



## Economic Vitality Briefing for Governor Schwarzenegger's Cabinet March 3, 2005

### Digest Notes

#### 1. Welcome and Commitments

On behalf of Governor Schwarzenegger, Cabinet Secretary Terry Tamminen welcomed the regional economic leaders and other participants and thanked them for the report *Innovation, Investment, Collaboration (IIC)*. [See [www.calregions.org](http://www.calregions.org) for an electronic copy of the report]. Tamminen indicated that, based on the report, the Cabinet will work together with CCRL and the regional leaders to develop specific, concrete economic strategies. He also pledged that the Cabinet will use the report to benchmark progress.

#### 2. Economic Vitality Project

Secretary Sunne Wright McPeak (Business, Transportation and Housing Agency) described the overall purpose of the Economic Vitality Project: to gather for the Governor the best ideas for how state government can help support successful regional economies. She described the three statewide Conversations she and other Cabinet members had convened, and expressed her gratitude to CCRL and the regional sponsors for providing an opportunity for Cabinet members to hear directly from a dozen regions through the **Regional Economic Vitality Conversations**. Secretary McPeak presented the Administration's approach to economic strategy, the "Building Block's of California's Comparative Economic Advantage."



### 3. Cabinet Participation

Other Cabinet members and senior staff participating in the Briefing (see [http://www.calregions.org/statepolicy/EVC\\_materials.html](http://www.calregions.org/statepolicy/EVC_materials.html) for the entire participant list):

<b>Fred Aguiar</b>	Secretary, State and Consumer Services Agency
<b>Yolanda Benson</b>	Deputy Secretary, BT&H
<b>Drew Bohan</b>	Deputy Cabinet Secretary, Office of the Governor
<b>Victoria Bradshaw</b>	Secretary, Labor and Workforce Development
<b>Tom Johnson</b>	Secretary, Department of Veteran Affairs
<b>Ed Kawahara</b>	Deputy Director, LWD
<b>Alan Lloyd</b>	Secretary, Environmental Protection Agency
<b>Anne McKinney</b>	Assistant Secretary for Higher Education, OSE
<b>David Nunenkamp</b>	Deputy Secretary, Dept. of Food & Agriculture
<b>Matt Paulin</b>	Department of Finance
<b>Karen Scarborough</b>	Undersecretary, Resources Agency
<b>Barry Sedlik</b>	Undersecretary, BT&H
<b>A.J. Yates</b>	Undersecretary, DFA

### 4. Welcome from the Sacramento Region

**Bill Mueller**, representing Valley Vision, welcomed participants to the Briefing and announced that Valley Vision and partners have begun to follow up their Regional Conversation with a new project, developing a Regional Economic Strategy.

### 5. Regional Economic Vitality Conversations

On behalf of the regions, **CCRL President Nick Bollman** thanked the Governor, Secretary McPeak and other members of the Cabinet for outreach to the regions for policy input. He observed that the breadth of outreach represented by the dozen Regional Economic Vitality Conversations is unprecedented, and that the project exemplifies the Schwarzenegger Administration's intention to include all Californians in the development and execution of state government policy. He also pledged that CCRL and the regional leaders will collaborate with Secretary Tamminen and the Cabinet in further development and implementation of an effective state economic strategy.

He thanked the regional sponsors of the Conversations who brought together key leaders from their regions' business, labor, local government, and community organizations:

- Los Angeles Area Chamber of Commerce
- Tri Valley Business Council, Economic Development Alliance for Business
- Joint Venture Silicon Valley Network, Silicon Valley Manufacturing Group, San Jose/Silicon Valley Chamber
- Bay Area Council, Bay Area Alliance for Sustainable Communities, Bay Area Economic Forum, SAMCEDA
- Business Council of San Joaquin County, San Joaquin Partnership
- Valley Vision, Sacramento Area Commerce and Trade Organization, Sacramento Metropolitan Chamber of Commerce
- Action Pajaro Valley, Central Coast Partnership, Business Councils of Monterey, Santa Cruz, and San Benito Counties
- Fresno Area Collaborative Regional Initiative, California Central Valley EDC
- Orange County Business Council
- San Diego Regional Economic Development Corporation

- **Inland Empire Economic Partnership**
- **Greater Antelope Valley Economic Alliance**

And he thanked the economists who presented at the Regional Conversations the particular characteristics of the state’s diverse regional economies. They are:

- **Jack Kyser**, Senior Vice President & Chief Economist: Los Angeles EDC
- **Christopher Thornberg**, Senior Economist: UCLA Forecast
- **Joe Hurd**, Senior Economist: UCLA Anderson Business Forecast Project
- **Doug Henton**, President: Collaborative Economics
- **Stephen Levy**, Dir. & Sr. Economist: Ctr. for Continuing Study of the CA Economy
- **Michael Locke**, President & CEO: San Joaquin Partnership
- **Robert Fountain**, Director: Sacramento Regional Research Institute
- **Don Perry**, Senior Economist: California Labor & Workforce Dev. Agency
- **John Lehn**, CEO: Kings County Economic Development Corporation
- **Anil Puri**, Dean, College of Business & Economics: CSU Fullerton
- **Marney Cox**, Chief Economist: San Diego Association of Governments
- **John Husing**, Vice President: Economics & Politics, Inc.

Further, he thanked:

- **Pacific Gas and Electric Company** and **Bank of America** for their philanthropic support of this project.
- **CCRL’s staff and consultants: Sarah Henry, Trish Kelly, Seth Miller, Nooshin Navidi, Kala Venugopal and Wallace Walrod** for their excellent staff work on this project.
- **Carol Farris** and other BT&H staff, for their additional support.



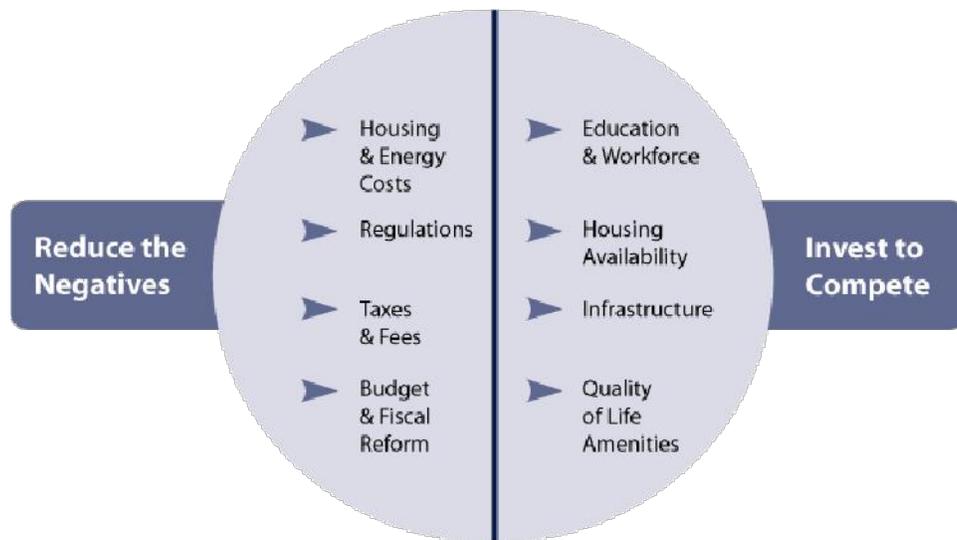
## 6. The “*Innovation, Investment, Collaboration*” Report

Orange County Business Council President Stan Oftelie presented the key themes and recommendations in the IIC report. [See [http://www.calregions.org/statepolicy/EVC\\_materials.html](http://www.calregions.org/statepolicy/EVC_materials.html) for the PowerPoint presentation].

### **California must embrace a “Complete Business Climate” approach**

- California is not a low-cost state and cannot compete by lowering costs alone
- To compete and raise the standard of living, the State needs a “pro-innovation” strategy
- Yield: productivity growth across all industries-- leading to increased investment , return on investment and prosperity
- State’s role:
  - Create fair & balanced regulatory & tax policies
  - Support essential investments in human and physical infrastructure - the key production factors of skilled people, applied research and technology, and livable communities

### **The Complete Business Climate**



## From “Innovation, Investment, Collaboration”

### State policy should be guided by these fundamental principles

- Emphasize and promote the positives - California assets
- Understand fundamental changes in growth and demographics
- Retain and grow current employers as first priority
- Focus strategically on important regional and cross-regional “traded” industry clusters
- Invest in the workforce (short- and long-term)
- Invest in housing, transportation, and other important infrastructure, including quality communities
- Government streamlining : focus on customer service and accountability
- Government innovation: remove barriers to governmental efficiency
- Government stability and sound decisions: solve the structural budget deficit and reform state-local fiscal relationship
- Government alignment: state policies and investments must “fit” regional differences, needs and opportunities

### The state government should take the following specific actions

- **Marketing California**
  - Emphasize the positive: California’s assets
  - Tell the world we’re working to solve problems
  - Focus on existing businesses, especially small businesses - the source of most job creation
  - Attract and retain intellectual assets -- the source of innovation
  - Support and align with local and regional marketing efforts
  - The goal: sustainable industries and good quality jobs and good benefits
- **Critical Industries**
  - Extend and deepen ongoing data/analytic process to identify growing clusters of opportunity
  - Use data to guide state policies and investments
  - Develop an explicit State Research & Development Strategy
  - Promote collaboration with and among research institutions and other innovation partners
  - Reinstate and better target the Manufacturing Investment Tax (MIC) Credit; assess cap on MIC and R&D Tax Credits
- **Education and Workforce Investment**
  - Develop a “seamless” workforce development system, from K-12 to post-doc and lifelong learning
  - Identify critical skills gaps for key industries; target state funds for job and career advancement
  - Promote public-private partnerships to meet industry/worker training needs

## Federal Agenda

- Organize California Congressional Delegation to provide strong leadership and coordinated efforts to obtain California's fair share of funding and appropriate treatment in federal regulations
- In particular, State leaders should work with Delegation to promote federal research funding for California - to leverage our intellectual infrastructure

## 7. Innovation Partnerships: A Key to Success

**Julie Meier Wright, President of San Diego Regional Economic Development Corporation and former Secretary of the California Technology, Trade and Commerce Agency**, led a panel presentation on exemplary innovation partnerships. She emphasized that these kinds of arrangements may also be a model for state interagency cooperation, rather than try to recreate the Technology, Trade and Commerce Agency. The partnerships:

- **Mickey Cafagna:** San Diego Regional Prosperity Index - Competing on the Three E's - Economy, Environment (Place), Equity (People)
- **Judith Kjelstrom:** Economic Opportunity in the Sacramento Region - Biotechnology/Life Sciences and U.C. Davis Partnerships
- **William Berry:** University of California, Santa Cruz and NASA Partnerships - Bio-Info-Nano Research & Development Institute

## 8. Schwarzenegger Cabinet responses and commitments

Members of the Cabinet and other senior staff offered the following:

- Secretary Bradshaw presented the priorities of the Department: basing workforce investment priorities on statewide needs (such as nursing), high-wage, high-growth jobs (to support emerging industry clusters), and entry-level job skills (to help ensure no one is left behind). She also referenced the work of the California Regional Economies Project as consistent with the report recommendations, and indicated that the Governor has just appointed new members of the Economic Strategy Panel, which will be a locus for state engagement on the policy framework recommended by the regions.
- Secretary Aguiar pointed to new entrepreneurship in state government such as in new ways of handling the disposition of surplus property and the siting and design of "green" buildings.
- Secretary Johnson added that there are not enough nursing programs offered across the state in the regions in which the nurses are needed.
- Assistant Secretary McKinney stated that the Office of the Secretary believes that workforce systems, including all the elements of the education systems (K-12 for basic skills; community college and the universities for job-related skills development) need to be market-responsive and to serve their regional economies. Example: Governor's new Career Technology initiative.

- Undersecretary Scarborough indicated that the Resources Agency appreciates the economic need for increasing the supply of housing, and its CEQA improvement project is designed in part to produce policy improvements toward that end (as well as more generic improvements, related to infrastructure and conservation issues, and better planning). The agency is also focused on the sustainability of working landscapes (such as through the Administration’s Ocean Action Plan), and of natural resource lands, such as the conservation of the Hearst Ranch. This has significant economic impacts in ex-urban areas, and parks and open space in cities and metro regions support quality of life and thereby help to retain workers and businesses.
- Undersecretary Yates reminded all of the state’s agricultural industry, as well as related industries (such biotech and tourism).
- Secretary Lloyd pointed out that clean air, water and land are essential for quality of life, and therefore for economic sustainability. He also indicated that in areas of innovative technologies, such as brownfield cleanup, solar power and water conservation, the state should be a global economic leader. Further, to unburden businesses from unnecessary duplication and/or delay, the state must find new, streamlined ways of regulating for environmental protection.
- Secretary McPeak pointed out several actions the Administration has announced or are in development. The three E’s are now rooted in policy, and underlie various implementation strategies. The Cabinet has had an “Anti-Dumb Growth” Working Group, developing an array of proposals to help accommodate population growth and improve the quality of communities. The Governor announced in the State of the State that transportation and housing are top priorities. BT&H is institutionalizing economic outcomes as indicators of success for the expenditure of transportation funds. The Administration is developing a comprehensive set of proposals to increase the availability and affordability of housing, with incentives to locate the housing in places that will increase mobility and improve communities.

## 9. Cabinet and Regional Leaders Discussion

Additional ideas and proposed actions emerged from the ensuing discussion:

- Streamlining regulations is only effective if the changes are communicated out to the economic development/business community in a timely manner.
- Rural issues in California’s diverse rural regions require special understanding and targeted strategies, and winning strategies should focus on new, entrepreneurial strategies, beyond traditional resource strategies.

[NB: Nick Bollman indicated that the Cabinet and CCRL, with the support of The California Endowment and the Humboldt Area Foundation, will be holding a statewide Rural Economic Vitality Conversation in a few weeks. The outcomes of this EVC will be brought into the Project’s follow up with the Cabinet.]

- The state should consider a liaison in the Governor’s office that understands and connects to the state’s economic regions.
- Needed—an ability to connect regions, industry clusters, and interagency collaboration.
- State needs to support partners on the ground to connect with state economic strategy. Particularly important to have a state-level quick-response system, easily identifiable and accessible for regional partners, to avert adverse business decisions.

- Need to promote the state’s regional economies through state-level marketing.
- Need landscape level agricultural and habitat conservation programs to create certainty among property owners and conservationists.
- State-local fiscal reform is essential if local governments are to be able to provide quality services to additional housing and business activity.
- State must foster region-specific strategies by interacting on a cross-agency basis with federal agencies, as demonstrated by interagency efforts in the Central Valley.
- State should support regional governance to solve large-scale problems, such as the issue of airport capacity in the Bay Area, which has three international airports.
- State should focus only on statewide, big picture goals and inert-regional cooperation, and realign other responsibilities to regions and local governments.
- State must measure its progress against explicit goals.

[NB: Nick Bollman called attention to a joint project CCRL has underway with the California Association of Councils of Governments, to produce a region-based, statewide indicators project to assess progress across economic, social and environmental measures.]

## **9. Economic Leadership Network**

Participants called attention to the need to systematize communications and action partnerships between state agencies and the regions, through an idea identified in the IIC report, the Economic Leadership Network. It was strongly suggested that this not duplicate but add value to existing efforts.

## **10. Next Steps**

Nick Bollman pledged to follow up to Cabinet Secretary Tamminen’s offer to work together to develop action plans and benchmarks for progress. CCRL will work with him and the Cabinet and regional leaders to carry this important work forward. For further information, see [www.calregions.org](http://www.calregions.org) or get in touch with [ccrl@ccrl.org](mailto:ccrl@ccrl.org).