

**BTH Economic Development
Testimony - Little Hoover Commission
Thursday, August 27, 2009**

California's economic strength lies in the size, diversity and adaptability of our economy as well as in the talent and diversity of our population. California has the high-tech industries of Silicon Valley, the biotech industries of San Diego and the San Francisco Bay area, the agricultural technology industry of the Central Valley and the entertainment industry of Los Angeles. Other leading industry clusters include aerospace, alternative/clean energy, travel and tourism and finance all making California the 8th largest economy in the world. No other state can claim to have as many leading industry sectors as California.

The population supporting these and other sectors require a sustainable supply of energy and water as well as the ability to efficiently move people and good to maintain economic growth in the face of rapidly changing global supply chains and technologies.

Overall Philosophy and Approach to Economic Development

The Business, Transportation and Housing Agency's (BTH) economic development portfolio includes the California International Trade Partnership, Border Governor's Council, the California/Mexico Border Relations Council, the CA Film Commission, the California Infrastructure and Economic Development Bank, the California Broadband Task force, the Small Business Board, the California Jobs Commission, the Strategic Growth Council, the California Partnership for the San Joaquin Valley, the, and the California Travel and Tourism Commission. In addition, it also holds positions on the Employment Training Panel, the California Space Authority, California Community Colleges Economic and Workforce Development Advisory Committee and the California Workforce Investment Board.

As many of you already know, BTH is a very large agency with 44,000 employees and a \$20 billion budget. The agency is responsible for numerous programs and initiatives – including housing and transportation – all designed to accelerate economic growth. For purposes of narrowing today's discussion I am going to focus on only certain programs and initiatives that are directly related to traditional economic development.

The Administration's approach to economic development is to continue to support the State's leading industry clusters – the drivers of economic growth and prosperity -- while improving the overall quality of life through infrastructure investments to improve the jobs/housing balance.

On November 29, 2005, Governor Schwarzenegger established the California Economic Development Partnership, an interagency Cabinet team -- consisting of the Business, Transportation & Housing Agency (BTH or Agency), California Department of Food & Agriculture, and the California Labor & Workforce Development Agency -- to coordinate all of the State government economic development activities. The Partnership brought together State Administration resources in collaboration with regional and local economic

development organizations and other public and private expert resources to attract, retain and expand jobs in California.

While continuing the partnership approach, the Governor, in 2007, designated BTH to assume a leadership role in coordinating the economic development activities of various organizations within the Administration. The State's 20-year Strategic Growth Plan (SGP) remains the primary roadmap for our efforts. The SGP is designed to invest and leverage billions of dollars in the state's infrastructure over the next 20 years, so that California can maintain vibrant economic growth, improve the environment and ensure a high quality of life for generations to come. BTH carries out its economic development responsibilities with a focus on implementation of the SGP and related policy guides.

Since no single organization can meet the State's economic development needs, BTH relies heavily on collaboration with and among various networks of stakeholders from around the state.

To take on this charge of leading economic development efforts, the Agency created two primary initiatives to begin the process of focusing scarce resources and collaborating with local and regional economic development entities and stakeholders. The first was to create an Economic Development Work Plan for the Agency and the second, in response to the deepening global financial crisis was to create a process to ensure every region of the state had a plan for economic recovery – which we called our Regional Economic Recovery Work Plans.

Addressing the Fiscal and Economic Crises

With state and local revenues in sharp decline, the immediate challenge was to quickly execute low-cost strategies to continue investing in our infrastructure and workforce. We determined that the best role the BTH could play at this time was to integrate strategies and coordinate efforts between all levels of government as well as the private sector. As the Governor, Legislature and policymakers in Washington, D.C. continue working on policies and programs to support economic recovery, BTH has been focusing on working with stakeholders on actions that can be taken immediately to help bring about a recovery at the earliest possible time.

To support economic recovery, BTH worked with stakeholders throughout 2007 to develop a comprehensive Economic Development Work Plan (Plan) that identifies 50 priority actions the Agency has taken or will take to achieve its top 10 objectives during calendar years 2008 through 2010. The Plan has been posted on BTH's website and broadly distributed to stakeholders so that it serves as a tool to inform, focus and identify opportunities to work together in growing California's economy. The Work Plan's 10 objectives are:

1. Emphasize economic development in all BTH programs
2. Improve collaboration among economic development agencies
3. Support local and regional economic development efforts
4. Improve contracting and growth opportunities for small business
5. Mitigate impacts of the financial crisis on business and property values

6. Accelerate Proposition 1B transportation bond programs
7. Implement the Goods Movement Action Plan and Go California mobility strategy
8. Pursue a Federal transportation bill that addresses California's needs
9. Implement the International Trade and Investment Strategy
10. Expand broadband access and adoption

In short, the Plan integrated strategies and specific actions to: (1) leverage resources, (2) expedite infrastructure, (3) market California and (4) spur innovation.

Regional Recovery Plans

The BTH Economic Development Work Plan, made a commitment to: (1) catalogue major economic and real estate development projects throughout California, (2) encourage local governments to adopt update economic development strategies and general plan elements, and (3) establish an inter-agency working group to maximize federal grant opportunities. As we employed these components of the Work Plan, the emergence of a federal stimulus bill presented an added opportunity to maximize the amount and impact of resources that might come to California by integrating the strategies of government agencies pursuing or receiving federal stimulus dollars. The Governor's ARRA Task force was created in response to this need.

BTH has asked local leaders in each of 12 regions throughout the State to develop a Regional Economic Recovery Work Plans (Regional Recovery Plan) that describes how local agencies are using certain stimulus funds they have or will receive directly from the federal government, identifies opportunities to work together in pursuing discretionary grants, and identifies opportunities to leverage state and local resources whether by discretionary grant or formula. The Regional Recovery Plans are not mandatory, not required for access to federal funds, and not intended to replace long-term plans for infrastructure, land use or economic development. They are meant to advise and assist the allocation of federal stimulus funding under the American Recovery and Reinvestment Act of 2009 (ARRA) and allocation of fiscal and other resources from the State of California.

In addition to ARRA funding, the Regional Recovery Plans address various other opportunities to integrate strategies and leverage resources to jump start our economy. While certain opportunities vary from region to region, *all* regions of the State have agreed to work together to implement low-cost strategies to continue investing in our infrastructure, workforce and communities in ways that also lay a foundation for future job growth and prosperity.

This represents an historic step in developing regional processes for integrated economic development planning. The Plans have been shared with the California Recovery Task Force to support its goal of promoting California's long term economic recovery through strategic implementation of ARRA funds. This process has also been recognized by the Brookings Institute and White House staff as a leading example of how states should approach economic recovery.

Other Economic Development Programs and Initiatives

Certified Sites Program. All regions expressed strong support for the pilot “California Certified Sites Site Program” to be managed through the Department of Real Estate. As California faces increasing competition from other states for new or relocating businesses and it has a well known reputation for having a very tedious and unpredictable permit process for development projects. The “California Certified Sites Site Program” to be managed through BTH, will reduce costs and time to market by certifying development sites that qualify as "shovel-ready" and thereby incentivize site locators to choose locations in California. Ultimately, reducing the time to market on development projects creates an incentive for the private sector to choose a location in California. This program would increase property values and present a cost savings to developers at no cost to the state. It also provides a tool for local economic development entities to market their communities to prospective employers.

Innovation Zones. All regions expressed strong support for a California Innovation Zone Program (iZones) that would present a low-cost means of helping to identify, develop and promote regions and sub-regions that have, or have committed to developing clusters of research parks, technology incubators, universities, business accelerators, federal laboratories that collaborate in the commercialization of new technologies. Pursuant to consensus-based criteria, the State would designate iZones that exist throughout California thereby enhancing the region’s promotional efforts, including prospects of securing public or private grants and attracting future investment. The iZones would be operated by a local collaborative made up from government entities, universities, businesses and non-profit economic development organizations. Local collaborative would focus efforts on accelerating the development of these assets thereby creating jobs and growing the economy.

CA Business Ascent Competition. The State of California, with BT&H operating as the lead agency, has partnered with Golden Capital Network, a non-profit corporation, and the California Association of Local Economic Development (CALED) to host a state wide entrepreneur competition called the California Business Ascent, a statewide campaign to spur entrepreneurship and economic growth through regionally driven competitions for innovative businesses. Its primary goal is to identify and assist companies, entrepreneurs, and investors with the greatest potential to fuel and expand local economic growth. These growth-oriented, locally based, innovative entrepreneurs represent the State’s best opportunity to generate jobs, technology clusters, and tax revenue. Regional competitions will be undertaken in 25 communities around the state using a standardized competition methodology called *Venture Communities* that Golden Capital Network piloted in 2008. The regional competitions serve as the means to qualify growth companies (at least one from each participating region) to participate in a culminating state championship event.

Personalized Medicine Initiative. BTH has collaborated with the California Council on Science and Technology to scope a pilot project for State government to examine the cost-effectiveness of personalized medicine, and to initiate another pilot on how genomic information can be shared and stored while being kept private. If these two initiatives can be substantiated, job growth in the personalized medicine field will grow significantly. In further support of this effort, BTH assembled the CEO Roundtable on

personalized medicine, secured \$25,000 for Personalized Medicine Roundtable/Initiative Workshops, and developed an initiative to examine the California regulations surrounding personalized medicine/biotechnology and how they are impeding industry growth. The next step will be to explore whether legislation to alter some regulations, particularly lab certification requirements, will reduce California business costs and grow laboratory testing and manufacturing in California.

Financing for Central Coast Farmers. BTH and the California Coastal Rural Development Corporation (Cal Coastal) are partnering to provide up to \$10 million in financing for small farms in the Central Coast region. Under the partnership, Cal Coastal will use \$1 million received from the U.S. Treasury Department, Community Development Financial Institution (CDFI) Fund, in conjunction with the State's Small Business Loan Guarantee Program (SBLGP). Under the SBLGP's direct farm loan program, Cal Coastal will be able leverage the CDFI funds to provide up to \$10 million of financing, primarily in the form of revolving lines of credit, to qualified borrowers who are unable to obtain financing from conventional lenders. The new financing will increase capital access opportunities for small farms in the Central Coast, and it will help retain jobs in a critical industry for the region.

Web-based Collaboration. A website was created for economic developers statewide to communicate, share ideas, and post relevant information on California's economic environment. This instrument has increased coordination between the State and local governments, especially with regard to developing a comprehensive plan to maximize federal stimulus dollars.

“One-Voice” Marketing Campaign. Although dozens of economic development marketing programs exist statewide (cities, counties, non-profit economic development organizations), they lack continuity and have a wide variety of messages about California as place for business. BTH-led stakeholder meetings confirmed that a central message regarding California's business climate would be extremely helpful to local and regional efforts.

To accomplish this, BTH worked with the California Travel and Tourism Commission (CTTC) to create an economic development brand with the tag line, “Find Inspiration Here.” This was developed as a sister brand to the CTTC program as the messaging is similar. The brand is designed to be used by any state agency promoting California's business advantages; it will be used in advertisements, brochures and websites as well as at conferences, trade shows and trade missions. Furthermore, economic development organizations around the state have been empowered to use the brand along with other collateral when marketing their jurisdictions to businesses both outside and inside the state.

The overarching theme of this message is that California remains an ideal location for business despite what is being promulgated through attacks from other states and the media. In addition, the message is designed to help corporate site selection decision makers separate the State's budget crisis from the overall health of California's economy.

International Trade and Investment. The International Trade and Investment Strategy calls for direct linkage to the State's broader economic development efforts. The overarching policy identified in the strategy is to increase jobs by promoting the export of California products and services while also promoting foreign direct investment. The BTH Memorandum of Understanding with the Centers for International Trade Development serves to leverage existing services and provide export assistance to companies in prioritized industry clusters.

The state has taken the lead in attending two major annual trade shows in the biotechnology industry and in the information/communications technology industries. BTH has organized California pavilions at the international BIO and CeBIT conventions. In addition, BTH has partnered with Team California to exhibit at Corenet, Medical Device Manufacturing and Solar Tech. Staff is also supporting government or non-profit economic development organization trade missions abroad to attract foreign direct investment and expand trade opportunities for California businesses.