

PROGRESS REVIEW FOR AN ECONOMIC GROWTH AND COMPETITIVENESS AGENDA FOR CALIFORNIA

Presented by:
Lieutenant Governor
Gavin Newsom
July 2016



Contents

Progress Review for An Economic Growth and Competitiveness Agenda	2
WHERE WE WERE	2
The Fundamental Strategies: Five Years of Progress	3
GEAR UP EXPORTS	3
REINVIGORATE MANUFACTURING	3
DRIVE INNOVATION	4
ACCELERATE CLEAN ECONOMY	5
SKILL UP FOR OPPORTUNITIES	6
BUILD INFRASTRUCTURE	7
ALIGN WITH REGIONAL STRENGTHS	7
ORGANIZE FOR SUCCESS	8
Rising from the Great Recession: An Uneven Recovery	8
Looking Forward	10
Actions / Goal Matrix	11
Endnotes	13



Greetings,

Five years ago I released *An Economic Growth and Competitiveness Agenda for California*. It was California's first strategic and statewide economic plan in over 10 years, charting a path to regaining the state's place as America's capital for opportunity.

With this report I revisit its recommendations and look at California's economic progress since the worst of the Great Recession. Over 75% of the original recommendations for action in the first 180 days were implemented or partially implemented, and the state has made great strides since 2011, including an unemployment rate that is half of what it was at the peak of the recession.

While most headlines focus on broad market indicators, it's important to remember that one of the foundations of a strong economy is a stable state budget. Governor Jerry Brown and state legislative leaders have understood this intimately and have worked tirelessly since 2011 to repay debt, restore the rainy day fund, and reinvest in essential economic growth policies.

A case in point is Governor Brown's recently passed budget that adds more than \$200 million for workforce development programs to connect workers with the training needed to land good paying jobs. That same budget also contains billions of dollars for infrastructure improvements, including transportation, a catalyst for economic growth.

The economic challenges of the Great Recession are diminishing as our fiscal and economic health continues to rebound. But if you look beneath the surface, the truth is that we are witnesses to, and participants in, a hinge-moment in history that is rapidly changing how we go about business and government.

And while this Progress Review will showcase the "California Comeback," the key strategies upon which we built the first economic plan no longer seem adequate to describe or grapple with the rapid changes occurring in the economy. Our nearly 250-year-old-system is in flux as it faces rapid large-scale change. Technological evolution coupled with globalization and borderless economic development has led to a world of profound contrasts and inequalities, which is easily seen when comparing the thriving coastal cities of the Bay Area to the struggling cities of the Central Valley.

The sharing economy, lifelong learning, the decoupling of productivity and wages, and the profound effect of Moore's law over time are just some of the terms that identify the trends shaping the new economy. What is government's answer? I aim to address that in a future economic plan.

This document reveals a strong start, but the best is yet to come.

Please read on and join us in our endeavor.

A handwritten signature in blue ink, appearing to read "Gavin Newsom". The signature is stylized and fluid.

GAVIN NEWSOM
Lieutenant Governor

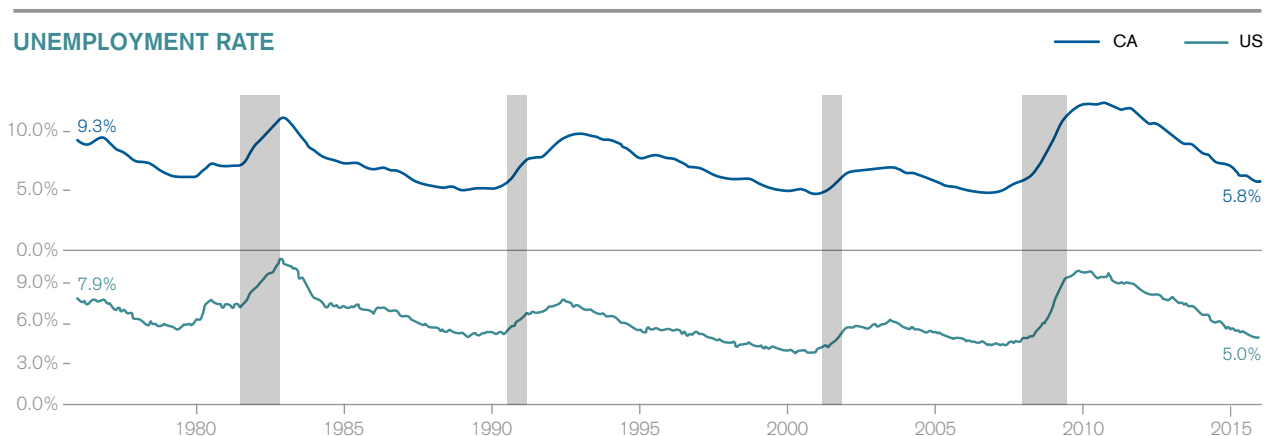


Progress Review for An Economic Growth and Competitiveness Agenda

WHERE WE WERE

During the depths of the Great Recession the state's unemployment rate peaked at 12.4% for most of 2010. Over 1.3 million jobs evaporated during the economic contraction, while home prices collapsed under the pressure of mounting foreclosures and waning demand.¹ Entire communities seemed to be sinking beyond the reach of help and, in Sacramento, the finances of the Golden State fell deeper and deeper into the red, running up a \$19 billion deficit by the 2010–11 budget. Essential drivers of economic growth like education and healthcare suffered painful budget cuts when citizens needed them most. And when Wall Street downgraded our credit rating to one of the worst in the nation, commentators declared our state “ungovernable”.²

In response to the intractable unemployment challenging the state in 2011, my office released “An Economic Growth and Competitiveness Agenda for California.” This marked the first strategic, statewide economic plan in over a decade on how to turn our economy around and generate sustained job growth.



Sources: Employment Development Department — Labor Market Info

The Fundamental Strategies: Five Years of Progress

The Economic Agenda of 2011 was built around eight fundamental strategies:

1. Gear Up Exports
2. Reinvigorate Manufacturing
3. Drive Innovation
4. Accelerate Clean Economy
5. Skill Up for Opportunities
6. Build Infrastructure
7. Align with Regional Strengths
8. Organize for Success.

This report is a review that highlights the progress we've made in pursuing those strategies.

GEAR UP EXPORTS

Since President Obama announced his National Export Initiative in 2010, echoes of his call to boost exports have been repeated at the state and local level as regional economies move toward export-oriented growth strategies. Exports are one of California's major strengths. We are the gateway to the Pacific and have long maintained our leadership in sectors like electronics manufacturing, aerospace manufacturing, and agricultural production. The US Department of Commerce ranked California second in total exports for 2014 across the nation, with the Los Angeles Metro Area ranking as the third largest export market in the United States.³

“EFFORTS TO BOOST EXPORTS, LIKE THE EXPANSION OF SAMSUNG, MEANS MORE JOBS WITH BETTER WAGES FOR CALIFORNIANS...”

California is now pursuing a more aggressive strategy to jump start export driven growth by launching more overseas trade missions and re-establishing our defunct international trade offices, all 12 of which were closed over ten years ago. With the enactment of AB 2012 authored by Speaker John A. Perez, the Governor's Office of Business and Economic Development (GO-

Biz) was authorized to open new trade offices in order to maximize export growth and foreign direct investment.⁴ Governor Brown's trip to China in April of 2012 was a direct result of that legislation. The trip was both a successful trade mission and the official opening of our first "California Trade and Investment Office" in Shanghai, China. Soon after in July of 2014, the Governor again went on another trade mission, this time to Mexico to sign a memorandum of understanding to expand trade and investment between California and Mexico

Similarly, in 2012 I traveled to Korea on a trade mission just after the United States – Korea Free Trade Agreement (KORUS FTA) went into force on March 15 of that year. Promoting this FTA was important because it meant opening opportunities for our exporters to find new markets and encouraging foreign direct investment in our state. By December of 2012, Samsung Electronics Company, Ltd., headquartered in Korea, announced plans to expand in the San Jose area, finally unveiling its new Samsung America's headquarters in September 2015.⁵ Efforts to boost exports, like the expansion of Samsung, means more jobs with better wages for Californians, usually 13 to 18 percent above the national average.⁶

California is also helping small- and medium-sized businesses increase exports to foreign markets with the State Trade and Export Promotion (STEP) program, which introduced over 2,000 small businesses to international trade opportunities during its first two years.

REINVIGORATE MANUFACTURING

Any plan to boost exports must also embrace a plan to simultaneously bolster manufacturing. In 2013, manufacturing output alone contributed 10.85% of California's gross state product, and those employed in the manufacturing sector enjoyed an average salary that was \$36,000 more than other private-sector jobs in the state.⁷ Unfortunately, recent trends over the past ten years have seen a steady decline in manufacturing jobs due to global competition and gains in manufacturing productivity. But the rise of both niche manufacturing and advanced manufacturing processes promises a brighter future for an industry that creates highly desirable middle class jobs.⁸

In December of 2013, President Obama launched a national competition as part of a comprehensive plan to reignite the manufacturing sector in the United

States. The competition was the beginning of the Investing in Manufacturing Communities Partnership (IMCP) initiative and the creation of the National Network for Manufacturing Innovation (NNMI), both of which are directing billions in federal dollars to manufacturing communities around the country to invest in strategies for strengthening manufacturing innovation.

California began laying the groundwork in 2012 to compete for federal manufacturing dollars by holding a joint legislative hearing on “The Role of Advanced Manufacturing in California’s Economic Future.” One year later, that hearing culminated in March of 2013 with California’s first Advanced Manufacturing Summit. And in May of the following year it was announced that the coast of Southern California, from Ventura to San Diego, was chosen as one of the initial IMCP communities.⁹ By mid-2015, California could boast two more wins: another IMCP designation, this time the Central Valley AgPlus Food and Beverage Manufacturing Consortium, and a \$75 million award to the FlexTech Alliance as part of the NNMI to establish a Manufacturing Innovation Institute for Flexible Hybrid Electronics.¹⁰ The success in applying for these federal awards represented the work of dozens of groups and communities in support of their region and the common goal of creating high-skilled jobs.

Manufacturing received another boost with the signing of AB 93 and SB 90 to overhaul the State’s Enterprise Zone Program. These two laws formed the Governor’s Economic Development Initiative, which offers a mix of incentives to help spur manufacturing, encourage new hiring, and attract businesses to the state. Specifically, this new initiative grants manufacturers a state sales tax exemption on equipment purchases and will help create more middle class jobs.¹¹

DRIVE INNOVATION

Spurring more innovation in our own backyard has never been more important as we compete in a global economy that is in the midst of a slow and painful recovery. In late 2011, I joined a bipartisan group of 48 members from California’s Congressional Delegation to make the case that a new branch of the United States Patent and Trademark Office (USPTO) should be located in our State. Our continued advocacy resulted in the federal government choosing Silicon Valley as the location of one of three new USPTO satellite

VC FUNDING BY REGION

	Q3 2015	Percent of Q3 Total
Silicon Valley	\$ 8,063,741,100	49%
New England	\$ 2,052,272,600	11%
NY Metro	\$ 1,908,590,700	12%
LA/Orange County	\$ 1,058,453,300	6%
Southeast	\$ 745,625,800	4%
Midwest	\$ 641,228,500	2%
Northwest	\$ 440,639,200	4%
San Diego	\$ 435,968,600	3%
Texas	\$ 340,308,300	1%
DC/Metroplex	\$ 283,478,200	1%
Philadelphia Metro	\$ 197,899,400	3%
SouthWest	\$ 136,221,200	2%
North Central	\$ 134,440,100	1%
Colorado	\$ 89,635,600	1%
Upstate NY	\$ 70,148,000	0%
South Central	\$ 4,075,000	0%
Sacramento/N.Cal	\$ 285,000	0%

Source: PwC/NVCA MoneyTree™ Report, Data: Thomson Reuters



offices, a proud moment of recognition for all the hard work Californians have done over the past several decades to become a world leader in technological innovation.

The hard work of the delegation paid off as the new USPTO branch in San Jose, California officially opened on October 15th last year, ensuring that one of the cornerstones of a thriving “innovation ecosystem” is strengthened in a state that is a world leader in invention.¹²

Also boosting innovation was the signing of AB 250 by the Governor in 2013, which codified and expanded the network of California Innovation Hubs. Known as iHubs, the network grew from 12 to 16 regions across the state and will serve as innovation platforms that leverage regional research clusters in order to stimulate economic development and job creation.

Innovation works. Supporting the wholesale expansion of innovation in every sector of the economy will accelerate the integration of cutting-edge technologies, boosting competitiveness and creating jobs. The State of California has long been a world leader in driving economic growth through innovative technologies, processes, and business models. California's diverse regions have spawned a variety of successes, ranging from Silicon Valley for technology, San Diego for biomedical, Los Angeles for aerospace and the Central Valley for agriculture.

But we cannot rest on our laurels; competition is cropping up all over the globe as different regions attempt to foster their own versions of "Silicon Valley". In India, the city of Bangalore is calling itself the "Silicon Valley of India"; and Dublin, Ireland is rebranding itself as "Silicon Bog."¹³ Even with the rising competition, California remains the number one place for venture capital investments, with the real Silicon Valley at the top of that list. In fact, for the third quarter of 2015, two of the top five VC investment regions in the country were located in California: Silicon Valley and LA/Orange County.¹⁴

ACCELERATE CLEAN ECONOMY

The new clean economy and its "green-collar jobs" have become regular buzzwords in the media and an oft-repeated talking point for policy makers. California has gone far beyond the buzz of platitudes and is in the process of implementing some of the most ambitious environmental laws in the country.

One of the most impressive is still in its first phase of implementation; in 2011 SBX1-2 increased California's Renewable Portfolio Standard (RPS) to require that 33% of all retail energy use come from renewable energy sources by the year 2020. In addition, SB 350 signed last year further builds on this previous work by requiring that renewable energy sources make up 50% of the RPS by 2030. These stringent standards, along with other clean energy tax incentives led California to achieve a breakthrough milestone late in the summer of 2012. For the first time ever, solar power output broke the 1,000 megawatt mark.¹⁵ And with areas like the Antelope Valley, an hour north of Los Angeles, quickly becoming a hub for renewable energy production, California is on its way to becoming a leader in developing the clean economy.

But we have a long way to go. In the same year that California rightfully celebrated achieving over 1,000 MW of solar power, Germany laid claim to

Solar Power in the Golden State

California is a leader in the development and widespread use of solar power, whether photovoltaic or thermal. Our sunshine-bathed environs, wide-open spaces, and renewable energy policies are what make our state an epicenter for renewable energy development. Besides the Renewable Portfolio Standard, the California Solar Initiative will help bring 12,000 MW of solar power online by 2020. While solar installations, both residential rooftop and larger commercial systems, are increasing rapidly, many hurdles still exist on our way to clean energy, namely electrical grid upgrades and efficient energy storage.

Source: Go Solar California; California Energy Commission

a world record of over 22,000 MW of solar power produced per hour in May of 2012. Those 22 gigawatts met the electricity needs of almost 50% of the *entire country*.¹⁶ Achieving renewable energy production that places California among the world leaders in clean energy will require a coordinated and strategic effort over time. We must find a way to create partnerships to leverage capital and build a framework for mitigating the risk inherent in investing in new technologies and businesses.

SKILL UP FOR OPPORTUNITIES

Making sure we are properly educating the current and future workforce is an economic imperative. Not only must we recast our educational system into the ladder of opportunity it once was, but we must also ensure that we are educating and creating a

workforce that has the skills necessary to compete for 21st century jobs. The foundational education system that built California's economic engine of the mid-20th Century must be forged anew to match a globalized and networked world.

At the end of 2013, in answer to the call of higher education reform in California, my office partnered with the Committee for Economic Development, a think-tank out of Washington, D.C., to release a policy report called, "Boosting California's Postsecondary Education Performance." Since that time I have made stops around the state to discuss the report and reiterate the call to action that the time is now to introduce significant changes to our higher education system.

In January of this year, I was proud to stand with Oakland Mayor Libby Schaaf as she announced the launch of the Oakland Promise initiative, a program that will open 55,000 college savings accounts for Oakland children, invest \$100 million in scholarships, and triple the number of college graduates from Oakland over the next decade.¹⁷ This ambitious, but effective program began in San Francisco in 2008 and has since been replicated in Long Beach, Richmond, and now Oakland, and it is exactly the kind of initiative needed to address the widening opportunity gap between the rich and the rest of us.

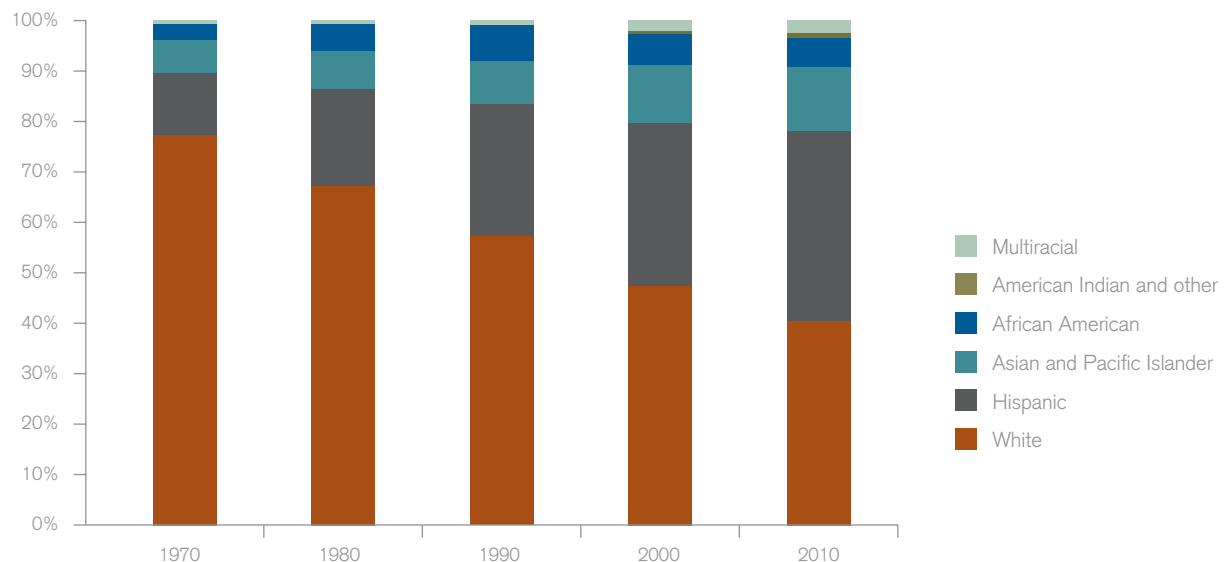
In addition to the Oakland Promise, the past five years has seen a large proliferation of non-traditional learning platforms that leverage digital programs in order to develop new workforce skills, such as coding bootcamps and online learning. These alternative programs are complementary to traditional education and workforce development measures, and although the state is not the key driver of these programs, it does play a supporting role in helping to forge connections between these new education workforce development programs and more traditional education and workforce development efforts.

A great example of a program that blends traditional and new workforce development and education organizations is the White House TechHire initiative, which partners with local communities to train workers for tech jobs using nontraditional methods like "hackathons" and online classes. As of this March, five California cities are a part of the national initiative: Riverside, Los Angeles, Oakland, San Jose and San Francisco.¹⁸ Also, the California Workforce Development Board and the California Community Colleges System are both developing processes to help forge connections between traditional workforce development programs.

Even though we are finally turning the corner on a budget crisis that forced state lawmakers to cut school funding year after year, we are confronted by the fact that our education system has not recovered from the damage of the great recession.

POPULATION CHART

California has become a "minority majority" state



Sources: California Department of Finance estimates; 2010 decennial census. From: Just the Facts: California's Population, PPIC, 2011

For 2015, Education Week's *Quality Counts* annual report ranked California 41st overall in the nation on measures of student success.¹⁹

The problem of underperforming students in under-resourced schools is not just a social justice problem to be studied by academics. It is a problem that will touch all of us in the near future if we don't act now. As of the most recent census calculation,

“IF WE ARE TRULY PLANNING TO BOOST BOTH MANUFACTURING AND EXPORTS AS PART OF A LARGER ECONOMIC STRATEGY, THEN WE MUST ALSO ENSURE THAT OUR TRANSPORTATION INFRASTRUCTURE CAN MEET THE INCREASED DEMANDS.”

California is a majority-minority state, meaning that no one racial or ethnic group represents a majority of the citizens, and in fact, the number of Latinos living in California is now equal to the number of non-Hispanic whites.²⁰ The implication of this demographic shift means that minority children will make up a large percentage, if not the bulk of our future workforce.²¹ Institutions will rely on their taxes to support government programs, and in California, around 23.6% of Latinos and 24.2% of African Americans live under the poverty line.²²

BUILD INFRASTRUCTURE

The grades are in and they don't look good. Federal, state, and local governments are falling farther and farther behind in maintaining, expanding, and upgrading the built infrastructure that is literally the foundation of our economy. The American Society of Civil Engineers annual infrastructure report card gave the US as a whole a dismal D+ with the nation needing \$3.6 trillion of investment by 2020. Although better than the nation, California received a troubling grade of C. Two glaring highlights from California's report card were that 2,978 bridges in California are structurally deficient and that poor or mediocre roads cost California motorists almost \$14 billion a year in extra vehicle costs.²³

Meanwhile, the call for investing in infrastructure and finding innovative ways to finance it has not gone unheeded with the passage of promising legislation

enabling enhanced infrastructure financing districts and the reorganization of the Infrastructure Bank under the auspices of GO-Biz.

Even more could be accomplished by first conducting a comprehensive inventory of significant infrastructure around the state, similar to the 2015 study conducted by the Department of General Services, which analyzed the condition of the state's building inventory in the Sacramento area. This statewide inventory could then be used to develop funding priorities and eventually lead to innovative partnerships to upgrade and modernize the infrastructure of the Golden State.

California's latest Five-Year Infrastructure Plan that was released early in 2016 calls for \$55 billion to be invested over the next 5 years in state-owned infrastructure.²⁴ While \$55 billion in infrastructure funding is an enormous amount of money, it is just a fraction of what is needed in our state. The Five-Year Infrastructure Plan only looks at infrastructure investments within state entities and state programs. Infrastructure needs in other jurisdictions like cities and counties is not counted, which is why a more comprehensive calculation from the local level on up puts California's infrastructure deficit closer to \$765 billion over the next 10 years.²⁵ If we are truly planning to boost both manufacturing and exports as part of a larger economic strategy, then we must also ensure that our infrastructure can meet the increased demands caused by the movement of more goods, not to mention the increased demands caused by population growth of 19% by 2030.²⁶

ALIGN WITH REGIONAL STRENGTHS

A shift has been underway in the economic development community for some time that recognizes the fact that cities and regions are the real drivers of economic growth. While headlines may speak of a statewide economic recovery with one unemployment rate, one median house price, and one state GDP, the truth is that we must look beyond the headlines of a single California and instead recognize a state composed of unique regions, each with its own set of advantages and areas of need.

One-size-fits-all economic planning does not account for regional differences and often leads to lackluster results, which is why I was proud to co-chair the first ever California Economic Summit in May of 2012.²⁷

The California Economic Summit

In May of 2012, leaders from across the state in every industry, private and public, gathered in Santa Clara for the first-ever California Economic Summit. The Summit represented the first comprehensive statewide economic planning process to begin working with individual regions to identify challenges and needs before attempting to design statewide policy. The model of the Economic Summit is designed to elicit change from the bottom up, with on-the-ground players deciding what kinds of policy changes work best for them and their communities.

Right now, committed participants are working hard pressing an implementation plan for policy initiatives that address issues in infrastructure, workforce, regulations, manufacturing, working landscapes, capital and housing.

Source: California Forward; California Stewardship Network

The Economic Summit represented the culmination of months of work conducted by regional forums all across the state.

Each forum developed its own regional economic planning document that was then fed into the work of statewide action teams responsible for defining economic themes that would address the concerns of the various regions. The Summit then created an action plan for presentation to state leaders, policy makers, and outside groups that would aid in the implementation of the plan.

ORGANIZE FOR SUCCESS

At the most recent California Economic Summit in Ontario last November, the hard work accomplished by our state's local economic regions was recognized and celebrated as we all came together to identify bold and meaningful goals meant to tackle issues related to water, workforce and housing. Issues like affordable housing and access to transportation were top of mind for leaders all over the state and will continue to have far reaching effects in our economy over time.

While the regional forums and the Economic Summit will do the work of economic organizing on the ground and in the cities, the process of implementing a comprehensive statewide economic development plan will be stymied if not altogether stopped by a fragmented and disjointed state bureaucracy.

As outlined in our 2011 Economic Agenda, aligning state resources that are concerned with the many different aspects of economic development into one high-level entity is paramount to the endeavor before us. That is why I am excited by the creation of the Governor's Office of Business and Economic Development. By establishing this office, we finally have an appropriate one-stop-shop for all things business and economic.

And since going into effect on July 1st of 2013, the Governor's Reorganization Plan has streamlined state government from 12 agencies to 10 and appropriately expanded the scope of GO-Biz to include related programs like the Infrastructure Bank and the Small Business Loan Guarantee Program.²⁸

Rising from the Great Recession: An Uneven Recovery

Much has been accomplished over the last five years. As one indicator for how far we've come, the 2012–13 budget passed by State legislators was the first balanced and on-time budget since 2007–08. Every budget since then has projected an operating surplus for the state.²⁹ California is also experiencing a housing recovery. The median price of a single-family home has risen to \$482,150 in September of 2015, rebounding from the September 2009 lows around \$296,610.³⁰

During the global economic downturn, California lost jobs faster than the rest of the nation. During the current economic recovery, California has

consistently added jobs faster than the rest of the country; the State's unemployment rate dropped to 5.8% by December of last year. Growth of California's gross domestic product also outpaced the nation in 2014 at a rate of 2.8%, placing our state among the world's ten largest economies. Both market indicators and government policies point toward a strong economic recovery in California, and underline our greatest strengths in this state: the ability to attract new businesses and jobs; the creation of a robust workforce; and an entrepreneurial heart.³¹

But with almost one million Californians still out of work, we must do more to facilitate the creation of more good paying jobs and at a faster pace if we want to ensure that everyone can share from a broad economic recovery. And while parts of the state approach full-employment, others continue to struggle.

Unemployment rates in the coastal counties of San Francisco, Marin and San Mateo sit below 4%, while inland counties like Imperial and Colusa are still suffering under staggering unemployment rates near 20%. When compared side-by-side to cities like San Francisco or San Jose, Fresno feels like a world away. And yet the inland areas of our state are the key to our future when it comes to population growth, housing, transportation, food and water.

And county unemployment rates don't even tell the full story; socio-economic disparities divide the booming coastal metropolitan communities too.

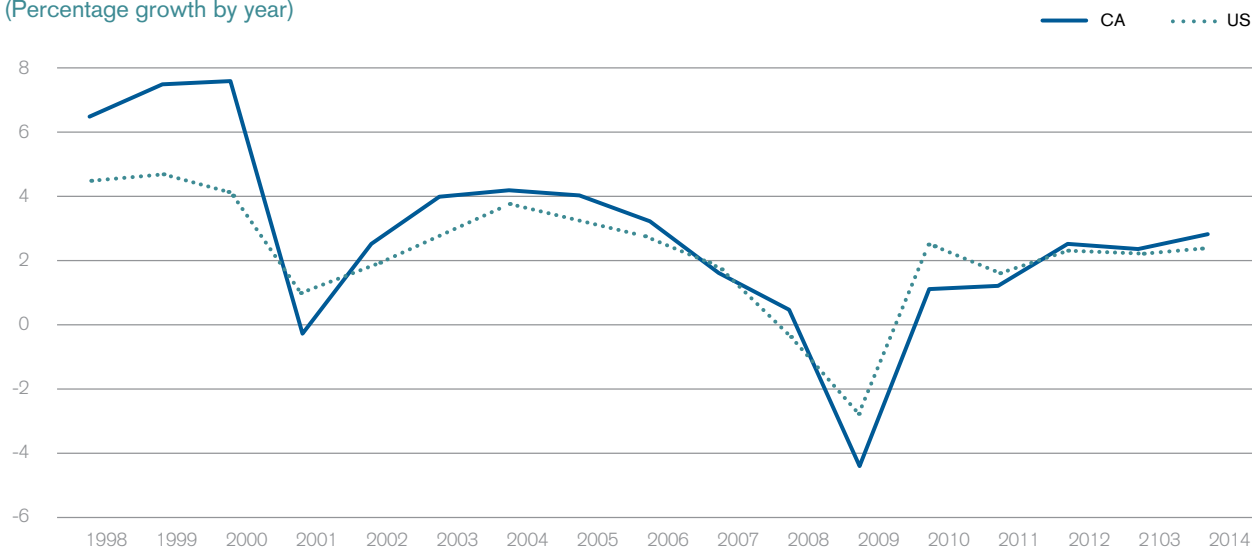
Great disparity in fortunes separate East Palo Alto from Palo Alto, East Oakland from the Oakland Hills, and East Los Angeles from West Los Angeles.

Instead of an even-handed return to economic expansion, we have an unbalanced recovery of frightening contrasts that appears to be leaving specific people in specific places behind. For too many, the economic recovery has become a spectator sport. The prosperity and gains from the last several years must not only accrue to the few, we must create an economy that is as inclusive as possible and that offers opportunities for advancement to each and every one of us.

That is why sustaining commitment to our statewide conversation around the fundamental strategies outlined in the Economic Agenda is key to ensuring that prosperity reaches all Californians regardless of who they are or where they live.

Reigniting the California economy and spurring economic development across the entire state is not a one-time conversation to produce a report meant for lip service and destined for bookshelves. Repairing the damage from the Great Recession and transforming our economy is a long-term process that requires a continual effort of strategic action and collaborative conversation. By returning to this process of economic development year after year we are able to capitalize on the momentum of previous progress and also sustain our commitment to a better California.

REAL GDP GROWTH BY YEAR: CALIFORNIA VS. THE U.S.
(Percentage growth by year)



Source: California Department of Finance, Economic Research

Looking Forward

We can take some comfort from the past few years of moving the ball forward and taking real steps towards the Next Economy, but we have only just begun. The data and evidence may point to a recovery, but we must remember that we haven't made it yet. Fundamental and rapid shifts in our economy have spread through every sector and industry. Almost every worker, from the farm to the cubicle, can attest to the encroachment of computers and technology into their daily work. And if the tech forecasters are to be believed, we ain't seen nothing yet. Indeed, the much maligned vision of a robotic future looms large in our consciousness as a recent Pew survey pointed out that 65% of Americans expect that in 50 years robots and computers will replace much of the work currently done by humans.³²

Even though the recovery has been sluggish and faces setbacks like volatile commodity prices, a struggling European market and a slowing Chinese economy, we cannot be tempted back into the old paradigm of top-down "one-size-fits-all" economic planning. We must look deeper into the headline statistics of unemployment and GDP to fully understand the New Economy that is coming over the horizon. Just as no one could have predicted that the introduction of the smartphone would forever change the taxi industry and the hotel industry, no one can predict the next seismic shift in industry caused by technology. And it is incumbent upon us to make sure that new innovators strive to solve truly difficult problems and that everyone has a chance to be included in the wealth creation brought about by new technologies.

Capitalizing on regional strengths, fostering innovation and experimentation at the local level, and building platforms to enable strong collaborations between education, employers, and the workforce will be key in weathering the economic changes to come. I wholeheartedly support the traditional tools that compose the worker safety net like minimum wage laws and employee benefit laws. The recent agreement to raise California's minimum wage to \$15 an hour by 2022 was an important achievement and will hopefully go a long way in addressing our staggering levels of income inequality. We must acknowledge that these tools are necessary, and an important part of a much larger toolkit needed to address the fundamental economic changes underfoot. New ideas like portable worker benefits

are already starting to proliferate into economic policy discussions. And in a subsequent economic report, my office intends to address the effects of things like the gig economy, robotics, and artificial intelligence.

The work of economic development is not easy and the results are often only realized in a future that is years or decades away. Re-committing to the process through frank progress assessments and continued collaboration is as important as the creation of the first action plan or agenda. As the economy grows and evolves, we must do our best to accurately understand and attempt to guide a dynamic and ever-changing system so that the phenomenal benefits of economic growth lead to increasing wealth, prosperity, and health for all Californians.

While there are many ideas and accomplishments in this report, they represent only a fraction of the incredible effort being made around the state to create jobs and improve our economy. No report could definitively capture all of the progress achieved by the hard-working and brilliant people engaged in this effort, any omissions are due to the arbitrary constraints of time and space.

Progress cannot be achieved in isolation, so it is with sincere gratitude that I thank those whose work and collaboration have made this report possible:

Governor Jerry Brown, his administration and GO-Biz have worked tirelessly to sustain the State's efforts to spur economic development.

I would also like to extend thanks to the members of the Legislature and the past and present leadership of both houses. The work of the Legislature to turn the ideas of the Economic Agenda into actual policy and law has been absolutely essential.

Your continued participation in this effort is what will make the ideas in the Agenda a success. Understanding that true economic planning must rise from the bottom up means that as we look to the next steps, we don't ask Sacramento or DC – we ask the local regions, we ask the people.

Actions / Goal Matrix

GOAL	Implemented	Background
STATE INSTITUTIONAL REFORM		
1. Create Consolidated "one-stop" for jobs and competitiveness	Yes	Creation of Governor's Office of Business and Economic Development (GO-Biz).
2. Create statewide and sector based advisory panels	No	
3. Receive report of Regulatory Reform Working Group	Partially	Continual reporting from the Action Teams of the California Economic Summit
4. Create regulatory strike teams to help solve regulatory issues for businesses	Partially	GO-Biz teams and the California Business Portal
5. Regulatory Reform legislative package	Partially	Senate Bill 743 required the Office of Planning and Research to update the California Environmental Quality Act guidelines relating to transportation projects. Implementation of Senate Bill 617, requires analysis of changes to major regulations by state departments that are estimated to have an economic impact exceeding \$50 million.
6. Government App Development competition	Yes	Assembly Bill 2138 created the Innovation awards — GreenGov challenge
7. Launch Government App Store	Yes	CA Gov mobile app store
8. Annual Agenda Summit Review	Yes	First Annual California Economic Summit launched in 2012
9. Receive report of Measurement and Accountability Action Team	Yes	Continual reporting from the Action Teams of the California Economic Summit
TRADE		
1. Receive report of Trade/Export Action Team	Yes	Continual reporting from the Action Teams of the California Economic Summit
2. Governor and Lt. Governor actively participate in international trade promotion	Yes	Governor visits China and Mexico; Lt. Governor visits South Korea to commemorate trade agreement
3. Re-establish overseas office in China	Yes	Governor visits China and establishes China trade office in Shanghai
4. Re-establish overseas offices in other locations	Partially	AB 2012 authorizes GO-Biz to develop international trade and investment policy
5. Create CA Metropolitan Regional Export Initiative	Partially	Brookings Metropolitan Export Initiative plans for individual cities: Los Angeles, San Diego
6. Matching Fund Program for more export initiatives	Partially	Planning and implementation continues for LA, SD, Sacramento, Fresno via a partnership with Brookings and JPMorgan Chase — Global Cities Initiative: the Exchange
7. Dedicated State Action Team focused on exports and foreign direct investment	Partially	International Affairs and Business Development at GO-Biz
8. State-led SBA application for regional export plans	No	
9. Legislative Budget Regulatory reform package	No	
INNOVATION		
1. Create Innovation Action Teams comprised of representatives from higher education institutions, businesses and capital providers that will report on potential models of commercialization to leverage university patent leadership	Partially	UC Proof of Concept Program; NewCo approved at UCLA to develop non-profit entity for IP management
2. Develop funding and policy recommendations from the Innovation Action Teams	No	
3. Launch "Startup California" initiative	No	Blackstone LaunchPad initiative in 2015 on campuses of UCLA, UC Irvine, and USC.
4. Expand partnership between California Small Business Development Centers and CSU to include UC	No	
5. Seek Federal Patent Office	Yes	Lt. Governor's Office helped support statewide coordinated effort to land a patent office in Silicon Valley
6. Introduce and adopt legislative tax incentive reform package	Yes	Governor's 2013 Economic Development Initiative

GOAL	Implemented	Background
MANUFACTURING		
1. Receive report of Manufacturing Action Team	Yes	Joint Hearing held on March 21, 2012 with Senate Energy and Senate Governance and Finance Committees entitled, "The Role of Advanced Manufacturing in California's Economic Future" discussed National plan for manufacturing growth. Advanced Manufacturing Summit on March 27, 2013.
2. Develop and implement non-statutory reforms to expedite manufacturing growth	Partially	Investing in Manufacturing Communities Partnership designations for both Southern California and Central Valley. California also received National Network for Manufacturing Innovation award of \$75 million to the FlexTech Alliance.
3. Develop, introduce and adopt statutory reforms to expedite manufacturing growth	Yes	Governor's 2013 Econ Development Initiative; SB 1128 expands sales and use tax exemption (until July 1, 2016) under CAEATFA to include advanced manufacturing; SB-12 program created under GO-Biz creates the "Made in California" label to capitalize on state's reputation and to ensure consumers recognize California's high-quality products.
WORKFORCE DEVELOPMENT ALIGNMENT		
1. Receive report of Higher Education Working Group on Access and Affordability	No	
2. Receive report of Workforce alignment restructuring proposals	Yes	
3. Develop statutory or ballot proposal for stabilization of higher education funding	Partially	2015–16 Governor's Budget
4. Education and workforce alignment restructuring proposals	Yes	SB 1070 Career Technical Education Pathways Program extends programs within CCC and work toward regional workforce partnerships. Also, the federal Workforce Innovation and Opportunity Act authorization and pilot programs at the California Workforce Development Board and Community College Systems have continued to work on better aligning education and industry needs.
FEDERAL ADVOCACY		
1. Omnibus tax reform	No	
2. Federal Research and Development Tax Credit Renewal	Yes	California pushed for the tax credit renewal
3. Trade and Export Policy	Yes	USA and Republic of Korea Free Trade Agreement (KORUS FTA)
4. Immigration Reform	Partially	Driver's licenses for undocumented immigrants, President Obama's executive efforts

Yes	16	46%
Partially	11	31%
No	8	23%

27 of 35, or, over 75% Implemented or partially implemented

Endnotes

1. California Employment Development Department, Labor Market Info Department.
2. The Economist, May 2009, "California: The ungovernable state."
3. US Department of Commerce, 2014 data released July 2015.
4. Assembly Bill No. 2012, Chapter 294, Session year 2011–12, John A. Pérez.
5. San Jose Mercury News, September 2015, "Samsung complex highlights North San Jose transformation."
6. Office of the US Trade Representative, 2012, "Economic Value of the US-Korea Trade Agreement."
7. National Association of Manufacturers, February 2015, "California Manufacturing Facts."
8. California Employment Development Department, Labor Market Information.
9. US Economic Development Administration Press Release, "U.S. Secretary of Commerce Penny Pritzker Announces Designation of First 12 Manufacturing Communities Through the Investing in Manufacturing Communities Partnership Program," May 28, 2014.
10. White House, Office of the Press Secretary, Press Release, August 2015, "FACT SHEET: Obama Administration Announces New Flexible Hybrid Electronics Manufacturing Innovation Hub in San Jose, CA."
11. Office of Governor Brown, Press Release, July 2013, "Governor Brown signs legislation in San Diego to help create jobs, grow economy."
12. San Jose Mercury News, October, 15, 2015, "San Jose: U.S. Satellite Patent Office opens."
13. CBS News, February 2009, "Ireland's Silicon Bog."
14. Pricewaterhouse Coopers, July 2015, "MoneyTree™ Report: Q2 2015"
15. Pacific Gas and Electric Company, September 2012, "California breaks through in solar energy production."
16. Reuters, May 2012, "Germany sets new solar power record, institute says."
17. Contra Costa Times, January 2016, "Oakland Mayor Libby Schaaf unveils plan to triple the number of college graduates."
18. White House, Office of the Press Secretary, Press Release, March 2016, "FACT SHEET: White House Announces Doubling of TechHire Communities, and New Steps to Give More Students and Workers Tech Skills to Fuel the Next Generation of American Innovation"
19. Education Week, January 26, 2016, "Corrections to Quality Counts 2016"
20. Department of Finance, Press Release, January 2013, "New Population Projections: California to Surpass 50 Million in 2049."
21. Christian Science Monitor, July 2013, "Minority children will be core of nation's workforce, tax base."
22. Public Policy Institute of California, August 2013, "Poverty in California."
23. American Society for Civil Engineers, 2013, "2012 Infrastructure Report Card: California"
24. Department of Finance, 2016, "California's Five-Year Infrastructure Plan 2016"
25. Nicholas Berggruen Institute, 2011, "A Blueprint to Renew California"
26. Department of Finance, Press Release, January 2013, "New Population Projections: California to Surpass 50 Million in 2049"
27. California Forward, July 2012, "2012 Summit Action Plan"
28. Office of Governor Brown, 2012, "Government Reorganization Plan"
29. California Department of Finance, "2016–2017 Proposed Budget."
30. California Association of Realtors, Historical Housing Data, retrieved October 15, 2015
31. Legislative Analyst's Office, July 1, 2015, "2014 GDP: California Ranks 7th or 8th in the World."
32. TechCrunch, March 2016, "Americans think most human jobs could be automated by 2065, finds Pew."

