

CENTRAL SAN JOAQUIN REGIONAL ECONOMIC VITALITY CONVERSATION

convened by
California Center for Regional Leadership
Fresno Collaborative Regional Initiative
California Central Valley EDC

on behalf of
Governor Schwarzenegger's Cabinet



CALIFORNIA CENTER FOR
REGIONAL LEADERSHIP



Fresno Area Collaborative
Regional Initiative



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ECONOMIC VITALITY CONVERSATION

January 6, 2004 State of the State Address: *"We must restore the state's business climate. Creating and retaining jobs - and the businesses that provide them - must be a priority of this Legislature. Jobs provide a solid foundation for families. Jobs add revenues to the state budget. Jobs give stability to our society. Jobs. Jobs. Jobs. The more jobs the better.* -- **Governor Schwarzenegger**

Barry Sedlik

Undersecretary

Business, Transportation & Housing

The Governor and his Cabinet are reaching out to solicit the very best ideas on how state government can support economic vitality and global competitiveness. Because California is a state of regional economies, the Administration has sought guidance from regional business, labor, civic, and community leaders through a dozen Regional Economic Vitality Conversations. Building and sustaining strong economies is a shared responsibility and requires a true partnership between the state, regional economic leaders, and local government. We look forward to working together toward our common goals.

Nick Bollman

President & CEO

CA Center for Regional Leadership

We are pleased to join Secretary Bradshaw and the Cabinet in sponsoring these Conversations. This is one of a dozen such Conversations we hosted across the state during 2004. They are not only historic in the extent of outreach to develop new strategies for economic success, but are also a testimonial to this Governor's commitment to engaging Californians in active partnership with their state government.

Bev Alexander

Vice President, Customer Satisfaction
Pacific Gas and Electric Company

PG&E applauds the Schwarzenegger Administration for reaching out to business and civic leaders for ways to rapidly improve California's business climate and ensure a prosperous future for all Californians. PG&E is committed to supporting this effort because we are fundamentally "place-based." We live, work and invest in the communities we serve; our futures are inextricably intertwined.

The current business climate has affected virtually all of California's employers in one way or another. We look forward to continuing to work with the Cabinet and the program participants to renew and improve California's economic health.

Ashley Swearingin

Chief Executive Officer
Fresno Area CRI

The Central Valley Economic Vitality Conversation was a great experience for our region. First of all, it required business and community leaders from a large, four-county area to come into unity on some of the things that are most important to our region. Second, it started an exchange with state representatives that is still continuing today. Some very positive initiatives are moving forward as a result.

CENTRAL SAN JOAQUIN

The California Center for Regional Leadership and our partners conducted a series of Regional Economic Vitality Conversations around the state with representatives from Governor Schwarzenegger's Administration and a diverse group of regional business and civic leaders. The intent of these meetings is to solicit and discuss ideas on how the state government can help stimulate and sustain economic growth in California's regions -- ideas that will then be brought for consideration to the Governor and his Cabinet. The following represents a summary of comments from the Central San Joaquin region event, organized by key questions posed to participants.

What State actions will have the most immediate positive impact on California's economic recovery?

Improve California's Business Climate

- Develop a concrete short-term plan for improving California's business climate and a multi-year vision for improving business prosperity; market the plan as a package and aggressively sell it both within and beyond the U.S. as a means of retaining and attracting businesses.
- Re-visit worker's compensation reform, especially the link with rising health care costs and the abuse of "free" emergency room care.
- Allow for the development of more geographically tailored prevailing wage schedules that reflect local conditions.
- Implement tort reform to reduce frivolous lawsuits and lower liability insurance costs for businesses.

Pursue Strategic Tax Initiatives and Business Incentive Policies

- Reform the state-local fiscal relationship by returning more property taxes to local governments and reducing their reliance on the sales tax. This will reduce competition among neighboring jurisdictions for retail and allow for more cooperative regional planning.



ECONOMIC VITALITY CONVERSATION

Improve California's Business Climate



- Grant enterprise zone status automatically for any area that exceeds 12 percent unemployment for three years (as many Central Valley areas have). Allow such areas to remain enterprise zones until unemployment falls below eight percent, and then remove the associated benefits gradually.
- Provide incentives, perhaps in the form of training dollars, for businesses to hire locally.

- Consider offering tax incentives for businesses that export their products out of state, particularly in manufacturing and agriculture.

Streamline Government and Reduce Regulation

- Shift the culture and mind-set of state government from “regulating customers” to “serving customers.”
- Move forward with the California Performance Review’s recommendation to eliminate various boards and commissions.
- Re-visit existing regulations to determine whether their goals can be achieved in ways that are less costly to businesses.
- Address confusion surrounding air and water quality regulations as they relate to the agriculture and dairy industries. Current rules are convoluted, making it extremely difficult for businesses to comply.
- Reduce the regulated minimum price that dairy processing plants must pay into the state milk pool. Without this reduction, the state’s dairy processing capacity will shrink and the dairy industry will suffer. Consider deregulating the dairy industry entirely to allow it to thrive nationally and internationally.
- Give local government greater control over regulating businesses.
- Align overtime rules with other states.



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Reduce Energy Costs



- Provide tax credits to households and businesses for energy conservation and the use of renewable/alternative energy sources.
- Ensure that Community Choice Aggregation (CCA) is preserved as an option for providing energy under rulemaking currently in progress at the PUC.

What State actions will result in the most significant long-term improvement to California's economic competitiveness and comparative advantage?

Comprehensively Address Severe Economic and Social Conditions

- Recognize the long-term structural condition of the San Joaquin Valley's underdevelopment and its impact on the overall economic vitality of the State.
- Create a state interagency task force to partner with the Federal Interagency Task Force for the Economic Recovery of the San Joaquin Valley, with Valley legislators and local leaders to provide a sustained and comprehensive focus on the region's needs.
- Support key Valley initiatives (see sections below for specifics).

Invest in Education and Workforce Development

- Fund vocational education at the middle and high school levels. The current emphasis on trying to steer all students toward a four-year degree is misguided and sets up students who might excel in a vocational program for failure. Support entrepreneurship training.
- Eliminate the categorical funding system for schools and instead provide flexible block grants that can be spent on locally defined needs.
- Ensure that schools are training graduates to match the needs of growth industries.



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Invest in Education and Workforce Development, Cont'd



- Give local workforce investment boards (WIBs) greater control over workforce development funds to tailor programs to the needs of growing local industries.
 - Provide financial support for research and development at the university level, leading to business and job creation.
 - Increase state support for higher education.
- Expand advanced degree opportunities at public universities in the Central Valley, including opening a UC medical school and research center and authorizing CSUs to offer professional and applied doctorates. The lack of options for talented students is causing a “brain drain.”
 - Encourage stronger links between the community college, CSU, and UC systems.
 - Fund summer employment programs for youth.
 - Empower the State Workforce Investment Board to address major policy and program issues.

Invest in Infrastructure

- Increase investment in transportation infrastructure. If transportation infrastructure continues to deteriorate, it will hurt the state’s ability to attract private investment.
- Require regional infrastructure planning.
- Look to technology as a means to improve infrastructure in a cost-effective manner.
- Allow more private-sector involvement in infrastructure projects, both as a means to expedite projects and as a means to stimulate economic development.
- Advocate at the federal level for an interstate designation for Highway 99.
- Address the issue of inadequate water infrastructure, especially in rural areas.



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Invest in Infrastructure, Cont'd

- Provide jobs-housing balance incentive grants to support the development of infill housing near employment centers.
- Create a regional transportation authority for the Central Valley, with the involvement of the Councils of Government, to generate revenues for transportation funding.
- Establish a San Joaquin Valley Air Quality “Empowerment Zone.”

How do we best structure an effective partnership between the regions and the State around economic strategy?

Play to Strengths and Leverage Existing Partnerships

- Continue the work of the Economic Strategy Panel and its strategic focus on the state’s numerous regional economies.
- Partner with the many local entrepreneurial initiatives that are underway.

Establish Coordinated Region-State Structures

- Pilot the concept of organizing state government around region-specific needs by establishing the State Interagency Task Force for the Economic Recovery of the San Joaquin Valley.
- Ensure that any partnership is built around a solid understanding of the specific needs of each region. There seems to be a tremendous lack of knowledge at the state level about, for example, the pervasive poverty and other negative conditions (low educational attainment, poor air quality, lack of health care access, etc.) in the Central Valley.



- Ensure that state leaders, and especially the Governor, are on board and are willing to listen. Without support from the top, any partnership is destined to fail.
- Partner with the Regional Economic Development Corporations to market California and the regions.
- Make sure board and commission appointments are balanced among all regions.

CENTRAL SAN JOAQUIN REGIONAL ECONOMIC VITALITY CONVERSATION PARTICIPANTS

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