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CALIFORNIA ECONOMIC SUMMIT

MAY 11, 2012 SANTA CLARA

POLICY PLAYBOOK 2012 CREATED BY CALIFORNIA'S REGIONS

California Regions Come Together to Create
Common Sense, Pragmatic Solutions to
Our Economic Challenges

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STATE

CALIFORNIA ECONOMIC SUMMIT

STATEMENT OF PRINCIPLES

Our Summit principles serve as the foundation for launching and leading this civic endeavor:

- California's economic vitality is the result of abundant natural resources, creative people, entrepreneurial businesses, smart investments in infrastructure, leading-edge technologies, growing markets and effective public policies.
- This vitality has shaped the world and has shaped California, based on the strengths of distinct regional economies reflecting their own landscapes, products, innovations and people.
- Continued success requires public- and private-sector leaders taking signature actions that simultaneously promote economic vitality, equality of opportunity and environmental quality.
- To create quality jobs, those signature actions must promote skilled and knowledgeable human capital, efficient regulations and modern infrastructure-prerequisites for attracting the private capital that generates jobs.
- Developing, enacting and implementing these signature actions will require new ways for leaders and organizations to work together at the level of communities, regions and the state.
- Responsibility for developing and advocating this agenda is shared by steward leaders in the private, public and not-for-profit sectors, with diverse perspectives and a commitment to action.
- Strong democracies require stewardship in the civic space to ensure nonpartisan, fact-based solutions are developed through inclusive and respectful means to identify and advance solutions that are pragmatic and creative.
- Stewardship requires that leaders bring their knowledge, expertise and passion to bear on behalf of the whole – and on behalf of future generations of Californians.

These principles are our shared commitment to making the California Economic Summit a fruitful venue and a model of good things to come to help California thrive. The Summit has developed as a result of 14 Regional Forums, where participants established priorities for their regions and the state with proposed solutions.

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WHAT IS THE POLICY PLAYBOOK?

A ROADMAP FOR PROMOTING CALIFORNIA'S JOBS AND COMPETITIVENESS

The Policy Playbook provides a roadmap for promoting California's jobs and competitiveness. Prepared by leaders from across California, the Playbook identifies specific actions that business, government, environmental, labor and community groups can take to secure California as the Golden State.

Californians know that the time to fix our state's economy is now. We must create smart solutions that will attract capital, generate jobs and encourage sustainable communities all over California.

On May 11, 2012, the California Stewardship Network, an alliance promoting economic vitality and quality of life, and California Forward, a nonpartisan effort to improve the performance and accountability of government, is hosting the first California Economic Summit, Can-Do California: Thriving Regions Lead to a Thriving State.

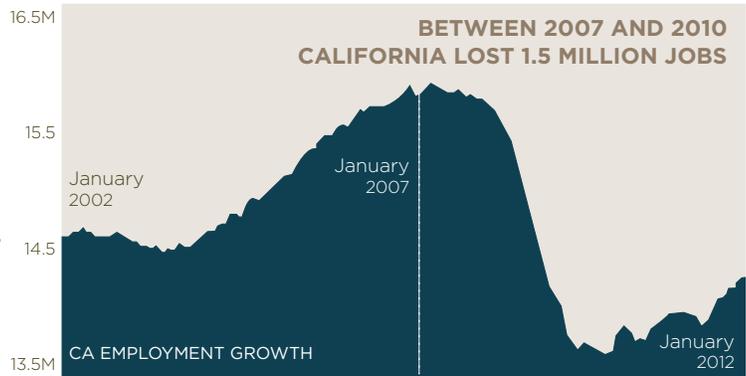
The Summit connects regional and state leaders to develop a shared agenda to generate jobs, improve regional competitiveness and promote triple-bottom-line outcomes of economic vitality, equality of opportunity and environmental quality. Leading up to the Summit, 14 regional forums were held around the state to identify economic opportunities and set priorities for state and regional action. The Summit brings together state, regional and community champions to act on how to fuel job creation and create a stronger economy.

California's economy, like the state itself, is diverse and dynamic, and best reflected in its diverse regions. Different economic "drivers" of the regions must be appreciated in statewide actions that best support effective regional strategies that benefit the overall California economy.

Working at a regional scale in a coordinated way allows Californians to leverage unique assets, sync up related efforts to accomplish shared goals, and maximize public and private talent to revitalize California.

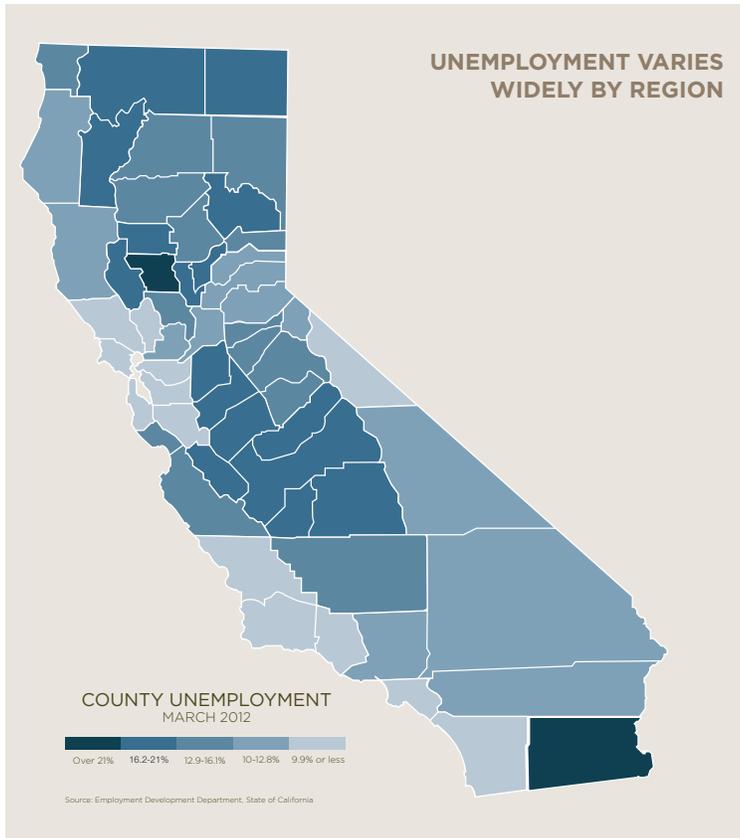
WHY AN ECONOMIC SUMMIT? A CALL TO ACTION

California was hit hard by the Great Recession as unemployment soared to over 12 percent. California lost over 700,000 jobs in construction and related industries alone as the housing bubble burst. While the national and state economies have been improving over the past three years, California still has more than one million fewer jobs than in 2007. Recent signs of recovery have been uneven, as coastal regions have performed better than the nation while inland regions have not fared as well.



Source: Bureau of Labor Statistics

Clearly, California faces significant economic challenges. Beyond the business cycle, these challenges are long-term and structural in nature. Over many years, California has failed to invest in the foundations of a strong economy, including infrastructure and education, and the state's once effective institutions have become gridlocked, frustrating efforts to make timely decisions in a rapidly changing global marketplace. Failing to address these long-term challenges puts the prosperity of current and future generations at risk.



It is time for leaders from business, labor, government, and environmental and community groups to join together to find common sense, pragmatic solutions for these economic challenges. Californians must face up to the new realities, move beyond differences, and solve these problems. Too much is at stake if we don't.

This is what the California Economic Summit is all about. Leaders from 14 regions across California held Regional Forums and identified top priority actions and are now working together to develop Signature Initiatives that can be a starting point for practical change. The result will be specific recommendations for state and regional action in five major areas critical to jobs and economic competitiveness: Smart Regulations, Smart Workforce, Smart Innovation, Smart Capital and Smart Infrastructure. These are the building blocks for prosperity.

WHAT ARE OUR CHALLENGES AND OPPORTUNITIES?

FACING NEW REALITIES AND TAKING ADVANTAGE OF OUR ASSETS

The California economy is still performing below its full potential. It will take years to regain the more than one million jobs lost during the recession because this protracted downturn resulted from a collapse in demand for construction and related industries, as well as decades of excessive consumption and debt that squeezed out productive investment. Recovery from job losses today takes far longer than just a few years ago as consumers and businesses restore their balance sheets.

What can we do in the short and long term to restore prosperity in the face of these difficult challenges? First, it must be recognized that California is not one economy. It is composed of many regional economies with their own markets, industry strengths and capabilities. The realities of these regional economies need to be recognized and bottom-up strategies built. Fourteen Regional Forums were held to determine these regional needs.

OUR FRAMEWORK FOR DISCUSSION

This first Summit focuses on a jobs and competitiveness agenda rather than important public sector reforms of tax and budget and K-12 systems that are being addressed in ballot initiatives. Three framing documents provided the foundation for discussion at the 14 Regional Forums around the state. They can be found as resource documents on caeconomy.org.

The Task Force On Jobs, Infrastructure and Workforce - Prepared by the Think Long Committee for California

California is an economy of distinct regions and any statewide economic strategy that seeks to bolster broad-based prosperity and a healthy middle class of skilled workers must be built “from the bottom up.” Further, such a strategy requires both reducing the cost of doing business by streamlining complex regulations process and adding value to the business climate by investing in infrastructure, innovation and people.

Second, economic strategies can both stimulate demand and the supply side of regional economies, creating jobs and rebuilding our state. California can invest in people, infrastructure and innovation—the assets that have made California’s economy great in the past. These factors create demand for good jobs in important sectors, including construction and related manufacturing and professional service industries such as engineering and design. This was the recipe for prosperity in the past as California built the world’s greatest higher education, transportation and water systems and stimulated growth in middle class jobs. To ensure global competitiveness we need to achieve our past reputation for having the world’s greatest higher education, transportation and water systems. Such investments also stimulate the growth of middle-class jobs. This first Summit is providing a wealth of creative ideas to make this happen.

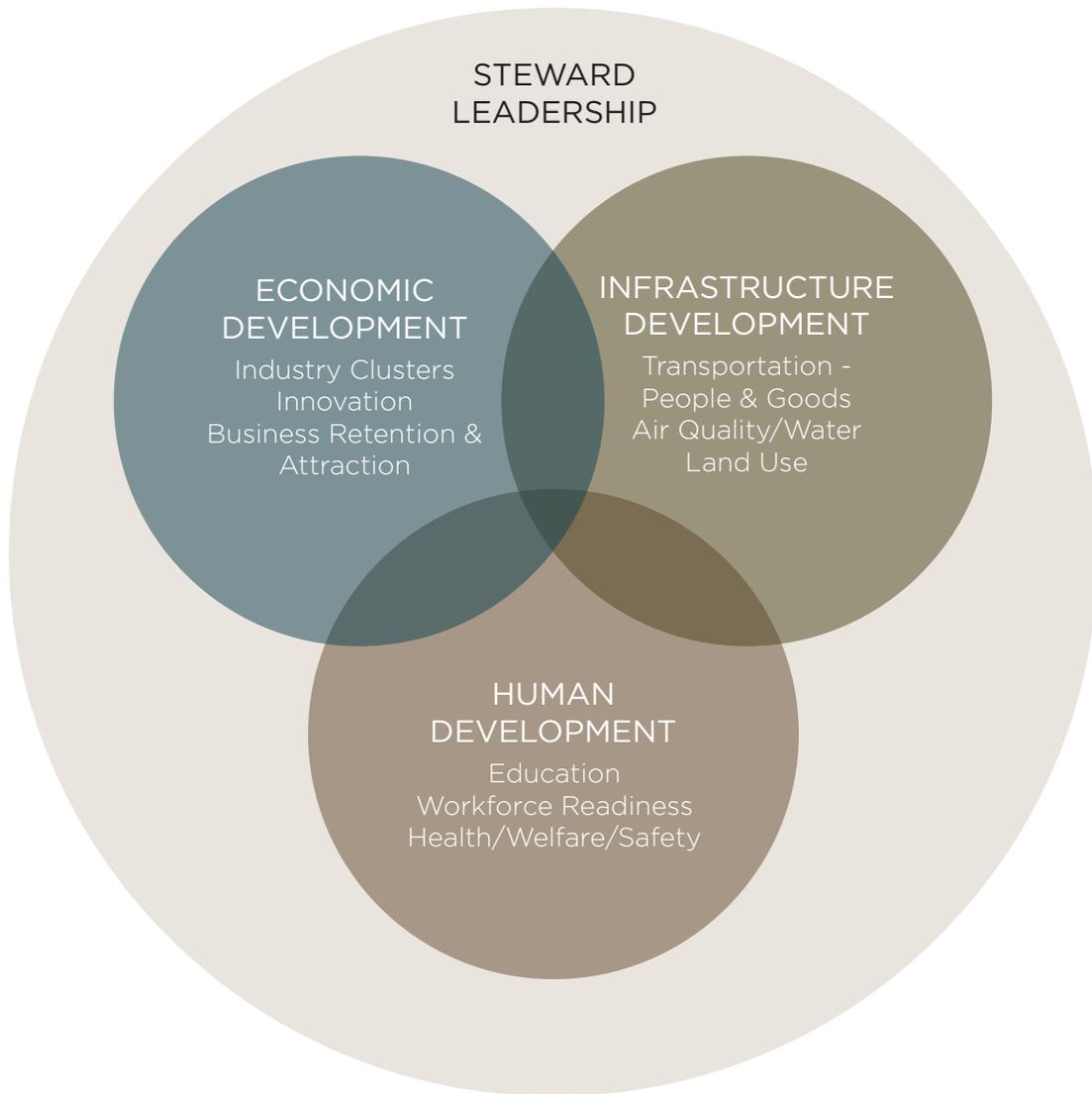
An Economic Growth and Competitiveness Agenda for California - Prepared by Brookings Institution and McKinsey Global Institute

California’s richly diverse regions and ethnic groups—its more than three million business establishments, its farming communities, tribal nations, and urban enclaves—possess all of the talent, energy, and drive needed to compete and win in the global economy. This agenda embraces the shift from a consumption-based economy to a production economy focused on global trade.

Thriving Regions Lead to a Thriving State: A Shared Agenda - Prepared by the California Stewardship Network

California has experienced the worst economic downturn since the 1930s. California also is experiencing a crisis of trust in leadership, institutions and communities. The question is how to turn this crisis into an opportunity. We face a moment to rethink how we will organize our economy, society and communities for the 21st century and what kind of new economic and social infrastructure will be required to prosper. More specifically, we need to think strategically about how we strengthen our competitiveness and export capacity, understanding that California is not one economy but a tapestry of very different regional economies.

In today's global economy, economic regions are now the key source of competitive advantage and the place where public and private stewards can work together to make a difference in promoting economic vitality and quality of life through integrated triple-bottom-line strategies.



Adapted from the California Stewardship Network's *Thriving Regions Lead to a Thriving State: A Shared Agenda*

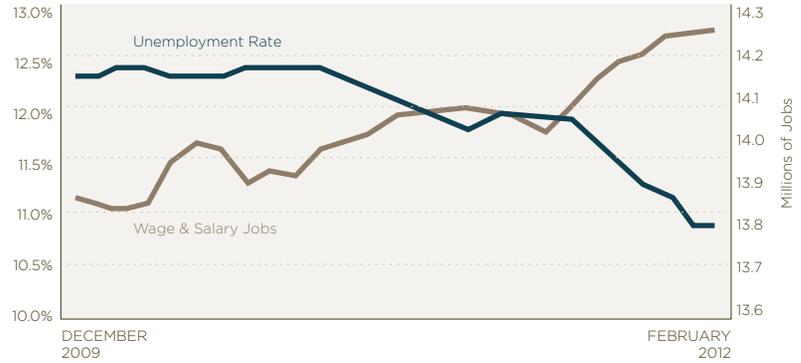
A CALIFORNIA ECONOMIC UPDATE¹

An update of the California economy prepared by the Center for the Continuing Study of the California Economy illustrates that there is no single California economy but rather a collection of industries and regions. Industry structure explains why California performed poorly in the recession but also why the state has a strong economic base that can be the foundation for competitiveness and future prosperity for its residents.

Between December 2009 and February 2012, the state experienced a gain of 370,000 payroll jobs and a decline in the unemployment rate from 12.3 percent to 10.9 percent. Although the state and national economy are not producing growth strong enough to quickly bring unemployment rates down, the economy has moved from recession to recovery.

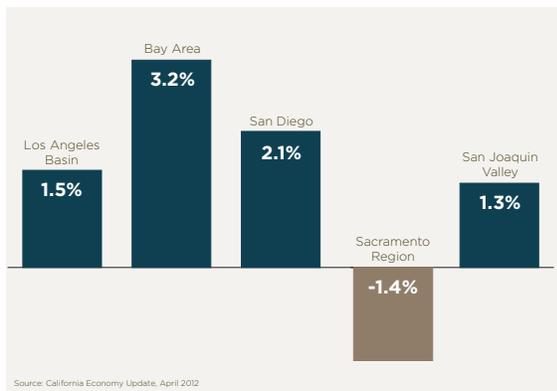
Job trends during both the recession and recovery are an important reminder that California is an economy of regions and industries with considerable concentration variation by region. For example, the San Joaquin Valley has a high concentration of agricultural and government jobs while government, aided by a major military presence, is the major sector in the Sacramento Region. Professional and Business Services is the largest sector in the Bay Area and second in San Diego behind government aided by the Navy bases. Manufacturing has the highest concentration in the Bay Area and the Los Angeles Basin.

RISING JOB LEVELS, FALLING UNEMPLOYMENT
A RECOVERY UNDERWAY



Source: California Economy Update, April 2012

JOB GROWTH VARIES BY REGION
DECEMBER 2009 - FEBRUARY 2012



Source: California Economy Update, April 2012

The San Joaquin Valley trails in Professional and Business Services and Leisure and Hospitality, while the Sacramento Region trails in Manufacturing and Professional and Business Services.

The performance of key sectors including construction, technology, foreign trade, agriculture and tourism explains the job trends, future prospects and challenges for the state's diverse regions. California is a leader in applying creativity and innovation to the development of new goods and services.

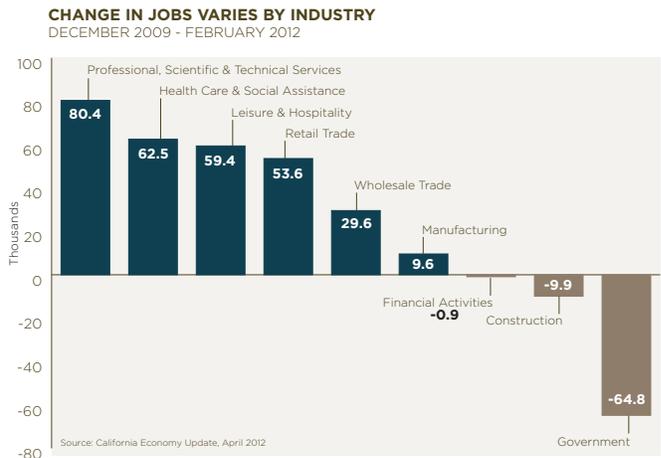
The state’s economic recovery is being led by technology sectors along with industries related to foreign trade and tourism. In addition, agricultural sales and exports set records in 2010, and employment in these sectors has risen slowly in 2010 and 2011.

With technology leading the recovery along with trade and tourism, it is no surprise that the Bay Area posted the largest regional job growth rate in the recovery so far. The San Diego Region also has a favorable industry mix with strengths in technology, trade and tourism. In contrast, the Sacramento Region lost jobs as it has the highest concentration in government jobs and was a major region for new home building, which has shown no recovery as of yet.

This analysis supports Regional Forum findings that there are many strategies best developed and implemented at the regional level, including strategies related to workforce and infrastructure priorities and coordinated business outreach and permitting policies.

California competes for both entrepreneurs and talented workers and their families. This means that strategies must focus on making California a great place to work and, at the same time, a great place to live.

In addition to these economic trends, this decade will bring continuing and substantial demographic change. Compared to the past 20 years, there will be no growth in the family age (35 to 54) groups. Most population growth will be in the 55 and above age groups and in the number of young adults. The baby boomers are moving out of the 35-54 age groups and into retirement



with implications for workforce. Replacing the retired baby boomers will require close attention by regions to the kinds of lifestyle, housing and cultural amenities that young adults today want.

In addition, the state’s ethnic composition will continue to change with most population growth coming from Hispanic and Asian groups. The state’s population growth comes from a mixture of immigrants (domestic and international) and births.

Investing in people is critical. We must address the growing mismatch between skills and jobs to ensure the future competitiveness of California’s regions and the state as a whole.

WHAT ARE OUR SIGNATURE INITIATIVES?

COMMON SENSE, PRAGMATIC SOLUTIONS THAT WE CAN IMPLEMENT

The goal of the Summit is to identify and build support for Signature Initiatives that are practical solutions to economic challenges where there is agreement for action.

The goals of economic strategy should be broad-based prosperity measured by increasing real incomes and jobs based on rising productivity, innovation and entrepreneurship, and growing exports. Productivity is a function both of the efficient use of physical, capital and human resources as well as investments in people and innovation. Benchmarks of success therefore include real incomes, jobs, business growth, value-added and exports.

The keys to competitiveness in the global economy are both continuous innovation and ongoing efforts to reduce costs and to remove barriers to innovation. In the business world, this has become known as “frugal innovation” where it is possible to reduce costs and become more efficient, while innovating at the same time. Globalization is forcing firms to provide more value for money.² Regions can do the same.

The Signature Initiatives for California that have been identified by the regions meet this test. They reduce cost and promote efficiency through Smart Regulations while investing in a Smart Workforce, Infrastructure and Innovation. The result will be thriving regions that build on their unique advantages leading to a thriving state with increasing real incomes and jobs for Californians.

The Signature Initiatives for consideration at this first Summit have been developed by cross-regional Action Teams based on high-priority issues identified by many regions and represent clear opportunities for collaborative action between regions and the state. There will be many other potential initiatives that are important to regions that should be the focus of regional action and other ideas that are not yet ready for collaborative action. That does not mean they are not important.

By reviewing the voting results from the Forums and the combined policy matrices from the 14 regions (see Appendix), several Signature Initiatives were identified. Cross regional Action Teams were established to further develop these ideas.

1. Smart Regulations: Refining CEQA to restore its original intent and streamlining regulations
2. Smart Workforce: Supporting the growth of major regional industry sectors
3. Smart Innovation: Helping small business and start-ups innovate through regional and university partnerships
4. Smart Capital: Increasing access to capital for all businesses
5. Smart Infrastructure: Identifying new financing tools for infrastructure projects and promoting water infrastructure



SMART REGULATIONS CALIFORNIA ENVIRONMENTAL QUALITY ACT

PROBLEM STATEMENT

The California Environmental Quality Act's (CEQA) intent is to require public disclosure of the environmental impacts of proposed projects to foster informed public comment and public agency decision-making about whether and under what circumstances to approve such projects.

Enacted in the 1970s, the purpose of CEQA was—and continues to be—a noble one: to make sure that the public is provided with a good-faith assessment of the reasonably foreseeable environmental impact of a proposed project. This information would be considered by the permitting agency before it approved or disapproved the project. CEQA originally applied only to public projects, but a California Supreme Court ruling expanded CEQA to nearly all projects requiring a public agency approval within California, including those accomplished by private businesses and individuals. After CEQA became law, many other environmental and land-use laws have been passed by multiple agencies at the federal, state and local level, potentially creating perceived or actual duplicative and overlapping processes, standards and mitigation requirements which can result in lengthy project-permitting delays and uncertainty for project proponents. CEQA has served as a cornerstone in California's environmental legal foundation, and has over time played a critical role in improving the quality of the California environment.

In more recent years, however, there is a growing trend of litigation that appears to use CEQA for “non-environmental” uses—e.g., thwarting competition or cash settlements or contractual commitments that do not result in any environmental benefit. For example, CEQA has become a favorite tool of specially formed groups (e.g., “not-in-my-backyard” [NIMBY] entities) and others who use CEQA in ways that undermine – rather than enhance – sustainable development. In the infill development context, NIMBY advocates have used CEQA to attempt to force development of more parking spaces or reduce project size and density, and in too many instances to “just say no” to any infill project.

Use of CEQA can also undermine environmental improvement when inappropriately aimed at the type of projects that in the modern era are most important to the development of more sustainable regions and environmentally beneficial projects (e.g., transit, infill development, and renewable energy production). The practical effect of this

inappropriate use of CEQA has been to undermine the bigger-picture land-use and environmental goals that guide the state's investments in infrastructure, as well as environmental and economic planning. Finally, these non-environmental uses and abuses of CEQA have caused significant delays on projects, which have contributed to the loss of much-needed jobs, in California's decimated construction industry (where 300,000 jobs have been lost since late 2007). Environmental, social and economic values all suffer as a result.

“CEQA Reform” was ranked among the highest priorities for needed state action at 12 of the 14 Regional Forums that preceded the California Economic Summit.

A brief sampling of known examples of CEQA use for primarily non-environmental purposes can be seen as follows:

- **Conquest Housing**, the self-described “Al Qaeda of CEQA”, filed suit using CEQA against the University Gateway project at USC³ for anti-competitive purposes. Conquest was only stopped using RICO (the federal conspiracy criminal statute created to stop organized crime).⁴
- **Opponents of the San Francisco Bike Plan** filed a CEQA case against the plan and caused a four-year delay of a plan to restripe streets to make them safer for bikes.
- **Adjacent to their existing headquarters**, Netflix would like to bring 900 high-tech jobs to a 21-acre existing but outmoded office park in the heart of Silicon Valley. The site is at the terminus of a future light rail line, is surrounded by development and was envisioned in the general plan as an area appropriate for intensification. The project proponent completed a mitigated negative declaration but faced stiff opposition from residents who do not want buildings taller than three stories in Los Gatos. A lawsuit was filed and eight months after the project was approved, the judge concluded that a fair argument could be made that there are significant aesthetic and traffic impacts. The developer will now need to complete an Environmental Impact Report (EIR) in response to a clear cut case of CEQA being used for non-environmental purposes.

- Residents Against Inconsistent Development (RAID) challenged the negative declaration for Silver Bend Apartments, an affordable housing project, in north Auburn. RAID forced sufficient delay to cause the developer to lose loans and grants that expired while the lawsuit was pending. RAID then signed a settlement agreement that bound the developer to abandon the commitment to affordability and to convert as many units as legally possible to market rate. Even the local Sierra Club, which filed an amicus brief, and Audubon considered the suit bogus,⁵ as an attack to stop affordable housing rather than to protect the environment.
- Marie Bowman challenged the environmental documents for Sacramento Senior Homes, a mixed-use development with 40 low-income senior homes built above ground-floor retail on Sacramento Boulevard in Berkeley. Ms. Bowman's suit was based solely on the claim that the project changed the aesthetic of her neighborhood. The Sierra Club filed an amicus brief supporting the developer who ultimately prevailed in court. But the suit delayed the project by two years and cost the city and the developer an extra million dollars.⁶
- In 2008, the Solano Beach City Council refused to certify the EIR for a transit-oriented development project proposed at the Amtrak/coaster station because the project might cause some riders to park on adjacent streets. This refusal killed the third project proposed on the site in 17 years on what is still a dirt parking lot for the most important transit node on the coast north of San Diego. As a result, the city is still in violation of its commitment to the Coastal Commission to build affordable homes to replace those that were demolished to build the train station.

CEQA reforms enacted in recent years show some willingness to deal with the challenges that have been identified across the spectrum, but do not yet address issues such as CEQA being used for non-environmental uses. Some have yet to take effect (AB 226), or are subject to litigation challenge (AB 900 was challenged by

the Planning & Conservation League in April 2012 as a violation of the constitutional separation of powers), or are subject to significant litigation risks (SB 375 streamlining first required regional adoption of qualifying plans to reduce greenhouse gas from land-use and transportation activities, and the first of these adopted plans [San Diego] was challenged as legally deficient under CEQA in a pending lawsuit). It is time for meaningful dialogue about CEQA reform among a broad range of stakeholders to get beyond the impasse and litigation that have characterized the recent past, as the need for an informed and thoughtful dialogue about CEQA reform has grown even more acute.

GOAL STATEMENT

Implement CEQA's original intent to improve environmental outcomes by assuring the informed consideration of the environmental impacts of any project and by protecting the public's right to raise legitimate environmental concerns, while increasing transparency in the CEQA process, reducing uncertainty and complexity in CEQA compliance and litigation, and preventing CEQA's abuse for non-environmental objectives. Doing so will bring about "3E" triple-bottom-line results of a stronger economy, healthier environment and community equity. Our primary recommendation is to have the Governor and legislative leadership convene a thoughtful and moderated discussion among a representative group of stakeholders to develop, by the end of 2012, proposals to modernize CEQA to make it more effective and attuned to the era in which we find ourselves. Below are some suggestions for issues to be addressed in such a process, and some examples of measures that might be considered.⁷

MEASURABLE OBJECTIVES & ACTIONS TO ACHIEVE GOAL AND OBJECTIVES

1. Increase transparency and reduce uncertainty in the CEQA administrative and litigation processes.
 - Require disclosure of all petitioners (and petitioner groups) and attestation of economic interest of each petitioner to inform court and parties of identities and any economic interests, and authorize penalties for false or incomplete disclosure of petitioner identities and economic interest.

2. Eliminate non-environmental uses of the statute (e.g., thwarting competition, NIMBY challenges to change, leveraging non-environmental monetary benefits, and “greenmail”).
 - Amend CEQA’s standing requirement to be more consistent with the National Environmental Policy Act’s (NEPA), and specifically, require that plaintiffs seeking to sue for a violation of CEQA have to show that they have suffered or will suffer some sort of concrete harm that has been caused by the alleged CEQA violation and that the harm that the plaintiffs allege to have been caused by the claimed CEQA violation has to fall within the “zone of interests” that CEQA seeks to protect. (Petitioners can only assert “environmental” [not economic, for example] harms as the basis for standing to sue to enforce CEQA because CEQA was intended to protect environmental standards).
 - Allow standing to be challenged by a motion and discovery alleging that petitions are substantially motivated by economic or other interests outside the zone of environmental conditions to be impacted by the project.
 - Limit litigation remedies and settlements to compelling enforcement of environmental mitigation measures (not economic or other terms) to discourage non-environmental petitioners.
 - Clarify that it is the responsibility of the lead agency to prepare the administrative record (eliminating the option for the petitioner to prepare the record) and that it is plaintiff’s responsibility to pay the lead agency’s reasonable costs of preparing the record in a timely manner.
 - Limit attorneys’ fees to prevailing claims.
3. Refocus CEQA administrative and litigation processes to improve environmental outcomes.
 - Strengthen lead agency process by allowing only project changes resulting in a new or worse unmitigated significant impact to trigger additional CEQA review.
- Use environmental analyses other than EIRs, including negative declarations and mitigated negative declarations, and amend CEQA to apply the “substantial evidence” test to judicial review of negative declarations and mitigated negative declarations.
4. Avoid duplicative CEQA review processes.
 - Modernize, rationalize and streamline the process for environmental compliance and land-use standards by integrating CEQA with the many other environmental and land-use laws that have been passed at the federal, state (e.g., AB 32, SB 375, SB 226, etc.) and local level since CEQA was enacted in 1970.
 - Avoid duplicative project-level CEQA review for projects that comply with plans or programs for which an EIR has already been prepared.
5. Focus CEQA modernization on “3E” outcomes that will improve the quality of California’s environment, economic competitiveness and community equity.
 - Streamline approvals for infill development such as transit-oriented housing and employment centers, transit systems, and renewable energy production, by acknowledging that they have positive environmental benefits by reducing GHG emissions, reducing vehicle miles traveled and reducing the pressure to develop more rural, untouched landscapes.
 - Refocus CEQA away from allowing NIMBYs and others who use CEQA in ways that undermine, rather than enhance, sustainable development and more towards using CEQA to protect scenic landscapes, recreational facilities and other similar resources that attract tourists and support our state’s quality of life.

SMART REGULATIONS STREAMLINING AND MORE THOUGHTFULLY ANALYZING AND PROMULGATING REGULATIONS

PROBLEM STATEMENT

On October 6, 2011, Governor Brown signed SB 617 (Calderon/Pavely) into law—marking an important first step in regulatory reform by requiring each state agency to prepare a standardized regulatory impact analysis for the adoption, amendment or repeal of “major regulations”—i.e., regulations with estimated economic impacts of \$50 million or more. All other non-major regulations are required to have an economic impact analysis that is much less rigorous. However, much more work needs to be done to streamline and more thoughtfully promulgate regulations and regulatory processes in a way that serves the state’s important public policy interests, e.g. protecting the environment and worker protections, while minimizing the costs to the economy.

GOAL STATEMENT

The dual aspirations of “Smart Regulations” are to carry out the effective implementation of SB 617 to better analyze, rationalize and more thoughtfully promulgate regulations and enhance regulatory processes as well as to make other necessary regulation and regulatory process improvements by streamlining and/or eliminating mutually contradictory, duplicative, outdated and/or absurd regulations without undermining important environmental and worker protections, while also improving the processes for promulgating and enforcing regulations so that they achieve their intended public policy results in a narrowly tailored fashion and minimize the costs to the state’s economy.

MEASURABLE OBJECTIVES & ACTIONS TO ACHIEVE GOAL AND OBJECTIVES

1. **Fully Implement SB 617:** Institute a reasonably objective process for conducting an economic analysis of regulations, requiring that all proposed major regulations undergo a high-quality, standardized economic analysis (based on commonly-accepted methodologies).
2. **Consider Reasonable Alternatives:** Require agencies to consider reasonable alternatives to the proposed regulation, describe reasons for rejecting those alternatives, and select the regulatory alternative that is least costly and burdensome that would be equally effective in achieving the purpose of and complies with the statutory mandate.
3. **Form an Office of Economic & Regulatory Analysis⁸** which should be housed in the Executive Branch, for example, within the Governor’s Office of Business and Economic Development (GO-Biz), to:
 - Independently fulfill SB 617’s requirements (i.e., review and approve standardized economic analyses)
 - Evaluate reasonable alternatives to proposed regulations
 - Create a permit-streamlining unit that would organize “red-carpet” service to reduce the time it takes to navigate the process
 - Establish a “one-stop-shop” to expedite and ombudsmen to help with regulatory compliance
 - Serve as a clearinghouse on “smart regulatory” practices and develop a regulatory information exchange to keep businesses up-to-date on changing regulations
 - Identify and resolve duplication and overlap between state agencies
 - Create a look-back mechanism to administer an ongoing process of review of regulations and regulatory processes and identify opportunities to streamline, reduce regulatory burdens, increase efficiencies and reduce time-to-market
 - Work in collaboration with the Strategic Growth Council to synchronize and coordinate regulatory improvement activities and investment strategies across state agencies
4. **Improve Accountability and Transparency:** Require agencies to assess and report on all new major regulations every five years to determine if they are accomplishing their respective purpose, and ensure appropriate input by the public and stakeholders, with fair and effective stakeholder participation from beginning to end.
5. **Adequately Resource:** Provide the necessary resources/capacity to undertake this review and oversight by dedicating a fee exclusively to pay for this function.

SMART WORKFORCE PRIORITIZE WORKFORCE-TRAINING RESOURCES TO SUPPORT GROWTH OF MAJOR REGIONAL INDUSTRY SECTORS

PROBLEM STATEMENT

There is a serious and growing shortage of skilled workers for major regional industry sectors across California—while there are also thousands of people who are unemployed or underemployed statewide. Our current approach is fragmented and under-resourced—not meeting the needs of our regional economies or communities. We face growing competition from other states and countries—and must be smarter about preparing our workforce to enable our regional industry sectors to compete and grow jobs for Californians.

GOAL STATEMENT

Prioritize workforce-training resources to support the growth of major regional industry sectors. This includes creating partnerships between local workforce investment boards (WIBs), community colleges, economic development organizations, businesses, and labor to prepare people for high-demand jobs in major industry sectors. This was voted as the top workforce priority at almost all Regional Forums.

MEASURABLE OBJECTIVES

- Prioritize existing workforce-training and career-education resources to focus on major regional industry sectors.
- Align state-level agencies in workforce and economic development around a shared agenda supporting regional industry sector/cluster strategies.
- Seed regional industry partnerships that bring together workforce and economic development, business, education, labor, and other community partners to develop and implement specific sector/cluster strategies.
- Leverage funding and support from private and philanthropic sectors for regionally based industry sector/cluster partnerships.
- Deliver and measure tangible results, helping Californians secure jobs in growing regional industry sectors/clusters, with benefits for individuals, communities, and businesses.

ACTIONS TO ACHIEVE OBJECTIVES

1. Prioritize and align existing workforce-training and career-education resources to focus on major regional industry sectors/clusters.

- Through legislation prioritize regional sector/cluster strategies within the community college and workforce development systems. Two pieces of current legislation appear to meet the goals of our workforce-training initiatives:

SB 1401 calls for the California Workforce Investment Board to assist the Governor in targeting resources to specified high-wage sectors and providing guidance to ensure that services reflect the needs of those sectors, including establishment of a California Industry Sector Initiative to help align and leverage state and local funding streams. Any industry-sector-focused initiative should address the inclusion of under-represented populations.

SB 1402 revises provisions of the California Community Colleges Economic and Workforce Program to include continuing support for economic and workforce development centers and consortia, authorizing these elements of the Program until at least 2018.

- Work together across agencies to create a shared agenda to promote regional industry sector/cluster partnerships across California—through aligned policy goals, funding priorities, common Request for Proposal (RFP) language, industry-specific skills panels, a regional roadmap committee, and other means.
- Encourage regions to follow a rigorous process to identify top-priority industry sectors/clusters (and emerging ones), helping set a clearer framework for how the state invests in workforce and economic development.

2. **Seed and leverage funding for regional industry partnerships** that bring together workforce and economic development, business, education, labor, and other community partners to develop and implement specific sector/cluster strategies. Depending on the region, partnerships will include local WIBs, economic development organizations, community colleges, K-12 education, and public and private universities.
 - **Help regions identify and target** priority industry clusters critical to regional competitiveness through access to labor market and other information. Tap successful practitioners to support regions in this process, and ensure industry is engaged from the beginning.
 - **Fund regional intermediaries** to bring together stakeholders to address workforce gaps and other business competitiveness challenges, and promote tangible solutions. Perhaps create a “race to grow high-demand industries” incentive grant program, with regional teams qualifying for seed funding.
 - **Integrate workforce training activities** and postsecondary education to create seamless career pathways leading to high-value jobs in target industries. In particular, include community college career technical education representative help to align Career Technical Education (CTE) certificates and programs with clearly-defined industry sector based economic and workforce development strategies. Engage K-12, parents, counselors, and students early to create awareness of career pathways.
- **Develop pilot regional manufacturing partnerships**, connecting advanced manufacturing businesses, WIBs, and education systems to enhance the manufacturing supply chain region by region. Pilots would focus on growing industries (e.g., Los Angeles – aerospace, Central Valley – food production, Bay Area – biomedical), and would be industry-led, cluster-based, skills oriented and scalable, drawing on available state and federal funding sources.
- **Leverage philanthropic funding** from regional and statewide foundations—both individually around specific regional partnerships, but also collectively in the form of a “funders collaborative” that would help seed sector/cluster partnerships statewide.

IMPLEMENTATION REQUIREMENTS

Simultaneously move forward with specific state and regional actions—including legislative changes to focus state resources, alignment of executive/administrative actions in workforce, education, and economic development on regional priorities, and regional coalition-building around priority industry sectors/clusters.

SMART INNOVATION HELP SMALL BUSINESSES INNOVATE

PROBLEM STATEMENT

As a global leader in innovation, California is home to creative entrepreneurs, world-class companies, leading universities and premier research institutions. Innovative start-ups and small businesses are key to the state's future prosperity. To compete in the global economy and maintain California's leadership role, we need a strategic plan that builds on our industry and regional strengths and connects our emerging and existing businesses with our innovation assets throughout the state.

GOAL STATEMENT

Help small businesses and start-ups innovate: work with industry, universities, local governments, and regional innovation partnerships to help start and grow businesses.

MEASURABLE OBJECTIVES

Increase and track the number of small business start-ups and expansions by December 2012.
Increase and track the commercialization of technologies by December 2012.

ACTIONS TO ACHIEVE OBJECTIVES

1. Create and Implement an Economic Competitiveness Plan by December 2012.

In order to compete with competitor states and nations around the world, it is imperative that California create an **Economic Competitiveness Plan** with clear objectives and then implement the plan. To recruit and retain employers to create jobs in California, the Governor – through the leadership of the Governor's Office of Business and Economic Development (GO-Biz) – should lead this effort.

The plan should engage **key stakeholders** in the 10-12 top business clusters identified by the regions that fuel more than half of California's diverse economy: i.e. Agriculture, Energy, Entertainment, Financial Services/Venture Capital, Health Care, High-Tech, Biotech, and others.

Recognizing that California's economy is driven not only by key business clusters, but also by strong regional economies, the plan should **proactively engage regional leaders** involved in the success of California's economic regions.

The plan should engage California's thriving start-up culture to stay on the cutting edge of

innovation and to capture the unique needs of entrepreneurs.

The plan should be **metrics-driven** with clear deliverables that will sustain and grow jobs in California. The plan should be revisited and updated at least every two years, to foster a sense of urgency and to create a culture of accountability. Charge the California Council on Science and Technology to track the state's progress through the creation of a California Innovation Index.

2. Support a Regional Patent Office in California.

Ensure that one of the two Regional Patent Offices to be selected by the United States Patent and Trademark Office (USPTO) is located in California.

The patent reform bill signed into law by President Obama in October 2011, included language to establish three Regional Patent Offices throughout the United States, with one set in statute to be Detroit, Michigan. Roughly 600 applications were submitted by the deadline to be considered for the final two Regional Patent Offices.

California is home to one of every four patent applications submitted in the U.S. each year for more than ten years. Silicon Valley alone is home to nearly one-half of all the patent applications submitted from California. In fact, six of the top ten cities per capita in the United States, in terms of patent submittals, are located in Silicon Valley.

With **world-class universities** providing a rich recruiting ground for new patent examiners, and a strong population of mid-career and mature engineers who could be recruited as patent examiners, California is an ideal location for the 150- to 200-person office that the USPTO would need to staff. It is vitally important and simply logical that a Regional Patent Office locate close to the customers it hopes to serve, in a state with regions that are world leaders in High-Tech, Biotech, Clean and Green Tech.

3. Reinforce California's Network of Regional Innovation Centers and Leverage California's University Assets to Advance Innovation and Assist Small Businesses.

The California Innovation Hubs (iHubs) should become platforms for statewide economic growth through the strengths of its regions

and metropolitan areas. Build upon the iHubs' network of innovation through supporting and fully engaging university partners, national labs and the private sector to speed up the commercialization of technologies from research to the marketplace and to support entrepreneurs and create jobs.

Support public-private partnerships in government, industry and academia through the establishment of ongoing matching fund programs, incentives and use of real property in order to leverage against existing federal funding opportunities as well as facilitate collaboration to expedite the award of research agreements and technology licenses.

Review and remove (probably statutory changes) barriers to industry and universities collaboration, use of space and equipment, etc., raised in the California Council on Science and Technology report. By December 2012, identify California laws that need to be changed to facilitate this collaboration, especially in the public university system.

California's 29 business schools at UC's and Cal State's 33 campuses represent an asset that should be leveraged to serve as local/regional centers for business innovation and development.

Link all of the UC and Cal State Business Schools into a California business-development collaborative. Institutionalize outreach/assistance to small businesses through business school curricula, and coordinate and partner with regional development organizations across the state.

Create a Center for Business Innovation and Development at each Business School.⁹ Each center should have a Business Incubator Center that provides access to university science and engineering research(ers), consulting advice from business school professors and free or discounted office/light industry space for business start-ups. Create business innovation synergy at incubators and incentives for all faculty to create start-ups and commercialize research.

Create a University Research Foundation in consultation with the University of California Office of the President (UCOP) and Cal State Technology Transfer Office to refine these points: university patent research, commercialization of research, patents licensing, licensing income, licensing income and Business Incubators support.

Create a Center for Business Innovation and Development Venture Capital Fund self-financed from patent/licensing income derived from university research and reinvested in local innovative businesses.

Develop a state-wide business-engineering-science Cooperative Student Program as a systemic means of providing business outreach to the maximum number of California businesses at minimum cost.¹⁰

4. Support a Government Apps Center.

GO-Biz is engaged in efforts to centralize the functions of government vis-à-vis entrepreneurs by creating a "one-stop-shop" for setting up a business. In that spirit, we would propose that California harness the same creativity that has driven the open source movement in the private sector to improve the functions of government through the creation of a technical platform for the creation and distribution of apps to support business development and economic growth.

To jump start this effort, GO-Biz would offer a simple challenge: a competition—perhaps based on a financial reward—to develop an app that adds the greatest possible value to entrepreneurs working to set up a business in California. We support a broad-based effort that is open to other technologies and platforms in addition to apps.

In addition to the four policy recommendations listed above, we also support finding creative ways to outreach to small businesses and the small business community.

Launch a strategic media rollout event with potential support and involvement of the Governor and/or the Lieutenant Governor, including local events, op-eds, webinars and other "noise" involving small business owners in target markets. Engage U.S. Small Business Administration and the California Small Business Advocate (yet to be appointed) as part of the launch and comprehensive follow up and outreach efforts. Identify state and local agencies and associations that regularly "touch" small businesses – California Secretary of State/licensing, GO-Biz/Small Business Development Centers, local permitting offices, National Federation of Independent Businesses, chambers, etc. – for distribution of marketing materials and activities. Identify target – or even pilot – school districts in state to reach "millennium" high school seniors and other entrepreneurs.

SMART CAPITAL INCREASING ACCESS TO CAPITAL FOR ALL BUSINESSES

PROBLEM STATEMENT

Existing firms and potential entrepreneurs require access to capital and a strong network of business services—both are currently inadequate. Successful businesses often must relocate in order to attract capital and resources for growth—removing jobs and economic development from the community that spawned the start-up. Impact investors and local residents interested in targeting specific regions, industries or firms lack effective intermediaries. The value of patronizing locally owned businesses—capturing the multiplier effect—needs support and better marketing.

GOAL STATEMENT

Expand impact investing and new sources of capital for local business and regional industry clusters. Focus investing on sectors that offer a foundation for jobs and economic development that will serve all Californians. Reduce financial risk to the lender, improve credit worthiness of borrowers and strengthen overall business management through financial technical assistance and business mentoring.

MEASURABLE OBJECTIVES

Within the next twelve months:

- At least three intermediaries will be operating and raising capital.
- Four regions will have industry cluster projects ready for investment/loans.
- Six regions will have a technical assistance and business mentoring collaborative.
- Locally-owned businesses will have sales/contracts increase by three percent.
- Achieve ten-percent growth in start-up businesses and entrepreneurial activity.
- Staff hired within the Governor's Office of Business and Economic Development (GO-Biz) to implement objectives.

ACTIONS TO ACHIEVE OBJECTIVES

1. Restructure and leverage existing funding sources.
 - Facilitate institutional investing in California businesses by reducing regulatory constraints and expanding incentives for institutional investors to consider the additional economic activity generated by local investments in all return on investment calculations.
 - Develop structures that can receive funds from foundations, banks, insurance companies, CalCap and State Loan Guarantee Programs for investments in non-profit Community Development Financial Institutions (CDFIs) and other organizations that serve small/local businesses and targeted industry clusters.
 - Review existing state programs that can be implemented, managed and monitored at the local level by qualified lenders (such as non-entitlement Community Development Block Grant).
2. Implement an "Invest Local" strategy within each of California's regions to efficiently match impact investors with local investment opportunities.
 - Develop a California Community Investment Note to allow investors means to make California's businesses and communities part of their investment portfolio (similar to notes managed by Calvert Foundation and RSF Social Finance).
 - Expand government and institutional procurement from locally owned firms by unbundling into smaller contracts and raising threshold for local and state agencies to purchase goods/services from local vendors without going to bid.

- Ensure California law permits “crowdfunding” through enabling legislation, creating a State Standards Council to develop standards and accountability for crowdfunding platforms; ensuring diverse representation on such a council.
 - Ease targeting of self-directed IRAs into local investing: Qualified custodians (CDFIs, etc.) for SD-IRA should be identified or established in order to reduce fees, streamline process, and create pro-local investment policies.
 - Develop materials and workshops highlighting local investment opportunities and SD-IRA basics.
 - Ease establishment and utilization of Cooperatives as a business structure through expansion of memberships, allowing increased membership fees and clarification on non-member investments.
3. Enhance technical assistance and training to local business mentoring/coach models accessing industry, financial and scalability expertise from statewide and national resources.
- Create collaborative delivery models based on various local characteristics, capabilities and capacities to leverage local and statewide resources (Chambers of Commerce, Workforce Development, local Economic Development Corporations, Small Business Development Centers, Micro Enterprise Development, community colleges, SCORE, etc.) connecting business with needed expertise.
 - Develop an information clearinghouse on economic development, financing tools, capital resources and contacts.

IMPLEMENTATION REQUIREMENTS

- GO-Biz and California Financial Opportunities Roundtable (CalFOR) create a working group consisting of leading financial institutions, foundations, and public agencies to review all sources of funds that could be restructured and leveraged to finance economic development activity.
- GO-Biz designates staff charged with implementing these objectives.
- Funding and/or staff to develop materials and build an easily accessible and user-friendly website with accurate information on various resources available.
- Establish the California Community Capital Collaborative to offer a new framework for attracting institutional capital to fixed-income products.
- Agreements between GO-Biz, Small Business Association, USDA, Economic Development Corporations, Chambers of Commerce, local banks and other relevant stakeholders to develop means and support for increased local investment.
- Contingent Tax Credit program to encourage/attract private investment in underserved markets through government leverage, tax incentives, guarantees.

SMART INFRASTRUCTURE

IDENTIFYING NEW FINANCING TOOLS FOR INFRASTRUCTURE PROJECTS

PROBLEM STATEMENT

An infrastructure crisis is looming at the national, state and local levels.¹¹ California faces a ten-year, \$765 billion infrastructure deficit, \$500 billion of which is in transportation. More than \$500 million of this is in transportation. State resources alone cannot fill this gap, and both state and local governments lack adequate tools to address it. To remain globally competitive and to attract investment that will support growth and job creation, California needs new and innovative financing tools.¹²

GOAL STATEMENT

Increase innovation and competitiveness by delivering 21st-century infrastructure for California businesses and citizens. Develop new procurement processes and financing tools to enable accelerated project development, supporting job creation and environmental goals. Address state-level bottlenecks and provide cities, counties and regions with more investment options and increased policy flexibility.¹³

MEASURABLE OBJECTIVES

Establish a concise basis for managing and measuring the pace, volume, and productivity of infrastructure investment with a focus on private capital as a driver.

- **Best-Method Procurement:** Establish a “comparator” process to help public-sector managers select the best method of procurement (traditional vs. public-private) based on speed of delivery, productivity, value for money and quality of outcome over the life cycle of a project, recognizing that not all projects will be appropriate for alternative procurement methods.
- **Finance:** Increase access to multiparty private investment.
- **Tracking Results and Outcomes:** Establish a process to track improvements in project timing, cost savings and job creation, using quantitative and qualitative performance measures that document both project sponsor and user/beneficiary satisfaction.

ACTIONS TO ACHIEVE OBJECTIVES

Identify a diverse portfolio of infrastructure projects that meet state and regional needs and priorities, reflecting shortfalls in available public sector funding across transportation and other projects.

Transportation

- **Public Transit:** High-speed rail; regional rail; interconnected, efficient state and regional transportation networks
- **Air Transit:** Airport improvements and efficient air transport for both people and goods
- **Trade:** Port improvements; integrated intermodal transport and commercial rail, supporting a statewide freight plan
- **Roadways:** Expanded freeway capacity and well-maintained roads

Other areas

- Water and wastewater
- Energy
- Communications and information technology
- Social infrastructure (hospitals, universities, schools)

Private-Finance Initiative (PFI)

Implement a framework to engage private finance and management resources to improve the state’s infrastructure assets across sectors, to achieve increased efficiency in project delivery by reducing costs, transferring financial performance risk (from the public to the private sector), and achieving life-cycle-cost savings of 15-30 percent.

1. Educate department heads, elected officials, and key decision makers on global best practices for procurement, to ensure California is taking advantage of the full range of funding options.
2. Create an infrastructure procurement center of expertise, to provide the necessary knowledge, skills and expertise for state and local government to effectively engage with private partners. Retain experienced professionals to advise and represent the state in public-private negotiations.

3. Empower the Infrastructure Bank (for example, through its proposed Impact Investment Center of Expertise) or another designated state office, with responsibility to advise and assist state and regional agencies in evaluating and negotiating potential infrastructure projects, and support an expanded pipeline of California projects drawing on private finance and management expertise. Support the office with adequate authority and resources.
4. Develop a life-cycle-cost approach to procurement, to provide a more complete estimate of a project's total cost, taking into account costs of building, maintaining and operating the asset over its projected life.
5. Task the Public Infrastructure Advisory Commission to assist in the establishment of a state PFI framework.
6. Support the adoption of a general availability payment allocation within the state finance system that accommodates an appropriate complement of non-revenue-generating fee-based private finance projects.
7. Establish competitive bidding and performance measures and incentives for investors.
8. Encourage public pension funds such as CalPERS to invest in California infrastructure.
9. Include appropriate labor protections.
10. Require that state agencies report to the Strategic Growth Council on infrastructure priorities, and on how they are maximizing existing resources or extending them through PFI methods.

Public Finance and Regional Flexibility Initiative

Private Finance is not a comprehensive solution to California's transportation challenges. Parallel action is required to provide more ongoing public transportation investment.

1. Provide more regional transportation investment options and policy flexibility.
 - Lower the voting requirement from two-

thirds to 55 percent for local transportation, as we have already done for school bonds.

- Give regions the ability to implement demand-management techniques, such as user fees, congestion pricing and tolling.
 - Give regions the ability to impose their own gas tax for transportation.
 - Reform state law for Special Tax/ Assessment Districts and Infrastructure Financing Districts to make them a more viable option.
 - Realign the State Transportation Improvement Program to a grant program that would send more funding directly to the "Self-Help" counties and regional transportation authorities.
 - Align the Private Finance Initiative with regional transportation priorities.
2. Provide more ongoing state public transportation investment.
 - Follow the recommendations of the Legislative Analyst's Office (LAO) to strengthen the current state fuel-tax system as a source of transportation funding by transitioning the current per-gallon gas tax to a mileage and vehicle weight-based tax/fee. Where appropriate, adopt demand management techniques or user fees for state infrastructure to encourage efficient resource use, conservation and cost savings.¹⁴

KEY STAKEHOLDERS

Local and regional transportation authorities, state and local authorities responsible for water, waste water, flood control, energy, communications and social infrastructure (hospitals, universities and schools), and construction-related labor unions.

IMPLEMENTATION STEPS

Private-Finance Initiative

- Empower and resource the Infrastructure Bank or another designated agency as a center of expertise to lead and manage a statewide PFI program, reporting to the Governor.
- Expand the role of the Strategic Growth Council to include infrastructure planning, emphasizing long-term goals and return on investment.
- Establish an infrastructure planning committee in each house of the Legislature to review the Strategic Growth Council's infrastructure strategic plan and to provide a forum for dialogue.
- Enable availability payments and increase fee-based funding by extending legislative authority.

- Spend 2006 voter-approved Proposition 1B money on trade infrastructure projects outlined in the state's Trade Corridor Improvement Fund. Use general obligation bonds to finance infrastructure assets that are least likely to benefit from alternative procurement methods.

Public Finance and Regional Flexibility Initiative

- Give local governments the ability to enact, extend or increase special taxes to fund local transportation projects with 55 percent voter approval.

Supportive Regulatory Reform

- Increase certainty and reduce financial performance risk for investors by reforming CEQA.

SMART INFRASTRUCTURE MODERNIZE CALIFORNIA'S WATER SYSTEM

PROBLEM STATEMENT

Most Californians take water for granted and few understand the crisis in our water system. A recent poll shows 78 percent of Californians aren't aware of the Delta, though 25 million Californians depend on it for at least part of their water supply. California's state and federal projects, which complement regional water systems, were designed to help serve 17 million people, but are now serving a population twice that size and likely three times that size before a modernization plan can be implemented. Water is arguably the most indispensable pillar of the state's economy. Industry depends on its availability. The California Ag Value Chain, which employs 2.5 million people and generates the second-highest contribution of state exports, is entirely reliant on it. Communities can't function without it. Neglect has already caused damage to the Delta ecosystem and to the state's economy. Water tables in the San Joaquin Valley have declined. The Delta is in crisis and the price of waiting to address this issue could be a disaster of unimaginable proportions.

Californians have fought water wars for generations—pitting regions against each other—and argued endlessly about priorities for environmental, agricultural and urban users. It doesn't have to be that way. Indeed, no solution to California's water challenges is either likely or desirable if it does not yield triple-bottom-line

results: a stronger economy, better environment and community equity. California is a drought state, with seasonal, geographic and year-to-year imbalances. During "dry" years, approximately six million acre-feet (MAF) flow out the Golden Gate, in "wet" years, more than 43 MAF. The state needs facilities to capture and store water during "wet" years and the means to convey it to where it is needed, when it is needed, which will provide greater flood protection and improved system management.

A variety of factors has contributed to the decline of the Delta, including exports, water quality, and non-native predator species. The Delta needs sufficient water to prevent reverse flows that suck fish and eggs into the pumps that export water south of the Delta. San Joaquin agriculture needs about 4.25 MAF of water from the Delta, another 0.4 MAF in the Bay Area, and 1.5 MAF in Southern California. Exports of that magnitude are not possible in "dry" years without harm to the Delta. These conflicts can be resolved only if water is captured when it is truly "surplus" to the environment, conveyed into the San Joaquin Valley, Bay Area and Southern California, held in surface storage, and percolated into groundwater aquifers (no percolation rate begins to approach precipitation and run-off rates). The Delta has been studied for years, and the answers to a healthy Delta and a reliable supply of water for all

users are sufficiently understood. What is needed is the political leadership to implement them.

Conservation and water-use efficiencies are critical to California's water plan. Water is a precious resource, and infrastructure is expensive. We do not want to burden users with high water costs if we can avoid them through conservation and water-use efficiencies and reuse, but these strategies alone will not solve California's water needs. By 2025, two-thirds of the world's population will experience water shortages. Californians need to act now to avoid that fate.

The Delta Stewardship Council (DSC) was established by the 2009 legislation to prepare the Delta Plan and to coordinate implementation by responsible agencies. The Governor's Administration through the Natural Resources Agency is focused on the Bay Delta Conservation Plan (BDCP) to permit isolated conveyance coupled with habitat restoration. There need to be integrated, linked actions with greater coordination and accelerated implementation. The Governor and his Administration must provide focused, intensified leadership and the Legislature must exercise essential oversight.

GOAL STATEMENT

Begin immediate implementation of a comprehensive, integrated California water infrastructure plan to achieve the co-equal goals (set forth in the Delta Vision Strategic Plan and approved by the Legislature in 2009): Delta Ecosystem Restoration and Water Supply Reliability. Recognizing that the comprehensive plans being prepared by the DSC and BDCP will take time to implement, begin immediate implementation of interim measures that increase through-Delta conveyance, reduce reliance on the Delta to meet future needs, and are consistent with a long-term comprehensive plan. Support technology development and stimulate project implementation to improve water conservation and use efficiencies, and implement regulatory reforms to allow full integration of water systems.

ACTIONS TO ACHIEVE OBJECTIVES

1. **Link and Integrate Strategies and Projects to Achieve the Co-Equal Goals.** Integrate the work of the Bay-Delta Conservation Plan and the Delta Stewardship Council into a comprehensive implementation plan to construct the essential surface storage north and south of the Delta, groundwater banking, and conveyance facilities necessary to be able
2. **Integrate the "Natural" Water Infrastructure.** Adopt a plan to link new and existing water storage and users to upper-watershed, forest, and working lands restoration to secure the natural infrastructure necessary to ensure future water supply and water quality.
3. **Implement Interim Measures with Intensity of Focus.** Interim measures are required to ensure levee safety, increase through-Delta conveyance and reduce reliance on the Delta for future needs. Projects have been identified and vetted by broad coalitions that can be implemented now. The remaining Proposition 1E and Proposition 84 funding should be used primarily for these purposes.
4. **Protect the Unique Cultural, Recreational and Agricultural Value of the Delta.** The Delta is being threatened by water diversions, urbanization, flood and seismic threats, and invasive species. Significant Delta levee improvements must be made to protect urban populations, key islands needed to control salinity, key estuary components, water conveyance and reconfigured infrastructure corridors.
5. **Affirm Priority Water Rights and Watershed-of-Origin Protections and Invest in Watersheds.** Recognize that California's watersheds are a major component of California's water systems and natural storage capacity and investment in these watersheds is a cost-effective strategy to optimize efficient use of water resources. Avoid adverse impacts on existing water rights by implementing a "water banking" system as described above that has the capacity to capture water when it is surplus to the environment. This will better enable environmental needs to be met in times of low rainfall and runoff, while respecting water rights and needs in areas of origin.
6. **Strongly Incent and, where appropriate, Enforce the Implementation of Regional Water Conservation and Use Efficiency Plans.** Regions should be as self-reliant as possible and incented to implement Integrated Regional Water Management Plans (IRWMPs) that identify water uses and sources and maximize conservation and use efficiencies. Plans should include the full range of

to capture and convey water that is surplus to the environment in order to restore and enhance the health of the Delta and to provide for urban, agricultural and environmental user needs for at least the balance of this century.

conservation alternatives and use efficiencies, including water recycling, desalinization, groundwater clean-up and others.

7. **Reform Regulations to Promote Achievement of the Two Co-Equal Goals.** Establish an action team for regulatory reform that will allow full integration of storm water, groundwater recharge, flood water, gray water, water conservation, and indirect and direct reuse. Charge the team with proposing regulatory and legislative changes by the end of 2012 to implement policy in the most expeditious way possible.
8. **Support Water Technology R&D.** As proposed by the California Council on Science and Technology, develop a California Water Future (CWF) Science and Technology Innovation Road Map, a 10/25/50-year plan, and integrate it with the state's ongoing long-term planning, with specific attention to (a) Agriculture and urban water use; (b) Water quality, reclamation and reuse, especially for urban purposes; (c) Water, energy and air quality; (d) Remote sensing and modeling and other evolving technologies; and (e) Sustainability, environmental balance, and the impact of climate and population pressures. Involve state academic institutions, as appropriate, to provide a basis for good science and a common understanding of the challenges and proposed solutions.
9. **Educate Californians on the Imperativeness of Modernizing California's Water System.** Organize a state-led effort to educate Californians on the importance of ensuring a healthy Delta estuary and a reliable supply of water, partnering with organizations such as the Water Education Foundation, the Clean Water and Jobs for California Coalition, the California Water Fund, and others.
10. **Identify and Secure Funding Sources for Implementation of the Preceding Projects.** Establish a funding plan for all components of a comprehensive water plan.
 - Describe the meaning and practical implementation of "beneficiaries pay."
 - Define and prioritize the public-benefit improvement projects to be funded with general-obligation bonds.
 - Define the need for revenue bonds backed

by user fees for projects that benefit specific water users.

- For other financing options, see separate initiative on Infrastructure Financing.

IMPLEMENTATION STEPS

1. **The Delta Stewardship Council** in collaboration and partnership with the Secretary of the National Resources Agency should establish an action team by July 1, 2012, to coordinate the agencies and partner organizations involved in the development and implementation of a comprehensive, integrated water plan for California, including interim measures.
2. **The Governor and Legislature**, through the state budget process, should allocate remaining Proposition 1E and Proposition 84 funding to water projects that improve levee structural integrity and safety, increase through-Delta conveyance, and enhance habitat.
3. **The Department of Water Resources (DWR)** should accelerate implementation of IRWMP's through shared information, incentives, peer accountability, public information, and enforcement actions.
4. **The Natural Resources Agency and DWR** should lead a coalition to educate Californians on the importance of protecting the Delta and upper watersheds and ensuring a reliable supply of water, launching the effort this calendar year.
5. **The Office of Planning and Research (OPR)** should evaluate stakeholder recommendations for regulatory reforms that will allow full integration of storm water, gray water, groundwater recharge, water conservation and reuse.
6. **The California Council on Science and Technology** should be assigned the responsibility of developing a California Water Future Science and Technology Roadmap.
7. **The Administration** should assign responsibility for development of a comprehensive water funding and financing plan.

CALL FOR CHAMPIONS MOBILIZING SUPPORT FOR ACTION

The Summit will call for champions for the Signature Initiatives that will become the shared agenda from work of the Action Teams and the discussion at the May 11 event. The goal is to identify priorities and build teams of champions to promote implementation

In addition, other issues were identified at the regional forums that have not yet been identified as signature initiatives because they were not sufficiently cross-regional in nature or were not ready for this year's Summit. At the 2012 Summit, there will be a call for champions to support these other issues.

OTHER ISSUES IDENTIFIED BY REGIONS

IMMIGRATION

Two immigration issues were identified in some of the regional forums: high skilled immigrant workers and undocumented workers.

High skilled immigrant workers: Compared to the U.S., the state depends on larger shares of foreign talent to fill its science and engineering (S&E) jobs. Foreign-born S&E talent made up 38 percent of all S&E talent in California in 2009, up from 33 percent in 2000. Across all occupations, foreign-born talent in the state increased only one percent. Since 1995, S&E degrees conferred to foreign students increased 69 percent in California and 34 percent nationally. There is a growing sentiment that foreign-born graduates of California universities with advanced degrees in Science, Technology, Engineering and Math (STEM) fields should be given green cards so they can stay in California. This a different question from the issue of increasing the number of H1 B visas for specific technology skill shortages. (Bay Area, Silicon Valley, San Diego and Orange County)

Undocumented workers: The direct economic impact of California's agricultural value chain is \$344 billion (\$635 billion with multiplier). Farm products are California's second largest generator of export revenues. The industry employs more than 2.5 million workers. Best estimates are that more than 1.5 million of them are undocumented. Many unsuccessful attempts have been made to try to get documented workers to do production Ag work. Farmers should not have to operate outside the law to irrigate their fields or harvest their crops, and farm workers should not have to live in the shadows. We need a workable immigration program to ensure a legal, qualified workforce, one that provides flexibility for employers and employees, takes care of workers who are here, and provides a guest-worker component to meet the temporary and seasonal needs of farms and processors. If E-Verify is to be implemented in California, it must be accompanied by such a program and adapted for operation in farm environments. The federal government has been politically paralyzed on this issue. Proposed state legislation (AB 1544) would establish a program that provides agricultural and service sector businesses a safe and legal way for their currently unauthorized workforce to be employed in California. (San Joaquin Valley)

EDUCATION

Beyond the issues of meeting immediate skills needs of industry sectors which is the focus of the Smart Workforce signature initiative, some regions identified broader education issues.

Affordable Access to Post-Secondary Education: Ensuring that residents have a post-secondary education by creating a fee structure for Community Colleges, CSUs and UCs that is gradual, moderate and predictable as well as financial aid for low-income students and a sliding scale for middle income students. (Bay Area, Sacramento, Butte)

Making K-14 Education Relevant to High-Skilled Manufacturing: Promote career pathways among K-12, community colleges and manufacturing related industries by expanding industrial arts curriculum to meet the demands of a high-skilled manufacturing economy, modernizing vocational guidance to ensure that students appreciate career opportunities in high-skilled manufacturing and instituting subsidized tuition (with industry support) for technical training for incumbent workers. (Los Angeles, Silicon Valley, Inland Empire)

INFORMATION INFRASTRUCTURE

Some rural regions identified the issue of access to broadband telecommunications infrastructure.

Broadband Communication Network: Encourage the deployment of new information technologies such as high-bandwidth communications networks and expand high speed broad band and wireless communications access to meet the growing needs of small, mid-sized and large businesses. (San Luis Obispo, San Joaquin Valley, Redwood Coast)

ENERGY INFRASTRUCTURE AND CLEAN ENERGY

Some regions identified issues related to energy infrastructure and clean energy.

Energy Infrastructure: Improve the efficiency of our energy infrastructure through smart metering and timely approval of new construction. (Orange County, Los Angeles, San Luis Obispo County, San Joaquin Valley)

Clean energy: Develop strategies to upgrade commercial and residential building energy efficiency, pursue sustainable and green development, and support biomass-to-energy conversion. (Los Angeles, Orange County, Redwood Coast, Sierra Nevada)

APPENDIX REGIONAL MAP

REDWOOD COAST REGION

SHASTA CASCADES REGION

BUTTE COUNTY

SACRAMENTO

SIERRA NEVADA REGION

SONOMA

BAY AREA

SAN JOAQUIN REGION

SILICON VALLEY

INLAND EMPIRE

SAN LUIS OBISPO REGION

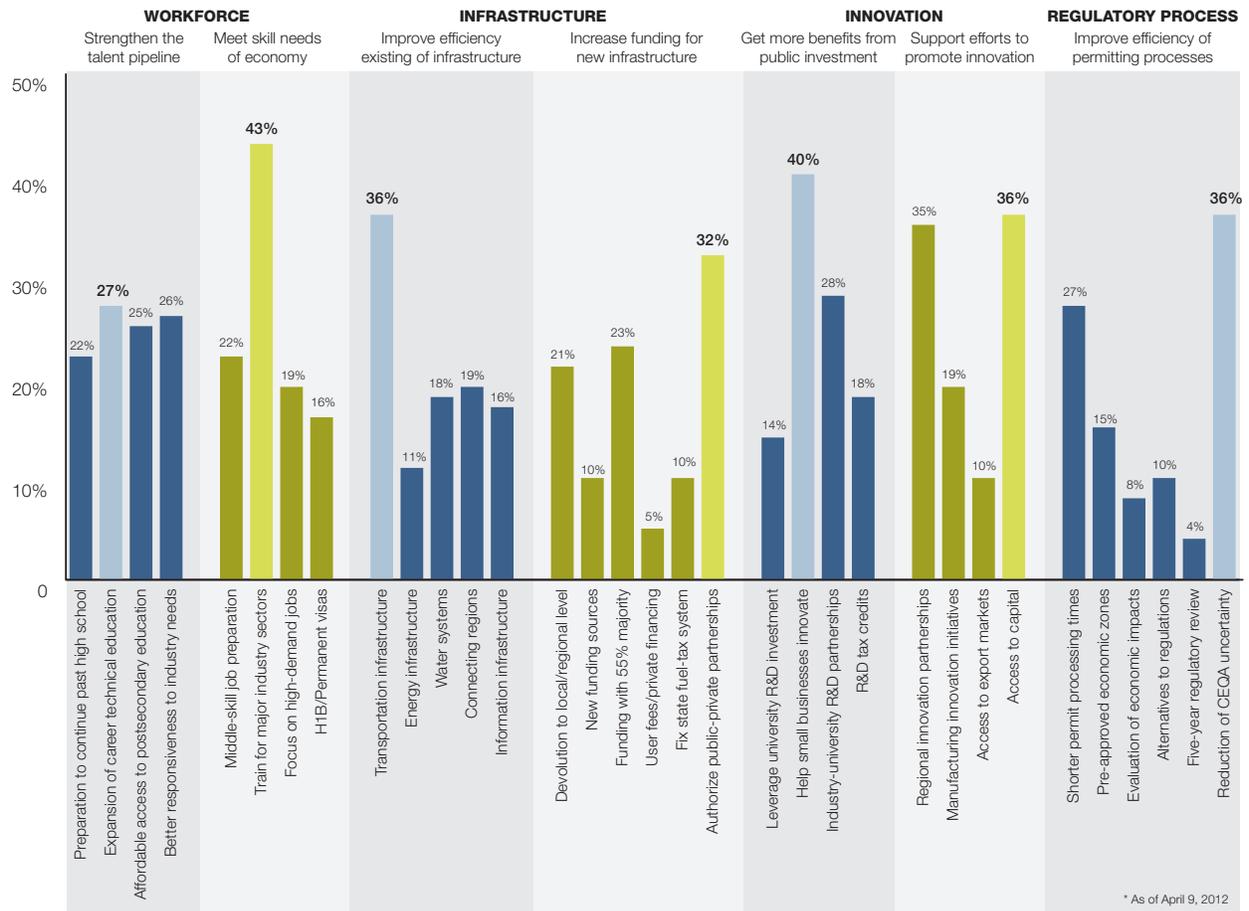
LOS ANGELES

ORANGE COUNTY

SAN DIEGO REGION



APPENDIX STATE ACTION VOTING RESULTS



Results based on combined input from the Regional Forums in the following regions: Butte, Inland Empire, Los Angeles, Redwood Coast, Sacramento, San Diego, San Joaquin Valley, San Luis Obispo, Shasta Cascades, Sierra Nevada, Silicon Valley, and Sonoma, as well as the online Virtual Forum.

ENDNOTES

- ¹ Text for this section was adapted from Stephen Levy of the Center of Continuing Study of the California Economy's *California Economic Update*, April 2012.
- ² Vijayk Govindarajan and Chris Trimble. *Reverse Innovation*. Harvard Business Review Press, 2012.
- ³ Coates, Chris. *The NIMBY Twist*. Los Angeles Downtown News. 5 May 2006. Web.
- ⁴ Grant, James. Lawsuit Filed Against Conquest Housing. USC News. 4 Sept. 2007. Web.
- ⁵ Johnson, Michael. *Appeal – Planning Commission's Approval of a Conditional Use Permit Modification – "Miner's Ridge Family Apartments"* (PCPM 2010 0046). County of Placer Community Development/Resource Agency. 10 Aug. 2010. Web.
- ⁶ The Cohousing Company McCamant & Durrett Architects. Sacramento Street Senior Homes Berkeley, California. Web.
- ⁷ We have agreement among the committee on the objectives, but not the examples beyond their illustrative value.
- ⁸ See, e.g., recommendations contained in the Little Hoover Commission Report, titled: Better Regulation: Improving California's Rulemaking Process
- ⁹ Use the WET Center at Fresno State and the Center for Agriculture Business and Center for Commercial Agriculture at Purdue University as models.
- ¹⁰ Use Drexel University as a model.
- ¹¹ The Department of the Treasury with the Council of Economic Advisers. *An Economic Analysis of Infrastructure Investment*. 11 Oct. 2010. Web.
- ¹² Little Hoover Commission. *Building California: Infrastructure Choices and Strategy*. Jan. 2010. Web.
- ¹³ Bay Area Council Economic Institute. Key Issues: Infrastructure. Public-Private Partnerships. Four reports on this topic are available on their website.
- ¹⁴ Taylor, Mac. *A Ten-Year Perspective: California Infrastructure Spending*. Legislative Analyst's Office. Aug. 2011.