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THRIVING



CALIFORNIA ECONOMIC SUMMIT

MAY 11, 2012 SANTA CLARA

ACTION PLAN
JULY 2012

REG

LEAD TO A
THRIVING

STATE

SUMMIT REGIONS

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



Dear Californians:

California's economy faces a **critical moment** that will shape current and future generations. Will we meet both the immediate and long-term challenges that confront our state and regions and make the choices necessary to build prosperity and return our Golden State to greatness?

The first **California Economic Summit**, held on May 11, 2012, was an unprecedented gathering of leaders focused on working together to put California's economy on a sustainable path for growth. Based on the work of over **1,300 Californians participating in 14 Regional Forums** seven Signature Initiatives were defined for priority action and later refined by five cross-regional Action Teams for a **Policy Playbook** that was presented and reviewed by over 500 participants, at the Economic Summit creating common sense solutions to our economic challenges.

Now is the time for action. We face both short-term cyclical challenges caused by the collapse of demand for construction and related industries as the housing bubble burst and longer-term structural challenges caused by decades of failure to invest in the foundations of a strong economy including infrastructure, education and the inability of the state's once-effective institutions to make timely decisions in a rapidly changing global market place.

This Summit provides a **roadmap for restoring California's jobs and competitiveness** by addressing both immediate and long-term challenges. We need to both stimulate demand and promote the supply side of regional economies, creating jobs and rebuilding our state. We can both reduce the cost of doing business by streamlining our complex regulatory process and add value to our business climate by investing in infrastructure and people. In short, we must move beyond "either/or" debates and towards pragmatic action that will propel our state and its regions forward.

This will require **steward leadership** at both the state and regional level that is willing to champion the specific actions in this jobs and competitiveness agenda developed at this first California Economic Summit. Success in these critical building blocks can set the stage for addressing fundamental public sector reforms in future years.

We want to thank all who have participated in the Regional Forums, Action Teams and Summit and are engaged as champions to help implement these Signature Initiatives. This report outlines our call to action. We invite all Californians to join in our effort to make our economy work for all us.

Sincerely,

George Shultz
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Stanford University

Laura Tyson
Haas School of
Business
UC Berkeley

Michael Rossi
Senior Advisor to
the Governor on
Jobs

Gavin Newsom
Lieutenant Governor
State of California

SUMMIT LEADERSHIP

A team of top-level leaders reflecting the regional, economic, political and ethnic diversity of California act as stewards of the Summit, ensuring that all voices are recognized and the process is intellectually rigorous.

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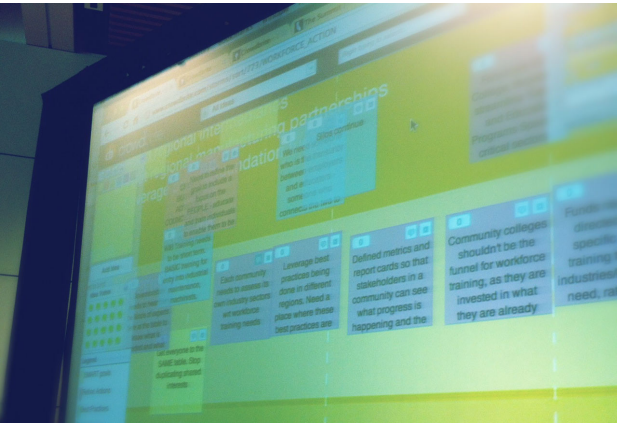
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CALIFORNIA ECONOMIC SUMMIT 2012

The first-ever California Economic Summit, held May 11, 2012 in Santa Clara, California, was an unprecedented gathering of leaders focused on working together to put California's economy on a sustainable path for growth. Three framing documents - Think Long Committee for California's *The Task Force On Jobs, Infrastructure and Workforce*, Brookings Institution and McKinsey Global Institute's *An Economic Growth and Competitiveness Agenda for California* commissioned by the Lieutenant Governor, and California Stewardship Network's *Thriving Regions Lead to a Thriving State: A Shared Agenda* - provided the framework for discussion at the 14 Regional Forums around the state. The key objectives of the Summit were:

- Develop a shared agenda to generate jobs by improving regional competitiveness.
- Build upon input from the Regional Forums to identify economic opportunities and impediments.
- Align regional champions in support of a strong economic development strategy that will attract investment and promote sustainable growth.
- Establish the Summit as a valuable nonpartisan process to annually refine and focus the agenda and strengthen the coalition of supporters.

SUMMIT PROCESS ROADMAP



SUMMIT BY THE NUMBERS

14
REGIONAL FORUMS
HELD AROUND
THE STATE



1,300+
CALIFORNIANS
ATTENDED THE FORUMS



7
**SIGNATURE
INITIATIVES**
IDENTIFIED AS
PRIORITY ACTIONS



5
**CROSS REGIONAL
ACTION TEAMS**
ESTABLISHED




227
**ACTION TEAM
MEMBERS**
WORKED TO
FURTHER DEVELOP IDEAS




1
POLICY PLAYBOOK
CREATED TO PROMOTE
CALIFORNIA JOBS AND
COMPETITIVENESS




513
CALIFORNIANS
ATTENDED THE SUMMIT




42
RECOMMENDATIONS
OUTLINED



48
BEST PRACTICES
RECORDED



60
NEW CHAMPIONS
IDENTIFIED



SUMMIT MAJOR ACTIONS

The results of 14 Regional Forums, the Action Teams and the first annual California Economic Summit can be summarized as follows:

The twin pillars of immediate job creation and long-term competitiveness for California are:

- Investing in people, infrastructure and innovation in creative ways to prepare our state and our regions to compete in the 21st-Century global economy
- Streamlining our complex regulatory processes to reduce cost of doing business while maintaining our environmental standards

Not either/or but both. This is the recipe for economic success.

The Major Actions outlined in this Summit report identify what needs to be done in these two areas as well as champions from all over California who are willing to help make it happen.

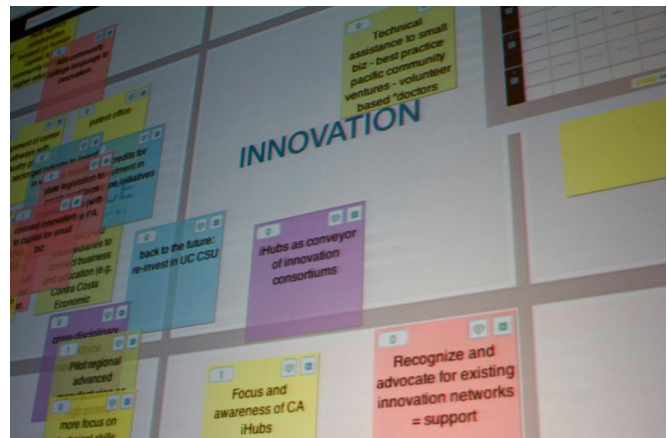
The question now is how we can make this happen. Each Major Action has identified implementation steps and these steps are summarized in the following table. The California Economic Summit will track progress in implementing these action steps and report back on a regular basis.

Some of these actions require legislation and other can be accomplished through administrative change or private sector initiative. All will require a collective will organized by champions who are willing to continue to educate policy makers and help craft and promote pragmatic solutions.

This summary report identifies champions for signature initiatives but also Summit participants who signed a pledge (www.caeconomy.org/pages/commitment) to continue advancing the principles of the California Economic Summit. All of those names are listed in this report.

To sustain progress, the Summit will need short-term successes that can provide the foundation for larger, long-term results. That is why tracking results is so important and communicating results will be essential to our success.

In the spirit of regions rising to revitalize California's economy, it is critical to share best practices, learn about what works and to help take those successes to scale. As a vehicle for feedback between the regions and the state and a mechanism for continuous improvement, the California Economic Summit is becoming a means for stewards to rebuild their economies.



		IMPLEMENTATION STEPS
SMART REGULATIONS	CEQA Refinement	Increase transparency and reduce uncertainty in the CEQA administrative and litigation processes
		Eliminate non-environmental uses of the statute (e.g., thwarting competition, NIMBY challenges to change, leveraging non-environmental monetary benefits, and “greenmail”)
		Refocus CEQA administrative and litigation processes to improve environmental outcomes.
		Avoid duplicative CEQA review processes
		Focus CEQA modernization on “3E” outcomes that will improve the quality of California’s environment, economic competitiveness and community equity
	Regulatory Streamlining	Implement SB 617 to conduct economic analysis of major regulations and establish a “one-stop-shop” to expedite regulatory compliance and provide “red carpet” service
		Consider reasonable alternatives to the proposed regulation, describe reasons for rejecting those alternatives, and select the regulatory alternative that is least costly and burdensome
		Form an Office of Economic & Regulatory Analysis which should be housed in the Executive Branch
		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
	SMART WORKFORCE	Prioritize and align existing workforce-training and career-education resources to focus on major regional industry sectors/clusters
Use regional industry sector/cluster partnerships as a framework for state and local area workforce plans and grant funding—specifically in the CWIB’s new strategic plan and state support for local sector-based proposals to the federal government		
Identify commitments from state and local agencies and institutions to pursue regional industry sector/cluster strategies, launching a statewide peer network of practitioners pursuing regional sector/cluster strategies at the September 2012 Meeting of the Minds conference		

		IMPLEMENTATION STEPS
SMART WORKFORCE (CONT.)	Seed and leverage funding for regional industry partnerships	Seed at least five new regional partnerships across California in 2012, through the Regional Industry Clusters of Opportunity grant program, regional manufacturing partnership pilots, and other means
		Create a shared agenda among existing regional funders collaboratives, building on best practices to expand support for regional partnerships across California
SMART INNOVATION	Create and Implement an Economic Competitiveness Plan	Governor's Office of Business and Economic Development should lead this effort
	Support a Regional Patent Office in California	Silicon Valley Leadership Group members are meeting with key political leaders to communicate the benefits as well as to address the concerns of locating the regional patent office
		Action Team members are encouraging companies to contact the USPTO to inform them of how a regional patent office would speed up the application process
		Finally, we are gathering data to better give decisionmakers a picture of their ability to recruit and retain employees in the area
	Reinforce California's Network of Regional Innovation Centers	Develop legislative language to define iHubs' mission, vision and goals and to establish them as part of GO-Biz
		Develop a true partnership with universities and the private sector through which hours are donated to iHub programs to assist entrepreneurs
		Work with private sector and university partners to develop an online business accelerator with volunteer hours and/or credit hours given
		Establish and fully engage national labs to develop a program through which small business can access funds in the iHubs account (established via legislation) to work with national labs to access scientists and engineers for R&D efforts
	Leverage California's University Assets to Advance Innovation and Assist Small Businesses	Work with the Office of Planning and Research to develop an Executive Order to create Business Innovation Centers at all of the state university business schools and agriculture economics departments
		Meet with the UC President and Cal State President's Office members to discuss the network
		Develop proposal for a 501c3 umbrella organization as part of the Business School Innovation Center Network which would seek private sector and foundation funding. Create a collaborative convening with all of the business and/or engineering and/or agriculture schools

		IMPLEMENTATION STEPS	
SMART CAPITAL	Restructure and leverage existing funding sources	Facilitate institutional investing in California businesses by reducing regulatory constraints and expanding incentives	
		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)	
	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	
		Expand government and institutional procurement from locally owned firms	
		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	
		Ease establishment and utilization of Cooperatives as a business structure	
	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 connecting business with needed expertise	
		Develop an information clearinghouse on economic development, financing tools, capital resources and contacts	
SMART INFRASTRUCTURE	FINANCING	Private Finance Initiative	Convene a small, high-level advisory body of knowledgeable professionals to evaluate the alternative management frameworks for the center of expertise, including the feasibility of establishing a 501C3 or LLC
			Ask the Public Infrastructure Advisory Committee (PIAC) to review recommendations

		IMPLEMENTATION STEPS
FINANCING (CONT.)	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
		Implement the recommendations of the Legislative Analyst's Office (LAO), to strengthen the 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
WATER	Integrate the work of the Bay Delta Conservation Plan and the Delta Stewardship Council into a comprehensive implementation plan	Delta Stewardship Council in collaboration with the Natural Resources Agency establish an action team to develop and implement a comprehensive water plan
	Integrate the "Natural" Water Infrastructure Affirm priority water rights and watersheds-of-origin protections and invest in watersheds	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
	Implement interim measures with intensity of focus	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
	Strongly incent and, where appropriate, enforce implementation of regional water conservation	The Department of Water Resources (DWR) should accelerate implementation of IRWMP's through shared information, incentives, peer accountability, public information, and enforcement actions
	Support Water Technology R&D	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
	Educate Californians on the imperativeness of modernizing California's water system	The California Council on Science and Technology should be assigned the responsibility of developing a California Water Future Science and Technology Roadmap
	Identify and secure funding sources for implementation of these projects	The Administration should assign responsibility for development of a comprehensive water funding and financing plan

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, 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 includes:

- **Conquest Housing**, the self-described “Al Qaeda of CEQA”, filed suit using CEQA against the University Gateway project at USC¹ for anti-competitive purposes. Conquest was only stopped using RICO (the federal conspiracy criminal statute created to stop organized crime).²
- **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 plans 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.

¹ Coates, Chris. *The NIMBY Twist*. Los Angeles Downtown News. 5 May 2006. Web.

² Grant, James. *Lawsuit Filed Against Conquest Housing*. USC News. 4 Sept. 2007. Web.

- 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,³ 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.⁴
- 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.⁵

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.

³ 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.

⁴ The Cohousing Company McCamant & Durrett Architects. Sacramento Street Senior Homes Berkeley, California. Web.

⁵ We have agreement among the committee on the objectives, but not the examples beyond their illustrative value.

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 (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.

IMPLEMENTATION REQUIREMENTS

In order to achieve the above-stated goal, the Smart Regulations Action Team (the “Team”) must continue to educate itself and others as well as continue to **enlarge and diversify the Team** by engaging with a broad-based and diverse coalition of constituencies from across the state’s distinctive regions and from the different sectors – including business, labor, the environmental community, minority groups, community-based organizations, and the public sector – who are willing to come together to honestly and thoughtfully address the quality of life, social equity, job creation, and environmental challenges faced by CEQA’s non-environmental use and resolve it in a consensus-driven, transparent and accountable way.

As part of our education and coalition-building process, regional stakeholders should commit to conducting **CEQA tours with elected officials and other stakeholders** to illuminate them on some of the challenges faced by the non-environmental uses of CEQA in each region, especially the challenges faced in certain underserved communities that need to deliver employment opportunities, critical affordable housing, health and education facilities as quickly and inexpensively as possible to serve their residents’ needs. Similarly, each region should be encouraged to develop short case studies documenting some of these CEQA-related challenges – whether it is cataloging important projects that have been abandoned, environmentally friendly projects (helping us meet other environmental goals) that have been stalled, or projects that support a community’s well-being and health (e.g., affordable housing,

hospitals, good jobs, assisted living) that have been halted, all these instances provide evidence of what’s at-stake in terms of diminished overall community well-being should these challenges not be resolved.

In addition, the Team should develop a **strategic communications framework** to stimulate further participation and engagement as well as look for funding to commission and develop any support materials and analytics with relevant and ascertainable metrics, e.g., time delay, cost, and frequency of non-environmentally-based suits. Those interested entities with economic analysis groups should come together and share the burden of framing a rationally-based study, conducting the requisite analysis, and working together to peer review and support its findings. Finally, the Team should formally engage, educate and meet with key public officials, minority caucuses and constituencies, briefing them on the consensus-driven process and recommendations, taking in additional feedback, and further refining the Team’s recommendations based on the input received.

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”—defined as 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 Analysis¹** which should be housed in the Executive Branch 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.

¹ See, e.g., recommendations contained in the Little Hoover Commission Report, titled: Better Regulation: Improving California’s Rulemaking Process

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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 and business-professional associations, 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. Three 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.

SB 1070 establishes the Career Technical Education Pathways Program, requiring the Chancellor of the California Community Colleges and the Superintendent of Public Instruction to assist economic and workforce regional development centers and consortia, middle schools, high schools, and regional occupational centers and programs to improve linkages and career technical education pathways between high schools and community colleges.

- 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 brings together workforce and economic development, business and business-professional associations, 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 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. Specific implementation steps to be taken by December 2012 are:

1. Prioritize and align existing workforce-training and career-education resources to focus on major regional industry sectors/clusters
 - Support passage of legislation that promotes regional industry partnerships/sector strategies—specifically SB1401, 1402, and 1070.
 - Use regional industry sector/cluster partnerships as a framework for state and local area workforce plans and grant funding—specifically in the CWIB’s new strategic plan and state support for local sector-based proposals to the federal government.
 - Identify commitments from state and local agencies and institutions to pursue regional industry sector/cluster strategies, launching a statewide peer network of practitioners pursuing regional sector/cluster strategies at the September 2012 Meeting of the Minds conference.
2. Seed and leverage funding for regional industry partnerships
 - Seed at least five new regional partnerships across California in 2012, through the Regional Industry Clusters of Opportunity grant program, regional manufacturing partnership pilots, and other means.
 - Create a shared agenda among existing regional funders collaboratives, building on best practices to expand support for regional partnerships across California.

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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.

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.¹ 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.²

4. Support a Government Apps Center.

GO-Biz is engaged in efforts to centralize the functions of government for 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.

¹ Use the WET Center at Fresno State and the Center for Agriculture Business and Center for Commercial Agriculture at Purdue University as models.

² Use Drexel University as a model.

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.

IMPLEMENTATION STEPS

Regional Patent Office - Implementation Steps:
Led by Carl Guardino and the Silicon Valley Leadership Group

1. Silicon Valley Leadership Group members are meeting with key political leaders to communicate the benefits as well as to address the concerns of locating the regional patent office in Silicon Valley.
2. Action Team members are encouraging companies to contact the USPTO to inform them of how a regional patent office would speed up the application process.
3. Finally, we are gathering data to better give decisionmakers a picture of their ability to recruit and retain employees in the area.

Promote Innovation Hubs – Implementation Steps:
Led by Louis Stewart, Deputy Director, Innovation and Entrepreneurship, Governor’s Office of Business & Economic Development

1. Develop legislative language to define iHubs mission, vision and goals and to establish them as part of GO-Biz. Language would also establish an account to allow federal and sponsorship dollars to be accepted and used for iHubs’ initiatives.

2. Additionally this legislative language would allow iHubs to use appropriate underutilized state property to establish incubator sites. State property might include but is not limited to fair ground offices and/or spaces with extended leases.
3. Develop a true partnership with universities and the private sector through which hours are donated to iHub programs to assist entrepreneurs. Through the form of mentorships (private sector) and/or business/engineering/science students receiving credit for assisting businesses via additional manpower (internship) and/or R&D.
4. Work with private sector and university partners to develop an online business accelerator with volunteer hours and/or credit hours given. Develop an iHub (statewide) online business incubator with the purpose of connecting California companies with federal opportunities. An accelerator is being constructed to develop a nationwide outreach campaign to bring awareness to the effort.
5. Establish and fully engage national labs to develop a program through which small business can access funds in the iHubs account (established via legislation) to work with national labs to access scientists and engineers for R&D efforts.

Leverage California’s University Assets to Advance Innovation and Assist Small Businesses: Led by Robert Tse, U.S. Department of Agriculture

1. Work with the Office of Planning and Research to develop an Executive Order to create Business Innovation Centers at all of the state university business schools and agriculture economics departments and an umbrella Center for Business Innovation and Entrepreneurship organization tying together the business schools from the UC and Cal State system. Develop legislation with state legislators to implement plan.
2. Meet with the UC President and Cal State President’s Office members to discuss the network.
3. Develop proposal for a 501c3 umbrella organization as part of the Business School Innovation Center Network which would seek private sector and foundation funding. Create a collaborative convening with all of the business and/or engineering and/or agriculture schools.

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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, SBA, 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.

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SMART INFRASTRUCTURE

IDENTIFYING NEW FINANCING TOOLS FOR INFRASTRUCTURE PROJECTS

PROBLEM STATEMENT

An infrastructure crisis is looming at the national, state and local levels.¹ California faces a ten-year, \$765 billion infrastructure deficit, more than \$500 billion of which is in transportation (public transit, roads and highways). Over \$110 billion is needed for state buildings, \$65 billion for airports, seaports and freight rail, \$43 billion for educational facilities, \$22 billion for water, and \$12 billion for the electrical grid.

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 and retention, California needs innovative tools to fund new projects, and ensure that both new and existing infrastructure is fully utilized.²

- **Transportation:** Public Transit (regional rail, transit networks, high-speed rail); Air Transit (airport improvements supporting the efficient movement of people and goods); Trade (port improvements, integrated intermodal transport supporting a statewide freight plan); Roadways: (efficient, well-maintained freeways and roads at the state, regional and local levels, utilizing the best available technology); Non-Motorized Transportation (expanded bikeways and pedestrian facilities)
- **Other priority sectors:** Water and Wastewater; Energy; Communications and Information Technology; Social Infrastructure (hospitals, universities, and schools.)

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.³

MEASURABLE OBJECTIVES

- **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.
- **Private Finance:** Increase access to multiparty private investment. 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.
- **Public Sector Revenue:** Stabilize and increase sources of public funding.

ACTIONS TO ACHIEVE OBJECTIVES

Private-Finance Initiative (PFI)

Identify and prioritize a diverse portfolio of infrastructure projects that may be appropriate for private finance and management, reflecting both state and regional priorities and shortfalls in public sector funding across transportation and other projects.

Implement a framework to engage private finance and management resources to improve the state’s infrastructure assets across sectors, and to achieve increased efficiency in project delivery.

- **Create an infrastructure procurement center** of expertise, to facilitate private investment, and assist state and local government in evaluating and negotiating potential infrastructure projects. Support the center with adequate authority and resources.
- **Select an optimal organizational framework** for the center, looking to global best practices and experience for models. This could be an existing office in state government such as the Infrastructure Bank, a new office designated and empowered by the Governor, or a free-standing 501C3 or LLC operating outside state government but operating under the Governor’s authority

¹ The Department of the Treasury with the Council of Economic Advisers. An Economic Analysis of Infrastructure Investment. 11 Oct. 2010. Web.

² Little Hoover Commission. Building California: Infrastructure Choices and Strategy. Jan. 2010. Web.

³ Bay Area Council Economic Institute. Key Issues: Infrastructure. Public-Private Partnerships. Four reports on this topic are available on their website.

with appropriate provisions for transparency and accountability. Of these options, we believe the latter has the highest probability of success.

The center should be staffed by professionals, with responsibility to develop processes for selecting, approving and implementing public-private infrastructure partnerships; for attracting and engaging private investors; and for coordinating efforts with relevant state agencies.

Public Finance and Regional Flexibility Initiative

Private Finance is not a comprehensive solution to California's transportation challenges, as public-privately financed and managed projects typically require revenue streams. Most projects will therefore continue to be publicly financed and managed. Parallel action is therefore needed to increase public investment in transportation investment.

- Provide more regional transportation investment options and policy flexibility, giving regions the ability to implement demand-management techniques such as user fees, tolling and congestion pricing, and to impose their own gas and/or vehicle-based tax for transportation.
- Reform state law for Special Tax/Assessment Districts and Infrastructure Financing Districts to make them a more viable option.

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), business community, and construction-related labor unions.

IMPLEMENTATION STEPS

Private-Finance Initiative

- To initiate the PFI initiative and advance its implementation, the Governor should issue an executive order to convene a small, high-level advisory body of knowledgeable professionals to evaluate the alternative management frameworks for the center of expertise, including the feasibility of establishing a 501(c) 3 or LLC or enhancing the capability of the infrastructure bank.

- Under this executive order, the role of the existing Public Infrastructure Advisory Commission (PIAC) would be included in this new body.
- Complete these steps in 2012.

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. This would require a state ballot initiative.
- Implement the recommendations of the Legislative Analyst's Office (LAO) to strengthen the 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.

SUPPORTIVE REGULATORY REFORM AND RELATED STEPS

When implementing these initiatives, consider the following related measures:

Private Finance Initiative

- 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.
- 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.
- Support the adoption of a general availability payment allocation within the state finance system, that would accommodate an appropriate complement of non-revenue-generating, fee-based private finance projects.
- Establish model competitive bidding and performance measures and incentives for investors.

⁴ Taylor, Mac. *A Ten-Year Perspective: California Infrastructure Spending*. Legislative Analyst's Office. Aug. 2011.

- Encourage public pension funds such as CalPERS to invest in California infrastructure.
- Include appropriate labor protections.
- Expand the role of the Strategic Growth Council to include infrastructure planning, emphasizing long-term goals and return on investment.
- Require that state agencies report to the Strategic Growth Council annually on infrastructure priorities, and on how they are maximizing existing resources or extending them through PFI.
- Establish an infrastructure planning committee in each house of the Legislature to review the Strategic Growth Council's infrastructure strategic plan and provide a forum for dialogue.
- Increase certainty and reduce financial performance risk for investors by reforming CEQA.
- Use the Public Finance Initiative to modernize California's broadband infrastructure, with a particular focus on broadband access in rural areas.

SMART INFRASTRUCTURE - FINANCING

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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 (BDCCP) 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 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.
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 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.

SMART INFRASTRUCTURE - WATER

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Fresno Business Council

Regional, political and civic leaders as well as state lawmakers met on May 11, 2012 at the first annual California Economic Summit and signed this Commitment to California's Economic Prosperity.

A COMMITMENT TO CALIFORNIA'S ECONOMIC PROSPERITY

As Californians, we are eager to proactively restore economic opportunities for our fellow Californians and to build healthy and sustainable communities.

We acknowledge that California's economic vitality is the result of abundant natural resources, creative people, entrepreneurial businesses, smart infrastructure, leading-edge technologies, growing markets and effective public policies.

We recognize that the vitality that has shaped the world and has shaped California is based on the strengths of distinct regional economies reflecting distinct landscapes, products, innovations and people.

We believe that continued success requires public and private sector leaders taking signature actions that simultaneously promote economic vitality, equality of opportunity and environmental quality.

We know that these signature actions must promote skilled human capital, efficient regulation and modern infrastructure – prerequisites for attracting the private investment that generates quality jobs.

We accept that developing, enacting and implementing these signature actions will require new ways for steward leaders with diverse perspectives to work together in communities, regions and the state.

We hold that 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 pragmatic and creative solutions.

We agree that stewardship requires that public and private sector leaders bring their knowledge, expertise and passion to bear on behalf of the whole – and on behalf of future generations of Californians.

We resolve that the CA Economic Summit captures our shared ambitions, our stewardship values, our responsibility to take action and confidence in the future.

WE, THE CHAMPIONS WHO ATTENDED THE FIRST CALIFORNIA ECONOMIC SUMMIT, COMMIT TO WORKING TOGETHER THROUGH THE ONGOING CALIFORNIA ECONOMIC SUMMIT PROCESS TO RESTORE THE PROSPERITY OF THE CALIFORNIA DREAM.

**THIS WE PLEDGE ON THE OCCASION OF THE FIRST SUMMIT,
MAY 11, 2012**

The following Californians signed the commitment:

William Allen, Los Angeles County Economic Development Corporation

Alex Andrade, Silicon Valley Community Foundation

Brian Angus, Fresno EOC

Melanie Bagby, Sirius Mobile Solutions

Stephen Baiter, Workforce Development Board of Contra Costa County

J. Barbeau, Ph.D., California State University, Monterey Bay

Jose Barraza, Southeast Fresno Community Economic Development Association

Armon Batiste, Resource for Native Development

Jess Brown, Pacific Gas and Electric Company

Scott Bruce, Wallace Group

Michael Bushey, Southern California Edison

Lou Anne Bynum, Long Beach City College

Michael Carroll, Rural Community Assistance Corporation

Claire Clark, City of San Luis Obispo

Jim Comstock, Seton Medical Center

Dennis Conaghan, San Francisco Center for Economic Development

Courtnee Crystal, California Forward

Carl Dameron, Dameron Communications

Steve Davis, Praxis Solutions SD

Gina Davis, Praxis Solutions SD

Patricia DeCasto, Self-employed

Darin Dinsmore, Crowdbrite

Mary Dutra, State Assistance Fund for Enterprise, Business and Industrial Development Corporation

David Edwards, Individual

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Karen Fies, Sonoma County

Chuck Flacks, San Diego Workforce Partnership

Rosanne Foust, San Mateo County Economic Development Association

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Jeana Hultquist, CoBank

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Luther Jackson, Nova Workforce Development

Michael Jones, Waypoint Outcomes

Paul Junker, City of Rancho Cordova

Ed Keebler, Individual

Timothy Kelley, Imperial Valley Economic Development Corporation

Michael Kenny, CoMerge

Brad Kiesling, PetSmart

Karen Killebrew, Nature Media Network

C. Kirk, Spaulding McCullough & Tansil LLP

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Piper Kujac, Presidio Graduate School

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Susan Lovenburg, Davis Joint Unified School District	Jeff Rowe, Alliance Worknet
Chris Lynch, Irvine Chamber	Norma Santiago, El Dorado County
Jeremy Madsen, Greenbelt Alliance	Nick Schultz, Workforce Investment Board of San Luis Obispo County
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Nancy Martin, Economic Development Corporation of San Benito County	Chris Snyder, Operating Engineers Local No. 3 AFL-CIO
James Mayer, California Forward	Carolyn Stark, Sonoma County Building Economic Success Together
Stacy McAfee, University of Phoenix	Bruce Stenslie, Economic Development Collaborative of Ventura County
Kelle McMahan, The Green Science Academy	Nandini Tandon, Ph.D., Individual
Chris Messina, Napa Chamber of Commerce	Priya Tandon, American Jewish Committee
Robert Meyer, State of California	Van Ton-Quinlivan, California Community Colleges Chancellor's Office
Luis Molina, City of Patterson	Jesse Torres, Small Business Development Centers
Victor Montgomery, RRM Design Group	April Treece, Contra Costa Economic Partnership
Rebecca Q. Morgan, Morgan Family Foundation	Jovanni Tricerri, Chico Stewardship Network
Kathleen Moxon, Redwood Coast Rural Action	Robert Tse, United States Department of Agriculture
Bill Mueller, Valley Vision	Bill Tysseling, Santa Cruz Chamber of Commerce
Gavin Newsom, State of California	Peter Weber, Individual
Michael Nuby, Southern California Edison	Gregory Wendt, Individual
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CALIFORNIA STEWARDSHIP NETWORK OUR MISSION

Launched in 2008 by the Morgan Family Foundation, grants totaling more than \$2 million have been given to eleven diverse regions across California, developing innovative regional solutions to the state's most pressing economic, environmental, and community challenges. These solutions require "breakthrough innovation" driven by a "new generation" of civic entrepreneurs—diverse regional teams composed of both established and emerging leaders. The teams represent the diversity of California, from San Diego to the Oregon border and the Coast to the Sierras.

www.castewardship.org



CALIFORNIA FORWARD OUR MISSION

California Forward (CAFWD) is a non-partisan, non-profit organization working to identify common sense steps Californians can take to make government work. CAFWD accomplishes this through broad consultation and analysis of critical problems facing the state, and then identifies nonpartisan reforms that can make a difference.

www.cafwd.org

