

CITY OF YUBA CITY
STAFF REPORT

Date: April 10, 2018
To: Honorable Mayor & Members of the City Council
From: Administration
Presentation By: Darin E. Gale, Economic Growth & Public Affairs

Summary

Subject: Greater Sacramento Economic Development Legislation
Recommendation: A. Adopt a Resolution supporting AB 2596
B. Authorize the Mayor to sign a letter of support for AB 2596
Fiscal Impact: None.

Purpose:

To improve the State's Economic Development efforts through the establishment of an economic development strategy

Background:

AB 2596 was introduced by the Greater Sacramento Economic Council, which Yuba City a member, to establish an economic development strategy for the State. A similar bill to AB 2596 was passed early in Governor Brown's tenure as Governor and he vetoed the bill and stated it was not necessary and that the Governor's Economic Development Office would draft such a document. To date they have not drafted that document.

Fiscal Impact:

None.

Alternatives:

1. Do not support AB 2596

Recommendation:

Adopt a Resolution and authorize the Mayor to sign a letter of support for AB 2596

Attachments

1. Resolution
2. AB 2596
3. AB 2596 Background Information

Prepared By:

/s/ Darin Gale

Darin Gale
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Submitted By:

/s/ Steven C. Kroeger

Steven C. Kroeger
City Manager

ATTACHMENT 1

RESOLUTION NO. ____

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF YUBA CITY
IN SUPPORT OF CALIFORNIA ASSEMBLY BILL 2596**

WHEREAS, the City of Yuba City has joined into a partnership with the Greater Sacramento Economic Council, a public private partnership with 40 CEOs and 19 local jurisdictions in the six-county Capitol Region of California, to drive innovative growth strategies; and

WHEREAS, the City of Yuba City, as part of the Northern California Megaregion, an interconnected marketplace representing nearly one third of the population of California, seeks to strengthen the connectivity between the Bay Area and Capital Region into a single, high-performing economy; and

WHEREAS, the City of Yuba City recognizes that California jobs matter and supports policies to retain employment and businesses in the state instead of losing them to competitive states like Texas, Alabama, and South Carolina; and

WHEREAS, the City of Yuba City seeks to model comprehensive strategies similar to other states like New York, Virginia, and Oregon that have implemented statewide economic development strategies to set statewide economic goals, target key clusters for development, align programs and priorities, evaluate policy outcomes, and prioritize the economic needs unique to regions within the state; and

WHEREAS, the people of City of Yuba City benefit from the creation of market-based strategies that bring greater wealth and inclusion to our economy and that improve economic development programs, policies, and strategic plans within the State of California:

NOW, THEREFORE, BE IT RESOLVED, by the CITY COUNCIL of Yuba City as follows:

That the City of Yuba City supports the California Legislature and Governor's adoption of California Assembly Bill 2596, an act relating to economic development and requiring the Governor's Office of Business and Economic Development to lead the preparation of a California Economic Development Strategic Plan. Adoption of such legislation will allow California to set state-level plans and goals, evaluate and examine economic outcomes, define target industries, and create regional economic development.

The foregoing Resolution of the City Council of the City of Yuba City was duly introduced, passed and adopted at a regular meeting thereof held on the 10th day of April 2018.

AYES:

NOES:

ABSENT:

Preet Didbal, Mayor

ATTEST:

Patricia Buckland, City Clerk

ATTACHMENT 2

ASSEMBLY BILL

No. 2596

**Introduced by Assembly Members Cooley and Kiley
(Coauthor: Assembly Member Cooper)**

February 15, 2018

An act to add Section 12096.35 to the Government Code, relating to economic development.

LEGISLATIVE COUNSEL'S DIGEST

AB 2596, as introduced, Cooley. California Economic Development Strategic Plan.

The Governor's Office of Business and Economic Development serves as the Governor's lead entity for economic strategy and the marketing of California on issues relating to business development, private sector investment, and economic growth. The office, among others, makes recommendations to the Governor and the Legislature regarding policies, programs, and actions to advance statewide economic goals.

This bill would require the office to lead the preparation of a California Economic Development Strategic Plan, as specified.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 12096.35 is added to the Government
- 2 Code, to read:
- 3 12096.35. (a) The office shall lead the preparation of a
- 4 California Economic Development Strategic Plan. In fulfilling this

1 duty, the office shall commission a study that includes, but is not
2 limited to, all of the following:

3 (1) Recommendations regarding an economic development
4 strategic plan for the state, covering a two-year period for the first
5 report and a three-year time period for subsequent reports and
6 containing a statement of economic goals for the state.

7 (2) Governmental and nongovernmental impediments to
8 economic development and a list of legislative, regulatory, and
9 administrative reforms necessary to ease those impediments and
10 improvements to the business climate and economy of the state.

11 (3) An evaluation of the effectiveness of the state's economic
12 development programs.

13 (4) A list of key industries in which the state shall focus its
14 economic development efforts, and strategies to foster job growth
15 and economic development covering all state agencies, offices,
16 boards, and commissions that have economic development
17 responsibilities.

18 (5) An evaluation of proposals, policies, and goals developed
19 at the regional level.

20 (6) Strengths and weaknesses of the California economy and
21 the state's prospects for future economic prosperity.

22 (7) Existing, emerging, and declining industries in California
23 and elsewhere.

24 (8) Effectiveness of California's economic development
25 programs in creating and retaining jobs and attracting industries.

26 (9) Adequacy of state and local physical and economic
27 infrastructure.

28 (10) Opportunities to leverage federal resources for state
29 priorities.

30 (11) Tactics for attracting private capital to the state and
31 investment in state priority areas.

32 (b) Upon completion of the study, the office shall convene a
33 stakeholder advisory group consisting of representatives from
34 businesses, labor unions, organizations representing the interests
35 of diverse ethnic and gender groups, local government leaders,
36 academic economists and business professors, chambers of
37 commerce and other business organizations, economic development
38 organizations, economic development groups focusing on regional
39 economies, government agencies, and key industries to assist with

1 evaluating and preparing the California Economic Development
2 Strategic Plan.

3 (c) The office shall submit a report of its findings and
4 recommendations regarding subdivision (a) to the Governor and
5 the Legislature no later than one year after its first meeting after
6 January 1, 2019, and every three years following that date. The
7 report shall be submitted to the Legislature in the manner required
8 pursuant to Section 9795.

9 (d) The office shall electronically deliver copies of the
10 recommended California Economic Development Strategic Plan
11 to every constitutional officer, legislator, member of the Governor's
12 cabinet, and every state agency, office, board, and commission
13 having economic development responsibilities.

14 (e) In fulfilling the requirements of this section, the office may
15 utilize portions of previous studies that satisfy the requirements
16 of subdivision (a) to the extent feasible and relevant.

17 (f) The California Economic Development Strategic Plan may
18 be funded in whole or in part by nonstate funds.

19 (1) The Governor's Office of Business and Economic
20 Development may accept nonstate moneys, including, but not
21 limited to, federal and private sector funds, for the purposes of
22 developing the California Economic Development Strategic Plan.
23 A donor shall not donate more than 25 percent of funding for the
24 California Economic Development Strategic Plan. The private
25 sector moneys shall be deposited in the California Economic
26 Development Fund.

27 (2) For each donation that it receives to fund the California
28 Economic Development Strategic Plan for this purpose, the
29 Governor's Office of Business and Economic Development shall
30 post a report on its Internet Web site within 30 days of receiving
31 that donation. The report shall contain all of the following
32 information: name and address of the donor, amount of the
33 donation, and the date the donation was made.

ATTACHMENT 3



GREATER SACRAMENTO ECONOMIC COUNCIL

California's Need for a Statewide Economic Development Strategy

Greater Sacramento Economic Council

March 2018

As a whole, California shows incredible economic strength

California's economy is a global leader. The state has the 6th largest economy in the world and is the international front-runner for innovation and entrepreneurship.¹ Over the last five years, the state has seen a five percent gain in productivity, exceeding the nation's 3.6%.² California is also the most profitable state for business. Its 53 Fortune 500 companies earned \$209 billion in profits, accounting for 22% of all Fortune 500 company profits.³ Over 2017, California as a state added 342,500 jobs, a two percent growth in employment.⁴ The state has proven itself as a hotbed for innovation and productivity, ranking among the best in the nation and world.

These strengths are not equitably shared across the state

Despite these positive signs, California has a national reputation for its business environment. For the past three years, CNBC ranked California 49th for cost of doing business and last place for business friendliness.⁵ Moreover, the state's successes have not permeated through its regions. California ranks 7th in income inequality, where the top one percent of earners take home over 22% of all income generated in the state.⁶ Nearly 20% of Californians live in poverty, with 5.5% (2.1 million) residents living with income less than half the poverty threshold.⁷ Looking ahead, by 2030, California will have a shortage of 1.1 million bachelor degree holders.⁸ With the state ranking 47th in its share of high school graduates moving forward to university enrollment, Californians are less prepared to take advantage of and share in the economic successes in the state.⁹ The state's economic successes are not inclusionary and many are being left behind.

California needs an inclusive growth strategy

A comprehensive strategy for continued economic growth is crucial for California. Historically, states with integrated economic development efforts on regional economies and industry clusters tend to have greater business formation rates, fewer bankruptcies, quicker adoption of technology, increased manufacturing competitiveness, and better long-term growth for target industries.^{10,11} A strategy that focuses on key industries and regional needs will help maintain the economic success California has enjoyed.

Moreover, a statewide strategy can help grow the economy for everyone. In the short term, growth exacerbates income and wealth inequality, a trend apparent in the state. However, over the long term, places with the least inequality see the greatest overall gains in wealth.¹² When state-level economic development policies are successfully implemented, the increase in earnings to state residents makes up 70% of the total economic benefits.¹³ A strategy that fosters industry cluster, job, and entrepreneurial growth in disinvested places and populations can drive new economic opportunities and alleviate poverty.¹⁴

Support for Assembly Bill 2596

Proposed AB 2596 will help California sustain and amplify its economic success through its four major requirements:

- **Set state-level plans and goals.** AB 2596 requires regular three-year outlooks on economic development strategy (after an initial two-year plan) and a statement of economic goals for the state. Creating



GREATER SACRAMENTO
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strategic planning efforts with specific, measurable action plans will maximize the state's financial and local resources.

- **Evaluate and examine results.** AB 2596 requires evaluation of the effectiveness of the state's programs in creating/retaining jobs and attracting industries. Regular evaluations of results initiate collaborative discussions about incentives, leading to more efficient and effective programs.
- **Define target industries.** AB 2596 requires a list of key industries around which the state should focus its economic development efforts. Focusing on industrial niches or clusters that build upon existing regional natural resources or industrial capabilities grants a competitive advantage in regional, national, and global markets.
- **Create regional economic development.** AB 2596 requires the evaluation of proposals, policies, and goals developed at the regional level. Focusing on the needs of each region specifically allows state agencies to strategically allocate resources to produce the most economic growth.

¹ Startup Genome, "Global Startup Ecosystem Report 2017."

² Fortune, 2017.

³ Fortune, 2017.

⁴ Bureau of Labor Statistics, "State Employment and Unemployment," December 2017.

⁵ CNBC's America's Top States for Business, 2015, 2016, 2017.

⁶ Economic Policy Institute, "Income Inequality in California," 2016.

⁷ Stanford Center on Poverty and Inequality, October 2017.

⁸ Public Policy Institute of California, "Addressing California's Skills Gap," 2017.

⁹ Public Policy Institute of California, "Addressing California's Skills Gap," 2017.

¹⁰ Napolitano et al., "White paper on Assembly Bill 899 Regional Collaboratives," 1997.

¹¹ California Research Bureau, "Funding Regional Collaboratives and Their Effect on Economic Development," 1996.

¹² Federal Research Bank of Philadelphia, "Transformative Economies," October 2017.

¹³ Upjohn Institute for Employment Research, "What Works in State Economic Development?" 2009.

¹⁴ Federal Research Bank of Philadelphia, "Transformative Economies," October 2017.