Equitable Economic Development across California

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Milton Marks Commission on California State Government Organization and Economy

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Dedicated to Promoting Economy and Efficiency in California State Government

The Little Hoover Commission, formally known as the Milton Marks "Little Hoover" Commission on California State Government Organization and Economy, is an independent state oversight agency.

By statute, the Commission is a bipartisan board composed of five public members appointed by the governor, four public members appointed by the Legislature, two senators and two assemblymembers.

In creating the Commission in 1962, the Legislature declared its purpose:

...to secure assistance for the Governor and itself in promoting economy, efficiency and improved services in the transaction of the public business in the various departments, agencies and instrumentalities of the executive branch of the state government, and in making the operation of all state departments, agencies and instrumentalities, and all expenditures of public funds, more directly responsive to the wishes of the people as expressed by their elected representatives...

The Commission fulfills this charge by listening to the public, consulting with the experts and conferring with the wise. In the course of its investigations, the Commission typically empanels advisory committees, conducts public hearings and visits government operations in action.

Its conclusions are submitted to the Governor and the Legislature for their consideration. Recommendations often take the form of legislation, which the Commission supports through the legislative process.

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November 17, 2022

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Governor of California

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The Honorable Anthony Rendon
Speaker of the Assembly
and members of the Assembly

The Honorable James Gallagher
Assembly Minority Leader

DEAR GOVERNOR AND MEMBERS OF THE LEGISLATURE:

In the spring of 2022, the Little Hoover Commission launched a study to review California's efforts to foster inclusive and sustainable regional growth. The following report details our findings and recommendations for lifting up the state's less prosperous regions.

The Commission found that over recent decades, California's coastal cities have surged ahead while benefiting from the emergence of a globalized, technology-driven economy. Meanwhile, the state's inland and rural regions—with less economic diversity and exposure to knowledge-based industries—have fallen behind. The Commission learned that California faces regional disparities in income, employment, and education attainment.

In its report, the Commission identifies key steps that California can take to support inclusive regional economic growth and reduce regional economic disparities. Governor Newsom and the Legislature have taken notable steps in bolstering inclusive regional economic development, including through their $600 million investment in the new Community Economic Resilience Fund (CERF), which aims to support regional collaboratives as they work to develop and implement inclusive development strategies. However, CERF faces challenges with respect to scale, coordination, and balancing priorities that threaten its ability to significantly impact regional economies. To catalyze and sustain inclusive regional economic development, the Commission recommends that California prioritize resources for more disadvantaged regions and subregions, align funding and programs to facilitate regional development strategies, invest in regional capacity building, and ensure that regions balance the goals of growth and inclusion.

The state's investment in CERF—along with an unprecedented influx of state and federal funding—provides a critical opportunity to make substantial progress in tackling California's regional disparities. The Commission respectfully submits this work and stands prepared to help you take on this challenge.

Sincerely,

Pedro Nava, Chair
Little Hoover Commission

Executive Summary

California's is a story of two economies. Over recent decades, the economic trajectory of coastal metropolitan areas has diverged dramatically from that of inland and rural parts of the state. As the knowledge-based economies of California's coastal metropolises surged forward, much of California was, in relative terms, left behind.

Today, significant disparities in income, employment, and educational attainment distinguish inland and rural California from the state's coastal metropolises.

In many parts of California, providing more inclusive opportunity will require identifying and supporting new drivers for economic growth and for the creation of quality jobs. Economic growth and job creation are not sufficient in themselves to address longstanding economic and racial inequities; they are, however, a necessary precondition for achieving more equitably shared prosperity.

Inclusive Regional Economic Development

In order to reduce regional economic disparities, less prosperous regions need inclusive economic development—they need both sustainable economic growth and greater economic inclusion.

Regions can encourage economic development by building on regional strengths, supporting traded sectors (those that sell goods and services outside the region), fostering innovation, encouraging talent development, and developing public-private partnerships that move existing industries up the value chain and advance emerging economic opportunities.

Regions can also ensure that economic growth benefits disinvested communities by addressing barriers to opportunity, investing in community development, and working with organizations that can help create pathways to training and employment in quality jobs.

Inclusive Regional Economic Development Initiatives in California

In recent years, stakeholder coalitions around California have launched initiatives, like DRIVE in Fresno and IEGO in the Inland Empire, that aim to promote more inclusive regional economic development.

These initiatives reveal critical elements for building and sustaining cross-sector regional coalitions and for developing and advancing shared development agendas.

- *Data:* Data is essential for identifying the specific challenges facing regional economies, determining which sectors provide the best prospects for creating quality jobs, and establishing concrete goals around which to align stakeholders.
- *Leadership:* Regional development initiatives require leaders who are willing and able to do the work of establishing and maintaining trusted relationships, resolving conflicts, and keeping disparate stakeholders moving in a common direction.
- *Building an Inclusive Table:* Inclusive regional development depends on convening a variety of stakeholders around a single table. An inclusive process that incorporates both community groups and institutional stakeholders into the decision making process can be crucial for bringing these different interests together.
- *Trust Building:* At the core of inclusive development initiatives lies the difficult work of building trust and common purpose among potentially competing stakeholders. Regional development strategies need to provide opportunity and space for interests to overcome distrust and arrive at better understanding.

State Initiatives

In conjunction with regional initiatives, the State of California is beginning for the first time to address regional economic development in a consistent and comprehensive manner. The Regions Rise Together initiative aimed to support regional economic planning in parts of the state that have not shared in the prosperity of California's coastal cities. With the new Community Economic Resilience Fund (CERF), state government is now poised to invest $600 million statewide in support of regional collaboratives that will develop and implement inclusive development strategies.

Nevertheless, CERF faces several significant challenges that may limit its ability to advance regional economies.

- *Balancing Priorities:* CERF commendably encourages regional development that balances economic growth, social equity, and environmental sustainability. Yet the program also encompasses a broad range of desired outcomes, without establishing clear precedence among its various goals. The risk is that when everything is a priority, nothing is.
- *Scale:* CERF is a four-year, $600 million program. Although this represents a significant investment in regional economies, it is only a drop in the bucket compared to the investment required to bend regional economic trajectories. Lifting up the economies of less prosperous regions will likely require billions in funding over decades.
- *Coordination:* Recent budgets include over $10 billion in one-time and continuing funding that can support regional development projects. This funding, however, is spread across 65 programs and investments and across 21 departments and agencies—with different requirements, regulatory frameworks, and administrative processes.

Committing to Equitable Regional Economic Development

Advancing the economies of less prosperous regions will require greater state leadership, long-term support for regional development, and more coordination of existing resources. California cannot expect regions to do all the work of aligning funding and coordinating programmatic and regulatory requirements. State government needs to direct resources to regions that need them the most, invest in regional capacity, facilitate regional development strategies, and ensure that regions balance the goals of growth and inclusion.

Recommendations

Recommendation 1: The Governor, Legislature, and relevant state agencies should prioritize historically disadvantaged regions for funding within CERF and related programs.

Recommendation 2: Policymakers should provide greater strategic clarity to CERF by focusing the program more clearly on the creation of quality jobs in sustainable industries with high growth potential and on connecting members of disadvantaged communities with the quality jobs created.

Recommendation 3: State government should strongly encourage and support regional investment in traded sectors. Traded sectors drive regional growth. State government needs to encourage regions to focus their strategies specifically on these sectors.

Recommendation 4: The Governor should further create a single, senior point of leadership for regional economic development, and the Governor, Legislature, and state agencies should further coordinate state funding and programs in support of regional economic development strategies.

Recommendation 5: California should build regional capacity to pursue inclusive regional economic development by dedicating ongoing funding for regional collaboratives and planning for how to structure and sustain regional collaboration after the end of CERF.

Recommendation 6: The Legislature should allocate ongoing funding to better enable colleges and universities to act as leaders in regional economic development and improve alignment with regional economies.

Recommendation 7: State policymakers should institutionalize the regular reporting of metrics relating to the health of regional economies and the extent of regional economic disparities.

Introduction

If the San Francisco Bay Area were its own state, it would have the highest per capita income in the United States. If the San Joaquin Valley were its own state, its per capita income would be among the lowest.[1] This is a point that state leaders and observers have repeatedly made in the past decade.[2] It nevertheless bears repeating. California is home to some of the most prosperous, most innovative places in the United States. It is also home to cities and regions that feature rates of unemployment that are among the highest in the country and where incomes significantly lag national averages.

Regional disparities exist, of course, alongside significant statewide inequality. Economic disparities within regions, moreover, are larger than those between regions. Yet addressing statewide challenges of economic and racial inequality requires attention to the regional dimensions of economic opportunity. Although regions across the state have difficulty connecting disadvantaged communities with opportunity, it is harder still in regions that struggle to produce well-paying jobs. For this reason, California needs more equitable growth among regions, as well as within regions.

In recent years, state and regional leaders have directed attention to economic divergence among California's constituent regions. They have highlighted and sought to address growing disparities in income, employment, and opportunity between coastal metropolises and inland and more rural regions. Governor Gavin Newsom's Regions Rise Together initiative aimed to support regional economic development planning in parts of the state that have not shared in the prosperity of California's coastal cities. Meanwhile, regional initiatives have begun to chart a path toward more inclusive economic growth in parts of California that have, by some measures, lagged economically in recent decades. Fresno DRIVE, the Inland Economic Growth and Opportunity (IEGO) initiative in the Inland Empire, and other initiatives represent cross-sector coalitions that are working to identify opportunities to advance regional economies equitably.

With the new Community Economic Resilience Fund (CERF), California is poised—for the first time—to provide substantial state support for inclusive regional economic planning and for regional economic development. CERF offers the opportunity to build on existing initiatives and catalyze more inclusive and sustainable growth. Yet experience illustrates that regional development requires time, resources, and strategic clarity. Advancing the economies of less prosperous regions will require long-term support, more coordination of existing resources, and greater state leadership and facilitation.

This report examines the challenge of promoting more equitable economic development across California. It looks at how state government can promote economic development in regions that have been "left behind" by the advance of California's knowledge- and technology-based economy and do so in a way that promotes inclusive growth within those regions. Ambitious new state programs and initiatives, together with an unprecedented availability of state and federal funding, provide a pathway toward addressing regional inequalities. Successfully implementing development strategies, much less scaling them to the point where they will meaningfully change regional economies, will require strong governance and ongoing commitment at both the state and regional levels. This report considers how state government can better provide the leadership and coordination required to support inclusive regional economic development. Although the report especially focuses on the San Joaquin Valley and Inland Empire, the Commission believes that the findings and recommendations will generally be applicable to other inland and rural regions, including the Redwood Coast, North State, Salinas Valley, and Imperial Valley.

I. California's Regional Economic Disparities

California's is a story of two economies.[3]

California possesses the world's fifth largest economy; it is a powerhouse of innovation and birthplace to world-leading enterprises. The state is home to Silicon Valley and Hollywood. California's manufacturing sector leads all other states in output and employment, while venture capital investments in California far exceed those in any other state.[4] California is also home to scientists and researchers working on the frontiers of invention, whether it be the next generation of battery technology or the future of space travel. Underlying these successes are California's world-class university systems and strong state support for innovation, research, and development.[5]

Yet this portrait of pathbreaking economic success is a story largely based on California's coastal metropolises. California's inland and more rural regions have less exposure to the knowledge and technology industries that have powered California's economy over the past decades.[6] Their economies are less diversified than those of coastal regions and many currently lack the economic drivers to create quality jobs at scale for residents. Inland and rural regions are at once most impacted by climate change and environmental pollution and most vulnerable to potential job losses from measures designed to address climate change and improve environmental quality.

Defining 'Region'

This report uses the term region interchangeably to apply both to metropolitan areas (which are defined by the commuting patterns of residents and generally constitute a unified labor market, and which research organizations like the Brookings Institution and Jobs for the Future take as the basis for their analyses of regional economies) and to the specific regional designations instituted for purposes of the CERF program.[7]

Defining 'Equitable Regional Economic Development'

This study understands equitable regional economic development as economic development that encourages inclusive growth among and within regions. It focuses on how California can encourage economic growth in regions that have historically been less prosperous, thereby reducing economic disparities among regions. It further considers how California can promote economic growth that leads to the closing of racial disparities and the creation of greater prosperity within marginalized and disinvested communities.[8]

REGIONAL DISPARITIES

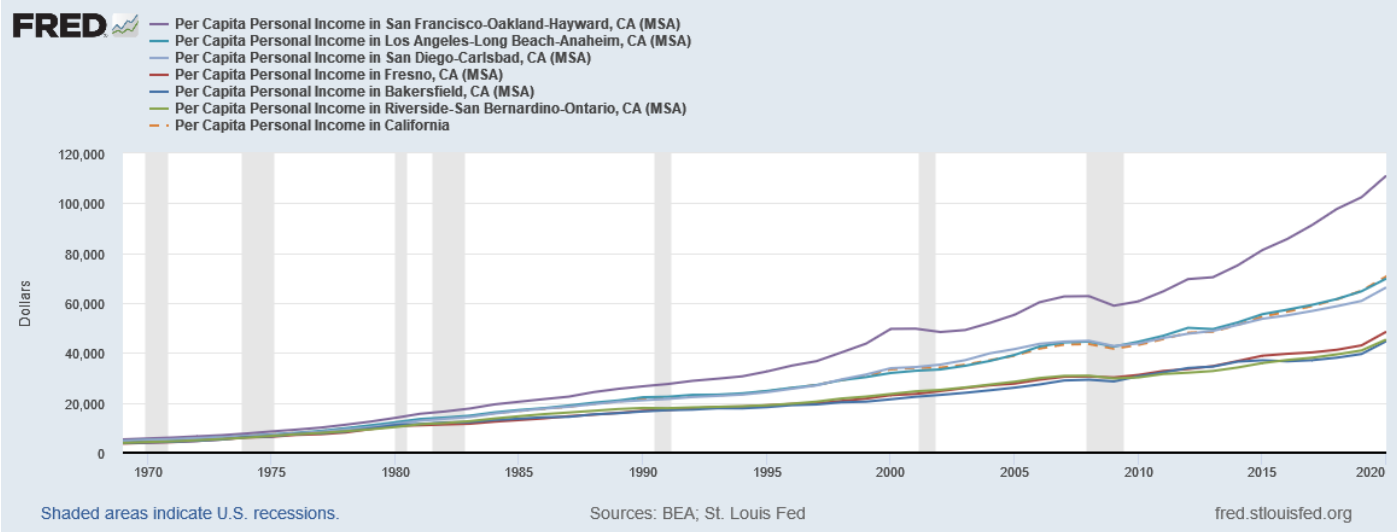
The UC Berkeley economist, Enrico Moretti, observed that, in 1970, the economic prospects for someone born in Menlo Park and someone born in Visalia were approximately the same. Both these communities "had a mix of residents with a wide range of income levels," and the differences in educational attainment between the two were small. Three decades later, residents of these two cities faced dramatically different outlooks. In 2012, when Moretti described the contrasting fates of Menlo Park and Visalia, the average salary in Menlo Park was the second highest in the United States and half of adult residents had a college degree. In comparison, Visalia had the second lowest percentage of college-educated workers in the country and one of the lowest average salaries.[9]

This economic divergence stemmed from large-scale trends in globalization and technological change. These trends have tended to reward those metropolitan areas with strengths in technology and innovation, helping them concentrate investment, high-quality jobs, college-educated talent, and economic dynamism. Meanwhile, these same trends have tended to weigh heavily on other regions, hollowing out middle-skill jobs and leaving those regions struggling to identify industries that can drive economically and environmentally sustainable growth and provide quality jobs.[10]

Over the last few decades, California's coastal metropolises have benefited from the emergence of a globalized, technology-driven economy. Although Silicon Valley epitomizes the 21st-century high-tech economy, other coastal areas have also prospered as centers of innovation, investment, and dense industrial clusters. In 2019, the Brookings Institution identified 20 "superstar metro areas" nationwide that dominate the country's innovation economy and are home to most jobs in innovation industries. Four of these superstar areas were in California: San Jose-Sunnyvale-Santa Clara; San Francisco-Oakland-Hayward; Los Angeles-Long Beach-Anaheim; and San Diego-Carlsbad.[11] Ninety percent of California's technology jobs are in these four metropolitan areas.[12]

Much of California was left behind as coastal cities surged forward. Inland and rural economies have historically been less diversified than those of coastal metropolises. As a result, many parts of California struggled to overcome the post-Cold War decline in defense spending and the subsequent loss of jobs in manufacturing. Job growth has disproportionately concentrated in industries like logistics, agriculture, and retail, industries which tend to provide relatively few quality jobs (in terms of providing a living wage and benefits or opportunity for career advancement).[13] Construction drove growth in some inland areas until the Great Recession, when portions of the San Joaquin Valley and Inland Empire were ground zero for the collapse of the housing bubble. More recently, logistics has propelled job growth in the Inland Empire and San Joaquin Valley, but this sector faces growing community, environmental, and political backlash.[14] Significantly, these inland regions have tended to see significant economic and population growth in recent years, in part because of the arrival of families priced out of coastal areas, but this growth has not translated into shared prosperity.[15]

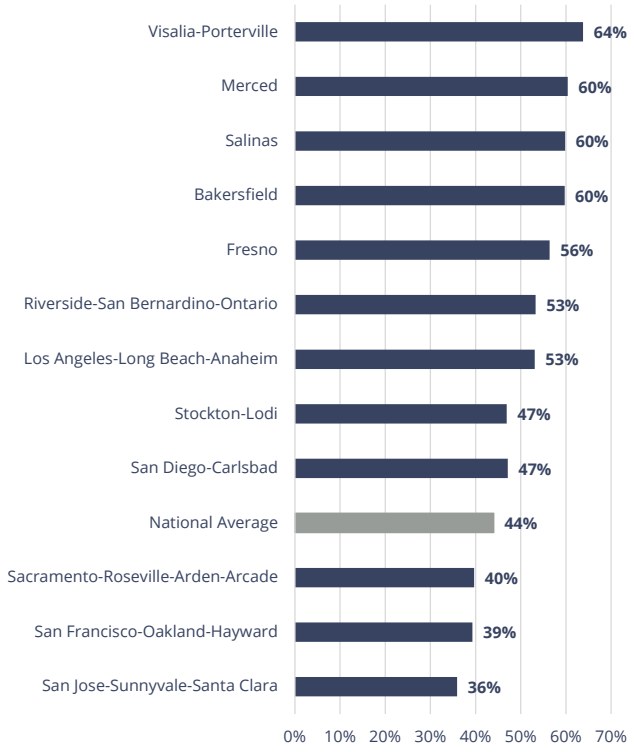
Chart 1: Regional Per Capita Personal Income, 1970-2020



As a result of these contrasting economic trajectories, per capita incomes have diverged dramatically between coastal and inland regions over the past four decades. In 1980, according to data from the federal Bureau of Economic Analysis, per capita personal income in the Fresno and Bakersfield metropolitan areas and in the Inland Empire was approximately 10 percent below the statewide figure and about 25 percent below per capita personal income in the San Francisco metro area. In early 2020, by contrast, per capita personal income in Fresno was about 30 percent below the statewide figure; in Bakersfield and in the Inland Empire, per capita personal income was about 35 percent below the statewide figure. Moreover, per capita personal income in these inland regions was about 60 percent lower than it was in San Francisco metro area (See Chart 1, page 8).

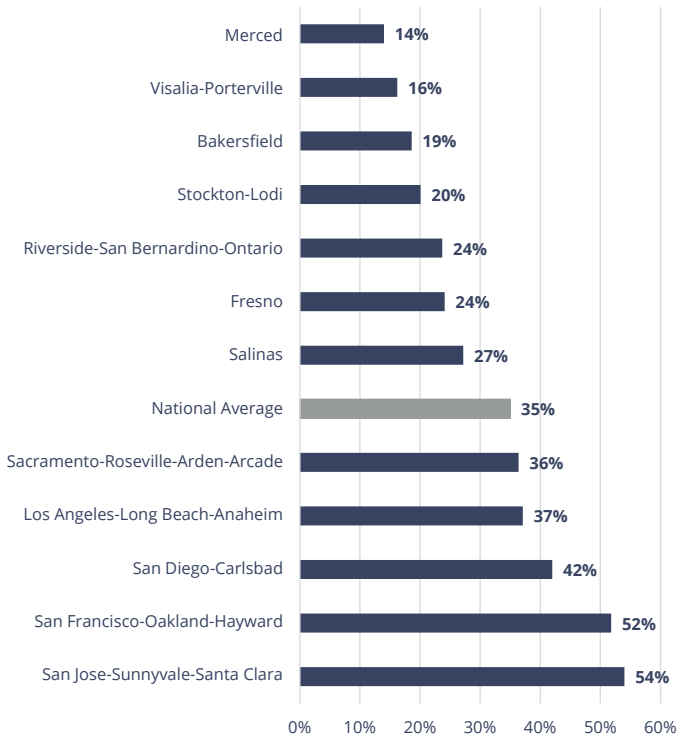
Notably, per capita income in inland areas declined not just relative to coastal California, but also relative to the national average. In 1980, per capita personal income in Fresno, Bakersfield, and the Inland Empire stood at about the national average; in 2020, per capita personal income in these areas trailed the national average by as much as 25 percent.

Chart 2: Share of Struggling Families by MSA, 2019



Note: Percentage of families that struggle to cover their living expenses.
Source: Sifan Liu and Joseph Parilla, How Family Sustaining Jobs Can Power an Inclusive Recovery in America's Regional Economies (Brookings Institution, February 18, 2021), https://www.brookings.edu/essay/how-family-sustaining-jobs-can-power-an-inclusive-recovery-in-americas-cities/.

Chart 3: Baccalaureate Attainment by MSA, 2021



Note: Percentage of population over the age of 25 with a Bachelor's degree or higher.
Source: U.S. Census Bureau, Table B15002, https://data.census.gov/cedsci/table?q=Table%20B15002&tid=ACSDT1Y2021.B15002.

Today, inland and rural regions (with the exception of the Sacramento corridor) tend to have more struggling families, higher unemployment, and lower educational attainment than coastal metropolitan areas:

- According to analysis from the Brookings Institution, in 2019, 53 percent of families with children in the Inland Empire, 56.4 percent of families with children in the Fresno metro area, and almost 60 percent of families with children in the Bakersfield metro area were struggling to cover living experiences. In contrast, 44 percent of families nationally were struggling and 39 percent were struggling in the San Francisco metro area (See Chart 2, page 9).[16]
- Unemployment in August 2022 (by metropolitan statistical area) stood at 5.9 percent in Fresno, 6.7 percent in Bakersfield, and 16.2 percent in El Centro in Imperial County. Conversely, the unemployment rate was 2.8 percent in the San Francisco area and 3.8 nationwide.[17]
- Among inhabitants over the age of 25, about 24 percent in the Fresno metro area and in the Inland Empire have a bachelor's degree, while 18.6 percent in the Bakersfield metro area hold a bachelor's. This compares to 52 percent in the San Francisco metro area, and a national average of 35 percent (See Chart 3, page 9).[18]

REGIONAL ECONOMIES AND ECONOMIC OPPORTUNITY

As the disparate impact of COVID and the pandemic recession illustrated, economic and racial inequality is a statewide crisis.[19] Like the rest of the state, California's less prosperous regions feature significant racial and economic disparities. In 2017, Black and Latino residents constituted 58 percent of the Inland Empire's population, but 71 percent of people living in struggling families.[20] In Bakersfield, 45 percent of Latino workers and 40 percent of Black workers struggle to make ends meet, compared to 25 percent of White workers.[21] In Fresno, 70 percent of neighborhoods are low opportunity and the region faces significant racial gaps in income, wealth, and education.[22]

Comparing Regional Economic Well-Being

A number of data tools exist that can provide perspective on the extent of regional disparities. The Commission identified 11 data tools that measure and analyze the well-being of regions and places in California in its issue brief, *Using Data Tools to Compare Regional Economic Well-Being in California*. The brief also discusses how data tools can provide different measures of regional well-being and of regional disparities depending on the metrics they use, how they delineate regions, and the timeframe they cover.

Yet, in comparison to more prosperous coastal regions, these and other inland and rural regions face an additional challenge in connecting disinvested and marginalized communities with economic opportunity: how to create quality growth and quality jobs in the first place.

Critically, these regions' economies tend to feature a small share of jobs in what economists refer to as "tradable sectors." These are industries that sell goods outside the region, thus providing income that can help drive growth and wealth creation. Moreover, the tradable sectors in these regions—primarily logistics in the Inland Empire and agriculture in the San Joaquin Valley—include industries that rely on relatively low-skilled labor and are vulnerable to automation, competition from other regions, and the impact of either climate change or efforts to mitigate climate change.

Remote Work, Tech Employment, and Regional Disparities

With the COVID pandemic's impact on traditional patterns of work, some state and national commentary has focused on the possibility that the rise of remote work might help reduce regional economic disparities by counteracting the concentration of high-quality jobs in a handful of metropolitan centers. In particular, commentators have looked at the potential for remote work to enable regions outside coastal tech centers to attract a higher share of technology jobs.[23]

Significant uncertainty surrounds what the future of work—and of remote work—looks like.[24] The Brookings Institution reports that the COVID pandemic seems to have indeed encouraged some growth in tech employment in a wider range of places. According to a recent Brookings study, there was a decline in the rate of growth in technology jobs in dominant tech centers like San Francisco and Los Angeles in the first year of the pandemic and slight increases in the growth rate for technology jobs in many other metro areas nationally.[25]

However, the wider diffusion of technology jobs does not appear poised to bring significant advantages to more disadvantaged regions in California. Inland California cities like Stockton, Fresno, and San Bernardino experienced little gain in tech employment.[26] Instead, the beneficiaries were Sun Belt cities and prominent university cities in other states, as well as amenity-rich vacation towns, like Santa Barbara.

The rise of remote work was also not a panacea for the places attracting remote workers. In many places, the arrival of high-wage remote workers has been associated with increasing housing costs, putting pressure on existing residents.[27] In addition, while the arrival of high-wage remote workers may increase demand for local businesses, the possibility of remote work in itself does not necessarily make it easier for individuals in more disadvantaged regions to access those high-wage jobs.

This is a key reason why California's inland and more rural regions struggle to produce quality, well-paying jobs for their residents. The Fresno DRIVE investment plan observes that only 29 percent of Fresno's economic output comes from exportable sectors, compared to the U.S. average of 51 percent, a situation which weighs on average wages and reduces the region's growth potential.[28] Meanwhile, Paul Granillo, President and CEO of the Inland Empire Economic Partnership, observed regarding the Inland Empire: "We are the 12th largest MSA (metropolitan statistical area) by population…but if you look at per capita income, of 384 MSAs, we drop to 290th. And it's really because we don't make anything. We move everything, but we don't make anything. And in the long term, unless we change that, this is going to be an ongoing issue for this region."[29]

In many parts of California, achieving greater prosperity and providing more inclusive opportunity will require identifying and supporting existing and emerging industries that can act as drivers for growth and the creation of quality jobs. Such economic development on its own will not be sufficient to

address longstanding racial disparities or ensure that disinvested neighborhoods have access to opportunity. As discussed below, community development and strategies to address barriers to access are an inherent part of inclusive development initiatives. Yet, if growth and job creation are not sufficient to address longstanding inequities, they are probably a necessary precondition for achieving greater inclusion and more equitably shared prosperity. As Marek Gootman, a senior fellow at the Brookings Institution who has worked with regional development initiatives in California, advised the Commission, "You can have economic growth without inclusion, but you cannot have inclusion without growth."[30]

II. Inclusive Regional Economic Development

In recent years, various national research and policy organizations have observed that the American economy faces twin challenges: growing economic disparities between regions and a lack of inclusive growth within regions. A number of regions around the United States have responded to these challenges by launching initiatives that aim simultaneously to advance regional economic development and achieve more inclusive growth that closes racial and neighborhood disparities. The Brookings Institution, the Urban Institute, Jobs for the Future, and other organizations have established a growing library of reports that study these initiatives and document promising strategies for promoting inclusive regional economic development.[31]

Inclusive regional economic development means different things to different people. However, a shared theme behind different ways of conceptualizing the term is the understanding that economic growth alone is not enough. Marek Gootman explained, "Economic success cannot be defined simply as growth."[32] The experience of the last few decades has shown that growth alone does not provide shared prosperity or opportunity. Instead, Gootman continued, "[Economic success] has to have two other dimensions. One is about prosperity: the productivity of firms in order to generate higher value activities and therefore higher value jobs. And then it's inclusion: who is able to access jobs and maximize their potential."[33]

> **"You can have economic growth without inclusion, but you cannot have inclusion without growth." – Marek Gootman, Senior Fellow, Brookings Institution**

DRIVING REGIONAL GROWTH

Regional economic development strategies have traditionally focused on deploying tax or other financial incentives to attract businesses to a region.[34] More recently, however, researchers have argued that rather than focusing principally on attracting businesses and jobs, regions can better encourage economic development by building a regional ecosystem that enhances competitiveness, productivity, and the ability of regional businesses to grow.

The Brookings Institution has identified five components that underlie the economic success of regions.[35] The first three of these factors are drivers of regional economic growth: **Traded Sectors** (which bring money into the region and tend to lead to growth in productivity and innovation); **Talent** (the pool of knowledge, skills, and expertise in a region, as well as the region's ability to provide residents with in-demand skills and training); and **Innovation** (which supports business creation, the development of new products and services, and helps make improvements in productivity possible). The other two factors are enablers of regional economic

The Regional Economic Development Toolbox

States and regions have an extensive toolbox of approaches and interventions that they can deploy to encourage investment, job creation, and the advancement of key industries.

Incentive programs nationally receive the largest share of dollars for regional economic development. Research suggests, however, that tax benefits and other incentives focused on business attraction tend to feature a high cost per job created and often subsidize jobs that would have been created anyway.[36] Nevertheless, incentives may be more effective if targeted toward more distressed job markets.

Other interventions and strategies appear to provide more promising and cost-effective approaches for encouraging regional economic development.[37] These include:

- *Industrial Cluster Strategies*—Cluster strategies aim to establish a geographic concentration of closely-related companies and organizations that benefit from their proximity to one another. Although cluster approaches are now ubiquitous, successful implementation of cluster strategies tends to be rarer and there is debate about the effectiveness of cluster strategies compared to other approaches to support regional economic development. The development of industrial clusters requires sustained cross-sectoral collaboration and significant commitment in time and money, but has potential to transform regional economies.[38]
- *Business Support*—A range of interventions exist to support both new and established business enterprises. These include incubators and accelerators, as well as programs, like manufacturing extension services, that help businesses adopt new technologies and process innovations. Timothy Bartik, an economist with the Upjohn Institute, observes, "Advice is cheap. But if the advice is high-quality, effects on job creation can be high relative to costs."[39]
- *Job Training*—Small- and medium-sized enterprises are key drivers for job creation, but they often do not have the staffing to train workers. Customized job training can increase productivity and lead to benefits that significantly outweigh costs.[40] In previous studies, the Commission identified opportunities to improve alignment between training programs and industry.

These kinds of supports and interventions already exist in many parts of California, in the form of state-supported Innovation Hubs (like the Water, Energy, and Technology (WET) Center at California State University, Fresno and UC Riverside's Opportunities to Advance Sustainability, Innovation, and Social Inclusion (OASIS) initiative), university-sponsored incubators and accelerators (like UC Riverside's ExCITE incubator), and community college supported training centers (like Chaffey College's InTech Center). Regional strategies and collaborations can help to direct more resources to existing programs and also help align programmatic assets around common priorities.[41]

In addition to these interventions and strategies, economists and economic development practitioners observe that addressing regional infrastructural needs (including around goods movement, transportation, and broadband) can be critical to advancing regional economies.[42]

growth: **Infrastructure** (which makes it possible for residents to connect to jobs and allows employers to connect to workers, customers, and suppliers); and **Governance** (which determines the ability of regional institutions to deliver on a common economic development agenda).

According to Brookings, encouraging quality growth requires addressing all these factors, thereby cultivating a regional ecosystem that promotes job quality and access, productivity, and regional competitiveness. Regional leaders have an extensive toolbox of interventions for building on these components and advancing specific development priorities (See Box on page 13), including industrial cluster strategies, job training and upskilling programs, the creation of business incubators and accelerators to support entrepreneurship, and the establishment of university extension services that link regional businesses to applied research.

With respect to designing and implementing strategies for regional economic development, there is no foolproof recipe for success. Regional development initiatives frequently end in failure or disappointment. The success of development initiatives depends on a range of factors, including strong leadership (especially from both political and business leaders), adequate funding, clear strategic priorities, ability to align investment and stakeholders around those priorities, and commitment to pursuing strategies long enough for them to bear fruit—not to mention luck.[43]

Nevertheless, witnesses identified foundational elements for regional economic development that generally appear to be critical for increasing regional growth, productivity, and competitiveness.

Focus on Traded Sectors

Witnesses emphasized that development strategies can best advance regional economies by focusing on tradable sectors. Ashley Swearengin, the former Mayor of Fresno and current President and CEO of the Central Valley Community Foundation, observed that among local and regional policymakers, "We often just are completely blinded by the idea that a job is a job is a job. From an economic development standpoint, that's simply not the case."[47] Jobs in traded sectors tend to provide higher wages than jobs in nontraded sectors and, because traded sectors bring money into the region, they have a strong multiplier: growth in traded industries helps to fuel local economic activity and thus support additional job creation in local serving sectors.[48]

Defining Economic Development and Community Development

This report understands economic development as focused on wealth creation and on increasing the capacity of individuals, firms, and communities to produce goods and services and to innovate.[44] It understands community development as focused on building stronger and more resilient communities, especially through place-based efforts to improve the quality of life in neighborhoods.[45] Economic and community development are thus closely interrelated but distinct. Melissa James, President and CEO of the Regional Economic Action Coalition (REACH) initiative on the Central Coast, helpfully differentiated economic and community development as follows: "Economic development is about building wealth; community development is about how wealth is deployed in the community."[46]

Regional Economic Strengths and Opportunities

Inland and rural regions possess economic strengths and areas of competitive advantage that can act as the basis for regional economic development strategies. Egon Terplan, former Senior Advisor for Economic Development and Transportation at the California Strategic Growth Council, observed, "Future economic success will require tailoring strategies for the distinctiveness of each regional economy."[49]

Market assessments for some regional economic development initiatives have identified key industry sectors and subsectors that may be able to drive regional economic growth and increase regional economic competitiveness. According to these market assessments, the following are some of the areas of regional opportunity that, with investment and leadership, could serve as future growth engines and sources of quality jobs, including at the middle-skill level:

- *Fresno*—Advanced agricultural production; green manufacturing[50]; and business services, including second office operations.[51]
- *Inland Empire*—Sustainable logistics; advanced manufacturing; cybersecurity; and green technology. Lithium recovery from the Salton Sea, if demonstrated to be feasible, could also provide an opportunity to develop regional supply chains for the production of batteries and zero-emission vehicles.[52]
- *Bakersfield and Kern County*—Renewable biofuels; carbon capture and storage; aerospace; advanced manufacturing, especially with respect to regional strengths in energy production; and business services, including second office operations.[53]
- *Stanislaus County*—Bioindustrial manufacturing (including biofuels); food manufacturing; the nascent circular economy; modular and prefabricated housing; and agricultural equipment manufacturing.[54]

Market assessments also observe that regions would generally benefit from supporting small businesses and entrepreneurship, especially in communities of color. Although business dynamism varies among regions, connecting both young and small businesses with capital, knowledge transfer, innovation assets, workforce training, and other supports is likely to foster entrepreneurship and encourage job creation across regions.[55]

Moreover, traded sectors serve a market that extends beyond regional boundaries and they consequently have potential for significantly higher rates of growth than are possible for local serving industries. Since businesses in traded sectors must compete across regional boundaries, these sectors also tend to drive regional gains in productivity and innovation.[56] In 2018, the OECD reported that a key characteristic of those "lagging" regions in Europe that were catching up with their country's economically leading regions was that tradable sectors accounted for a growing percentage of their

output, while those regions that were not catching up had not seen an increase in tradable sectors' share of regional output.[57]

Local serving sectors are important: they constitute the majority of jobs within regions. Retail and restaurants provide neighborhood vitality, while healthcare is an increasingly significant provider of middle-skill jobs. Yet these sectors do not drive regional growth; they circulate money within the region, rather than bringing money into it. Consequently, Marek Gootman advised, "The emphasis on economic development has got to be these traded sectors in order to have the greatest impact."[58]

Build on Regional Strengths

Witnesses observed that regions have the best chance of driving economic growth and generating quality jobs by building on and maximizing existing economic strengths, assets, and opportunities. Lenny Mendonca, former Chief Economic and Business Advisor to Governor Newsom, advised the Commission that strategies need to balance between identifying aspirational goals and being grounded in reality: "[The work] needs to be grounded in an aspiration about what's possible. Thinking ten years out and working back. Looking at existing strengths."[59] Regions will not create a new Silicon Valley—and they should not try.

Instead, regions can make investments in research and development and in innovation with the goal of moving existing industries into higher value-add activities that can support the creation of quality jobs. They can also identify opportunities to build on regional assets and competitive advantages to diversify into emerging industries with potential to advance the regional economy. Along these lines, the Brookings Institution has advised regions to focus development efforts on their existing or emerging "opportunity industries," which are those that tend to feature a higher share of middle-skill jobs and a higher share of jobs that pay a living wage or offer the possibility of career advancement.[60]

> **"[The work] needs to be grounded in an aspiration about what's possible. Thinking ten years out and working back. Looking at existing strengths." - Lenny Mendonca, former Chief Economic and Business Advisor to Governor Newsom**

Work through Cross-Sectoral and Public-Private Partnerships

Regional development initiatives require partnership between the public and private sectors. Witnesses testifying before the Commission emphasized that economic development requires collaboration among industry, local and regional government, and anchor institutions, like colleges and universities.[61] Brookings researchers have observed that such public-private partnership is especially important for industry cluster initiatives, the most successful of which tend to be: "Industry-driven, university-fueled, government-funded."[62] That is, they are led by businesses that believe they will benefit from collaboration and by individuals who understand long-term industry trends, and they further leverage both government catalytic funding and the capacity of research universities to support innovation, talent development, and firm creation. Beyond successful cluster initiatives, public-private partnership also appears critical for implementing broader strategies to advance regional economies.

Witnesses noted that within cross-sector partnerships, a strong element of industry leadership is essential, since it is the success and

Higher Education and Regional Economic Development

Policymakers often frame investments in higher education institutions and in university research and innovation as a form of economic stimulus.[63] Yet researchers advise that the impact of institutions of higher education on regional economies can vary dramatically.

Investments in new facilities and in expanding institutions of higher education will contribute to local and regional economic activity. Colleges and universities are, after all, sources of employment, and the construction of new facilities will temporarily inject money into the local economy. Regions will also benefit from a better educated labor force, though the extent of that benefit will depend on how much demand exists in the region for more graduates and whether training correspondents to regional employers' needs.[64]

However, researchers suggest that universities' most significant impact on regional economies comes through localized knowledge spillovers—the transfer of productivity-enhancing knowledge from universities to regional employers. This is the mechanism by which universities can enhance the productivity and competitiveness of regional businesses, support the development of regional industry clusters, and encourage the creation of startups and new enterprises, thereby stimulating demand for regional human capital.[65] Researchers observe that for such knowledge spillovers to benefit the regional economy, there must be sufficient industrial concentration to take advantage of them. Without a relevant industry concentration or cluster in the area, the benefits of innovative research, together with new graduates with relevant skills, will flow to places where there is demand for those skills and for that knowledge.[66]

This suggests that investments in university research and innovation (as with investments in job training and career education) will have the greatest economic impact if they align closely with existing or emerging regional industries. Successful examples of regional economic development initiatives, like those focused on diversifying the economies of Albany, New York and Pittsburgh, Pennsylvania into high technology, tend to feature substantial partnership between institutions of higher education and industry, with universities acting as leaders in advancing regional economic development agendas.[67]

competitiveness of regional businesses that will drive regional growth and generate higher quality jobs for residents. Examples of public-private partnership within economic development include interventions that aim to build closer relationships between industry and research institutions (often with the goal of facilitating research and development and encouraging the transfer of knowledge) and to better align career training with industry needs.[68]

ORIENTING TOWARD INCLUSION

Although economic growth is vital for fueling job creation, economic development on its own does not necessarily benefit underserved and disinvested communities. "Where in the world," Ana Gutierrez, Senior Director at Jobs for the Future, asked, "do you find inclusion, when the focus has been on growth alone?"[69]

Inclusive growth advocates call for orienting economic development toward inclusion. They further argue that growth and inclusion are not contradictory.[70] Greater inclusion can help fuel greater growth overall by expanding regional markets, increasing the pool of regional talent, and addressing the structural and systemic factors that can weigh on regional economic potential.[71] Achieving greater inclusion, however, requires deliberate and intentional planning to ensure that marginalized and disadvantaged communities are able to share equitably in growth and in job and wealth creation.

Researchers suggest a range of strategies that can help regions orient economic development toward inclusion:

- Economic development organizations can change how they evaluate the success of their work. Traditionally, economic development practitioners have focused on metrics like job counts and dollars invested. Under an inclusive economic framework, economic developers might also look closely at job quality and accessibility, or the reduction of racial disparities, when evaluating development opportunities.[72] Lee Ann Eager, President and CEO of Fresno County Economic Development Corporation (EDC), explained that the EDC has started to consider social impact and sustainability in its business attraction work, "We don't want to be the place that will take any business that will come. We got into the crisis we're in because, historically, we didn't care who we were attracting to the region: a job was a job."[73]
- Inclusive development strategies can expand engagement with communities and with community stakeholders, especially by including community leadership in the decision-making process. Regional initiatives can work with community-based organizations to create pipelines and pathways that help members of disinvested communities access jobs and training opportunities.[74] Regional initiatives can also help community organizations connect with funding and support. As Cassandra Little, CEO of the Fresno Metro Black Chamber of Commerce, observed, "Those closest to the problem are closest to the solution, but often farthest from the resources."[75]
- Strategies can support minority- and women-owned businesses through investment and technical support, and through efforts to better connect these small businesses with regional growth drivers.[76]
- Inclusive economic development strategies can look at where economic and community development intersect. Disparities in transportation, education, housing, and access to childcare act as barriers to employment and wealth creation, and undermine a region's potential for growth by reducing its pools of talent and entrepreneurs.[77] Inclusive development strategies may include support for place-based and community-building interventions that connect disinvested neighborhoods to opportunity, whether through education, training, transportation, or other services.

BALANCING GROWTH AND INCLUSION

Generating shared prosperity thus requires that regions attend to both growth and inclusion. Yet there is tension between the two. In part, this stems from the fact that policy discussions about addressing inequality and insecurity usually occur separately from those that focus on productivity, innovation, and economic growth.[78] Moreover, these separate discussions generally employ different terminologies, involve different agencies, attract different constituencies, and focus on different geographic levels.[79]

Economic development and community development priorities can differ. Community members may,

understandably, want to prioritize investments in neighborhood jobs. Karen Suarez, Director of Uplift San Bernardino and Co-Chair of the IEGO initiative, observed, "Some of the greatest obstacles we have in ensuring economic prosperity for all is the lack of investment in specific neighborhoods."[80] Yet, as Marek Gootman noted, a regional development strategy that is looking to create quality jobs at scale and advance the economy at a regional level may not be able to bring jobs into particular neighborhoods. According to Gootman, "You can't bring the economy into neighborhoods. You have to connect neighborhoods into where the economy works, which is the region."[81] There will be times when regional leaders and stakeholders will need a clear conception of whether their priority at a particular moment is economic development or community development.

Ultimately, regions will likely need to invest both in communities and in long-term strategies for economic growth, and carefully balance the goals of growth and inclusion.[82] They will need to work to simultaneously create economic opportunity and eliminate barriers to that opportunity. They will also need to determine how to integrate and combine the distinct but interrelated investments and interventions required to advance both communities and the regional economy.

III. Inclusive Regional Economic Development Initiatives in California

In recent years, a number of stakeholder coalitions around California have launched initiatives to promote more inclusive economic development within their regions or metropolitan areas. These include: San Diego's Inclusive Growth Initiative; Sacramento's Prosperity Strategy; REACH (Regional Economic Action Coalition) on the Central Coast; Fresno DRIVE (Developing the Region's Inclusive and Vibrant Economy); Inland Economic Growth and Opportunity (IEGO) in the Inland Empire; Kern County's B3K (A Better Bakersfield and Boundless Kern); Regions Rise Together: Salinas in the Salinas Valley; and Stanislaus 2030 in Stanislaus County.

Although regional economies vary considerably and regions face distinct challenges, there are key features that are common across these initiatives. They arose out of concerns over growing inequality and lack of quality jobs, and from questions about how to advance regional economies and expand economic opportunity. Most built on the ongoing work of civic leaders and regional organizations associated with the California Stewardship Network, an alliance of regional leaders pursuing triple-bottom-line solutions (that is, focused simultaneously on environmental sustainability, social equity, and economic growth) to regional challenges. Many also included partnership with the Brookings Institution's Metropolitan Policy Program, which has been studying, working with, and advising regional development initiatives around the country.

Two of these initiatives are especially notable given this report's focus on regional disparities: Fresno DRIVE and IEGO. These initiatives helped to inspire the state's Regions Rise Together initiative. Moreover, development initiatives in Kern County and Stanislaus County have drawn on DRIVE as a model.

FRESNO DRIVE (DEVELOPING THE REGION'S INCLUSIVE AND VIBRANT ECONOMY)

DRIVE is a 10-year investment plan for developing an inclusive and sustainable economy for the greater Fresno region.[83] DRIVE formally launched in 2019 and is spearheaded by the Central Valley Community Foundation. In that year, with support from McKinsey & Company, the Brookings Institution, the Urban Institute, and Jobs for the Future, and with an initial grant from the Irvine Foundation, the DRIVE coalition completed a development plan that outlines a $4 billion investment over 10 years aimed at supporting economic development, building human capital, and encouraging neighborhood development.[84]

This plan was the product of input from over 300 representatives from over 150 civic, community, and industry organizations.[85]

The DRIVE investment plan identifies 18 constituent initiatives. These include: developing a Fresno-Merced Future of Food Innovation corridor; creating K-16 educational pathways and upskilling opportunities; supporting minority- and women-owned small businesses; building wealth in communities of color; expanding permanent affordable housing; and revitalizing Fresno's downtown area.[86] This range of initiatives underscores DRIVE's awareness of the interconnected nature of the challenges facing the regional economy, and of the need to address these challenges in an integrated manner. Lindsay Fox, President and CEO of United Way Fresno and Madera Counties, related, "We realize that we have to move quickly and bring the pieces together."[87] A $15 million grant from the Irvine Foundation has allowed DRIVE to begin implementation of five of the constituent initiatives (See Box on page 21), while other DRIVE elements, including the Future of Food Innovation initiative, have separately received state and federal funding.[88]

INLAND ECONOMIC GROWTH AND OPPORTUNITY (IEGO)

IEGO is a cross-sector collaboration, anchored by the Inland Empire Community Foundation, of more than 50 organizations—including regional government, businesses, institutions of higher education, community organizations, and other stakeholders—working to grow middle-class jobs and encourage inclusive economic development in Riverside and San Bernardino Counties. This initiative emerged out of a collaboration in 2016 between regional leaders and the Brookings Institution that aimed to study and address a key challenge facing the regional economy: although the Inland Empire's economy and population grew rapidly following the Great Recession, this growth did not generate enough quality jobs to produce broadly shared prosperity.[89] IEGO builds on this initial collaboration and is working to create a more inclusive and resilient regional economy by establishing the Inland Empire as a global hub for innovation in sustainable logistics, expanding advanced manufacturing, and encouraging job growth in cybersecurity and green technology.[90]

LESSONS LEARNED

Inclusive regional economic development depends on bringing different stakeholders together, balancing potentially competing interests, and developing a shared agenda for promoting economic growth and addressing barriers to opportunity. Lenny Mendonca advised that initiatives need to bring to the table government entities, anchor institutions (including institutions of higher education), business, labor (whether organized or worker voice), and community advocates. He emphasized, "It needs to be one table."[91]

The experience of DRIVE and IEGO illustrates several key lessons for building and maintaining inclusive regional coalitions, bringing stakeholders around a common table, and sustaining conversation among them.

Data

Data is key. Data can help regions identify the specific challenges facing their economies and residents. Data can also help regions determine which industries and sectors provide the best prospects for creating quality jobs, what specific barriers prevent disadvantaged communities from accessing economic opportunity, and what kinds of policies and programs can help address those barriers. As Lenny Mendonca noted, "When you are grounded in reality, you can move forward."[92]

New data on the economic conditions of regions has played a critical role in helping to get economic development initiatives moving. In Fresno, data

Fresno DRIVE Initial Initiatives

In 2020, the DRIVE coalition selected five initiatives for initial piloting and implementation.

1. *Civic Infrastructure for Low-Opportunity Neighborhoods*—This DRIVE initiative works with nonprofits in low-opportunity areas to engage residents in community development and in training for community building. Tania Pacheco-Werner, Co-Director of the Central Valley Health Policy Institute and one of the leaders of DRIVE's civic infrastructure work, summarized the goals of this initiative: "It's about having the community shape how development happens. It's also about helping the community learn to navigate the system and how to build the social capital they need to raise themselves up and access opportunities."[93]

2. *Betting Big on Small Businesses Owned by Women and People of Color*—This DRIVE initiative is led by the Fresno Metro Black Chamber of Commerce and expands its Fail Fast Incubator. This incubator provides technical assistance and mentorship for women and minority entrepreneurs, including support in developing tailored business plans and connecting with investors.[94]

3. *Wealth Creation in Communities of Color*—This initiative aims to help families in communities of color build generational wealth. It includes trainings in financial literacy and prosperity coaching, as well as the development and piloting of a Community Investment Trust that will enable community ownership of community assets, thereby building ownership in the community and shaping the direction of investment in it.[95]

4. *Second Office Fresno*—Second Office Fresno aims to attract companies and private sector employment to the Fresno region. One element of this broader initiative centers on Fresno's Impact Economy and on shifting traditional business attraction strategies from a focus on job counts and project costs toward evaluating the community and social impact of businesses. Fresno County EDC is working with both the Harvard Business School and community members to develop an Inclusive Community Scorecard that evaluates employers' overall impact based on metrics like employment equity, environmental impact, and job quality. The intention is that this tool can help determine which enterprises receive public incentive dollars, as well as influencing employer decision making.[96]

5. *Upskilling*—Career Nexus is an initiative led by the Fresno Business Council that connects unemployed and underemployed young adults with career pathways and work-based learning through high-quality paid internships.[97] The program provides soft skills training and mentorship to interns while also working with employers to help them understand where interns are coming from. Genelle Taylor Kumpe, COO of the Fresno Business Council, emphasized the two-way engagement that Career Nexus encourages, "It's great to see employers learning, and learning to meet people where they are, and have interns learn about skills and about being in a workplace."[98]

from the Urban Institute, which showed that Fresno ranked last among 59 California cities for racial and economic inclusion, amounted to a "sucker punch" that helped bring key regional power-holders and stakeholders to the table. Ashley Swearengin explained, "Data has been absolutely central to our discovery process as a community and uncovering layers of inequitable economic opportunity. It caused an about-face for our institutions, many of whom—myself included—have been working for 20 years on what we had believed to be institutional reform."[99] In other regions, data has helped to establish concrete goals, metrics, and vision around which to align stakeholders.[100] Marian Kaanon, President and CEO of the Stanislaus Community Foundation, reported that research showing that Stanislaus County needs to create 40,000 quality jobs to halve the share of children in struggling families has created a more concrete conversation about economic development, helping to move county leadership and stakeholders.[101]

Yet, if data can help build awareness and consensus, participants in regional initiatives also pointed to instances when data contributed to dissension because groups disagreed on how to interpret data or found that it did not reflect their reality. Alex Avila, co-founder of the Black Brown Economic Empowerment Partnership and of the Inland Empire Multicultural Collective and a participant in IEGO, reported that initial presentations to community groups of Brookings' findings on the Inland Empire's economy were not successful, since those findings, as presented, did not seem to reflect communities' lived experience.[102] There needs to be a shared understanding of the definitions and parameters of the data under consideration.

Data is critical for evaluating the state of regional economies and identifying regional economic strengths and weaknesses. Data collection and analysis are also, however, just the starting points for a process that aims to build shared understanding about the regional economy and arrive at consensus regarding promising paths forward. To this point, Mr. Avila recommended that regions pursue co-designed studies of regional economies that incorporate disinvested communities' input and perspective.[103]

Leadership

Leadership is essential. Inclusive tables do not form on their own. Instead, Lenny Mendonca explained that regional development initiatives need to be convened, "by someone with the credibility, energy, and resiliency to pursue this over the time frame that it is going to take and ensure that [the] players are all at the table and having open and honest conversations."[104] Inadequate leadership is a key reason for the failure of regional development strategies, which require someone or some institution to maintain strategic focus and sustain cooperation and coordination both among governmental agencies and institutions and across stakeholder groups.[105]

In Fresno, DRIVE participants universally note the pivotal role that Ashley Swearengin played in getting DRIVE off the ground and keeping the initiative moving forward in a unified way. Ms. Swearengin remarked regarding the challenges of sustaining a large coalition, "Even on good days, I think half the coalition quits, and on bad days the other half quits."[106] Committed participants are vital to keeping initiatives going, but initiatives also need conveners and leaders who are willing and able to do the hard work of building and maintaining trusted relationships, keeping disparate stakeholders moving in a common direction, carrying out mediation and conflict resolution, and finding ways to integrate diverging priorities.[107]

Building an Inclusive Table

A critical lesson from initiatives is that an inclusive process can be crucial for bringing different groups around a single table. As discussed below, there

is often limited trust between community groups and institutional stakeholders. An inclusive process that brings communities into the decision making process can help build trust and create the space for developing a common agenda.

An inclusive process has helped to build and sustain the DRIVE coalition. Many DRIVE participants reported initial skepticism regarding the effort. Would it be another initiative that promised inclusion, but did nothing to advance racial equity? However, DRIVE built trust and gained buy-in by responding to community stakeholders' input and by prioritizing initiatives that support investments in underserved and disinvested communities. Several participants further observed that DRIVE's willingness to emphasize racial equity has been vital to building trust and showing that this initiative is different from top-down economic development projects of the past.[108] As Lindsay Fox, one of the leaders of DRIVE's work around building wealth in communities of color, observed, "Look at the name of our workgroup… It's about generational wealth very specifically for communities of color. And that is a huge, huge difference."[109]

Conversely, IEGO began as a partnership that focused primarily on civic leaders and institutional bodies. Initial planning centered largely around institutional stakeholders, with relatively limited community participation.[110] This approach showed its weaknesses, however, when IEGO tried to engage with community groups. Alex Avila reported that IEGO's first presentation to community organizations was a failure. According to Mr. Avila, "They bombed."[111] It was another case of an outside group coming to disadvantaged communities and explaining what they would do for those communities, rather than seeking to work with them.

Mr. Avila credited IEGO and Michelle Decker, President and CEO of the Inland Empire Community Foundation, for trying again and for working to build a more inclusive coalition. Mr. Avila explained, "We went into the relationship looking for failure, looking for another gimmick."[112] Nevertheless, he related that IEGO's leaders showed themselves to be committed to a more inclusive process, including by incorporating community organizations' suggestions into the initiative's application for the U.S. Economic Development Agency's Build Back Better Regional Challenge grant competition and by affirming these organizations' importance to the coalition. For Mr. Avila, these actions were key to gaining confidence that IEGO's leadership was genuinely committed to working 'with' community organizations and communities of color as equal partners: "Not only are they taking our ideas into consideration, they're also defending us and working with us. Who does that?"[113] Ms. Decker and Jackie Melendez, Executive Director of IEGO, confirmed that expanding community participation and integrating economic and community development are now priorities for IEGO.[114]

Trust Building

The power and potential of initiatives like IEGO and DRIVE lies in bringing together stakeholders across sectors and silos. At the core of these initiatives lies the difficult work of building trust, understanding, and common purpose among groups that traditionally have been more likely to be at odds than sitting around the same table.[115]

A fundamental challenge for inclusive economic development is convincing business and community stakeholders to sit down together. These interests use different terminologies and come to the table with different priorities. Even when initiatives succeed in getting different stakeholders into the same room, distrust is a challenge.[116]

And there is good reason for distrust. Disinvested and marginalized communities face deep-seated, longstanding, and substantially institutionalized inequities, and they have borne the negative effects

of growth.[117] Promises have been broken in the past.[118] Meanwhile, even when business groups want to support more inclusive practices, they can be reluctant to sit down with community stakeholders since, as Marek Gootman ventriloquized, "The community interests are angry with us because we haven't been here before, so they're going to yell at us, and I don't like that. I'm here to help, now."[119]

Regional development strategies need to provide opportunity and space for different groups, stakeholders, and interests to arrive at better understanding. Ashley Swearengin reported that the work around DRIVE, "feels more like community-wide reconciliation than it does running a big economic development effort."[120] According to Ms. Swearengin, regional economies work well when different stakeholders value other groups' agendas as well as their own; the challenge in Fresno and the Central Valley has been that stakeholders have tended to think of their own agenda as the only one that matters. DRIVE has worked to break this logjam:

> *"Bringing people into a space where they are forced to confront the challenges and where they are facilitated to sit and learn why this environmental justice group or this community group is suing them over and over and over again. What is it that is so important to them that brings them to the point where the only recourse they feel they have is one of filing a lawsuit? Getting those parties to the table to sit and listen to one another. Not necessarily to agree, but to understand. That's the great unlock that we're going for here. It is relational."*[121]

This is a process.[122] Participants in regional development initiatives observed that building trust takes time and that there will always be conflict. According to some participants, initiatives are just beginning to work out how to have the conversations where different interests and stakeholders tease out the points of conflict and figure out what potential resolutions might be. Given histories of inequity and broken promises, this is an ongoing and unfinished process. As Alex Avila related, it remains a case of, "I trust you—until."[123] However, as Mr. Avila further explained, it is a process that allows for learning and growth, and one that, with the right supports and leadership, allows community organizations and marginalized communities to shape the conversation around economic development.[124]

IV. State Initiatives

There is a long history of regionalism in many parts of California. In the 1990s, for example, the Irvine Foundation provided funding for the Collaborative Regional Initiatives, an array of regional partnerships around the state that worked to build civic leadership around addressing regional challenges.[125]

Nevertheless, state government has generally given little support or attention to regional economic planning. Paul Granillo observed to the Commission, "The State has long ignored most regional economic development planning...and has really come short in contributing meaningful funding for the execution of any regional economic development efforts."[126] The exceptions have tended to prove this rule. In 2005, for instance, Governor Arnold Schwarzenegger created the California Partnership for the San Joaquin Valley, a state board intended to provide leadership for regional economic development. The Partnership developed a strategic plan for closing gaps in income, education, transportation, and health, but, apart from an initial grant of $5 million, this plan for regional development went unfunded.[127] Without state support, neither the Partnership for the San Joaquin Valley nor other regional planning initiatives have had the political muscle to push forward strategic priorities.[128]

In recent years, however, California state government has begun to address regional economic development, and regional disparities, in a more consistent and comprehensive manner. First through the Regions Rise Together initiative and,

Regional Economic Development Efforts in Other States

Notable examples of successful regional development efforts, like the transformation of Pittsburgh from a declining steel town into a hub for technology and health research and the redevelopment of Albany into center for nanotechnology and computer chip manufacturing, illustrate the potential for sustained and significant investment in regional development to revitalize regional economies.[129]

In the last decade, several states have launched regional economic development initiatives with the goal of encouraging greater economic growth statewide and diversifying regional economies. These initiatives have divided states into economic regions and established regional councils or authorities charged with developing and implementing regional economic strategic plans.

- In 2011, New York State established ten Regional Economic Development Councils (REDCs) which empower regional stakeholders to develop regional strategic plans and identify economic development priorities. Under this initiative, New York has awarded over $7.5 billion to more than 9,000 regional projects, with REDCs providing advice as to which projects should be funded under regular state funding streams and vying for strategic funding in state grant competitions.[130]
- In 2012, Nevada divided the state among regional development authorities (RDAs) tasked with promoting economic development projects. RDAs were intended to serve as the key actors for promoting economic diversification, advancing targeted industry sectors, and encouraging regional investment.[131]
- In 2015, Indiana launched the Regional Cities Initiative, a grant competition which incentivized counties to come together for the purpose of regional economic development planning. In 2021, Indiana built on this framework with the Indiana Regional Economic Acceleration and Development Initiative (READI), which will provide $500 million in American Rescue Plan Act funds to regions to create and implement sustainable development plans that improve quality of place, quality of life, and quality of opportunity within communities.[132]

Recent analyses of regional development efforts in New York and Nevada provide some key lessons from which California might learn as it launches the CERF initiative:

- In 2019, New York's Citizens Budget Commission reviewed the state's REDC program, finding that its design was strong (incorporating long-term planning, regional stakeholder leadership, and workforce development) but that investment was dispersed and often departed from regional strategic priorities. The Commission advised that the program would benefit from more closely concentrating funding on projects tied to regional strategies and from establishing standard metrics for evaluating regional performance and project outcomes.[133]
- A recent analysis of Nevada's economic development efforts over the last decade credits them with helping to increase the state's economic resiliency.[134] However, the report also recommends improvements in the state's approach to regional development, especially through the establishment of regional outcome measures and greater partnership between the state and regions in advancing industry and sector opportunities.[135]

more recently, through the Community Economic Resilience Fund, California has put an emphasis on regional planning around sustainable and equitable economic development.

This attention to regional economic development stems, in part, from the work of two civic leadership organizations, California Forward and the California Stewardship Network, which have advocated for a regional and triple-bottom-line approach to economic development in California for more than a decade.[136] It also stems from the wider, national conversation about growing regional imbalances.

REGIONS RISE TOGETHER

Governor Newsom launched the Regions Rise Together initiative in May 2019. In an op-ed announcing the new initiative, Lenny Mendonca and Kate Gordon, who was then director of the Governor's Office of Planning and Research, observed that the gains from California's innovative economy were not shared equitably across the state and that inland communities faced high structural unemployment and acute environmental challenges. Mendonca and Gordon explained that Regions Rise Together rested on the belief, "that every region in California deserves a strong foundation for a sustainable future."[137]

The goal of the initiative was to support regional partnerships that would build on regional strengths to promote inclusive and sustainable economic development, with state government helping to guide and enable this work through funding for the "connective tissue" between regions, including higher education, infrastructure, and capacity building.[138] According to Mendonca and Gordon, Regions Rise would, "[build] on existing locally-driven initiatives in our state's diverse regions while also leveraging the investments and policy priorities of the state."[139] Egon Terplan, former Senior Advisor for Economic Development and Transportation at the California Strategic Growth Council, explained that the initiative also aimed to change the mental map of California by drawing attention to the state's distinct regions and to inland California, especially with the goal of encouraging philanthropic organizations to provide support more broadly across the state.[140]

In partnership with California Forward and the California Stewardship Network, state officials from the Governor's Office of Planning and Research (OPR) and the Governor's Office of Business and Economic Development (GO-Biz) hosted a series of regional summits—in the Inland Empire, Bakersfield, Merced, and Redding—in 2019 wherein they encouraged area industry and civic leaders to partner in developing strategies for equitable and environmentally sustainable regional growth.

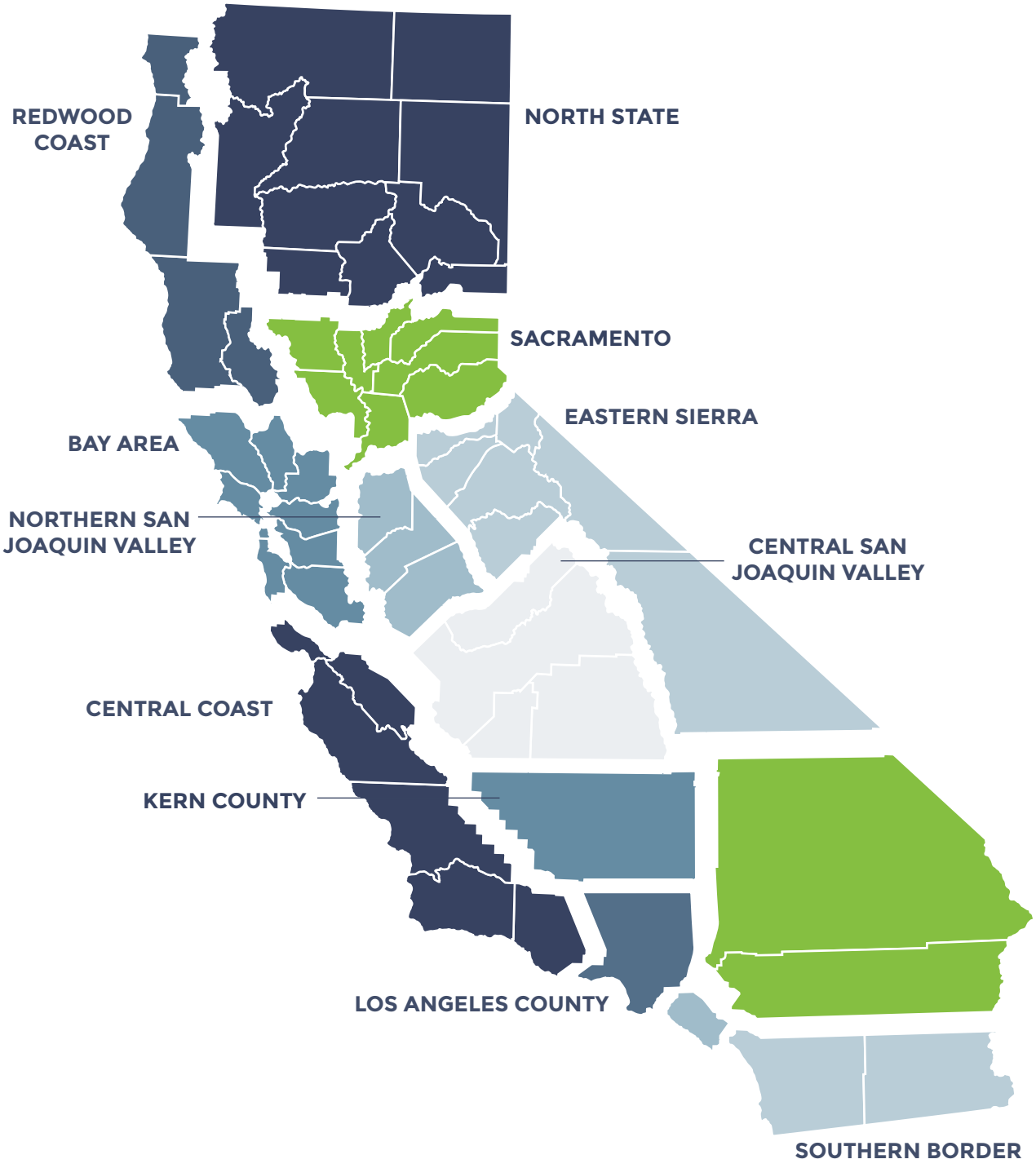
Although the COVID pandemic diverted attention from Regions Rise, the initiative nevertheless helped to incubate regional planning in Kern County, Stanislaus County, and the Salinas Valley.

COMMUNITY ECONOMIC RESILIENCE FUND (CERF)

CERF represents the first instance of the State of California stepping up with funding to support inclusive regional economic development planning and implementation.

The Community Economic Resilience Fund is a new $600 million program, jointly administered by the Labor and Workforce Development Agency (LWDA), OPR, and GO-Biz, that will support the development and implementation of regional roadmaps for sustainable and equitable development. Specifically, CERF aims, "to foster long-term economic resilience in the overall transition to a carbon-neutral economy," and, "support the creation of quality jobs and equal access to those jobs." CERF will provide funding to 13 regional partnerships (See Figure 1, page 27) to develop regional plans and implement strategic projects that support a high road approach to economic development—one that "favors businesses that invest in their workforce, pay living

Figure 1: Community Economic Resilience Fund (CERF) Regions



Source: Governor's Office of Planning and Research, Labor and Workforce Development Agency, and the Governor's Office of Business and Economic Research. "Finalized CERF Regions and Responses to Frequently Asked Questions." https://www.opr.ca.gov/economic-development/cerf/docs/20211217-CERF_Final_Regions_FAQ.pdf.

wages, and engage in environmentally sustainable business practices."[141] Mary Collins, Senior Advisor for Climate and Economy at OPR, explained that the program particularly aims to address persistent racial and economic inequities and help regions build on comparative advantages so as to take advantage of economic opportunities in the context of economic shifts and climate change.[142]

CERF was established in 2021 through SB 162. CERF implements aspects of the Regions Rise Together framework and further builds on bills that Assemblymember Rudy Salas put forward in 2020 (AB 3205) and 2021 (AB 106), which would have created a Regions Rise Grant Program for collaborative regional planning around inclusive economic development. CERF also builds on the California Workforce Development Board's High Road Training Initiative, which supports model partnerships providing training pathways leading to high-quality, family-supporting jobs.

CERF will support regional collaboratives in two phases: first, in the planning of roadmaps for economic development and clean-energy transition; and, second, in the implementation of strategic projects that advance those roadmaps.

CERF will provide $5 million planning grants to each of the 13 CERF regions to support the creation of a High Road Transition Collaborative (HRTC) and the development of a regional economic recovery and transition plan.[143] Solicitation for proposals began in May 2022 and 31 organizations submitted notices of intent to apply for planning grants.[144] In October 2022, LWDA announced the first round of CERF planning grants. In many cases, these grants will support collaboratives that build on or include existing regional economic development initiatives.[145]

Regional HRTCs are expected to include representation from labor, the business community, government, community-based organizations, economic development agencies, philanthropy, education and training providers, environmental justice organization, and disinvested communities. HRTCs will be required, "to develop a holistic economic development and transition roadmap with strategies that prioritize the creation of high-quality jobs, equitable access to jobs and resources, and emphasize developing sustainable and resilient economies and industries." HRTCs are expected to align their development plans with state strategies around clean energy, air pollution reduction, transportation decarbonization, and climate adaptation. In their regional plans, HRTCs are also expected to develop strategies for increasing health and environmental equity and to target investments that benefit disinvested communities, defined primarily as census tracts that are low income or very environmentally impacted.

Each regional plan is further required to identify 2-to-5 strategic investments or projects that would be funded in the CERF implementation phase. These projects must promote state climate goals, support labor standards and job quality, enjoy community support, and demonstrate a clear role in the larger regional economic strategy. Regions will be expected to fully expend implementation funds by the end of 2026.

ISSUES WITH CERF

CERF promises to support regional economic planning and help catalyze regional economic development projects. Moreover, the program builds on key lessons learned from regional development initiatives. In particular, CERF directs regions to do the data collection and analysis and the inclusive table building, especially with respect to disinvested communities, that witnesses identified as key foundational steps in inclusive development strategies. CERF's emphasis on high road approaches to regional development, meanwhile, reflects a growing body of work from economists and policy experts who argue for strategies specifically oriented toward the creation of quality jobs, including through

investing in worker skills and providing for worker voice.[146]

Yet CERF also faces several significant challenges that may limit the program's ability to realize its goals or significantly impact regional economies. Although regional stakeholders and witnesses voiced appreciation for this state support for regional development, several sounded notes of caution over whether CERF's scale is sufficient to meaningfully advance the program's aims and whether regional collaboratives would be able to navigate effectively among CERF's various outcome goals.

Balancing Priorities

Participants in existing regional development initiatives expressed appreciation for CERF's commitment to a bottom-up, worker- and community-centered approach. However, some also suggested that the program could benefit from greater strategic focus and clarity. They advised that CERF's broad framing meant that almost any group could see the program as a vehicle for advancing their preferred priorities. They wondered how regions, in practice, can realistically navigate across so many priorities in a single program—and warned

CERF Regions in Context

The CERF agencies employed a two-stage process for the identifying the CERF regions. They first used California's regional economic markets, which are defined by the Employment Development Department's Labor Market Information Division based on commute patterns and labor force data, as a starting point. The CERF interagency team then refined those regional delineations through consideration of industry mix and economic relationships, geographic scale, relative size of population, and existing regional planning connections. [147]

These new designations add to an array of regional units already in place in California. In 2020, the Governor's Office of Planning and Research commissioned the California Research Bureau (CRB) to compile the different regional designations employed by state government programs and agencies. CRB ultimately identified 13 sets of regional designations in use, with different regional units existing, among others, for the Strong Workforce Program, for Economic Development Department market analysis and workforce planning, and for implementation of the Sustainable Communities and Climate Protection Act (SB 375).[148]

Although there is overlap and continuity among these different designations, there is also significant variation. For example, the Strong Workforce Program establishes six regional community college consortia, while SB 375 and the Regional Early Action Program (REAP) both rely on California's 18 metropolitan planning organizations for implementation.

CERF adds another set of regional designations to this array of regional definitions and regional planning units. As California launches CERF, state government and regional leaders may wish to evaluate whether CERF regions are able to coordinate effectively with other regional units concerned with economic, educational, and environmental planning, especially when the boundaries of these various regional units overlap in differing ways.

that when everything is a priority, nothing is. They also suggested that finding a balance among goals and interests will be made more difficult by the number of desired outcomes.

The tension between CERF's goals around economic growth and environmental sustainability illustrates the challenge. CERF directs regions to focus on economic development that aims at a carbon-neutral, climate-resilient economy; of ten target industries mentioned in CERF guidelines, all but two are climate related.[149] Yet, as Marek Gootman observed, many regions are not positioned to build their economies around green or climate-oriented industries and do not possess strengths in environmental innovation.[150]

For example, the market assessment for Kern County's B3K initiative acknowledges that the region is the site of significant expansion in renewable energy production, but further observes that wind and solar energy have not proven to be a source of durable, long-term job creation.[151] The problem is that wind and solar facilities require minimal labor following construction; moreover, while oil and gas have historically supported a regional supply chain, the technological components and electrical systems that make up most of the cost of solar systems are developed and manufactured outside the region.[152] B3K has identified potential opportunities around biofuels production and carbon capture and sequestration, but these areas are subject to significant regulatory uncertainty and it is unclear if they align with the vision of CERF's architects.[153]

Scale: Time and Funding

CERF provides significant and, according to regional development leaders, appropriate funding for regional planning and convening.[154] With respect to implementation, however, CERF's ambitions appear to be out of step with the scale of the program. Research and experience is clear: transforming a regional economy takes significant resources and ample time. As Marek Gootman cautioned in his testimony regarding the timeframe for development initiatives, it is, "five years to see anything, and then 10 to 20 years after that."[155] This is the work of decades.[156] CERF, on the other hand, is a one-time, four-year program that appears likely to spread money broadly but shallowly.

Experts in regional development warn that inadequate funding is a major reason for the failure of regional development strategies and suggest that far larger sums than CERF provides are required to meaningfully change regional economies.

Although CERF guidelines assert, "Community- and worker-centered inclusive economic planning has never been attempted at this scale," when divided among projects in 13 regions, CERF funding will actually be quite limited, especially in relation to the scale of the program's ambitions.[157] Should CERF funding be divided among regions based on current population levels, the Inland Empire would probably receive around $58 million. The San Joaquin Valley regions would probably receive a combined $53 million.[158] Spread over four years, this provides just $14.5 million and $13.3 million per year, respectively. Mary Collins acknowledged that the funding provided by CERF is, "a drop in the bucket."[159]

Experts in regional development warn that inadequate funding is a major reason for the failure of regional development strategies and suggest that far larger sums than CERF provides are required to meaningfully change regional economies.[160] Timothy Bartik, an economist with the Upjohn Institute who focuses on local and regional economic development,

suggests that annual per capita expenditures of $200-to-$300 for at least a decade are likely necessary to provide meaningful employment change in a distressed area.[161] This corresponds in scale to Fresno DRIVE's investment plan, which calls for more than $4 billion in regional investments between 2020 and 2030. Meanwhile, the State of Pennsylvania committed over $280 million in the late 1980s to *initiate* the revitalization of Pittsburgh—more than $650 million in 2022 dollars.[162] Similarly, in 2016, the State of New York allocated $500 million to the central New York region for regional economic development.[163] Notably, these investments in Pennsylvania and New York were roughly on the same scale as CERF, but were each focused only on a single metropolitan area, rather than an entire state of 40 million people.

Coordination

Significant funding for regional development is available. Federal pandemic relief funds and new federal funding for advanced technology and clean energy, including the CHIPS Act and Inflation Reduction Act, together with state surpluses have created an investable windfall with potential to transform regional economies. State investments in regional research and training centers—including the transformation of Humboldt State University into a polytechnic campus (Cal Poly Humboldt) and funding for an energy innovation center at California State University, Bakersfield and for the Riverside Community College District's Inland Empire Trade Technical Center—already promise to direct significant funds toward regional assets that can support regional development priorities. Yet the extent to which these investments advance regional economies will depend on alignment with existing and emerging regional industries and coordination with broader regional development strategies.

Funding that can support regional economic development, meanwhile, is spread across dozens of programs and agencies. Commission staff have identified $9.3 billion in one-time funding and $1.2 billion in annual continuing funding from the 2021-22 and 2022-23 state budgets that support 65 programs and investments across 21 departments and agencies that could directly help advance regional development strategies in inland and rural regions through support for workforce training, clean energy transition, business investment, and innovation and entrepreneurship. (For a detailed listing of these programs and investments, see Appendix: CERF, State Programs, and Regional Economic Development.)

...beyond helping regions align funding streams, state government also needs to deploy funding streams in ways that complement regional strategies.

The current windfall of state and federal funding is thus an opportunity and a challenge for the CERF program.[164] Mary Collins explained that CERF intends to help regions access and align funding. State programs and funding streams come, however, with different requirements, regulatory frameworks, and administrative processes. Programmatic goals, moreover, may not align with regional economic development priorities. Derek Kirk, Community-Based Solutions Supervisor at GO-Biz, related that CERF's leadership aims to partner with agencies and encourage them to factor CERF into their programming. Nevertheless, it is unclear how far state agencies will go, in practice, to coordinate around regional investment plans or facilitate implementation of regional strategies.[165]

Witnesses emphasized that, beyond helping regions align funding streams, state government

also needs to deploy funding streams in ways that complement regional strategies.[166] Marek Gootman advised that state agencies need to organize around regional priorities, warning the Commission that state government cannot expect, "regions to say, 'I need this,' and then wander around the halls in Sacramento trying to get eight different people to say, 'Okay. Well, maybe.'"[167]

CAN THIS TIME BE DIFFERENT?

CERF underscores a new emphasis on regional economic development on the part of California state government and represents a significant state investment in regional economies. The program integrates key lessons learned in regional development efforts both in California and in other states. Nevertheless, the issues and challenges facing CERF deserve careful attention. Regional economic plans often never move from paper to execution. Many countries, regions, and other states have embarked on ambitious programs of regional economic development with disappointing or limited results.[168] In cases where regional economic development efforts have succeeded, development has frequently failed to lift up more disadvantaged or marginalized communities.[169] Meanwhile, some economists argue that the scale of macroeconomic forces behind growing regional divergence is such that state and regional initiatives have little chance of actually reducing regional disparities.[170]

As California embarks upon CERF and commits substantial funding to regional economic planning, both state policymakers and regional stakeholders, especially in less prosperous regions, have good reason to ask: can this program support meaningful and enduring regional economic development?

There are two reasons why California may be cautiously optimistic about the potential for CERF to help bend regional economic trajectories.

First, as noted above, CERF accompanies significant federal funding for local and regional governments, as well as substantial federal investments in infrastructure, advanced technology, and clean energy. Funding is a necessary precondition for regional economic development. That funding is currently available. Moreover, federal funding opportunities coincide with growing concern within both government and industry about the durability of critical global supply chains. Consequently, this may be a rare moment when market forces and governmental resources align and enable transformational change in regional economies.

Second, regional initiatives have created real momentum in many parts of California and are building the stakeholder coalitions necessary for implementing and sustaining development projects. DRIVE, IEGO, and other initiatives are in early stages of planning and implementation. Some participants cautioned that these initiatives are still in early days, while others were apprehensive about the ability of initiatives to effect structural and systemic change. On the other hand, many participants in these projects point to ways in which they have already begun to change how regional organizations and groups work together.[171] Critically, these initiatives seek to knit together systems, services, and community organizations and develop more collaborative, coordinated approaches to addressing regional challenges.[172]

Moreover, while balancing priorities within triple-bottom-line approaches is always challenging, regional initiatives have begun to create spaces where stakeholders can address those tensions. They have also begun to center conversations about economic development on inclusion and job quality.[173] Lee Ann Eager observed that Fresno County EDC, in its work around business attraction, is asking which industries and businesses are willing to look at social justice and sustainability.[174] Similarly, Genelle Taylor Kumpe, CEO of the San Joaquin Valley Manufacturing Alliance and COO of the Fresno Business Council, explained that part of

the goal of Career Nexus, a DRIVE upskilling initiative which places young adults in paid internships, is to encourage employers to see the value of investing in their employees. Within the initiative, Ms. Kumpe reported, "We emphasize to employers that their people are their greatest asset."[175]

Although CERF faces challenges, it has real potential to build on foundations laid by Regions Rise and by various regional initiatives. It can help strengthen and build-out existing coalitions and accelerate already emerging projects. With appropriate state leadership and commitment, it could also help to catalyze more significant changes in regional economies.

V. Committing to Equitable Regional Economic Development

CERF is a potentially vital investment in regional capacity building for inclusive economic development. It is an opportunity for regions to coordinate and draw down sources of investment and funding. Jackie Melendez observed: "We stand at the cusp of a new era for California and the Inland Empire. CERF will help to transform our communities and help us leverage the dollars needed for critical projects." However, Ms. Melendez also warned, "We don't know how deep these dollar will penetrate or how long they will last," and she further advised, "One-time funds will not erase the historical and current inequities that plague too many of our cities and neighborhoods nor the challenges with job quality or workforce development."[176]

An overarching challenge is the question of how state government will sustain and scale regional collaboration and regional economic development beyond CERF. How can state government best ensure that CERF supports enduring, long-term, and impactful strategies around regional economic development, rather than becoming yet another one-time program that supports some helpful, localized projects but that ultimately has limited transformational impact?

> **"One-time funds will not erase the historical and current inequities that plague too many of our cities and neighborhoods nor the challenges with job quality or workforce development."**
> **- Jackie Melendez, Executive Director, Inland Economic Growth and Opportunity (IEGO)**

Witnesses identified several key steps that California can take to provide ongoing, durable support for inclusive regional economic development and make meaningful progress in closing regional economic disparities.

PRIORITIZE MORE DISADVANTAGED REGIONS AND SUBREGIONS

It makes sense that California is approaching CERF as a statewide project. More inclusive economic growth and planning is needed across the state, in both its most prosperous regions and its most disadvantaged. High levels of inequality and high rates of poverty are, after all, statewide challenges. All regions can benefit from closer cross-sectoral partnerships and better coordination among industry, communities, labor, and local government, especially with regard to connecting disinvested communities with economic opportunities.[177]

Nevertheless, the core challenge that California recognized in the Regions Rise Together initiative remains: California's is a tale of two economies, and some regions and subregions need substantially more support to grow their economies than others.

Providing the same sized planning grants to the San Francisco Bay Area and Orange County as to the Inland Empire and Central San Joaquin Valley may be equal, but it is not equitable.

Economists indicate that the impact of investments in regional economic development is likely to be greatest in places with the most depressed employment levels, suggesting that California will get the "biggest bang for its buck" by prioritizing CERF funds for more disadvantaged regions.[178] Moreover, these are regions that are likely to need greater support in creating regional and institutional capacity for securing investment, competing for funding, and pursuing inclusive economic development.[179]

The CERF interagency team should thus consider interregional equity when deploying CERF implementation funds and prioritize more disadvantaged regions for CERF funding. In addition, the team should deploy CERF funding with the long-term goal of narrowing regional disparities.

In addition to prioritizing more disadvantaged regions for CERF funding, state government can also ensure that these regions are equitably funded through programs that can support economic development strategies in the longer term. The Governor and Legislature deserve credit for strategic investments like those in Lithium Valley (that is, lithium recovery around the Salton Sea), the Fresno-Merced Future of Food Innovation (F3) initiative (See Box on pages 35-36), California State University, Bakersfield's new Energy Innovation Center, and the Inland Empire Trade Technical Center. However, more resources will be needed to support growth and job creation. Ongoing programs like the California Competes Tax Credit, the community college Strong Workforce Program, the California Energy Commission's EPIC program, and IBank's small business loan programs can support regional development efforts—if relevant agencies and institutions align this funding, where appropriate and where possible, with regional development priorities in regions with the greatest need. State government should work to ensure that relevant programs provide funding for more disadvantaged regions, with the goal of directing equitable funding to less prosperous regions and of coordinating funding to maximize its impact.

PROVIDE GREATER CLARITY AND STRATEGIC FOCUS TO CERF

The experience of regional initiatives illustrates how hard it is to maintain equal emphasis on the three elements of triple-bottom-line approaches. The Commission applauds the commitment to social equity and environmental sustainability demonstrated thus far in CERF. State agencies need to ensure that economic development receives co-equal attention. Especially for less prosperous regions, interventions that make regional economies more competitive and more innovative and that encourage growth in industries with a high share of middle-skill jobs will be vital for expanding economic opportunity. As Marek Gootman observed, "You cannot train people to jobs that do not exist."[180] Meanwhile, economic growth also generates wealth and tax revenue for investments in infrastructure, education, affordable housing, and other public goods and services.[181]

Witnesses and initiative participants report that successfully integrating economic and community development is one of the most challenging aspects of inclusive economic development. For example, labor and community advocates in the Fresno area advised that the Fresno-Merced Future of Food Innovation initiative could do more to bring worker voice to the table and questioned the initiative's emphasis on innovation and agricultural technology, rather than worker engagement. Conversely, some participants in the initiative suggested that its various community-oriented elements might distract from the work around innovation and commercialization—work that is needed to make the regional economy

Fresno-Merced Future of Food Innovation (F3) Initiative

The Fresno-Merced Future of Food Innovation initiative provides an example of how state government can support and participate in regional economic development initiatives. F3 is one of the component initiatives of Fresno DRIVE and is led by a coalition of state and regional partners that includes the Central Valley Community Foundation, City of Fresno, California Department of Food and Agriculture, UC Division of Agriculture and Natural Resources, UC Merced, Fresno State, Merced College (as well as seven other area community colleges), and the Fresno Area Hispanic Foundation. The initiative received $30 million in state funding as part of the 2020-21 budget and recently received a $65 million federal grant through the U.S. Economic Development Agency's Build Back Better Regional Challenge competition.

California's Central Valley is home to some of the most productive agricultural land and enterprises in the country and in the world. With just 1 percent of U.S. farmland, the Central Valley produces 25 percent of the nation's food. Yet, as Fresno DRIVE observes, "The agricultural economy remains predominantly commodity-based and slow-growing, failing to produce the quality jobs its residents need."[182] Moreover, the San Joaquin Valley lacks a robust ecosystem for innovation, with UC Merced and Fresno State together accounting for $54 million in R&D expenditures in 2020, compared to $816 million for UC Davis.[183] This has prevented the San Joaquin Valley region from moving up the value chain in the agricultural sector and limited its ability to produce quality jobs for residents.

F3 aims address these challenges and to make regional agriculture more innovative and sustainable by establishing a world-class "climate-smart agrifood technology and engineering cluster" in the San Joaquin Valley.[184]

F3 will advance agricultural technology in the Fresno-Merced region. Moreover, it seeks to promote both economic growth and inclusion through stimulating entrepreneurship, engaging small farmers and entrepreneurs alongside larger companies, increasing the number of higher quality jobs within the agricultural and food production sector, and working with community organizations to build local markets and increase access to healthy food. The initiative is composed of three interrelated projects:

1. *Center for Research in Engineering, Ag-Food Technology, and Entrepreneurship (iCReate)*—This project aims to encourage innovation and entrepreneurship in Fresno's agricultural economy. It aims to leverage technological innovation and applied research in data science, robotics, and manufacturing to "jump start" a more advanced and sustainable agricultural industry, especially with respect to precision agriculture and smart food processing. This work includes establishing a physical innovation center in Fresno for research and entrepreneurship in agricultural technology.[185]

2. *Local Farm and Food Innovation*—This element of F3 engages small farmers and entrepreneurs in the innovation process, as well as providing investment and technical assistance for food entrepreneurs, food vendors, and small farms. A goal of this work, Genoveva Islas, Executive Director of Cultiva La Salud, explained, is to change the "food landscape" of Fresno by creating markets and economic opportunity for small, local growers, expanding pathways of opportunity for food vendors, and building the supply of affordable, healthy food for underserved communities. "How magnificent would it be," Ms. Islas asked, with respect to efforts to increase the local sourcing of food at Fresno Unified School District, "if we aggregated all of these small farmers, where they could become a real viable mechanism for us to be able to get locally-grown fresh fruit onto the plates for our student population?"[186]

3. *Agrifood Technology and Engineering Collaborative (AgTEC)*—F3 also aims to facilitate the use and application of agricultural technology through investments in upskilling for incumbent agricultural workers and training for the next generation workforce. The initiative emphasizes innovative approaches to training, including the development of industry-aligned training pathways, the use of competency-based education, and the development of training facilities that can provide simulated training. Dr. Chris Vitelli, Superintendent/President of Merced College, further observed that F3 provides an opportunity to align training with industry and workforce needs at a regional level: "The Central Valley of California really is a region that needs to have more collaboration and to bring in large industry partners, mid-sized and small local farmers, incumbent worker voice, and listen to the needs of the region, and then make sure as a region...that we develop curricula that's really going to prepare a workforce that can make a difference regardless of where they work."[187]

In addition to offering an example of an inclusive cluster initiative that aims to integrate support for entrepreneurship and technological innovation with community development, F3 also offers an example of how state government and statewide institutions can partner with regional coalitions to support regional economic development. Dr. Glenda Humiston, UC Vice President for Agriculture and Natural Resources, explained that F3 illustrates how the University of California can bring its resources and expertise to bear on regional economic development initiatives statewide: "I think F3 is an exciting initiative. The folks in the Fresno-Merced region have done an amazing job of building up to this initiative over several years. But they are not the only ones. One of the things we are really interested in is finding ways that we can support these types of regional industry clusters throughout the state. And also have them be a bit of a network, sharing best practices and information and leveraging each other."[188]

more competitive, lift it from commodity-based production into higher value-add activities, allow it to tap into the growing global market around agricultural technology, and help make regional agriculture more sustainable.

It makes sense that disadvantaged communities focus on community building and neighborhood development. As Ashley Swearengin observed regarding poverty and exclusion in Fresno, "It's like smoke in a casino... Place matters."[189] Ms. Swearengin explained that the DRIVE coalition wrestled for a year with the question of whether to prioritize quality economic growth or community building and inclusion, before deciding to start with inclusion. Ms. Swearengin observed that starting with inclusion made it possible to build trust and create the opportunity to move forward together.[190]

In the long run, however, supporting less economically prosperous regions will take both growth and inclusion. The work of inclusive development initiatives is to navigate this tension.

State government can support this balancing act by clearly placing equal importance on growth and inclusion. By calling on regions to focus on traded sectors, leverage innovation, improve regional productivity, and advance industries up the value chain, state government and agencies involved in CERF can encourage wider understanding of the drivers of regional growth and of why regions need to focus on those economic drivers if they are to produce quality jobs at scale. At the same time, strategic investments in training, research and development, infrastructure, and entrepreneurship offer a means to incentivize industry buy-in and participation. Critically, this is an opportunity to move beyond existing coalitions when it comes to high road approaches, and to build wider regional partnerships that encourage more businesses to invest in their workers and expand the supply of quality jobs.[191]

These regional conversations about economic growth should be inclusive. Some community advocates reported that they hoped regional planning and strategy development would explore potential drivers of regional growth that do not traditionally feature in economic development planning. For example, Alex Avila in the Inland Empire suggested that he would like to see more discussion about how the region can leverage the arts and media for both community building and for supporting economic growth.[192] Regions need a conversation based in data, lived experience, and community desires about where there are opportunities to grow middle-skill jobs and connect young people to solid career pathways.

Care is needed to ensure that regions do not scatter funds over too many priorities and that they identify growth strategies that are feasible and capable of attracting private investment. Yet when it comes to identifying potential drivers of regional growth, state government can help stakeholders in regions get to the point where they say "both/and" to viable strategies advocated by different interests, rather than "either/or."

INCREASE REGIONAL CAPACITY FOR INCLUSIVE DEVELOPMENT

As many witnesses observed, the work of inclusive economic development is hard.[193] Jackie Melendez advised the Commission, "This is the hard work, this is the work that is uncomfortable but necessary if we are going to move the needle."[194] Ashley Swearengin similarly commented on the challenges of managing a regional coalition: "Honestly, collaboration is as much about mediation and conflict resolution as anything... There are no shortcuts. Gosh, I wish there were, but there are no shortcuts here."[195] It requires significant time, energy, and commitment to manage cross-sector relationships, build trust and understanding, and maintain common purpose among stakeholders with different interests, priorities, and expectations. Regions need capacity to sustain development efforts. Not all regions currently have the institutional alignment or resources for this.

Especially in less well-resourced regions, continued state support and funding for capacity building beyond CERF is likely to be necessary. This funding is a vital investment in the institutional infrastructure for inclusive development. It makes possible ongoing leadership and allows conveners to build and maintain staff, develop expertise, expand outreach and engagement with stakeholders, and enhance their ability to build relationships and trust among collaborators.[196]

> **"Honestly, collaboration is as much about mediation and conflict resolution as anything… There are no shortcuts. Gosh, I wish there were, but there are no shortcuts here." – Ashley Swearengin, Former Mayor of Fresno; President and CEO, Central Valley Community Foundation**

Moreover, state government needs to recognize that consistent funding and support is vital to sustaining cross-sector collaboratives. As Jobs for the Future has observed, the lesson of past state initiatives like the Career Pathways Trust is that cross-sector collaborations that come together for one-time money often do not survive the expiration of funding, at which point constituent organizations begin to pursue other priorities and funding opportunities.[197]

Current initiatives illustrate the challenges of maintaining cross-sectoral coalitions. The original IEGO coalition, for example, fractured with some labor and community advocates leaving to develop the People's Plan for Economic Inclusion—a document which calls for more funding and investment for disinvested communities in San Bernardino and voices frustration at the concentration of the warehouse industry in the Inland Empire.[198] CERF, meanwhile, has generated competing applications, which in some cases reflect divisions between labor and industry or between community groups and institutional stakeholders. There will always be divisions, even as local and regional leaders and stakeholders work to find opportunities to get people around the same table. Nevertheless, these fractures underscore the challenge of building and maintaining cross-sector and cross-interest collaboration.

State government and regions need to work together to ensure that regions build and maintain regional platforms that can break down siloes and move beyond collaborations of the already like-minded. Most importantly, state government needs to ensure that regions have platforms that are genuinely able to hold in tension the goals of economic growth, social equity, and environmental sustainability and sustain real dialogue among different interests. Then, as the CERF process unfolds, state government needs to commit to supporting these platforms on an ongoing basis both through funding and through recognizing regional economic development priorities. CERF will offer lessons about what works in California's various regions. Other states can also offer models regarding structuring the state's relationship to regional economic development in the long term.

IMPROVE STATE COORDINATION

California needs to coordinate agencies and programs around regional development strategies and align resources, funding, and programs in support of regional plans and priorities. In other words, state government needs to position itself as an enabling partner to regions in facilitating implementation of regional strategies. GO-Biz's establishment of regional economic coordinators to assist with inclusive regional development is a

step in this direction and may help regions access and leverage state and federal funding.[199] Witnesses emphasized, however, that what regions need is genuine state leadership in advancing regional strategies.

Paul Granillo and Tomás Morales, President of California State University, San Bernardino, made this point with regard to advancing sustainable logistics in the Inland Empire. President Morales related that members of IEGO visited Georgia Tech, which is a leading center for research and innovation around the logistics industry. According to President Morales, "The difference that we found is that when we visited Georgia Tech's operation, they were partnering with multiple state agencies. That's the big difference."[200] Mr. Granillo, meanwhile, suggested that the Inland Empire could be leading the country in creating and building the automated systems used within warehouses, but that currently those systems are built in Georgia and the Carolinas and then brought to California. As a result, an opportunity to advance the regional logistics industry into higher value-add activities is being lost. Granillo suggested that, in order to seize this kind of opportunity, "The state needs to look at the opportunity that exists and say, 'We're serious about this.' There needs to be a czar at the top that says, this is something that we're going to make a reality. And then you need to invest in it."[201]

Although Regions Rise and CERF are an important step in the direction of greater state coordination with respect to regional development, regional leaders and stakeholders report that more coordination is needed, and that state government must do more to align resources around regional opportunities.

Regional stakeholders emphasized that there is significant potential in improving interregional coordination between coastal and inland California, and in identifying opportunities to connect and build on the strengths of each.[202] To give one example suggested to Commission staff: the San Francisco Bay Area is in a housing crisis, while the Central Valley needs jobs but has strengths in manufacturing. Could state government help facilitate greater use of modular housing built in the Central Valley to address coastal housing needs?

> **"There needs to be a czar at the top that says, this is something that we're going to make a reality. And then you need to invest in it." - Paul Granillo, President and CEO, Inland Empire Economic Partnership**

Similarly, regional leaders observed that state and federal funding may create opportunities to build clean energy supply chains in California that can generate private investment and quality jobs in regions that need them.[203] In the Inland Empire, regional stakeholders noted the potential for Lithium Valley to change the economy of Imperial County and of the Inland Empire by creating a green technology ecosystem that would extend from lithium recovery to battery and vehicle manufacturing.[204] Yet there is concern that lithium recovery from the Salton Sea might succeed, only for the lithium produced to be shipped from California to Arizona, Nevada, or other states: California would supply the lithium, while investment, value-adding activities, and quality jobs would flow elsewhere. The challenge, in part, is that regulatory processes and requirements can create delays and uncertainties that make it very difficult for regions to compete with other states that have less regulations with respect to permitting and developing production facilities.

Acknowledging this does not mean abandoning California's commitment to the high road. It does, however, mean that state government needs to better align resources, incentives, stakeholders, and regulatory agencies to help regions advance their economic priorities and turn regional economic opportunities into reality.[205] State government will need to help regions find the appropriate balance that provides economic inclusion and environmental protection, while encouraging and supporting the economic development that can bring wealth and quality jobs to a region.[206]

This is much easier said than done. The specific actions and elements to advance potential regional opportunities for economic development are beyond the scope of this study. However, as a first step, supporting regional economic development will require state government to start aligning its programming with regional priorities. It will require state government to make investments in infrastructure, innovation, and training.[207] It will also require state agencies to orient policies and regulations toward realizing regional economic opportunities.

Advancing Regional Economies: Examples from Life Sciences Initiatives

The life sciences sector, which employs more Californians than any technology sector other than information technology, illustrates the potential for regions outside dominant centers of technological innovation to build on existing strengths and leverage regional assets, including geographic location and anchor institutions like colleges and universities, in order to expand into advanced industries with potential to fuel the creation of quality jobs.[208]

The life sciences are a frequent target for cluster initiatives. Although these efforts often disappoint because relatively few regions have deep, competitive strengths in life sciences or biotechnology, several inland regions nationally have had success developing life sciences clusters by capitalizing on regional advantages and by building partnerships that encompass universities, medical centers, and existing industry.[209] Since the early 2000s, Central Indiana, for example, has established a notable life sciences cluster, with strengths in pharmaceutical manufacturing and in medical devices and equipment—concentrations that reflect Indiana's broader strengths in manufacturing.[2010] Similarly, strategic initiatives in Ohio have demonstrated recent progress in the Columbus region in both attracting and fostering biomanufacturing firms.[211]

In California, Solano County, at the border of the San Francisco Bay Area and the Central Valley, has leveraged proximity to the Bay Area's life sciences industry and to UC Berkeley and UC Davis, availability of land, and investments in workforce training to attract pharmaceutical manufacturing and laboratory facilities.[212] Meanwhile, the Sacramento area is working to establish itself as a center for the life sciences—efforts anchored by UC Davis's Aggie Square project, which aims to establish a life and health sciences innovation hub at the UC Davis Medical Center in Sacramento. Notably, this latter project also suggests how regional economic development initiatives can align with place-based community development strategies. The Aggie Square development includes a community benefits agreement that prioritizes local residents for jobs and training pathways and provides for investment in affordable housing.[213]

VI. Recommendations

California today stands at a confluence of opportunities that collectively have potential to help lift up those regions that least shared in the state's enormous prosperity over the past few decades. Regional initiatives around the state have positioned key stakeholders to work together to achieve more inclusive regional growth, while significant federal funding promises to fuel investments in innovation, clean energy, infrastructure, and new supply chains. With CERF, California has the tool to bring these elements together and catalyze transformative development projects in inland and rural portions of the state.

This is a moment ripe with possibility—and urgency. Marian Kaanon related that she tells people with regard to Stanislaus 2030 and the work to advance inclusive economic development in Stanislaus County, "This may be our last best shot."[214] Jackie Melendez, meanwhile, warned, "Today, we look at CERF for answers and for hope. Yesterday it was the CARES Act and ARPA and Build Back Better and Regions Rise. The list goes on... And if we do not work together today, we will simply transmit our hopes to a new funding source tomorrow, forever chasing our dreams and the next funding source, working piecemeal on problems that require targeted and long-term funding, strategy, and collaboration."[215]

In order to capitalize on the current moment, state government should approach CERF as a first down payment in long-term support for inclusive regional economic development. California must recognize that inclusive regional economic development, especially for less prosperous and more disadvantaged regions, will be the work of decades. California should commit to supporting regional economic development and to closing regional economic disparities, and should put in place institutional frameworks to sustain this work into the future. State government also needs to coordinate its programming and funding so as to advance regional priorities and agendas.

1. The Governor, Legislature, and relevant state agencies should prioritize historically disadvantaged regions for funding within CERF and related programs. The Commission recommends that in awarding CERF implementation funds, California should give priority to those regions that have been most "left behind" in the past decades. The metrics relating to regional economic health discussed below under Recommendation #7 could provide a basis for evaluating which regions should receive priority for CERF funds.

To ensure that funding for economic development, clean technologies, and workforce training will help to redress longstanding regional inequities, the Legislature should further introduce regional reporting requirements for major programs that have potential to support regional economic development, such as CERF, the California Competes Tax Credit, the Climate Innovation Grant Program, and IBank's Expanding Venture Capital Access and Small Business Loan Guarantee programs. For these programs, the Legislature should require that relevant agencies report back annually about the distribution of funding by region, document how funding has supported the development of industrial clusters identified as priorities by regions, and provide explanation when disadvantaged regions receive a share of funding that is less than their share of the state's population.

2. Policymakers should provide greater clarity and strategic focus to CERF. The Commission applauds CERF's emphasis on inclusive and community-centered economic planning. Yet, with a number of programmatic priorities, CERF is potentially everything to everybody.

The Commission recommends focusing CERF more clearly on the creation of quality jobs in sustainable industries with high growth potential. In proposing

this recommendation, the Commission understands that the specific use of CERF funds can and should vary by region and project, and by the availability of alternative funding sources. It also strongly endorses CERF's intent to establish a planning and implementation process that is genuinely inclusive and provides for community leadership. However, given a myriad of potential regional priorities and limited CERF funds, the agencies administering CERF should focus the program and regional stakeholders toward: 1) identifying and supporting opportunities to invest in sustainable industries with significant potential to attract additional private and public dollars, lift up regional economies, and create quality jobs at scale; 2) aligning those investments with strategies and programs that will ensure disadvantaged communities are able to access the quality jobs created; and 3) sharing a portion of CERF funds with community-based organizations, with the goal of building their capacity to participate in regional economic development planning and help connect communities with quality jobs and economic opportunity.

3. State government should strongly encourage and support regional investment in traded sectors. Tradable sectors feature businesses that sell goods and services outside the economic region. They thus have a strong multiplier effect and the potential to enjoy high rates of growth. The Commission appreciates that CERF guidelines direct regions to create economic strategies focused on developing industrial clusters. However, in light of the potential of tradable industries to drive regional economic growth, the Commission believes that state government should specifically encourage regions to focus their development strategies on these sectors.

The Commission recommends that state agencies administering CERF explicitly emphasize the program's support for traded sectors that align with CERF's programmatic goals and that have potential to grow regional economies in the long term. The Commission also encourages GO-Biz and the Governor's Office, when articulating state government's support for regional economic development, to emphasize the importance of traded sectors as drivers for regional economic growth. Finally, the Commission recommends that the Legislature further direct state support toward traded sectors by encouraging training programs and partnerships to prioritize alignment with those traded sectors that regions identify as priorities.

4. State government should coordinate state funding and programs in support of regional economic development strategies. CERF is a drop in the bucket. In order to create meaningful regional economic transformation, state government must coordinate funding streams to give regions the resources and support they need to pursue their economic development agendas. State government must also coordinate across agencies to facilitate the implementation of regional development strategies. The guiding principle for state government and state agencies in this work should be the goal of empowering all parts of California to design and achieve their own economic destinies.

The Commission offers two specific recommendations toward this end:

a. The Governor should create a single, senior point of leadership for regional economic development. Dividing state leadership across multiple agencies, as is done in CERF, is not an approach that is likely to lead to efficient and coordinated support for regions in the long term. California needs a single leader responsible for working with state agencies to facilitate the implementation of regional economic agendas. California also needs a single leader who can assist, when necessary, with driving regional and interregional projects forward.

b. The Governor and Legislature should encourage and, where appropriate, direct

state agencies to consider regional economic development strategies as they design and implement statewide policies and regulations.

In addition, regions should not be expected to align funding opportunities on their own. Instead, the Governor and Legislature should direct programs and agencies to dedicate dollars toward supporting regional economic development strategies. For example, GO-Biz should reserve a portion of funding for the California Competes Tax Credit for investments that align with CERF implementation projects, and the Legislature should target a portion of funding for programs supporting the development and manufacture of clean energy technologies toward historically underinvested regions.

5. California should build regional capacity to pursue inclusive regional economic development. The Commission recommends that the Governor's Office and relevant agencies approach CERF not as a one-time program, but rather as the foundation for an ongoing strategy for supporting regional economic development.

a. The Governor and Legislature should create a pathway for institutionalizing CERF partnerships as permanent entities. The Commission suggests determining the precise form of these entities based on the initial experience of the CERF process. California should, however, maintain official regional entities that incorporate representation from industry, labor, community organizations, local government, higher education, and other stakeholders, and that will be responsible for facilitating cross-sector planning and coordination around inclusive regional economic development.

b. The Legislature should further dedicate ongoing funding for regional collaboratives, especially those in less well-resourced regions, with this funding becoming available at the end of the CERF planning phase. This funding can be at a lower scale than the CERF planning grants, but will give convening organizations predictable resources for building inclusive networks, sustaining partnerships, and updating regional strategies. The funding will also give conveners continuing access to technical support and outside expertise. Since genuine cross-sector partnership is a vital precondition for the success of regional approaches to economic development, the Commission recommends making a portion of this funding contingent on regions securing a partial funding match from local government and from industry as a demonstration of public and private sector buy-in. This match should, however, be optional for less well-resourced regions and should be waived in the event of economic downturns. When a region is otherwise unable to attain a match, GO-Biz and other relevant state agencies should deploy their convening power to help build a stronger regional partnership.

6. The Legislature should allocate ongoing funding to better enable institutions of higher education to act as leaders in regional economic development. As anchor institutions and centers of innovation and technical expertise, California's colleges and universities provide a key foundation for sustaining regional development strategies in the long term. Yet coordination between institutions of higher education and regional economies can be limited or uneven. Moreover, CERF guidelines mention institutions of higher education only in passing. Although institutions of higher education promise to play a leading role in many CERF collaboratives, state government should take steps both to help sustain this leadership and encourage greater alignment between colleges and universities and regional economies.

a. State government should use CERF as an opportunity to build closer partnerships between

institutions of higher education, especially public universities, and other regional economic stakeholders. The agencies administering CERF should strongly encourage colleges and universities to participate as leaders in regional collaboratives. State leaders should also strongly encourage universities to align new funding for research and climate initiatives with regional priorities as identified by CERF collaboratives.

b. In order to help institutions of higher education leverage and participate in CERF and improve alignment with regional economies, the Legislature should appropriate ongoing funding to support universities and colleges' engagement with regional economic development strategies. Priority for this funding should be given to campuses in rural and inland regions. This funding should be directed toward enabling colleges and universities to grow their institutional capacity to more fully align with regional economies and to take leading roles in regional economic development. It should also be tied to clearly defined outcome goals and well-crafted strategies for increasing alignment with regional economies.

7. State policymakers should institutionalize the regular reporting of metrics relating to the health of regional economies and the extent of regional economic disparities. This should include metrics for 2022 (at the start of the CERF process), in 2026 (at the close of the CERF program), and in regular intervals thereafter. Institutionalizing the reporting of key regional economic metrics will help maintain focus on regional economic development and the need to address regional economic disparities even after the CERF program has ended.

GO-Biz has taken a first step towards compiling and reporting regional economic data with its new Community & Place Based Data Tool. However, California needs a broader set of metrics that more fully capture the economic health and dynamism of regions and the extent of economic disparities among them.

The Commission recommends that, in reporting on regional economic data, state government include data relative to per capita income, median household income, unemployment and employment rates (in order to understand relative levels of labor force participation), and poverty rate (both with respect to the official federal poverty rate and the federal supplemental poverty measure or California Poverty Measure). In addition, state government should consider partnering with outside research organizations, like the Brookings Metropolitan Policy Program, to further include metrics on the productivity of regional economies, the share of traded sectors within regional economies, and the percentage of struggling families within regions, as well as on the degree of racial inclusion within regional economies.

Appendix: CERF, State Programs, and Regional Economic Development

The following table highlights major programs that align with CERF's goals and could help advance regional economic development strategies, especially in inland and rural regions. Commission staff identified $9.3 billion in one-time funding[216] and $1.2 billion in annual continuing funding from the 2021-22 and 2022-23 state budgets for 65 programs and investments that support workforce training, clean energy transition, business investment, and innovation and entrepreneurship. These programs and investments span 21 departments and agencies.

The Commission released an earlier version of this compilation in its August 2022 Issue Brief, *Major State Programs that Can Support Regional Economic Development*. The Commission has updated the compilation to reflect the finalized 2022-2023 State Budget.

Readers should note that the programs in the table below do not encompass all state dollars that may help support inclusive regional economic strategies:

- This table does not include general business tax credits or exemptions, like California's Research and Development tax credit (worth about $2.9 billion in 2019[217]) or the Manufacturing and Research & Development Equipment Exemption.
- It generally does not include funding for physical infrastructure, broadband expansion, or transportation. Although infrastructure is a key enabler for economic growth, this table focuses on specific programmatic funding that has potential to more directly support CERF-aligned regional economic development projects.
- It does not include programs that support training or workforce development in health care, education, or human services, sectors which may be sources of quality jobs but that are unlikely to drive regional economic growth or assist directly with the diversification of regional economies.
- Finally, it only includes major programs, as defined by those that have received $15 million or more in funding.

Program	Agency	Description	Funding
Community Economic Resilience Fund (CERF)	GO-Biz, LWDA, and OPR	Statewide initiative to support regional economic planning and the development of more equitable and sustainable regional economies.	The 2021-22 budget provides $600 million one-time GF.
Regional Initiative for Social Enterprises Program (CA Rise)	CalOSBA	Provides financial and technical assistance to employment social enterprises, which give on-the-job training and specialized supports to people who face high barriers to work.	$25 million one-time GF provided in the 2022-23 budget.
California Investment and Innovation Program	CPCFA	Provides grants to community development financial institutions (CDFIs) to provide technical assistance and capital access to economically disadvantaged communities in the state.	$50 million one-time GF provided in the 2022-23 budget.
Capital Access Program for Small Business	CPCFA	Encourages participating financial institutions to make loans to small businesses that have difficulty obtaining financing by helping cover potential losses.	The ARP provides $118 million in SSBCI funds.
Collateral Support Program	CPCFA	Helps cover collateral shortfalls for loans made by participating financial institutions to small businesses that have too little collateral, but would otherwise meet the institutions' standards for receiving a loan.	The ARP provides $472 million in SSBCI funds.
Social Entrepreneurs for Economic Development (SEED)	CWDB	Provides microgrants, entrepreneurial training, and technical assistance to target populations to support them in starting or maintaining a small business that addresses a social problem or community need.	$20 million one-time GF provided in the 2021-22 budget. Grant awards were announced around Spring 2022 and the anticipated grant term is June 2022 through May 2024.

California Competes (CalCompetes) Tax Credit	Go-Biz	Tax credit available to businesses that want to locate in California or stay and grow in the state and provide quality, full-time jobs.	The 2021-22 budget increases the tax credit by $110 million (from $180 million to $290 million) for the 2021-22 fiscal year. The 2022-23 budget extends the tax credit program from 2023-24 through 2027-28 at the current level of $180 million per year (previously set to sunset in 2022-2023).
California Competes (CalCompetes) Grant Program	Go-Biz	Provides grants to eligible businesses that want to locate in California or to stay, grow, and create quality full-time jobs in the state.	$120 million one-time GF provided in the 2021-22 budget. The application period for 2021-22 FY funding was open in early 2022. The 2022-23 budget provides $120 million one-time GF for a second year of the grant program.
Inclusive Innovation Hub Program (iHub[2])	Go-Biz	Designates and awards 10 entities (and an additional three per the 2022-23 budget) to nurture, develop, and provide seed funding to technology and science-based firms in underserved communities.	$2.5 million one-time GF provided in the 2021-22 budget to revive the iHub program. The 2022-23 budget provides an additional $20 million GF, to be spent over four years.
Expanding Venture Capital Access Program	iBank	Invests in underrepresented venture capital managers, underrepresented and underserved entrepreneurs and business owners, and geographic areas that are socio-economically disadvantaged or that receive very limited venture capital funding.	The ARP provides $200 million ($150 million to venture capital funds and $50 million to businesses) in SSBCI funds.
Small Business Loan Guarantee Program	iBank	Provides loan guarantees (of up to 80 percent of the loan) to qualifying small businesses in low-to-moderate income communities.	The ARP provides $390 million in SSBCI funds.
Forest Health Program	CAL FIRE	Provides grants for projects that improve forest health and reduce greenhouse gas emissions in forests across the state.	$159 million one-time GF/GGRF provided in the 2021-22 budget. The 2022-23 budget provides $240 million GF/GGRF, split evenly over two years.
Fire Prevention Grant Program	CAL FIRE	Provides funding for fire prevention projects and activities in and near fire-threatened communities that focus on increasing the protection of people, structures, and communities.	$120 million one-time GF/GGRF provided in the 2021-22 budget. The 2022-23 budget provides $232 million one-time GF/GGRF, split over two years.
Urban Forestry Grant Program	CAL FIRE	Provides grants to local governments and nonprofits for projects that include the planting of trees or other vegetation, improving long-term forest management, or better utilizing wood waste.	$20 million one-time GF/GGRF provided in the 2021-22 budget. The 2022-23 budget provides $30 million one-time GF, split over two years.
Incentives for Alternatives to Agricultural Burning in the San Joaquin Valley	CARB	Provides incentives to support farmers in the San Joaquin Valley in the transition from open burning to alternative practices for the disposal of agricultural biomass.	The 2021-22 budget provided $180 million one-time GF, to be spent over three years.
Healthy Soils Program	CDFA	Provides grants for the implementation of conservation management practices that improve soil health, sequester carbon, and reduce greenhouse gas (GHG) emissions.	The 2021-22 budget provided $160 million one-time, split between 2021-22 ($75 million) and 2022-23 ($85 million). Funding is a mix of GF ($135) and GGRF ($25 million). The 2022-23 budget provides $10 million in 2023-24.
State Water Efficiency and Enhancement Program (SWEEP)	CDFA	Provides incentives for farmers to implement irrigation systems that conserve water and reduce GHG emissions from irrigation water pumping.	$100 million one-time GF provided in the 2021-22 budget, split evenly between 2021-22 and 2022-23. The 2022-23 budget provides $60 million one-time GF, split over two years.

Farm to School Incubator Grant Program	CDFA	Competitive grant program that awards projects that cultivate equity, nurture students, build climate resilience, and create scalable and sustainable change.	The 2021-22 budget provides $60 million one-time GF, split evenly between 2021-22 and 2022-23. The 2022-23 budget provides an additional $30 million one-time GF, and $3 million ongoing GF.
Fresno-Merced Future of Food Innovation (F3) Initiative	CDFA	Seed funding for developing a regional hub to stimulate innovation in sustainable agriculture production and processing.	$30 million in one-time GF provided in the 2021-22 budget.
Climate Innovation Grant Program	CEC	Provides grants to California-based companies that conduct research activities focused on technologies that help the state achieve its climate goals.	The 2022-23 budget provides $525 million over four years ($100 million in 2022, 2023, and 2024 and $225 million in 2025).
Zero-Emission Vehicle Package: Manufacturing Grants	CEC	Provides incentives and grants to eligible entities to develop advanced clean vehicle and fueling infrastructure technology.	The 2021-22 budget provided $250 million one-time GF, evenly split between two years.
Energy Package: Industrial Decarbonization Grant Program	CEC	Provides funding to purchase and use commercially-available advanced technologies or develop new strategies to reduce emissions at industrial facilities.	The 2022-23 budget provides $100 million one-time GF.
Energy Package: Long Duration Storage Projects	CEC	Incentivizes demonstrations and early-stage deployment of nearly-commercialized long-duration energy storage projects.	The 2022-23 budget provides $140 million one-time GF.
Carbon Removal Innovation	CEC	Provides matching funding to supplement grants for research, development, and demonstration of carbon capture projects.	The 2022-23 budget provides $100 million one-time GF, split evenly over two years.
Energy Package: Green Hydrogen Projects	CEC	Provides funding to advance the use and production of green hydrogen technology.	The 2022-23 budget provides $100 million GF to support the Hydrogen Program (CEC), plus $5 million GF to support hydrogen hubs (Go-Biz).
Lithium Incentives	CEC	Provides incentives for projects that manufacture, process, or recover lithium through a sales and use tax exclusion.	The 2022-23 budget authorizes an additional $45 million of sales and use tax exclusions ($15 million in the 2022, 2023, and 2024 calendar years).
Electric Program Investment Charge (EPIC) Fund	CEC	Funds investment to advance clean energy technologies and approaches.	The program renewed in September 2020 for an additional 10 years by the CPUC with an annual budget of $147 million for the first five years. The program is funded through charges to electricity and natural gas users.
Low Carbon Economy Grant Program	CWDB	Funds projects that seek to provide comprehensive, high-quality workforce development to priority populations and facilitate GHG emission reductions.	The 2022-23 budget provides $45 million one-time GF, available over three years.
Regional Forest and Fire Capacity Program	DOC	Provides block grants to regional and statewide entities to facilitate regional coordination for forest health and wildfire resilience.	$60 million one-time GF/GGRF provided in the 2021-22 budget. The 2022-23 budget provides $40 million one-time GF/GGRF, split evenly over two years.
Climate Catalyst Revolving Loan Fund	iBank	Lends money to public and private entities for climate-related projects.	The 2021-22 budget provided $31 million one-time GF in 2021-22 for forestry projects and $25 million one-time GF in 2022-23 for climate-related projects in the agriculture industry. The budget also made the revolving fund continuously appropriated and required iBank to adopt a financing plan.

Transformative Climate Communities Program	OPR	The Transformative Climate Communities (TCC) Program funds development and infrastructure projects that achieve major environmental, health, and economic benefits in California's most disadvantaged communities.	The 2021-22 budget provides $420 million one-time GF over three years, $115 million in 2021-22, $165 million in 2022-23, and $140 million in 2023-24.
Integrated Climate Adaptation and Resiliency Program (ICARP) Planning Grants	OPR	Grant program open to local, regional, and tribal governments to implement regional projects aligned with the priorities of the Integrated Climate Adaptation and Resiliency Program (ICARP), which seeks to improve regional climate resilience and reduce risks from climate impacts.	The 2021-22 budget provided $25 million in one-time funding, split between 2021-22 ($10 million), 2022-23 ($10 million) and 2023-24 ($5 million). Applications for the first round are due in Fall 2022.
Regional Climate Collaboratives Program	SGC	Assists disadvantaged and low-income communities in accessing funding for climate change mitigation and adaptation projects by creating regional collaboratives.	The 2021-22 budget provided $20 million in one-time GF, split evenly between 2021-22 and 2022-23.
California Renewable Energy Center of Excellence	CCC	Supports the creation of the California Renewable Energy Center of Excellence in the Kern Community College District.	$50 million one-time Prop 98 GF provided in the 2022-23 budget.
Inland Empire Technical Trade Center	CCC	Supports acquisition of land on part of the Riverside Community College District for construction of a future Inland Empire Technical Trade Center.	$33 million one-time Prop 98 GF provided in the 2022-23 budget.
Clovis Community College Applied Technology Building	CCC	Supports construction of a new Applied Technology building at Clovis Community College to support studies in environmental, health occupation, water and wastewater, food processing, and electro-mechanical technologies.	$25 million one-time GF provided in the 2021-22 budget.
Agri-food Technology and Engineering Workforce Collaborative	CCC	Supports the Agri-food Technology and Engineering Workforce Collaborative at Merced College.	$15 million one-time Prop 98 GF provided in the 2022-23 budget.
Humboldt State University Polytechnic Transition	CSU	Supports Humboldt State University's transition to become a polytechnic university.	The 2021-22 budget provided $433 million one-time GF to support Humboldt State's transition to a polytechnic university, and $25 million ongoing GF to support the addition of academic programs, such as cybersecurity, wildfire management, and climate resilience.
CSU Bakersfield Energy Center	CSU	Supports construction of the CSU Bakersfield Energy Innovation Center.	$83 million one-time GF provided in the 2022-23 budget.
Brawley Center, San Diego State University	CSU	Expands the San Diego State University, Brawley Center in the Imperial Valley to support a local workforce pipeline.	$80 million one-time GF provided in the 2022-23 budget.
CSU University Farms Upgrades	CSU	Supports equipment and facilities upgrades at the CSU University Farms.	$75 million one-time GF provided in the 2022-23 budget.
UC Climate Initiatives	UC	Includes funding for seed and matching grants for climate-related research, regional climate technology incubators, and regional workforce and training hubs.	The 2022-23 budget provides $100 million one-time GF for climate action research seed and matching grants, and grants for projects at UC Innovation and Entrepreneurship Centers to incentivize and expand climate innovation and entrepreneurship. As well as $47 million one-time GF for climate initiatives at UC Riverside and $18 million one-time GF for climate initiatives at UC Merced.
UC Riverside Center of Environmental Research and Technology Facilities	UC	Funding supports the UC Riverside Center for Environmental Research and Technology, a research center that seeks to address environmental challenges in air quality, climate change, energy, and transportation.	$15 million one-time GF provided in the 2021-22 budget.
Workforce Training	CAL FIRE & CWDB	Supports community colleges and vocational training programs to train, develop, and certify forestry professionals and expand the workforce.	$18 million one-time GF/GGRF provided in the 2021-22 budget. The 2022-23 budget provides $30 million one-time GF, split evenly over two years.
California Apprenticeship Initiative	CCC	Supports the creation of new apprenticeships and pre-apprenticeships in high-growth industries.	Increase of $15 million Prop 98 GF provided in the 2021-2022 budget for a total of $30 million ongoing.
Strong Workforce Program	CCC	Provides funding to improve and implement regionally-aligned community college career technical education programs.	Increase of $42 million Prop 98 GF in the 2021-22 budget for a total of $290 million in ongoing funding.

K-12 Strong Workforce Program	CCC	Provides grant funding to K-12 local education agencies (such as school boards) to create, support, or expand regionally-aligned career technical education programs.	This program receives $150 million ongoing Prop 98 GF for grants.
California Career Technical Education Incentive Grant Program	CDE	Competitive grant program open to local education agencies that seek to provide K-12 students with the knowledge and skills needed to transition to employment and postsecondary education.	Increase of $150 million ongoing Prop 98 GF provided in the 2021-22 budget for a total of $300 million ongoing Prop 98 GF.
California Partnership Academies	CDE	A three-year program for students in grades 10-12 that incorporates academic and career technical education, partnerships with employers, internships, and mentor programs.	This program receives $21 million ongoing Prop 98 GF.
Learning-Aligned Employment Program	CSAC	Offers eligible students opportunities to earn money for their education costs while obtaining career-related experienced in their area of study.	$500 million one-time GF provided in the 2021-22 budget, split between 2021-22 ($200 million) and 2022-23 ($300 million). Supporting campuses will implement the funds in the 2022-23 academic year. The 2022-23 budget provides an increase of $300 million one-time GF.
Golden State Education and Training Grant Program	CSAC	Supports Californians who lost their jobs due to the pandemic with a grant for reskilling, up-skilling, and accessing educational programs.	The 2021-22 budget provided $500 million ($472.5 million in one-time ARP funds and $27.5 million one-time GF). Full implementation is planned for late 2022.
High Road Training Partnership Program Expansion	CWDB	Expands the High Road Training Partnership Program, which provides funding for training programs to build career pathways in a variety of fields, into new sectors.	The 2021-22 budget provided $100 million one-time GF. Applications are open on a quarterly basis.
California Youth Leadership Corps Earn-and-Learn Pathways	CWDB	Supports youth community pathway programs at select community colleges across California.	The 2022-23 budget provides $60 million one-time GF ($20 million annually through 2024-25).
Collaboration with Community Colleges	CWDB	Builds new partnerships between the Workforce Development Board and community colleges. Includes funding for data improvements, High Road Training Partnerships aligned with community college curricula, and equity partnerships between local boards and community colleges.	$60 million one-time GF provided in the 2021-22 budget.
Regional Equity and Recovery Partnerships Grant (RERP Grant)	CWDB	Competitive grant program that bolsters partnerships between local workforce development boards and community college regional consortia aiming to incorporate "high road" approaches to existing sector strategies and career pathway programs.	$25 one-time GF provided in the 2021-22 budget. Grant awards were announced in June 2022 and the estimated grant term is from December 2022 through September 2025. The budget also includes $10 million Prop 98 GF for the state's community colleges to participate in these efforts.
Breaking Barriers to Employment	CWDB	Provides individuals with barriers to employment the services they need to enter, participate in, and complete workforce programs aligned with regional labor market needs.	$30 million one-time GF provided in the 2021-22 budget. Applications are due in September 2022, awards are announced in October 2022, and the grant term lasts from January 2023 to April 2024.
Prison to Employment	CWDB	Supports regional and local planning and implementation efforts to integrate re-entry, workforce, and direct services to formerly incarcerated and justice-involved individuals.	$20 million one-time GF provided in the 2021-22 budget. Applications for funding are due in August 2022, and the estimated grant term is from January 2023 to December 2025.
Well-Capping Workforce Pilot for Displaced Oil and Gas Workers	CWDB	Funds development of a workforce training pilot program to train displaced oil and gas workers in remediating legacy oil infrastructure.	The 2022-23 budget provides $20 million one-time GF.
Regional K-16 Education Collaboratives	DGS	Competitive grant program designed to support regional K-16 collaboratives that create streamlined pathways from high school to postsecondary education to in-demand jobs.	$250 million one-time GF provided in the 2021-22 budget. The K-16 Program uses a two-phase approach. Phase one grants were awarded in Spring 2022. Phase two planning grant applications are due in Fall 2022 and implementation grant applications are due in Fall 2023.
California Youth Apprenticeship Program	DIR	Supports the expansion of apprenticeship and pre-apprenticeship opportunities for 16- to 24-year-olds who are unhoused, in the welfare or juvenile justice systems, or otherwise facing barriers to labor market participation.	The 2022-23 budget provides $65 million one-time GF ($20 million in 2022-23 and 2023-24, and $25 million in 2024-25).

Employment Training Panel	EDD	Provides training grants to businesses in support of workforce training for new and existing employees.	The program is typically funded by a 0.1 percent statewide payroll tax (funding about $100 million in programs annually). Additionally, the 2021-22 budget provided $65 million one-time GF, $15 million of which is directed toward training programs that align with community college workforce training programs.
Apprenticeship Innovation Funding Program	LWDA	Invests in and expands non-traditional apprenticeships.	The 2022-23 budget provides $175 million one-time GF, split between three years ($55 million in 2022-23, and $60 million in 2023-24 and 2024-25).
Californians for All College Service Program	OPR	Provides paid service opportunities for college students to address statewide challenges.	The 2021-22 budget provided $146.3 million in one-time funding ($18.8 GF and $127.5 ARP). Implementation for 2021-22 budget funding is split into two cohorts, the first is from August 2022 to July 2023 and the second is from August 2023 to June 2024. The 2022-23 budget provides $146.2 million one-time GF ($73.1 million each in 2024-25 and 2025-26).
California Volunteers: Youth Workforce Development	OPR	Provides funds to administer grants to cities and counties to develop or expand youth job opportunities. Programs that focus on climate, food insecurity, and local pandemic recovery will receive preferential scoring.	$200 one-time ARP funds provided in the 2021-22 budget. Funding applications were due and approved in early 2022. All funds must be obligated by June 2024.
California Volunteers: Summer Youth Jobs Programs	OPR	Provides job training and employment services as well as job opportunities for youth in areas including COVID-19 recovery, food insecurity, and climate action.	$25 million one-time GF provided in the 2022-23 budget to continue the Jobs Corps program.

Regional Economic Development

Business Development and Incentives

Clean Energy and Climate-Related Programs

Investments in Institutions of Higher Education

Training, Workforce Development, and Career Pathways

STATE AGENCY & DEPARTMENT ABBREVIATIONS

- Cal Fire = Department of Fire and Forestry
- CCC = California Community Colleges
- CalOSBA = California Office of the Small Business Advocate
- CARB = California Air Resources Board
- CDE = California Department of Education
- CDFA = California Department of Food and Agriculture
- CEC = California Energy Commission
- CPCFA = California Pollution Control Financing Authority
- CSAC = California Student Aid Commission
- CSU = California State University
- CWDB = California Workforce Development Board
- DGS = Department of General Services
- DIR = Department of Industrial Relations
- DOC = Department of Conservation
- EDD = Employment Development Department
- Go-Biz = Governor's Office of Business and Economic Development
- iBank = California Infrastructure and Economic Development Bank
- LWDA = Labor and Workforce Development Agency
- OPR = Governor's Office of Planning and Research
- SGC = Strategic Growth Council
- UC = University of California

FUND ABBREVIATIONS

- ARP = American Rescue Plan
- GF = General Fund
- GGRF = Greenhouse Gas Reduction Fund
- SSBCI = State Small Business Credit Initiative

Funding by Program Categories

Category	Number of Programs Receiving JUST One-Time Funding	Total One-Time Funding:	Percent of Total One-Time Funding	Number of Programs Receiving BOTH One-Time and Continuing Funding	Number of Programs Receiving JUST Continuing Funding	Total Continuing Funding:	Percent of Total Continuing Funding
Regional Economic Development	1	$600 Million	6%	0	0	$0	0%
Business Development and Incentives	9	$1.6 Billion	18%	1	0	$180 Million	14%
Clean Energy and Climate-Related Programs	20	$3.4 Billion	36%	1	1	$150 Million	12%
Investments in Institutions of Higher Education	9	$974 Million	10%	1	0	$25 Million	2%
Training, Workforce Development, and Career Pathways	16	$2.7 Billion	29%	1	5	$891 Million	72%
Total:	**55**	**$9.3 Billion**	**100%**	**4**	**6**	**$1.2 Billion**	**100%**

Notes

1. How the eight counties of the San Joaquin Valley region would rank among states in terms of income varies depending on data source and measure. U.S. Census Bureau and Bureau of Economic Analysis measures for per capita income differ, but both would appear to place the San Joaquin Valley among the states with lowest per capita incomes. According to data from the Bureau of Economic Analysis, average estimated per capita income in the San Joaquin Valley in early 2020 was $47,399—greater only than Mississippi ($42,716), West Virginia, ($45,240), Alabama ($46,179) New Mexico ($46,760), Arkansas ($47,154), Meanwhile, according to data from the U.S. Census Bureau, average estimated per capita income in the San Joaquin Valley in 2021 was about $27,800, lower than any state other than Mississippi ($26,950). The San Joaquin Valley fares better in comparison to states, however, when looking at median household income. According to the U.S. Census Bureau, average estimated median household income for the San Joaquin Valley was $65,621 in 2021, significantly higher than median household income in Mississippi ($48,716) or West Virginia ($51,248) and more comparable to median household income in Ohio ($62,262) and Maine ($64,767). On the basis of average median household income, the San Joaquin Valley would appear to fall at the bottom of the middle quintile of states by median household income. Data on income is from the Federal Reserve Economic Data Source, at the St. Louis Federal Reserve Bank, https://fred.stlouisfed.org/series/PPAACA06029A156NCEN and from the U.S. Census Bureau, 2021 American Community Survey 1-Year Estimates, Tables B19013 and B19301, https://data.census.gov/cedsci/table?q=Table%20B19013 and https://data.census.gov/cedsci/table?q=Table%20B19301.

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Little Hoover Commission Members

CHAIRMAN PEDRO NAVA | Santa Barbara
Appointed to the Commission by Speaker of the Assembly John Pérez in April 2013 and reappointed by Speaker of the Assembly Anthony Rendon in 2017 and again in 2021. Government relations advisor. Former State Assemblymember from 2004 to 2010, civil litigator, deputy district attorney and member of the state Coastal Commission. Elected chair of the Commission in March 2014.

VICE CHAIRMAN SEAN VARNER | Riverside
Appointed to the Commission by Governor Edmund G. Brown Jr. in April 2016 and reappointed in January 2018. Managing partner at Varner & Brandt LLP where he practices as a transactional attorney focusing on mergers and acquisitions, finance, real estate, and general counsel work. Elected vice chair of the Commission in March 2017.

DION ARONER | Berkeley
Appointed to the Commission by the Senate Rules Committee in April 2019. Partner for Aroner, Jewel, and Ellis. Former State Assemblymember from 1996 to 2002, chief of staff for Assemblymember Tom Bates, social worker for Alameda County, and the first female president of Service Employees International Union 535.

DAVID BEIER | San Francisco
Appointed to the Commission by Governor Edmund G. Brown Jr. in June 2014 and reappointed in January 2018. Managing director of Bay City Capital. Former senior officer of Genentech and Amgen, and counsel to the U.S. House of Representatives Committee on the Judiciary.

ASM. TASHA BOERNER HORVATH | Encinitas
Appointed to the Commission by Speaker of the Assembly Anthony Rendon in October 2021. Elected in November 2018 to represent the 76th Assembly District. Represents Camp Pendleton, Oceanside, Vista, Carlsbad, and Encinitas.

CYNTHIA BUIZA | Los Angeles
Appointed to the Commission by Speaker of the Assembly Anthony Rendon in October 2018. Executive director of the California Immigrant Policy Center. Former policy director for the American Civil Liberties Union, San Diego, and policy and advocacy director at the Coalition for Humane Immigrant Rights of Los Angeles.

ANTHONY CANNELLA | Ceres
Appointed to the Commission by the Senate Rules Committee in March 2022. Civil engineer and principal with Northstar Engineering Group. Former State Senator from 2010 to 2018. Previously served on the Ceres City Council and was twice elected mayor of that city.

ASM. PHILLIP CHEN | Yorba Linda
Appointed to the Commission by Speaker of the Assembly Anthony Rendon in October 2021. Elected in November 2016 to represent 55th District. Represents portions of Los Angeles, Orange and San Bernardino counties and the cities of Brea, Chino Hills, Diamond Bar, La Habra, Industry, Placentia, Rowland Heights, Walnut, West Covina and Yorba Linda.

BILL EMMERSON | Redlands
Appointed to the Commission by Governor Edmund G. Brown Jr. in December 2018. Former senior vice president of state relations and advocacy at the California Hospital Association, State Senator from 2010 to 2013, State Assemblymember from 2004 to 2010, and orthodonist.

GIL GARCETTI | LOS ANGELES
Appointed to the Commission by Governor Gavin Newsom in November 2021. Professional photographer and author of ten books. Former Los Angeles County District Attorney, teaching Fellow at Harvard University's Kennedy School, and president of the California Science Center Foundation's Board of Trustees.

SEN. DAVE MIN | Irvine
Appointed to the Commission by the Senate Rules Committee in September 2021. Elected in November 2020 to represent the 37th Senate District. Represents Anaheim Hills, Costa Mesa, Huntington Beach, Irvine, Laguna Beach, Laguna Woods, Lake Forest, Newport Beach, Orange, Tustin, and Villa Park.

SEN. JIM NIELSEN | Gerber
Appointed to the Commission by the Senate Rules Committee in March 2019. Elected in January 2013 to represent the 4th Senate District. Represents Chico, Oroville, Paradise, Red Bluff, Yuba City, and surrounding areas.

JANNA SIDLEY | Los Angeles
Appointed to the Commission by Governor Edmund G. Brown Jr. in April 2016 and reappointed in February 2020. General counsel at the Port of Los Angeles since 2013. Former deputy city attorney at the Los Angeles City Attorney's Office from 2003 to 2013.

Full biographies are available on the Commission's website at www.lhc.ca.gov.

"DEMOCRACY ITSELF IS A PROCESS OF CHANGE, AND SATISFACTION AND COMPLACENCY ARE ENEMIES OF GOOD GOVERNMENT."

By Governor Edmund G. "Pat" Brown,
addressing the inaugural meeting of the Little Hoover Commission,
April 24,1962, Sacramento, California

LITTLE HOOVER COMMISSION

Milton Marks Commission on California State Government Organization and Economy

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