G-TEDA and blends the provisions into a single hiring tax credit under the corporate and personal income tax codes. *Status:* Died pursuant to Art. IV, Sec. 10(c) of the Constitution.

#### **AB 1720 (JEDE): G-TEDA Code Maintenance**

This bill recalibrates the due date of a five-year report to reflect only those years in which the Department of Housing and Community Development administered the program and exclude those years when the now defunct Technology, Trade and Commerce Agency administered the G-TEDA programs. The bill also makes technical nonsubstantive changes to the statutes related to the geographically-targeted economic development areas. *Status:* Vetoed by the Governor. In his veto message the Governor stated:

"The historic delay in passing the 2008-2009 State Budget has forced me to prioritize the bills sent to my desk at the end of the year's legislative session. Given the delay, I am only signing bills that are the highest priority for California. This bill does not meet that standard and I cannot sign it at this time."

**SB 341 (Lowenthal): California Environmental Quality Act and EZs**

This bill expands the ways in which a local government applying for an enterprise zone designation after October 1, 2007, may meet the requirements of CEQA and eliminates the ability of these jurisdictions to limit subsequent environmental reviews based on the contents of the initial CEQA documents. *Status*: Signed by the Governor, Chapter 643, Statutes of 2007.





### **Section III - California's Clean Technology Economy**

Cleantech is a relatively new and emerging industry cluster that encompasses a broad range of products and services, including alternative energy generation, wastewater treatment technologies, and production of environmentally friendly consumer products. Although some of these industries are very different, they all use new, innovative technologies, products, and services which have ancillary environmental benefits.

The growth of the cleantech industry is the result of two disparate factors converging to create a new market. First, recent advances in new technologies, research methods, manufacturing, and communications have lowered the cost of environmentally sensitive technologies. Second, an increasing number of consumers and businesses are looking for ways to reduce energy costs, increase clean water supply, and meet new environmental regulatory requirements at the local, state, and global levels. Governments, in turn, have adopted new regulatory frameworks to require greater use of recyclable materials, increased use of renewable energy, and lower air pollution and greenhouse gas (GHG) emissions.

Nationally, investor interest in cleantech has surged in the past few years. Venture capital investment alone increased to \$5.1 billion in 2007, up from \$2.9 billion in 2006 and \$1.6 billion in 2005. Cleantech now represents the third largest investment category in North America, moving ahead of medical devices and semiconductors, and behind only biotechnology and software. Cleantech industry clusters are continuing to evolve, bringing forward commercially viable clean technologies, leading to the formation of new companies, expansion of intellectual property challenges, and the need for differently skilled workers.

#### **Regulation Expanding Cleantech Markets**

As noted above, significant drivers of the cleantech market are the regulatory changes related to climate change. In 2004, every industrialized nation in the world outside of the U.S. and Australia signed onto the Kyoto Protocol. Implementation of the Kyoto greenhouse gas emission reductions and growing concerns over "peak oil" and energy independence sent a growing market signal for the need for cleaner and more energy efficient operating processes, equipment, and business models.

In June 2005, the Governor issued an Executive Order to reduce GHG emissions to 1990 levels by 2020 and an 80% reduction of 1990 levels by 2050. In order to implement his objective, the Governor included \$2 billion in air quality improvements in the state Strategic Growth Plan.

The following year, the Legislature moved the GHG discussion to a statutory mandate level, when the Governor signed AB 32 (Nuñez), Chapter 488, Statutes of 2006, which provided a framework for implementing a comprehensive climate action plan. The Air Resources Board is expected to adopt a scoping plan, which lays out future state actions by the end of 2008.

## Cleantech Market Becoming More Competitive

In general, California is well positioned to take advantage of the new cleantech market, based on the following factors:

- Thriving technology base;
- Existing entrepreneurial and management talent;
- Access to a full range of capital; and
- Proactive environmental policies, such as those described above.

Other states and even foreign countries, however, are also vying for domination of this new emerging industry. Connecticut, Massachusetts, Texas, New Mexico, New York, New Jersey, Florida, and Pennsylvania all have proactive cleantech economic policies. Europe and Asia are also successfully building cleantech clusters. Germany and Japan have already usurped California's once leading position in solar and wind energy through targeted policies and initiatives.

## Developing California's Cleantech Advantage

A March 2008 study by the California Economic Strategy Panel found that the California cleantech industry is primarily engaged in energy generation and energy efficiency with solar comprising 64% of establishments and 53% of employment. Further, the study found that employment in the manufacturing industry comprised 41% of employment and 15% of the establishments in California cleantech.

Similar to the manufacturing and logistics supply chain, California's cleantech economy is diverse, having multiple points of engagement along the value chain. Business opportunities exist in R&D, commercialization, manufacturing, distribution, and installation and maintenance. Each of these stages requires financing and a skilled workforce.

Currently the major economic hubs in clean technology are in Southern California and the Bay Area, with green buildings more concentrated in the Bay Area and energy storage and efficiency concentrated in Southern California. The Southern Border Region has a higher regional concentration in the area of water conservation. Wastewater and environmental consulting is more concentrated in the Greater Sacramento Region.

In 2005, California already had over 180,000 jobs in the cleantech industry. Nationally, the cleantech industry, a very new economic sector, supported 850,000 jobs. Comparing that number to the 1.4 million jobs supported by a mature sector, such as mining and electricity generation, reveals the potential the cleantech sector has for economic development and job creation.

## Legislation from 2007-08

Below is a summary of the legislation heard by JEDE during the 2007-08 Legislative Session designed to advance California's emerging cleantech economy.

### **AB 1455 (Arambula and Villines): Air Quality Zones**

This bill authorizes the establishment of the California Air Quality Zone Program for the purpose of assisting low-income communities address the conditions which have created severe air quality problems. The bill also provides incentives for small business owners of mobile and stationary sources of air pollution to invest in air pollution control equipment that produce measurable emission reductions, and for owners of stationary sources of air pollution to invest in the production and utilization of renewable energy technologies. *Status:* Died pursuant to Art. IV, Sec. 10(c) of the Constitution.

### **AB 1506 (Arambula): Greenhouse Gas Reduction Study**

This bill requires the Business, Transportation and Housing Agency to undertake a study to determine the most effective ways for the state to provide incentives to businesses to reduce their GHG emissions and increase their energy independence. BT&H is required to report its findings and recommendations to the Legislature by January 1, 2009. *Status:* Held under submission in the Senate Committee on Appropriations.

### **AB 1527 (Arambula): California Cleantech Advantage Act**

This bill establishes the California Cleantech Advantage Act of 2007 to provide enhanced research and development income tax credits to small businesses undertaking research related to clean technologies. One provision increases the value of the applied research and development credit from 15 to 20%. The other provision authorizes a 10% salable credit to help raise working capital. Both credits expire once the Air Resources Board implements its broader GHG emission reduction program in 2012. *Status:* Died pursuant to Art. IV, Sec. 10(c) of the Constitution.

### **AB 1620 (Arambula): California Clean Technology Services Unit**

This bill establishes the California Clean Technology Services Unit within the Business, Transportation, and Housing Agency to promote the development of environmentally-friendly technologies, help businesses bring clean technology to California, and coordinate efforts between state agencies that encourage clean technology development that meets the state's environmental goals and standards. The provisions of this bill sunset on January 1, 2013. *Status:* Held under submission in the Senate Committee on Environmental Quality.

### **AB 1651 (Arambula): Cleantech Credit on New Equipment**

This bill authorizes a 10% income tax credit for the purchase of cleantech equipment by small businesses. The credit expires once the Air Resources Board implements its

broader GHG emission reduction program in 2012. *Status:* Died pursuant to Art. IV, Sec. 10(c) of the Constitution.

**AB 2267 (Fuentes): California-Based Entities: Self-Generation Incentive Program**

This bill requires the California Energy Commission to give priority to California-based entities in making awards under the Public Interest Energy Research program and provides a 20% additional incentive for California suppliers, as defined, that install eligible distributed generation resources for the Self-Generation Investment Program.

*Status:* Signed by the Governor, Chapter 537, Statutes of 2008.

**SB 1550 (Florez): Climate Risk Disclosure Standard**

This bill requires the establishment of a voluntary, investor-driven climate change disclosure standard to guide disclosures made by publicly listed companies that operate within California. In establishing this standard and opportunity for publicly listed companies to disclose their climate risk, California is enhancing its competitive position as a state with a good business investment climate. The standard proposed in this bill is consistent with the ongoing efforts of institutional investors to have better information on the carbon exposure of the companies in their portfolios. *Status:* Failed concurrence in Assembly amendments on the Senate Floor.

## **Section IV - California Manufacturing and Logistical Systems**

Manufacturing is a key driver of the California economy, responsible for employing 1.5 million workers and contributing \$1.8 billion to the state's \$1.8 trillion GSP in 2007.

The top ten manufacturing sectors include computers and electronics, chemicals, food products, fabricated metals, transportation equipment, machinery, petroleum and coal, plastics and rubber, and apparel. Manufacturing is California's most export-intensive activity with more than one-fourth of all manufacturing workers in California directly depending on exports for their jobs.

Manufacturing in California, however, faces many challenges maintaining global and domestic competitiveness, including providing a skilled workforce to support the changing needs of manufacturing and goods movement, and maintaining cost-effective productivity in the face of lower safety and wage standards in emerging foreign markets.

Since December 2000, California has lost 342,000 manufacturing jobs to other states and countries. According to the Legislative Analyst's Office, this decline, in part, reflects major reductions in the high-tech jobs sector lost in 2001 and 2002.

Responding to this significant decline in jobs, the California Workforce Investment Board and the California Economic Strategies Panel undertook an assessment of the manufacturing base of five major California regions, including Greater Sacramento, Bay Area, San Joaquin Valley, Southern California, and the San Diego Border region. The resulting study, "Logistics and Manufacturing Value Chains: Meeting the Workforce and Infrastructure Demands of a 'Real Time' Economy," (Logistics Study) revealed new information on the emerging role of logistics in stimulating growth in manufacturing.

Logistics added 73,000 California jobs between 1990 and 2003. Total logistics related employment in 2003 was estimated at 390,506, paying an average yearly wage rate of \$42,475. The Logistics study also found that California's growth in logistics (25%) outpaced growth in the same sector nationally (20%). Employment within logistics related jobs comes from four interrelated subsectors: transportation services, logistical support, warehousing and storage, and supply chain management.

Of the four regions, logistics employment in Southern California is by far the largest, with about 59% of all logistics employment in the state. Bay Area logistics employment declined by 9% between 1990 and 2003.

More than 41,000 logistics jobs were in the San Joaquin region in 2003. Since then, region has become an increasingly important corridor for supplying logistics support. San Diego is the smallest of the four regions, employing about 6% of the California logistics workforce.

## Legislation from 2007-08

Below is a summary of the legislation heard by JEDE during the 2007-08 Legislative Session relating to manufacturing and logistics.

### **AB 89 (Garcia): California Mexico Infrastructure Finance Study**

This bill requires the Business, Transportation, and Housing Agency (BT&H) to prepare a study by January 1, 2010, regarding infrastructure development along the California/Mexico border, including an assessment of whether alternative financing mechanisms may be necessary to meet the development needs of the bi-national region.

**Status:** Vetoed by the Governor. In his veto message the Governor stated:

"I strongly support the on-going effort to actively participate with local, regional, and federal agencies in the United States and Mexico to address and improve current and future transportation conditions while recognizing related security, environmental, and economic issues. Much of what is requested in this bill is currently available through a number of international, federal, and state planning and coordinating efforts. In order to avoid duplicative efforts, I am unable to sign this bill.

"However, the concept of creating a better understanding of our border transportation infrastructure needs warrants further work. As such, in my capacity as the conference chairman of the 2008 Border Governors Conference, I will place this issue on the conference agenda."

### **AB 1107 (Arambula): Goods Movement and Small Business and Microenterprise Development**

As passed by JEDE, this bill requires the California Small Business Board within the Business, Transportation and Housing Agency in collaboration with the Labor and Workforce Development Agency and the California Department of Food and Agriculture to assess the goods movement needs of small business and microenterprise in California, and to make recommendations thereupon, for incorporation in the California Economic Development Strategic Plan and the State Transportation Plan. **Status:** JEDE-related content removed. Bill was vetoed by the Governor.

### **AB 1527 (Arambula): California Cleantech Advantage Act**

This bill establishes the California Cleantech Advantage Act of 2007 to provide enhanced research and development income tax credits to small businesses undertaking research related to clean technologies. One provision increases the value of the applied research and development credit from 15 to 20%. The other provision authorizes a 10% salable credit to help raise working capital. Both credits expire once the Air Resources Board implements its broader GHG emission reduction program in 2012. **Status:** Died pursuant to Art. IV, Sec. 10(c) of the Constitution.

**AB 1651 (Arambula): Cleantech Credit on New Equipment**

This bill authorizes a 10% income tax credit for the purchase of cleantech equipment by small businesses. The credit expires once the Air Resources Board implements its broader GHG emission reduction program in 2012. **Status:** Died pursuant to Art. IV, Sec. 10(c) of the Constitution.





## **Section V- Small Business Development and Operations**

California's dominance in many economic areas is based, in part, on the significant role small businesses play in the state's \$1.8 trillion economy. Businesses with less than 100 employees comprise more than 98.3% of all businesses, and are responsible for employing more than 57.9% of all workers in the state.

Small businesses function as economic engines within their regions, especially in challenging economic times. During the nation's economic downturn from 1999 to 2003, microenterprises (businesses with less than five employees) created 318,183 new jobs or 77% of all employment growth, while larger businesses with more than 50 employees lost over 444,000 jobs. From 2000 to 2001, microenterprises created 62,731 jobs in the state, accounting for nearly 64% of all new employment growth. Common types of microenterprises include engineering, computer system design, housekeeping, construction, landscaping, and personnel services.

Small- and medium-sized businesses are also an important part of California's export economy. Of the almost 51,400 companies that exported goods from California in 2005, 95% were small- and medium-sized enterprises (SME) with fewer than 500 employees. These SMEs generated nearly half (43%) of California's exports in 2005. Nationally, SMEs represented only 29% of total exports. Again, these numbers include the export of only goods and not services.

According to the U.S. Department of Commerce, evidence shows that exporting SMEs could sharply increase exports by adding new markets. Nearly three-fifths (59%) of SME exporters posted sales in only one country in 2004. For large firms, more than half (53%) exported to five or more foreign markets during the same period. SMEs in California are crucial to the state's international competitiveness and an important means for dispersing the positive economic impacts of trade within the California economy.

Given small businesses' important role in the California economy, it is unfortunate that their needs are often overlooked when developing statewide policies and programs. This has most recently been a challenge during the state policy debates on health care, tax policy, and workforce development.

However, it is important to note that some state agencies have begun to raise the importance of this issue, including the California Workforce Investment Board (CWIB). The CWIB states in its biennial strategic plan that while small businesses are critical to all areas of the state, they play a particularly key role in rural areas where there are a limited number of large employers. The CWIB further states that small businesses continue to have difficulty learning about and accessing public workforce development systems and that it is important to give specific attention to the needs of small businesses.

JEDE is currently working with Small Business California and the CWIB to survey local workforce investment boards to better understand their business service strategies, use of industry clusters to target training, and how they are measuring the return on investment of

public and private dollars. The results of the survey are expected later this winter and will likely form the basis of proposed legislation in 2009.

#### Legislation from 2007-08

Below is a summary of the legislation heard by JEDE during the 2007-08 Legislative Session relating to small business and microenterprise. Small business procurement legislation is separately listed in the following section, "Disabled Veteran Business Enterprises (DVBE) and Small Business Procurement."

#### **AB 49 (Arambula): 2007 Winter Freeze – Disaster Assistance**

As passed in JEDE Committee, this bill provides assistance to the victims of the January 2007 freeze. Specifically, the bill authorizes the Director of the Department of Finance, with the approval of the Governor, to transfer moneys in the Special Fund for Economic Uncertainties to the California Small Business Expansion Fund, in an amount necessary to make loan guarantees for the purpose of preventing business insolvencies and loss of employment in an area affected by a state of emergency. This authority sunsets on January 1, 2015. Further, the bill adds the extreme cold weather that occurred throughout January 2007, to the list of natural disasters that are eligible for full state reimbursement of local agency costs under the Natural Disaster Assistance Act. The bill includes an urgency provision for the immediate implementation of the measure. *Status:* Died pursuant to Art. IV, Sec. 10(c) of the Constitution.

#### **AB 610 (Price): Leverage of the Small Business Expansion Fund**

This bill enhances the Small Business Loan Guarantee Program's ability to leverage existing program dollars resulting in the ability to serve more small businesses financial needs per year. *Status:* Signed by the Governor, Chapter 601, Statutes of 2007.

#### **AB 816 (Carter): Microenterprise Development Organizations**

This bill establishes a \$5 million program at the Business, Transportation and Housing Agency for the purpose of making capacity-building grants to microenterprise development organizations. *Status:* Died pursuant to Art. IV, Sec. 10(c) of the Constitution.

#### **AB 1104 (Aghazarian): Disaster Assistance and Investments of the Small Business Expansion Fund**

This bill makes modifications to the Small Business Loan Guarantee Program relating to small business disaster guarantees and eligible investments of SBLGP funds. *Status:* Signed by the Governor, Chapter 624, Statutes of 2007.

**AB 1107 (Arambula): Goods Movement and Small Business and Microenterprise Development**

As passed by JEDE, this bill requires the California Small Business Board within the Business, Transportation and Housing Agency in collaboration with the Labor and Workforce Development Agency and the California Department of Food and Agriculture to assess the goods movement needs of small business and microenterprise in California, and to make recommendations thereupon, for incorporation in the California Economic Development Strategic Plan and the State Transportation Plan. *Status:* JEDE-related content removed. Bill containing the new language was vetoed by the Governor. No veto message is being provided as the subject matter of the bill is no longer of significance to the JEDE jurisdiction.

**AB 1431 (Arambula): Investment Guarantee Program**

This bill establishes the Early Stage Investment Guarantee Program, administered through the Small Business Loan Guarantee Program, for the purpose of assisting small businesses in attracting investors during the early years of their company's growth, as specified. *Status:* Died pursuant to Art. IV, Sec. 10(c) of the Constitution.

**AB 1527 (Arambula) – California Cleantech Advantage Act**

This bill establishes the California Cleantech Advantage Act of 2007 to provide enhanced research and development income tax credits to small businesses undertaking research related to clean technologies. One provision increases the value of the applied research and development credit from 15 to 20%. The other provision authorizes a 10% salable credit to help raise working capital. Both credits expire once the Air Resources Board implements its broader GHG emission reduction program in 2012. *Status:* Died pursuant to Art. IV, Sec. 10(c) of the Constitution.

**AB 1620 (Arambula): California Clean Technology Services Unit**

This bill establishes the California Clean Technology Services Unit within the Business, Transportation, and Housing Agency to promote the development of environmentally-friendly technologies, help businesses bring clean technology to California, and coordinate efforts between state agencies that encourage clean technology development that meets the state's environmental goals and standards. The provisions of this bill sunset on January 1, 2013. *Status:* Held under submission in the Senate Committee on Environmental Quality.

**AB 1651 (Arambula) – Cleantech Credit on New Equipment**

This bill authorizes a 10% income tax credit for the purchase of cleantech equipment by small businesses. The credit expires once the Air Resources Board implements its broader GHG emission reduction program in 2012. *Status:* Died pursuant to Art. IV, Sec. 10(c) of the Constitution.

**AB 2206 (Price): Small Business Development Centers**

This bill establishes the Small Business Development Center Program, coordinated through the System Office of the California Community Colleges, for the purpose of providing a variety of services to small businesses. **Status:** Held under submission in the Assembly Committee on Appropriations.

**AB 2376 (Price): Emerging Contractors Technical Assistance Program**

This bill authorizes the establishment of the Small and Emerging Contractors Technical Assistance Program, administered by the California Department of Transportation, for the purpose of providing small and emerging contractors with the technical assistance necessary to obtain surety bond guarantees offered by the federal Small Business Administration. The program is repealed on January 1, 2013. **Status:** Signed by the Governor, Chapter 458, Statutes of 2008.

**AB 2854 (Mendoza) –Small Business One-Stop Website**

This bill requires, contingent upon funding becoming available, the establishment of a one-stop Web site for small business-related announcements and funding opportunities offered by state agencies. The Web site is only required to be maintained until January 1, 2014, when the provisions of this bill sunset. **Status:** Vetoed by the Governor. In his veto message the Governor stated:

"During my Administration, I have been committed to assisting small businesses and seeking ways for them to access valuable state resources. However, this bill does not offer any additional significant information to these businesses that is not already provided on the existing Small Business Advocate website. The Small Business Advocate currently consults with all parties required in this bill, and as such the bill is redundant and unnecessary.

"Additionally, the report mandate in this bill would create additional workload that would result in a General Fund cost pressure that is unsustainable during our current budget situation."

## **Section VI - Disabled Veteran Business Enterprises and Small Business Procurement**

The Small Business Act, administered through Department of General Services (DGS), was implemented more than 30 years ago to establish a small business preference within the state's procurement process that would increase the number of contracts between the state and small businesses. In 1998, a disabled veteran-owned business enterprise (DVBE) component was added to state procurement practices. Certification of small businesses, including microbusinesses, and DVBEs is generally undertaken by DGS.

The Small Business Act states that it is the policy of the State of California that the state aid the interests of small businesses in order to preserve free competitive enterprise and to ensure that a fair portion of the total purchases and contracts of the state be placed with these enterprises.

### **Improving Small Business and DVBE Participation Rates**

Since 2001, there have been four Executive Orders (EO) specifying goals for small business and DVBE participation in state procurement contracts, including EO D-37-01 (2001), EO S-02-06 (2006), EO D-43-01(2001), and EO S-11-06 (2006). The first two EOs set 25% small business participation goals, and the third encouraged the attainment of the 3% DVBE participation goal for all state procurement contracts. The fourth EO set a 25% participation goal for state construction contracts, particularly those awarded by the California Department of Transportation (Caltrans) when implementing Proposition 1B.

These participation goals have also been codified in SB 1517, Chapter 1207, Statutes of 1989, which set a 3% statewide DVBE goal for state contracts. In the following session, SB 2398, Chapter 516, Statutes of 1990, was enacted which extended the DVBE participation program to contracts of the University of California, the Department of Corrections and specified public utilities. This session, the Governor signed AB 761, Chapter 611, Statutes of 2007, which specifically codified the 25% small business target for contracts related to revenues expended from the 2006 infrastructure bonds.

Notwithstanding the longstanding existence of the Act and these EOs, the state's success in obtaining small business and DVBE participation goals in state procurement contracts has been inconsistent.

For only the second time since the small business participation target was established in 2001, DGS has reported that during the 2007-08 fiscal year the state achieved its small business target by awarding 28.31%, or \$2.65 billion, of the value of all contracts to small businesses. This represents a \$1.3 billion increase in contracts from 2006-07. Agencies and departments which had the highest small business, including microbusiness, participation rates include the Department of Corrections and Rehabilitation (37.55%), the Environmental Protection Agency (31.61%), and the Department of Food and Agriculture (25.94%). The lowest small business participation

rates were reported from the Department of Education (10.78%) and the Resources Agency (17.1%).

Over the years, DGS has cited a variety of reasons for failing to meet the 25% target small business participation goal. One of the more significant reasons cited by DGS is the circumstance where an increasing number of contracts are put to bid which exceed \$1 million in value, particularly in the area of state highway construction contracts. Firms that have the capacity to bid on these larger contracts do not qualify as small businesses.

Additionally, DGS and Caltrans have reported that many small contracting firms cannot qualify for and/or afford the surety bonds and liability insurance policies that are required for public works contracting. In these cases, small contractors are not even eligible to participate as subcontractors with larger prime contractors.

Finally, DGS has noted that many state departments and agencies have only recently begun to track and report small business participation in state contracting procurement. For example, 2005-06 was only the second year that the California State University (CSU) system monitored and reported on small business contracts. With 23 campuses, CSU is a very large procuring agency, and DGS believes that its reporting will have significant impact on participation rates.

The state did not achieve its 3% DVBE participation goal in 2006-07, as only 2.8% of contract dollars, \$186 million, was awarded in contracts including DVBE participation. Certain agencies did extremely well in initiating contracts with DVBE participation, including the Environmental Protection Agency (20.64%), the Office of the State Treasurer (6.015%), and the Labor and Workforce Development Agency (5.40%). Reporting from other state entities which indicate challenges in meeting DVBE goals include the Department of Education (1.69%) and the Health and Human Services Agency (2.26%).

While DVBEs face a number of unique challenges, contracting agencies often combine outreach activities to increase small business and DVBE participation rates. In general, this strategy should be effective as approximately 80% of DVBEs are also certified as a small business. However, separate initiatives must also be aggressively pursued by DGS and other contracting departments in order to consistently meet state DVBE objectives.

#### Legislation from 2007-08

Below is a summary of the legislation heard by JEDE during the 2007-08 Legislative Session relating to DVBEs and small business procurement.

#### **AB 608 (De La Torre): Increasing the State Small Business Preference**

This bill increases the procurement contract bid preference from 5% to 10% for small businesses and microbusinesses, or non-small businesses that utilize small businesses and microbusiness as subcontractors, when the contract award is made on the basis of either one of the following:

- Determining the lowest responsible bidder; or,
- When the contract is made on the basis of determining the highest scored bidder, based on evaluation factors other than bid price.

*Status:* Vetoed by the Governor. In his veto message the Governor stated:

"I strongly support small business participation in State contracting. In March 2006, I issued Executive Order S-02-06, reaffirming the State's historic commitment to 25 percent small business participation in State contracting and ordering a series of measures to expand participation. In July 2006, I built on those steps by issuing Executive Order S-11-06, directing additional actions by Caltrans and the Business, Transportation, and Housing Agency to assist small business and disadvantaged business enterprises in participating in federally funded highway and transit projects.

"However, I am concerned that this bill, by increasing the existing small business bid preference on State contracts from 5 percent to 10 percent, would result in increased costs to the State. According to the Department of Finance, if this increased preference had been in place in 2005-06, the additional costs to the State could have been up to \$85 million. Given the current fiscal climate, I do not think it is prudent to enact a measure that increases liability for additional costs."

**AB 655 (Swanson): Contract Limitations on Small Business Preference**

This bill requires state departments that award contracts pursuant to the Bond Acts of 2006 to consider and grant bid preferences to contractors on the basis of their status as a small business, the type of community they are located in, and the number of employees they hire from their community. *Status:* Died pursuant to Art. IV, Sec. 10(c) of the Constitution.

**AB 761 (Coto): Codification of the Small Business Procurement Goal**

This bill requires each state agency awarding contracts that are financed with proceeds from the infrastructure bonds approved by voters in November 2006, to establish a 25% small business participation goal for state infrastructure construction contracts, and to provide specified assistance to small businesses bidding on state infrastructure bond-related contracts. *Status:* Signed by the Governor, Chapter 611, Statutes of 2007.

**AB 1189 (JEDE) State Contracts: Small Businesses and Disabled Veterans**

This bill exempts state contracts under \$100,000 that are awarded to a certified small business, pursuant to the procurement streamlining process, from the California State Contracts Register advertising requirement for contracting opportunities funded with specified infrastructure bond proceeds. *Status:* JEDE-related content removed. Bill failed passage on the Senate Floor.

**AB 1400 (Richardson): State Contracting and the Small Business Preference**

This bill requires the Regents of the University of California and the Trustees of the California State University to each submit a report to the Department of General Services on the number of consulting, disabled veteran-owned business enterprise, and small business contracts each organization awarded for each fiscal year, on a campus-by-campus basis, and according to a specified format. *Status:* JEDE-related content removed. Bill failed passage on the Senate Floor.

**AB 1491 (Arambula): Small and Emerging Contractors Technical Assistance Program**

This bill establishes the Small and Emerging Contractors Technical Assistance Program, administered by the California Department of Transportation, to provide small contractors with technical assistance and training to improve their knowledge and skills necessary to secure surety bonds required for public works contracting and assist them in participating in state-awarded construction contracts. *Status:* JEDE-related content removed. Bill was signed by the Governor, Chapter 9, Statutes of 2008.

**AB 1695 (Bass): Small Business Surety Bond Guarantees**

This bill capitalizes and activates the Surety Bond Guarantee Account, administered by the Small Business Loan Guarantee Program, for the purpose of providing surety bond guarantees for small businesses that provide services on state and federally funded transportation projects. *Status:* Died pursuant to Art. IV, Sec. 10(c) of the Constitution.

**AB 1942 (Ruskin) – Penalties Under the Small Business Act**

This bill increases and conforms penalties for persons who engage in fraudulent activities relating to the Small Business Procurement and Contract Act including small businesses and disabled veteran-owned business enterprises. *Status:* Vetoed by the Governor. In his veto message the Governor stated:

"The historic delay in passing the 2008-2009 State Budget has forced me to prioritize the bills sent to my desk at the end of the year's legislative session. Given the delay, I am only signing bills that are the highest priority for California. This bill does not meet that standard and I cannot sign it at this time."

**AB 2773 (Price): Size of Small Business Procurement Contracts**

This bill increases the maximum contract threshold amount for awards to small business, including microbusiness, and disabled veteran-owned business enterprise under a specific streamlined procurement process, from \$100,000 to \$250,000, as specified. The bill also requires contractors that made contract commitments to include small business or disabled veteran-owned business enterprise participation to report at the conclusion of the contract on the actual percent of the contract amount that was allocated to those entities. *Status:* Held under submission in the Senate Committee on Appropriations.



**AB 2778 (Mendoza): Small Business Procurement: Definition of Manufacturing**

This bill updates the definition of "manufacturer" under the Small Business Procurement and Contract Act by replacing the manufacturing code references in the Standard Industrial Classification Manual with the North American Industry Classification System codes. *Status:* Signed by the Governor, Chapter 102, Statutes of 2008.

**AB 2797 (De La Torre): Small Business Preference in State Procurement**

This bill increases the procurement contract bid preference, from 5% to 10% for small businesses and microbusinesses or non-small businesses that utilize small businesses and microbusinesses as subcontractors, when the contract award is made on the basis of either one of the following:

- Determining the lowest cost responsible bidder; or
- Determining the highest scored bidder, based on evaluation factors in addition to the bid price.

*Status:* Held under submission in the Assembly Committee on Appropriations.

**SB 159 (Wyland): Prompt Payment of Disabled Veteran Owned Businesses**

This bill adds, for purposes of the state Prompt Payment Act, disabled veteran-owned business enterprises to the types of businesses that qualify for a higher level of penalty payment paid by state agencies and the State Controller when those businesses are not paid for goods and services rendered, within statutorily defined timeframes. *Status:* Held under submission in the Assembly Committee on Appropriations

**SB 983 (Correa): California Prompt Payment Act**

This bill expands the definition of small business in the California Prompt Payment Act to include a disabled veteran business enterprise, and thereby requires disabled veteran-owned business enterprises, regardless of size or other criteria, to receive the higher level of penalty payments that are required to be paid to a small business when they are not promptly paid by the state. *Status:* Held under submission in the Assembly Committee on Appropriations

**SB 1687 (Negrete McLeod): State Procurement Goals**

This bill requires contracts that are competitively bid by a state agency for goods and services to meet certain requirements relative to businesses owned or operated by, or nonprofits serving persons with developmental disabilities. *Status:* Held under submission in the Assembly Committee on Appropriations

## **Section VII - International Trade**

California is the eighth largest economy in the world with a state gross product of over \$1.8 trillion. As a global economy, international trade-related commerce represents approximately one-quarter of California's economy. In 2007, exports of California goods and services totaled between \$172 and \$190 billion, including \$134 billion in merchandise. California-made exports directly account for about 8% of gross state product (GSP).

California's significance in the global marketplace results from a variety of factors, including: its strategic west coast location, providing direct access to the growing markets in Asia; its diverse regional economies; its large, ethnically diverse population, representing both a ready workforce and significant consumer base; its access to a wide variety of venture and other private capital; its broad base of small- and medium-sized businesses; and, its culture of innovation and entrepreneurship, particularly in the area of high technology.

California's largest industry sector is trade, transportation, and utilities, which encompasses everything from major retail outlets, to import-export businesses, to transportation and warehousing. Other major nongovernmental industries include professional and business services, educational and health services, and manufacturing.

California leads the nation in export-related jobs. According to U.S. Department of Commerce estimates, for every one million dollars of increased trade activity, 11 new jobs are supported. Workers in trade-related jobs earn on average 13% to 28% higher wages than the national average. One-fifth of all manufacturing workers in California depend on exports for their jobs. Manufacturing-based, export-related jobs account for approximately 5% of total private sector employment. Besides the production and/or manufacturing of the product being exported, foreign trade results in numerous jobs related to port activity, wholesale trade, warehousing, and transportation.

### **Foreign Investment in California**

The U.S. is the largest recipient of foreign direct investment (FDI) in the world. In 2007, the U.S. received \$199 billion in FDI. California receives more FDI than any other state in the U.S.

FDI impacts the California economy in many ways, some of which include assisting in the creation of jobs, boosting worker wages, increasing exports, bringing in new technology and skills, and generally strengthening the state's manufacturing base.

The California Chamber of Commerce estimates that over 542,000 California workers benefit from jobs with foreign-owned firms. Foreign investment in California was responsible for 4.2% of the state's total private-industry employment in 2005. California has had the highest level of employment in foreign-owned firms since at least 1997. Along with employment, foreign owned firms own more property, plants, and equipment in California than any other state.

Europe is the largest source of FDI by value; however, Asian and Pacific Rim countries are also important and are becoming increasingly more important. In 2003, leading sources of FDI in California were investors from the United Kingdom, Japan, Switzerland, Germany, and France. Europe, in total, is the largest source of FDI in California. Collectively, Asian Pacific countries have the second highest FDI in California with a higher proportion of manufacturing employment commercial property holdings than Europe. Foreign-controlled companies accounted for 8.2% of total manufacturing employment in California in 2005.

### Exports and the California Economy

If California were a country, it would be the 11<sup>th</sup> largest exporter in the world. California's land and sea ports of entry serve as key international commercial gateways for products entering the U.S. California exported \$134 billion in goods in 2007, ranking only second to Texas with \$168 billion in export goods.

Exports from California accounted for more than 12% of total U.S. exports in goods, shipping to 222 foreign destinations in 2007. Computers and electronic products were California's top exports in 2007, accounting for 32.6% of all state exports, or \$43.7 billion.

Mexico is California's top trading partner, receiving \$18.3 billion in goods in 2007. The state's second and third largest trading partners are Canada and Japan with \$16.1 billion and \$13.5 billion in California exports respectively. Other top-ranking export destinations include China, South Korea, Taiwan, the United Kingdom, Hong Kong, Germany, and Singapore.

The state's largest growth market in terms of dollars is in China, where exports increased from \$4.7 billion in 2001 to \$7.9 billion in 2005. During this same period, exports increased to Canada by \$1.4 billion, Mexico by \$1.4 billion, South Korea by \$1.3 billion, and to Hong Kong by \$967 million.

California's fastest growing significant market is Vietnam. Exports to Vietnam increased 515% from 2001 to 2005. Other major expanding markets for California products include: the United Arab Emirates (up 405%), India (up 111%), Israel (up 78%), and Chile (up 78%), during the same five-year period.

### Legislation from 2007-08

Below is a summary of the legislation heard by JEDE during the 2007-08 Legislative Session relating to international trade and foreign direct investment in California.

#### **AB 89 (Garcia): California Mexico Infrastructure Finance Study**

This bill requires the Business, Transportation, and Housing Agency (BT&H) to prepare a study by January 1, 2010, regarding infrastructure development along the California/Mexico border, including an assessment of whether alternative financing

mechanisms may be necessary to meet the development needs of the bi-national region. *Status:* Vetoed by the Governor. In his veto message the Governor stated:

"I strongly support the on-going effort to actively participate with local, regional, and federal agencies in the United States and Mexico to address and improve current and future transportation conditions while recognizing related security, environmental, and economic issues. Much of what is requested in this bill is currently available through a number of international, federal, and state planning and coordinating efforts. In order to avoid duplicative efforts, I am unable to sign this bill.

"However, the concept of creating a better understanding of our border transportation infrastructure needs warrants further work. As such, in my capacity as the conference chairman of the 2008 Border Governors Conference, I will place this issue on the conference agenda."

#### **AB 1719 (JEDE): Trade and Foreign Investment Code Maintenance**

This bill makes technical and non-substantive changes to codes relating to the state's international trade activities. *Status:* JEDE-related content removed. Bill was held in the Assembly Committee on Rules.

#### **AB 1722 (Arambula): California International Trade and Investment Act Update**

This bill requires the Business, Transportation and Housing Agency (BT&H) to provide the Legislature with a copy of the international trade and investment policy by February 1, 2008. This policy is a result of BT&H's work on the previously required international trade study and strategy. *Status:* Vetoed by the Governor. In his veto message the Governor stated:

"The historic delay in passing the 2008-2009 State Budget has forced me to prioritize the bills sent to my desk at the end of the year's legislative session. Given the delay, I am only signing bills that are the highest priority for California. This bill does not meet that standard and I cannot sign it at this time."

#### **AB 2311 (Tran): International Trade Foreign Offices**

This bill requires, regardless of existing statutory prohibitions, the Secretary of Business, Transportation, and Housing Agency (BT&H) to establish international trade and investment offices. *Status:* Held under submission in the Assembly Committee on Jobs, Economic Development, and the Economy.

#### **AB 2312 (Tran): State Trade Representative**

This bill establishes the position of the State Trade Representative, whose duties include promoting investment and trade between California and a country in which the State Trade Representative is assigned. *Status:* Held under submission in the Assembly Committee on Jobs, Economic Development, and the Economy.

**AB 3046 (JEDE): California Office of Foreign Trade and Investment**

This bill establishes the California Office of Trade and Investment for the purpose of implementing the California International Trade and Investment Strategy. *Status:* Held under submission in the Assembly Committee on Appropriations.

**AJR 14 (Jeffries): Customs and Importation Revenues**

This resolution memorializes the President of the United States (U.S.) and Congress to enact legislation to ensure that a substantial increment of new revenues derived from customs duties and importation fees be dedicated to mitigating the economic, mobility, security, and environmental impacts of trade in California and other trade-affected states across the U.S. *Status:* Approved by both Houses, Resolution Chapter 73, Statutes of 2007.

**AJR 55 (Villines): U.S.-Colombia Trade Promotion Agreement**

This bill memorializes Congress that the California Legislature supports the United States-Colombia Trade Promotion Agreement as it will enhance California competitiveness, level the playing field for California exporters, and make trade with Colombia a two-way street, benefiting California's businesses, farmers, and workers. *Status:* Refused adoption in the Assembly Committee on Jobs, Economic Development, and the Economy.

**SB 515 (Scott): Armenia Trade Office**

This bill extends the sunset date by two years (January 1, 2008 to January 1, 2010) for the operation of the California international trade and foreign investment office in Yerevan (YFO), the Republic of Armenia. Provides intent that any further extension of the operation of the YFO conform, to the extent possible, to the state's general requirements for the operation of state trade and investment offices. *Status:* Vetoed by the Governor.

"California is fortunate to be home to one of the largest populations of Armenians outside the Republic of Armenia, and the Armenian-American community contributes much to our state and nation. The creation of an Armenia trade office was prudent in 2002 when the Legislature instituted the office.

"Since then, the Legislature has closed all other trade offices throughout the world and last year passed legislation mandating the creation of a state international trade strategy. The Business, Transportation, and Housing Agency is required to complete an International Trade and Investment Strategy to recommend priorities for state activities by February 1, 2008. Also, the state is prohibited from establishing any new foreign office until the Legislature receives a strategy to guide the operation and activities of the office and provides statutory authority for implementing the strategy. The State's involvement in foreign trade offices should be determined by the process set forth by the Legislature last year. This bill is premature before that process is completed."



## **Section VIII - Information Technology**

The Department of Technology Services (DTS) was established in 2005 through the consolidation several major information technology services and state entities: the Stephen P. Teale and California Health and Human Services Agency Data Centers, DGS, and the Office of Network Services. This consolidation was prompted by recommendations by the Legislative Analyst's Office, which found that consolidating the state's existing data centers would create considerable savings by: creating a sole executive and administrative structure; improving use of excess hardware and software; reducing hardware and software costs; reducing impact of pending retirements; and, increasing efficiencies in supporting existing computer systems.

DTS' purpose is to improve the performance of the Executive Branch in managing its information technology (IT) infrastructure. Serving under the jurisdiction of the State and Consumer Services Agency, DTS has a two-fold mission to:

- Ensure the state receives best value in the acquisition, management, and operation of its IT infrastructure and resources; and,
- Protect the state's IT infrastructure through utilization of the most appropriate levels of security, quality, and risk management.

In January 2006, DTS released the first "Strategic Plan for the Department of Technology Services" (Strategic Plan). The Strategic Plan enables DTS agencies, including the State and Consumer Services Agency, the Department of Finance, and DGS to evaluate the validity of the strategic initiatives by providing clear and consistent direction, goals, objectives, strategies, and measures.

### Legislation from 2007-08

Below is a summary of the legislation heard by JEDE during the 2007-08 Legislative Session relating to information technology.

#### **AB 908 (Adams): California Emergency Services Act and Y2K Problem**

This bill would delete obsolete references and authorities in the California Emergency Services Act pertaining to the "Year 2000 Problem". This problem emerged due to the practice from the 1960's through the 1980's of using two digits for representing a year, rather than four digits, in computer software and operating systems. *Status:* Signed by the Governor, Chapter 16, Statutes 2007

**AB 1579 (Lieber): State Procurement for Information Technology Goods and Services**

This bill requires the Department of General Services to consult with the State Chief Information Officer for the purpose of developing and implementing enterprise policies and practices for the procurement of information technology goods and services. The purpose of AB 1579 is to address the unintended consequences of DGS' practice to consistently require information technology contractors to submit performance bonds equal to 50% of the contract amount. Although existing law clearly directs the department to establish reasonable terms and conditions to protect the state's interest, the department has taken a "one size fits all" approach to performance bond coverage.

*Status:* Died pursuant to Art. IV, Sec. 10(c) of the Constitution.

**AB 1668 (Leno): Open-File Formats and State Procurement**

This bill requires the Director of Technology Services, in conjunction with the State Chief Information Officer, the Legislative Counsel, and the Legislative Analyst, or their designees, to conduct a demonstration project to evaluate the use of open-file format computer software applications by state departments and agencies. *Status:* Died pursuant to Art. IV, Sec. 10(c) of the Constitution.

**AB 1843 (Garrick): State Expenditure Data Base**

This bill requires the Controller, with the assistance of the Department of Technology Services (DTS), to develop a searchable database of information related to state expenditures by January 1, 2010. *Status:* Held under submission in the Assembly Committee on Appropriations.

**AB 2735 (Smyth): Internet Service Providers: Recordkeeping**

This bill requires an Internet service provider that is domiciled or engaged in or transacting business in California to keep records for 2 years following allocation of an IP address. These records are required to be made available, upon request, to federal or state law enforcement or the Attorney General. The bill would also prohibit an Internet service provider from allocating an IP address within its control to an Internet user located outside of the United States. *Status:* Held under submission in the Assembly Committee on Jobs, Economic Development, and the Economy.



## **Section IX - JEDE INFORMATIONAL HEARINGS AND ADVISORY GROUPS**

During the 2007-08 Session, JEDE held a number of informational hearings on the state's economic development programs and activities. From these hearings, JEDE developed legislation and other follow-up activities. Below is a short summary of these hearings. Additional information on these hearings can be obtained by contacting the JEDE Office at 916-319-2090.

### **California's Economic Development Programs: Meeting the Challenges of Today's Economy. March 27, 2007**

The Assembly Committee on Jobs, Economic Development, and the Economy, and the Assembly Budget Subcommittee on State Administration held a joint hearing to examine the state's economic and workforce development policies, programs and services, and their ability to meet key challenges facing California's economy today, and into the next decade. Key issues addressed at the hearing included:

- 1) How to retain California's global competitiveness in technology-related industries, including cleantech;
- 2) How changes in the global manufacturing supply chain may affect California's economy; and,
- 3) How to increase private investment in emerging domestic markets.

The Committees heard from four panels of witnesses including representatives of the two largest U.S. pension systems – California Public Employees Retirement System and the California State Teachers Retirement System, the California Economic Strategies Panel, the Labor and Workforce Development Agency, and the Business, Transportation and Housing Agency, as well as, representatives from key business groups like the California Manufacturers and Technology Association, the California Association of Local Economic Development, and the California Hispanic Chambers of Commerce.

Panelists described various global, national, and state economic trends, and state economic and workforce development programs that can assist the state to respond to, and take advantage of these trends. A series of findings and recommendations were made in the hearing which provided the committees with direction for future investigation and possible actions.

The Committees produced a report which provides extensive detail for the hearing's subject matter. That report can be found on the State Assembly's website at [www.assembly.ca.gov](http://www.assembly.ca.gov); clicking on Committee Directory, then clicking on the link to the JEDE and looking for the publication entitled: California's Economic Development Programs: Meeting the Challenges of Today's Economy.

*Emerging Domestic Market Advisory Group, October 11, 2007 through December 2008*

Chairman Arambula, in conjunction with the Latino Legislative Caucus and the California Hispanic Chambers Association, established the Emerging Domestic Market (EDM) Advisory Group. Comprised of national investment leaders, the advisory group focuses on concrete actions to remove impediments and increase private sector investment in California's emerging domestic markets.

In organizing itself, the Advisory Group set a long-term objective to have investments in emerging domestic markets be considered as a sub-asset class for investments by institutional investors. In reaching this objective, the Advisory Group chose three issues to address:

1. Enhance the financial literacy of entrepreneurs seeking debt and equity capital;
2. Develop one or more models for deploying private equity funding in early-stage companies, including blending public and private resources to meet risk-adjusted return requirements; and,
3. Establish common definitions and criteria for use by investors in emerging domestic markets.

The Advisory Group worked on several projects, each designed to improve the ability of private investors to take actions in emerging domestic markets, including providing the framework for a web-based directory of capital, supporting the update of a community development dictionary, and hosting one or more regional investment roundtables.

In addition, the EDM Advisory Group recommended a four-bill package for introduction including:

- AB 2416 (Fuentes) - Increase Scale in Debt Markets: Require the California Small Business Board to examine new financial products that could be derived through the innovative use of existing state resources. The examination should include, but not be limited to, the aggregation and sale of loan guarantees under the state Small Business Loan Guarantee Program. The Board should engage the foundation, nonprofit, finance, and investment communities in its review to enhance market acceptance of subsequent financial products. Status: Held in Assembly Appropriations
- AB 1418 (Arambula) - Track Existing Capital: Require the Business, Transportation, and Housing Agency, or one of its departments, to track significant commitments made by federal and state chartered banks related to community reinvestment. The information could be shared through the existing agency website and outreach to local and regional economic developers and financial institutions. Status: Vetoed by the Governor.

- AB 2636 (Arambula) - Build Core EDM Databases: Establish a public/private consortium to host non proprietary databases, which describe the emerging domestic marketplace for the purpose of expanding financial and non-financial analysis. The consortium would be responsible for establishing appropriate protocols to monitor accuracy, set standard definitions and terms, and establish formats for data submittal. The consortium would also be responsible for ensuring privacy rules and best practices are enforced at all times. Status: Held in Assembly Appropriations
- AB 2854 (Mendoza) - Improve Access to Existing Programs: Establish a one-stop web location where entrepreneurs can find a comprehensive listing of funding opportunities related to state procurement, economic development, and workforce investment. The site would include a clear description of the programs and services, including links for eligibility and application procedures. Status: Vetoed by the Governor.

The Committee produced a number of related documents and maintains a webpage focused on emerging domestic market issues. These materials can be found on the State Assembly's website at [www.assembly.ca.gov](http://www.assembly.ca.gov); clicking on Committee Directory, then clicking on the link to the JEDE and looking for the page entitled: Emerging Domestic Markets.

### **Oversight Hearing on the Implementation of Legislation, March 4, 2008**

The Assembly Committee on Jobs, Economic Development, and the Economy held a hearing to review the progress being made in implementing legislation enacted in the current and previous sessions.

The hearing was divided into three parts, starting with the global economic issues of trade and investment, to state economic policy and initiatives, and finishing with a discussion of California's small businesses. During the course of the hearing, Members also had an opportunity to hear from senior-level Canadian officials on how Canada undertakes its foreign trade and investment programs.

This review of previously enacted legislation formed the foundation of the Committee's session-long examination of the state's economic and workforce development policies, programs, and services, including their ability to meet the challenges facing California's economy today and into the next decade.

The Committee produced a report which provides detail for the hearing's subject matter. That report can be found on the State Assembly's website at [www.assembly.ca.gov](http://www.assembly.ca.gov); clicking on Committee Directory, then clicking on the link to the JEDE and looking for the publication entitled: 2007 Oversight Hearing on the Implementation of Economic Development Related Legislation.

**California's Proposed International Trade and Investment Strategy: Legislative Review by the Assembly Policy and Fiscal Committees, May 6 and June 24, 2008**

The Assembly Committee on Jobs, Economic Development, and the Economy and the Assembly Budget Subcommittee 4 on State Administration held joint hearings to review the state's preliminary California International Trade and Investment Strategy (Trade Strategy).

These were statutorily required hearings pursuant to the California Trade and Investment Act of 2006, which requires the policy and fiscal committees of each house of the Legislature to review and make recommendations on the preliminary Trade Strategy.

Members reviewed the preliminary Trade Strategy on May 6, 2008, and June 24, 2008. During their initial review, Members had an opportunity to hear from the BT&H on how the strategy was developed and their purpose in choosing certain actions to implement the goals and objectives. Members also heard from key stakeholder groups on how the priorities and recommended actions address how the state can best assist California businesses in becoming more competitive in the global economy. Key issues discussed at the hearings included:

- The future competitiveness of California and California businesses within the global economy;
- The need for educating and attracting a quality workforce;
- California's current and future need to upgrade and modernize the state's transportation and goods movement system;
- The state's economic development needs and opportunities, particularly as they relate to innovation, research and development, and other technology commercialization areas;
- Import and export opportunities and challenges for California's businesses, in general, and small- and medium-sized businesses, in particular;
- California business interests within the context of federal and international trade agreements; and
- Attraction of private investment capital to California, in general, and to emerging domestic markets, in particular.

The hearings also provided Members with an opportunity to share insights and outcomes from regional international trade round tables they held earlier in the year. These regional round tables had been scheduled by Members in the spring of 2008 in preparation for this review the preliminary Strategy.

The Committees produced a final report which provides extensive detail on the Committees review of the strategy, including a mock-up of the strategy based on the their recommendations. That report can be found on the State Assembly's website at [www.assembly.ca.gov](http://www.assembly.ca.gov); clicking on Committee Directory, then clicking on the link to the JEDE and looking for the publication entitled: California's Proposed International Trade and Investment Strategy: Legislative Review by the Assembly Policy and Fiscal Committees.

***Economic Opportunities in California's Rural Communities: Defining the New Rural Economic Strategy, October 2, 2008***

The Assembly Committee on Jobs, Economic Development, and the Economy (JEDE) held a hearing on the opportunities and resources available for economic development in the rural areas of California.

During the course of the hearing, Members heard testimony from experts on emerging trends in rural economic development and how some communities are bringing more private investment into California's historically underserved rural communities. As a case study, the hearing focused on the Southern San Joaquin Valley including the Counties of Fresno, Kern, Kings, and Tulare.

The Southern San Joaquin Valley has been repeatedly identified as one of the most economically challenged regions in the nation. Most recently, the region received the lowest ranking in the nation based on a national human and community development survey. However, even with the challenges, residents in these Southern San Joaquin Valley communities continue in their efforts on improving the economy and developing new strategies to help make their towns a better place for themselves, their families, and others within their community.

Key questions addressed during the hearing included:

- To what extent does the state embrace its rural communities or do state policies and actions merely treat these regions as holding areas for future growth;
- To what extent are the economic development issues facing rural communities different or similar to those affecting urban and suburban communities;
- How can rural communities best be supported within the larger innovation and new technology networks that benefit other areas of the state;
- Does the state have the optimal mix of policies, programs, and services to attract private sector investment to rural communities and help them achieve local economic development objectives;

- Do the current policies, programs, and services strengthen historically weak regional or local economies, and thereby reduce future public costs for public assistance, law enforcement, and public health; and
- What will be the impact of recent events in credit markets on small business development, access to capital for infrastructure development, and liquidity within the capital markets as a whole.

At the conclusion of the hearing, Chairman Arambula asked Members to consider this as the foundation for the development of a new and more modern rural development policy for the state that builds on the successes of the past while enhancing the long-term value of California's rural areas.

The Committee produced a report which provides extensive detail for the hearing's subject matter, including a list of recommendations for future Committee actions. That report can be found on the State Assembly's website at [www.assembly.ca.gov](http://www.assembly.ca.gov); clicking on Committee Directory, then clicking on the link to the JEDE and looking for the publication entitled: Economic Opportunities in California's Rural Communities: Defining the New Rural Economic Strategy.

## 2008 End of Year Report Appendix I

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AB 27 (Parra)	California Partnership for the San Joaquin Valley	Died pursuant to Art. IV, Sec. 10(c) of the Constitution	3
AB 49 (Arambula)	2007 Winter Freeze – Disaster Assistance	Died pursuant to Art. IV, Sec. 10(c) of the Constitution	3 & 22
AB 89 (Garcia)	California Mexico Infrastructure Finance Study	Vetoed by Governor	19 & 31
AB 121 (Maze)	Foster Youth Hiring Credit	Died pursuant to Art. IV, Sec. 10(c) of the Constitution	12
AB 232 (Price)	Economic Opportunity Initiative Program	Died pursuant to Art. IV, Sec. 10(c) of the Constitution	3
AB 579 (Swanson)	Effective Date of LAMBRA Designations	Died pursuant to Art. IV, Sec. 10(c) of the Constitution	12
AB 608 (De La Torre)	Increasing the State Small Business Preference	Vetoed by Governor	26
AB 610 (Price)	Leverage of Small Business Expansion Fund	Chapter 601, Statutes of 2007	22
AB 655 (Swanson)	Contract Limitations on Small Business Preferences	Died pursuant to Art. IV, Sec. 10(c) of the Constitution	27
AB 761 (Coto)	Codification of the Small Business Procurement Goals	Chapter 611, Statutes of 2007	27
AB 816 (Carter)	Microenterprise Development Organizations	Died pursuant to Art. IV, Sec. 10(c) of the Constitution	3 & 22
AB 908 (Adams)	California Emergency Services Act and Y2K Problem	Chapter 16, Statutes of 2007	34
AB 1104 (Aghazarian)	Disaster Assistance of the Small Business Expansion Fund	Chapter 624, Statutes of 2007	22

AB 1107 (Arambula)	Goods Movement and Small Business and Microenterprise Development	Vetoed by the Governor	19 & 23
AB 1189 (JEDE)**	State Contracts: Small Businesses and Disabled Veterans	JEDE-related content removed. Bill failed passage on Senate Floor	27
AB 1272 (Arambula)	Small Cities Technical Assistance Program	Died pursuant to Art. IV, Sec. 10(c) of the Constitution	4
AB 1398 (Arambula)	G-TEDA Business Incentives	Died pursuant to Art. IV, Sec. 10(c) of the Constitution	12
AB 1400 (Richardson)**	State Contracting by Higher Education Systems	JEDE-related content removed. Bill failed passage on Senate Floor	28
AB 1418 (Arambula)	Community Development: Banks and Credit Unions	Vetoes by the Governor	4
AB 1431 (Arambula)	Investment Guarantee Program	Died pursuant to Art. IV, Sec. 10(c) of the Constitution	4 & 23
AB 1455 (Arambula and Villines)	Air Quality Zones	Died pursuant to Art. IV, Sec. 10(c) of the Constitution	4 & 16
AB 1491 (Arambula)**	Small and Emerging Contractors Technical Assistance Program	JEDE-related content removed. Chapter 9, Statutes of 2008	28
AB 1506 (Arambula)	Greenhouse Gas Reduction Study	Held under submission in Senate Committee on Appropriations	16
AB 1527 (Arambula)	California Cleantech Advantage Act	Died pursuant to Art. IV, Sec. 10(c) of the Constitution	16, 19 & 23
AB 1579 (Lieber)	Performance Bond Requirements for Information Technology	Died pursuant to Art. IV, Sec. 10(c) of the Constitution	35
AB 1606 (Arambula and Lieu)	California Economic Development Strategic Plan	Vetoed by Governor	5
AB 1620 (Arambula)	California Clean Technologies Services Unit	Held under submission in Senate Committee on Environmental Quality	16



AB 1651 (Arambula)	Cleantech Credit on New Equipment	Died pursuant to Art. IV, Sec. 10(c) of the Constitution	16 & 20
AB 1668 (Leno)	Open-File Formats and State Procurement	Died pursuant to Art. IV, Sec. 10(c) of the Constitution	35
AB 1695 (Bass)	Small Business Surety Bond Guarantees	Died pursuant to Art. IV, Sec. 10(c) of the Constitution	28
AB 1719 (JEDE)**	International Trade Code Maintenance	JEDE-related content removed. Bill held under submission in Assembly Committee on Rules	32
AB 1720 (JEDE)	G-TEDA Code Maintenance	Vetoed by the Governor	12
AB 1721 (JEDE)	State Economic Development Policy	Chapter 631, Statutes of 2007	5
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AB 1942 (Ruskin)	Penalties Under the Small Business Act	Vetoed by the Governor	28
AB 2206 (Price)	Small Business Development Centers	Held under submission in Assembly Committee on Appropriations	24
AB 2267 (Fuentes)	California-Based Entities: Self-Generation Incentive Program	Chapter 537, Statutes of 2008	17
AB 2311 (Tran)	International Foreign Trade Offices	Held under submission in Assembly Committee on Jobs, Economic Development, and the Economy	32

AB 2312 (Tran)	State Trade Representative	Held under submission in Assembly Committee on Jobs, Economic Development, and the Economy	32
AB 2342 (Parra)	California Partnership for the San Joaquin Valley	Held under submission in Senate Committee on Appropriations	6
AB 2376 (Price)	Emerging Contractors Technical Assistance Program	Died pursuant to Art. IV, Sec. 10(c) of the Constitution	24
AB 2416 (Fuentes)	California Small Business Board	Held under submission in Assembly Committee on Appropriations	6
AB 2636 (Arambula)	Emerging Domestic Market Data Consortium	Held under submission in Assembly Committee on Appropriations	6
AB 2711 (Portantino)	State Innovation and Technology Strategy	Held under submission in Assembly Committee on Appropriations	6
AB 2735 (Smyth)	Internet Service Providers: Recordkeeping	Held under submission in Assembly Committee on Jobs, Economic Development, and the Economy	35
AB 2773 (Price)	Size of Small Business Procurement Contracts	Held under submission in Senate Committee on Appropriations	28
AB 2778 (Mendoza)	Small Business Procurement: Definition of Manufacturing	Chapter 102, Statutes of 2008	29
AB 2797 (De La Torre)	Small Business Preference in State Procurement	Held under submission in Assembly Committee on Appropriations	29
AB 2854 (Mendoza)	Small Business One-Stop Website	Vetoed by the Governor	6 & 24
AB 2998 (Carter)	Microenterprise Development	Held under submission in Senate Committee on Appropriations	7
AB 3045 (JEDE)	Economic Development Code Maintenance	Vetoed by the Governor	7
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ACR 23 (JEDE)	Entrepreneurship Week	Resolution Chapter 12, Statutes of 2007	7
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AJR 14 (Jeffries)	Customs and Importation Revenues	Resolution Chapter 73, Statutes of 2007	33
AJR 22 (Lieber)	Gulf Coast Civic Works Project	Resolution Chapter 15, Statutes of 2008	8
AJR 32 (Karnette)	Federal Military Contracts and California Manufacturing Facilities	Resolution Chapter 152, Statutes of 2007	8
AJR 55 (Villines)	U.S.-Colombia Trade Promotion Agreement	Refused Adoption in the Assembly Committee on Jobs, Economic Development, and the Economy	33
SB 159 (Wyland)	Prompt Payment of Disabled Veteran Owned Business Enterprises	Held under submission in Assembly Committee on Appropriations	29
SB 341 (Lowenthal)	California Environmental Quality Act and Enterprise Zones	Chapter 643, Statutes of 2007	13
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SB 765 (Ridley-Thomas)	California Urban Partnership	Pending on Assembly Floor	8
SB 983 (Correa)	California Prompt Payment Act	Held under submission in Assembly Committee on Appropriations	29
SB 1200 (Ducheny)	Indian Tribes: Economic Development	Held under submission in Assembly Committee on Appropriations	8
SB 1550 (Florez)	Corporations: Climate Change Disclosure	Concurrence in Assembly Amendments failed passage on Senate Floor	8 & 17
SB 1687 (Negrete McLeod)	State Procurement Goals	Held under submission in Assembly Committee on Appropriations	29

**\*\* Content of the bill amended to a different subject matter after leaving JEDE.**



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AB 49 (Arambula)	2007 Winter Freeze – Disaster Assistance	Died pursuant to Art. IV, Sec. 10(c) of the Constitution	3
AB 232 (Price)	Economic Opportunity Initiative Program	Died pursuant to Art. IV, Sec. 10(c) of the Constitution	3
AB 816 (Carter)	Microenterprise Development Organizations	Died pursuant to Art. IV, Sec. 10(c) of the Constitution	3
AB 1272 (Arambula)	Small Cities Technical Assistance Program	Died pursuant to Art. IV, Sec. 10(c) of the Constitution	4
AB 1431 (Arambula)	Investment Guarantee Program	Died pursuant to Art. IV, Sec. 10(c) of the Constitution	4
AB 1455 (Arambula and Villines)	Air Quality Zones	Died pursuant to Art. IV, Sec. 10(c) of the Constitution	4
AB 1606 (Arambula and Lieu)	California Economic Development Strategic Plan	Vetoed by Governor	5
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AB 1840 (Charles Calderon)	Definition of Retailer	Removed from JEDE. Bill failed passage on Assembly Floor	5
AB 1916 (Portantino)	Small Business Development and Operations	Vetoed by the Governor	6
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AB 2416 (Fuentes)	California Small Business Board	Held under submission in Assembly Committee on Appropriations	6
AB 2636 (Arambula)	Emerging Domestic Market Data Consortium	Held under submission in Assembly Committee on Appropriations	6
AB 2711 (Portantino)	State Innovation and Technology Strategy	Held under submission in Assembly Committee on Appropriations	6
AB 2854 (Mendoza)	Small Business One-Stop Website	Vetoed by the Governor	6
AB 2998 (Carter)	Microenterprise Development	Held under submission in Senate Committee on Appropriations	7
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ACR 23 (JEDE)	Entrepreneurship Week	Resolution Chapter 12, Statutes of 2007	7
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AJR 22 (Lieber)	Gulf Coast Civic Works Project	Resolution Chapter 15, Statutes of 2008	8
AJR 32 (Karnette)	Federal Military Contracts and California Manufacturing Facilities	Resolution Chapter 152, Statutes of 2007	8
SB 765 (Ridley-Thomas)	California Urban Partnership	Held under submission on Assembly Floor	8
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AB 579 (Swanson)	Effective Date of LAMBRA Designations	Died pursuant to Art. IV, Sec. 10(c) of the Constitution	12

AB 1398 (Arambula)	G-TEDA Business Incentives	Died pursuant to Art. IV, Sec. 10(c) of the Constitution	12
AB 1720 (JEDE)	G-TEDA Code Maintenance	Vetoed by the Governor	12
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### California's Clean Technology Economy

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AB 1506 (Arambula)	Greenhouse Gas Reduction Study	Held under submission in Senate Committee on Appropriations	16
AB 1527 (Arambula)	California Cleantech Advantage Act	Died pursuant to Art. IV, Sec. 10(c) of the Constitution	16
AB 1620 (Arambula)	California Clean Technologies Services Unit	Held under submission in Senate Committee on Environmental Quality	16
AB 1651 (Arambula)	Cleantech Credit on New Equipment	Died pursuant to Art. IV, Sec. 10(c) of the Constitution	16
AB 2267 (Fuentes)	California-Based Entities: Self-Generation Incentive Program	Chapter 537, Statutes of 2008	17
SB 1550 (Florez)	Corporations: Climate Change Disclosure	Concurrence in Assembly Amendments failed passage on Senate Floor	17

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AB 1107 (Arambula)	Goods Movement and Small Business and Microenterprise Development	Vetoed by the Governor	19
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AB 610 (Price)	Leverage of Small Business Expansion Fund	Chapter 601, Statutes of 2007	22
AB 816 (Carter)	Microenterprise Development Organizations	Died pursuant to Art. IV, Sec. 10(c) of the Constitution	22
AB 1104 (Aghazarian)	Disaster Assistance of the Small Business Expansion Fund	Chapter 624, Statutes of 2007	22
AB 1107 (Arambula)**	Goods Movement and Small Business and Microenterprise Development	Vetoed by the Governor	23
AB 1431 (Arambula)	Investment Guarantee Program	Died pursuant to Art. IV, Sec. 10(c) of the Constitution	23
AB 1527 (Arambula)	California Cleantech Advantage Act	Died pursuant to Art. IV, Sec. 10(c) of the Constitution	23
AB 1620 (Arambula)	California Clean Technologies Services Unit	Held under submission in Senate Committee on Environmental Quality	23
AB 1651 (Arambula)	Cleantech Credit on New Equipment	Died pursuant to Art. IV, Sec. 10(c) of the Constitution	23
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AB 1189 (JEDE)**	State Contracts: Small Businesses and Disabled Veterans	JEDE-related content removed. Bill failed passage on Senate Floor	27
AB 1400 (Richardson)**	State Contracting by Higher Education Systems	JEDE-related content removed. Bill failed passage on Senate Floor	28
AB 1491 (Arambula)**	Small and Emerging Contractors Technical Assistance Program	JEDE-related content removed. Chapter 9, Statutes of 2008	28
AB 1695 (Bass)	Small Business Surety Bond Guarantees	Died pursuant to Art. IV, Sec. 10(c) of the Constitution	28
AB 2773 (Price)	Size of Small Business Procurement Contracts	Held under submission in Senate Committee on Appropriations	28
AB 2778 (Mendoza)	Small Business Procurement: Definition of Manufacturing	Chapter 102, Statutes of 2008	29
AB 2797 (De La Torre)	Small Business Preference in State Procurement	Held under submission in Assembly Committee on Appropriations	29
SB 159 (Wyland)	Prompt Payment of Disabled Veteran Owned Business Enterprises	Held under submission in Assembly Committee on Appropriations	29
SB 983 (Correa)	California Prompt Payment Act	Held under submission in Assembly Committee on	29

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**International Trade**

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AB 89 (Garcia)	California Mexico Infrastructure Finance Study	Vetoed by Governor	31
AB 1719 (JEDE)**	International Trade Code Maintenance	JEDE-related content removed. Bill pending in Assembly Committee on Rules	32
AB 1722 (JEDE)	California International Trade and Investment Act Update	Awaiting hearing in Senate Committee on Business, Professions, and Economic Development	32
AB 2311 (Tran)	International Foreign Trade Offices	Held under submission in Assembly Committee on Jobs, Economic Development, and the Economy	32
AB 2312 (Tran)	State Trade Representative	Held under submission in Assembly Committee on Jobs, Economic Development, and the Economy	32
AB 3046 (JEDE)	California Office of Foreign Trade and Investment	Held under submission in Assembly Committee on Appropriations	33
AJR 14 (Jeffries)	Customs and Importation Revenues	Resolution Chapter 73, Statutes of 2007	33
AJR 55 (Villines)	U.S.-Colombia Trade Promotion Agreement	Refused Adoption in the Assembly Committee on Jobs, Economic Development, and the Economy	33
SB 515 (Scott)	Armenian Trade Office	Vetoed by Governor	33

**Information Technology**

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AB 908 (Adams)	California Emergency Services Act and Y2K Problem	Chapter 16, Statutes of 2007	34
AB 1579 (Lieber)	Performance Bond Requirements for Information Technology	Held under submission in Assembly Committee on Appropriations	35
AB 1668 (Leno)	Open-File Formats and State Procurement	Held under submission in Assembly Committee on Appropriations	35
AB 1843 (Garrick)	State Expenditure Data Base	Held under submission in Assembly Committee on Appropriations	35
AB 2735 (Smyth)	Internet Service Providers: Recordkeeping	Held under submission in Assembly Committee on Jobs, Economic Development, and the Economy	35

**\*\* Content of the bill amended to a different subject matter after leaving JEDE.**



## **Glossary of Terms**

### **Jobs, Economic Development and the Economy**

#### **Abbreviations**

- BTH:** Business Transportation and Housing Agency.
- CAEZ:** California Association of Enterprise Zones.
- CalBIS:** California Business Investment Services.
- CalED:** California Association for Local Economic Development.
- CALGOLD:** California Government Online to Desktops.
- CALWORKS:** The California Work Opportunity and Responsibility to Kids Program.
- CDFI:** Community Development Financial Institution.
- CEDP:** California Economic Development Partnership.
- DGS:** Department of General Services.
- DVBE:** Disabled Veterans Business Enterprise.
- EDC:** Economic Development Corporation.
- EDD:** Employment Development Department.
- EDM:** Emerging Domestic Markets
- ETP:** Employment Training Panel.
- EZ:** Enterprise Zone.
- FDI:** Foreign Direct Investment.
- G-TEDA:** Geographically-Targeted Economic Development Area.
- HCD:** Department of Housing and Community Development.
- I-BANK:** Infrastructure and Economic Development Bank.
- JEDE:** Jobs, Economic Development and the Economy Committee.
- JTPA:** Job Training Partnership Act.

**LAMBRA:** Local Agency Military Base Recovery Area.

**MASA:** Military and Aerospace Support Act.

**MEA:** Manufacturing Enhancement Area.

**MOU:** Memorandum of Understanding.

**OES:** Office of Emergency Services.

**OSBA:** Office of Small Business Administration.

**ROI:** Return on Investment.

**SBE:** Small Business Enterprise.

**SBLGP:** Small Business Loan Guarantee Program.

**TEA:** Targeted Employment Area.

**TTA:** Targeted Tax Area.

**WIA:** Workforce Investment Act.

**WIB:** Workforce Investment Board.

**Definitions:**

**BUSINESS TRANSPORTATION AND HOUSING AGENCY (BTH):** BTH oversees the activities of 13 departments consisting of more than 42,000 employees, a budget greater than \$11 billion, plus several economic development programs and commissions. Its operations address financial services, transportation, affordable housing, real estate, managed health care plans and public safety.

**CALIFORNIA ASSOCIATION OF ENTERPRISE ZONES (CAEZ):** Non-profit organization that lobbies on behalf of Enterprise Zones and works to foster economic development within those zones.

**CALIFORNIA BUSINESS INVESTMENT SERVICES (CalBIS):** Housed in the Labor and Workforce Development Agency, CalBIS serves employers, corporate real estate executives, and site location consultants considering California for new business investment and expansion.

**CALIFORNIA ASSOCIATION FOR LOCAL ECONOMIC DEVELOPMENT (CalED):** CALED is a statewide professional economic development organization dedicated to advancing its members' ability to achieve excellence in delivering economic development services to their communities and business clients. CALED's membership

consists of public and private organizations and individuals involved in economic development.

**CALIFORNIA GOVERNMENT ONLINE TO DESKTOPS (CalGOLD):** The CalGOLD database provides links and contact information that direct businesses to agencies that administer and issue business permits, licenses and registration requirements from all levels of government. The CalGold listings include descriptions of the requirements, the names, addresses, and telephone numbers of the agencies that administer those requirements and issue the permits and licenses, and in most cases a direct link to the agencies' Internet web pages.

**CALIFORNIA WORK OPPORTUNITY AND RESPONSIBILITY TO KIDS PROGRAM (CALWORKS):** Provides temporary financial assistance and employment focused services to families with minor children who have income and property below State maximum limits for their family size. Most able-bodied aided parents are also required to participate in the CalWORKs GAIN employment services program.

**COMMUNITY DEVELOPMENT FINANCIAL INSTITUTION (CDFI):** Nationwide, over 1000 CDFIs serve economically distressed communities by providing credit, capital and financial services that are often unavailable from mainstream financial institutions. CDFIs have loaned and invested in distressed communities. Their loans and investments have leveraged billions more dollars from the private sector for development activities in low wealth communities across the nation. California offers tax credits for investments in CDFI's under the Insurance Tax Law, as well as under the Personal and Corporate Income Tax Laws.

**CALIFORNIA ECONOMIC DEVELOPMENT PARTNERSHIP (CEDP):** The CEDP was formed by Governor Schwarzenegger in 2005 as an interagency team to coordinate state government economic development activities. It seeks seamless coordination between the state, regional/local economic development organizations, and public/private resources for the retention, expansion and attraction of jobs in California.

**DEPARTMENT OF GENERAL SERVICES (DGS):** The department consists of six divisions, 23 operational offices, 4,000 employees and a budget in excess of half a billion dollars. Its functions include e-commerce and telecommunications; siting, acquisition, development, leasing, disposal and management of state properties; architectural approval of local schools and other state-responsibility buildings; printing services provided by the second largest government printing plant in the U.S.; procurement of supplies needed by other state agencies; and maintenance of the vast fleet of state vehicles. The director serves on half a dozen state boards and commissions.

**DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT (HCD):** HCD is one of 13 departments within BTH. As California's principal housing agency, the mission of HCD is to provide leadership, policies and programs to expand and preserve safe and affordable housing opportunities and promote strong communities for all Californians. HCD is responsible for oversight of California's G-TEDA programs.

**DISABLED VETERAN BUSINESS ENTERPRISE (DVBE):** Certified DVBE's that meet eligibility requirements are eligible to receive bid preferences on state contracts.

**ECONOMIC DEVELOPMENT CORPORATION (EDC):** Locally based corporations whose mission is to promote investment and economic growth in their region.

**ECONOMIC STRATEGY PANEL:** The Economic Strategy Panel was established in 1993 to develop an overall economic vision and strategy to guide public policy. The Panel engages in an objective and collaborative biennial planning process that examines economic regions, industry clusters, and cross-regional economic issues. The California Regional Economies Project is currently the lead mechanism for these efforts.

**EMPLOYMENT DEVELOPMENT DEPARTMENT (EDD):** EDD offers a wide variety of services under the Job Service, Unemployment Insurance, Disability Insurance, Workforce Investment, and Labor Market Information programs. As California's largest tax collection agency, EDD also handles the audit and collection of payroll taxes and maintains employment records for more than 17 million California workers.

**EMERGING DOMESTIC MARKETS (EDM):** The term "emerging domestic markets" refers to people, places, or businesses with growth potential, which have historically faced systemic capital constraints. The demographics of emerging domestic markets include ethnic- and women-owned firms, urban and rural communities, companies which serve low- to moderate-income populations, and other small- and medium-sized businesses.

**EMPLOYMENT TRAINING PANEL (ETP):** ETP is a California State agency that began in 1983 and is designed to fund training that meets the needs of employers for skilled workers and the need of workers for long-term jobs. The program funds the retraining of incumbent, frontline workers in companies challenged by out-of-state competition. ETP also funds training for unemployed workers, and prioritizes small businesses, and employers and workers in high unemployment areas of the State. ETP is funded by a tax on business.

**ENTERPRISE ZONE (EZ):** Geographically-based economic incentive areas in California that provide regulatory or tax benefits to businesses. There are 42 Enterprise Zones in California.

**GEOGRAPHICALLY TARGETED ECONOMIC DEVELOPMENT AREA (G-TEDA):** A generic term for all geographically-based economic incentive areas in California, including TTAs, LAMBRAs, EZs, and MEAs.

**INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK (I-BANK):** The I-Bank is a state financing authority that provides low-cost financing to public agencies, manufacturing companies, nonprofit organizations and other entities eligible for tax-exempt financing. Since January 1, 1999, the I-Bank has financed more than \$6.5 billion in tax-exempt bonds and loans for economic development and public infrastructure projects throughout the state.



**JOB TRAINING PARTNERSHIP ACT (JTPA):** JTPA is a federal law that authorizes and funds a number of employment and training programs in California. JTPA's primary purpose is to establish programs to provide job training services for economically disadvantaged adults and youth, dislocated workers and others who face significant employment barriers. These programs help prepare individuals in California for participation in the state's workforce, increasing their employment and earnings potential, improving their educational and occupational skills and reducing their dependency on welfare.

**LOCAL AGENCY MILITARY BASE RECOVERY AREA (LAMBRA):** A LAMBRA is an area located in California that is designated as such by the Business, Transportation and Housing Agency. LAMBRAs are established to stimulate growth and development in areas that experience military base closures. Taxpayers investing, operating, or located within a LAMBRA may qualify for special tax incentives. There are currently eight LAMBRAs: Southern California International Airport, Castle Air Force Base, Mare Island Naval Base, San Bernardino International Airport and Trade Center, Alameda Naval Air Station, Mather Field/McClellan Park, Liberty Station, and Tustin Marine Corps Air Station.

**MANUFACTURING ENHANCEMENT AREA (MEA):** Incentives available to businesses located in an MEA are streamlining local regulatory controls, reduced local permitting fees and eligibility to earn \$29,234 or more in state tax credits for each qualified employee hired. All manufacturing businesses that are engaged in those lines of business described in Codes 2011 to 3999, inclusive, of the Standard Industrial Classification (SIC) and are located in the MEA are eligible for program benefits. There are 2 MEAs located in California. They are the Cities of Brawley and Calexico (contacts are listed below). Each community is located in Imperial County. An MEA designation lasts until December 31, 2012.

**MICROBUSINESS:** A business that was started with less than \$35,000 in equity, and has fewer than five employees.

**MILITARY AND AEROSPACE SUPPORT ACT (MASA):** Established the Office of Military and Aerospace Support, located in the Business, Transportation and Housing Agency, which has numerous duties of which the main focus is development and implementation of a strategic plan to keep military bases in the state. The office is also charged with assisting communities with the conversion of military bases closed or realigned during prior or recent BRAC rounds. This office is set to sunset on January 1, 2009.

**NORTH AMERICAN INDUSTRY CLASSIFICATION SYSTEM (NAICS):** The North American Industry Classification System (NAICS) has replaced the U.S. Standard Industrial Classification (SIC) system. NAICS was developed jointly by the U.S., Canada, and Mexico to provide new comparability in statistics about business activity across North America. The NAICS and SIC manuals provide code number for every industry. These codes are frequently used in legislation to identify industries, especially

those benefiting from certain tax legislation like the Manufacturers Investment Credit (MIC).

**OFFICE OF EMERGENCY SERVICES (OES):** The Governor's Office of Emergency Services coordinates overall state agency response to major disasters in support of local government. The office is responsible for assuring the state's readiness to respond to and recover from natural, manmade, and war-caused emergencies, and for assisting local governments in their emergency preparedness, response and recovery efforts.

**OFFICE OF SMALL BUSINESS ADMINISTRATION (OSBA):** Since its founding on July 30, 1953, the U.S. Small Business Administration has delivered about 20 million loans, loan guarantees, contracts, counseling sessions and other forms of assistance to small businesses.

**SMALL BUSINESS ENTERPRISE (SBE):** A business with 100 or fewer employees, and an average annual gross receipts of \$10 million or less over the previous three tax years, or a manufacturer with 100 or fewer employees. SBE's are eligible to receive a 5% bid preference on state contracts.

**SMALL BUSINESS LOAN GUARANTEE PROGRAM (SBLGP):** The state Small Business Loan Guarantee Program (SBLGP) provides guarantees on bank loans to small businesses that would otherwise not be made. A network of 11 Small Business Financial Development Corporations - working closely with small business borrowers and local community banks - issues the guarantees on behalf of the state. The guarantees are backed by a trust fund that can be leveraged four times. The state currently guarantees more than \$276 million in outstanding loans.

**SPECIAL FUND FOR ECONOMIC UNCERTAINTIES:** A fund in the General Fund (a similar reserve is included in each special fund) authorized to be established by statutes and Budget Act control sections to provide for emergency situations. (GC 16418)

**TARGETED EMPLOYMENT AREA (TEA):** One of many options to voucher an employee, Targeted Employment Areas (TEA) allow residents of certain designated low-income areas to qualify Enterprise Zone employers for substantial hiring credits.

**TARGETED TAX AREA (TTA):** The Tulare TTA is a program very similar to Enterprise Zones. TTA offers incentives that are only available to companies located in the Tulare TTA and engaged in a trade or business within certain Standard Industrial Codes. State incentives include tax credits for sales and use taxes paid on certain machinery, machinery parts, and equipment; tax credits for hiring qualified employees; and a fifteen year net operating loss carry-forward.

**WORKFORCE INVESTMENT ACT (WIA):** The federal Workforce Investment Act (WIA), which superseded the Job Training Partnership Act, offers a comprehensive range of workforce development activities through statewide and local organizations. Available workforce development activities provided in local communities can benefit

job seekers, laid off workers, youth, incumbent workers, new entrants to the workforce, veterans, persons with disabilities, and employers. The purpose of these activities is to promote an increase in the employment, job retention, earnings, and occupational skills improvement by participants. California will receive approximately \$454 million from the federal government this year to provide services for adults, laid-off workers, and youth.

**WORKFORCE INVESTMENT BOARD (WIB):** The Governor has appointed a State Workforce Investment Board (WIB) consisting primarily of representatives from businesses, labor organizations, educational institutions, and community organizations. The State WIB assists the Governor in designing a statewide plan and establishing appropriate program policy.

