

AGENDA

ASSEMBLY BUDGET SUBCOMMITTEE NO. 4 ON STATE ADMINISTRATION

ASSEMBLYMEMBER WENDY CARRILLO, CHAIR

TUESDAY, FEBRUARY 1, 2022

1:30 PM – STATE CAPITOL, ROOM 444

The public may attend this hearing in person or participate by phone. Any member of the public attending this hearing will need to wear a mask at all times while in the building location. This hearing can be viewed via live stream on the Assembly's website at <https://assembly.ca.gov/todayevents>.

We encourage the public to provide written testimony before the hearing. Please send your written testimony to: BudgetSub4@asm.ca.gov. Please note that any written testimony submitted to the committee is considered public comment and may be read into the record or reprinted.

*A moderated telephone line will be available to assist with public participation. The public may provide comment by calling the following toll-free number: **877-692-8957 / Access Code: 131 54 44.***

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ITEMS TO BE HEARD

0509 GOVERNOR'S OFFICE OF BUSINESS AND ECONOMIC DEVELOPMENT (GO-BIZ)

OVERVIEW

The Governor's budget includes nine proposals for the Governor's Office of Economic Development (GO-Biz) including the creation of new programs and investments in existing programs. The deadline for trailer bill language to be posted is February 1, 2022. At the time of the release of this agenda, trailer bill has not been posted for the GO-Biz items.

ISSUE 1: SMALL BUSINESS RELIEF GRANTS UPDATE

The California Office of Small Business Advocate will provide an update on the California Small Business COVID-19 Relief program, the Microbusiness COVID-19 Relief Grant Program, CA Dream Fund, Inclusive Innovation Hubs (iHubs2), the California Venues Grant Program, and the California Nonprofit Performing Art Grants Program.

PANEL

The following individuals will participate virtually in the discussion of this issue:

- Tara Lynn Gray, Director, California Office of Small Business Advocate
- Brian Weatherford, Senior Fiscal & Policy Analyst, Legislative Analyst's Office
- Tamara Johnson, Finance Budget Analyst, Department of Finance
- Tim Weber, Principal Program Budget Analyst, Department of Finance
- Emma Jungwirth, Assistant Program Budget Manager, Department of Finance

BACKGROUND

The following is a summary of small business programs funded in the 2022 Budget Act. This information was provided by CalOSBA.

Small Business Covid Relief Grant (SBCRG) – Rounds 1 to 9 have closed. Total dollars awarded to date \$3,564,785,886. Awards are still being made for round 9. See table below for details. Award data is on the CalOSBA website.

SBCRGP (Rounds 1 through 9)	
Total Applications Received to -date	516,175
Awards Provided	
Total to-date	311,566
Eligible businesses that haven't received an award	
Pending/projected to still receive an award under existing funding	57,267
Would receive an award with additional \$150m investment	13,513
Subtotal	70,780
Ineligible businesses/Will not receive an award	
Ineligible due to delinquent SOS filing status	8,570
Didn't meet verification or validation requirements*	45,693
Duplicates of nonprofit applications	98
Duplicates for businesses that applied for multiple grants	79,468
Subtotal	133,829

* includes SOS nonfilers, post 6/1/2019 starts, and other issues

Microbusiness Covid-19 Relief Grants (MBCRG)

- Round 1– Is complete with 26 counties having received a notice of intent to award. 13 counties have fully executed contracts and requisitions have been done. 10 counties are going through their local approval process and 3 have yet to complete their documentation.
- Round 2 – The RFP for California county governments and consortiums of nonprofits to apply as grantmaking entities opened 1/26/22 and will close 3/10/22.

CA Dream Fund

- CalOSBA released an RFP to select a fiscal agent via Cal eProcure site. Proposals were due January 12, 2022. CalOSBA and BSU underwent a scoring process to select the fiscal agent. A notice of intent to award was sent to Lendistry and posted on Cal eProcure at <https://caleprocure.ca.gov/event/0509/0000021748>. The ten-day “stand still period” has expired with no contest to the contract award. B.S. D. Capital (Lendistry) has been selected to administer grant funds for the California Dream Fund Program.
- TAEP Centers have all received awards to serve small businesses for their respective service areas.

Inclusive Innovation Hubs (iHub²)

- RFP submission period was 10/11/21 – 12/16/21 (extended from 11/15/21).
- 22 applications were received from across the state. CalOSBA is currently in the selection process for the 10 iHubs. Notices of Intent to Award are expected to go out on Tuesday, February 1, 2022.

CA Venues Grants

- Selected Applicants: As of 12/28/21: Approximately 453 live venue centers were selected to go through the validation and verification process, which takes approximately 45 days. We are investigating an issue related to NAICS codes that may have otherwise eligible entities deemed ineligible.
- Not all selected applicants will be awarded, and selections are still ongoing.

Nonprofit Performing Arts Grants

- CalOSBA released a request for proposals from eligible grantmaking entities on January 21, 2022 to solicit applications from eligible organizations to apply to administer the grant program and distribute grants to eligible nonprofit performing arts organizations to encourage workforce development.
- Applications will be accepted through Tuesday, February 8, 2022.

STAFF COMMENTS

Staff notes that the Governor's budget includes a proposal for \$150 million one-time General Fund in 2022-23 to support small business grant applicants waitlisted from previous rounds. On January 25, 2022, the Governor announced that the California Small Business COVID -19 Relief would be part of an early action package. Additional information on this proposal will be heard as part of the early action package.

Staff Recommendation: This item is presented for information only.

ISSUE 2: TOURISM RECOVERY

The Governor budget request \$45 million one-time General Fund in 2022-23 to implement strategic media recovery campaigns to help continue the recovery of the travel and tourism industry. The California Office of Tourism, within the Governor's Office of Business and Economic Development, will coordinate with Visit California to implement this initiative.

PANEL

The following individuals will participate virtually in the discussion of this issue:

- Aracely Campa-Ramirez, Deputy Director for Strategic Program Planning and External Affairs, Governor's Office of Business and Economic Development
- Brian Weatherford, Senior Fiscal & Policy Analyst, Legislative Analyst's Office
- Tamara Johnson, Finance Budget Analyst, Department of Finance
- Tim Weber, Principal Program Budget Analyst, Department of Finance
- Emma Jungwirth, Assistant Program Budget Manager, Department of Finance

BACKGROUND

The 2021 Budget included \$95 million federal American Rescue Plan Act funding in 2021-22 to implement strategic media campaigns to jump start the recovery of the travel and tourism industry. The contract between GO-Biz and Visit California was executed on October 12, 2021, and the funding was provided to Visit California on October 15, 2021. Visit California reported that of the \$95 million, \$45 million will be programmed for the second half of the 2021-22 fiscal year. This is equivalent to the amount that is requested for the 2022-23 fiscal year.

Visit California's campaigns are distributed through television and online television, billboards, radio, digital, social media, and online travel agencies. Funding for the current campaigns will be exhausted by June 2022. This request will keep existing marketing campaigns on air through June 2023 and add dedicated campaign layers focused on family, urban core and culinary travel. The proposed new campaigns include:

- Kidifornia—promoting California as a family fun option for those looking to reunite, reconnect, and learn how to vacation again.
- Urban Core—promoting gateway cities that offer a blend of outdoor setting and cultural experiences for travelers looking to embrace life, be spontaneous and their adventure.
- Culinary—encouraging everyone to dine out and help California's world-class restaurants and their employees.

Below is the Visit California - \$45 Million Spending Media Plan

	TOTAL SPEND (2022-23)	FALL 2022 SPEND	SPRING 2023 SPEND
CALLING ALL CALIFORNIANS			
In-State Spot Market Television	\$4,000,000	\$4,000,000	\$0
In-State Out-of-Home	\$1,000,000	\$1,000,000	\$0
	\$5,000,000	\$5,000,000	\$0
AM I DREAMING, CALIFORNIA			
National Linear TV	\$8,000,000	\$8,000,000	\$0
National Online TV	\$3,500,000	\$3,500,000	\$0
National Digital/Social	\$7,000,000	\$3,500,000	\$3,500,000
Matching Co-op Funds	\$4,000,000	\$2,000,000	\$2,000,000
	\$22,500,000	\$17,000,000	\$5,500,000
FAMILY/KIDIFORNIA			
National Linear TV	\$5,000,000	\$5,000,000	\$0
National Online TV	\$2,000,000	\$2,000,000	\$0
National Digital/Social	\$2,000,000	\$1,000,000	\$1,000,000
Matching Co-op Funds	\$1,000,000	\$500,000	\$500,000
	\$10,000,000	\$8,500,000	\$1,500,000
URBAN CORE/CULINARY			
National Online TV	\$3,000,000	\$1,500,000	\$1,500,000
National Digital/Social	\$2,000,000	\$1,000,000	\$1,000,000
	\$5,000,000	\$2,500,000	\$2,500,000
MEET WHAT'S POSSIBLE			
Group Meetings & Conventions	\$2,000,000	\$1,000,000	\$1,000,000
	\$2,000,000	\$1,000,000	\$1,000,000
CONTINGENCY			
Contingency	\$500,000	\$250,000	\$250,000
	\$500,000	\$250,000	\$250,000
TOTAL 2022-23 STIMULUS MEDIA PLAN	\$45,000,000	\$34,250,000	\$10,750,000

LAO COMMENTS

COVID-19 Significantly Impacted State Tourism and Visit California Revenue. Tourism is an important industry in the state that was impacted by the COVID-19 pandemic to a greater extent than many other sectors of the state's economy. While total consumer spending in California declined by 4 percent in 2020, Visit California estimates that direct travel-related spending declined by 55 percent. The decline in tourism affects tourism business and, by extension, Visit California's assessment revenues, which declined from \$124 million in 2018-19 to \$76 million in 2020-21.

Visit California Net Assets Increased Significantly in 2020 and 2021. As revenue collections began to decline at the onset of the pandemic in 2020, Visit California sharply reduced its expenditures. Its reduction in expenditures outpaced its decline in revenues. Consequently, Visit California has increased its net assets from \$20 million at the beginning of 2019-20 to \$58 million by the end of 2021-22.

Additional State Funding for Marketing Appears Unnecessary. Tourism in California has begun to recover but it likely will be depressed for some time because of public health concerns. While Visit California's assessment revenue over the next several years likely will continue to be depressed, it is unlikely to decline further. We find that Visit California should be able to spend somewhat above their pre-pandemic levels without additional state funds given its net assets, the \$95 million provided by the state last year, and its current levels of assessment revenue.

STAFF COMMENTS

The Subcommittee may wish to ask Visit California the following:

- There was significant investment in Visit California last year and with that comes a heightened focus on accountability. What metrics has Vista California implemented to determine the effectiveness of the \$95 million marketing campaign? What metrics are proposed for the additional \$45 million?

Staff Recommendation: Hold Open

ISSUE 3: IMMIGRATION INTEGRATION AND ECONOMIC DEVELOPMENT

The Governor's budget requests one position and \$11.6 million General Fund in 2022-23, and \$500,000 annually thereafter, to support statewide coordination for immigrant integration and propel innovation including through enhanced services for immigrant communities at the state and local level, and supports for economic development activities, including at the California-Mexico border. This request also includes statutory changes to clarify the role of the Director of Immigration Integration and align the functions of the position.

PANEL

The following individuals will participate virtually in the discussion of this issue:

- Emily Desai, Deputy Director of International Affairs and Trade, Governor's Office of Business and Economic Development
- Brian Weatherford, Senior Fiscal & Policy Analyst, Legislative Analyst's Office
- Tamara Johnson, Finance Budget Analyst, Department of Finance
- Tim Weber, Principal Program Budget Analyst, Department of Finance
- Emma Jungwirth, Assistant Program Budget Manager, Department of Finance

BACKGROUND

This BCP has five components: Immigrant focused position, Local Government Investments, Business Quick Start Guides and Translations, Export Training Network, and Trade missions. These areas are outlined below:

Immigrant-focused Position

Provide \$150,000 ongoing General fund to establish a new immigrant-focused position within GO-Biz to support statewide coordination and direct resources for integration:

- Convene the Interagency Council on Immigrant Integration & Talent and support engagement with business and immigration stakeholders.
- Provide technical assistance to state departments and agencies.
- Lead outreach to target populations regarding available services and work with business owners to identify policies that foster complete economic integration of foreign-born talent and sustained prosperity for all; identify programs and initiatives that could help support cross-border commerce; and efforts that can support immigrant entrepreneurs and workers, including supporting workplace based English language training and promoting citizenship.
- Oversee the provision of one-time funding to local governments to seed and enhance immigrant integration support services across the state and amplify the development and deployment of best practices.

Local Government Investments

Provide \$8.7 million one-time General Fund in 2022-23, available over three-years, for competitive grants to local governments to start or expand positions to: 1) build trust with immigrant residents and 2) help immigrant populations navigate state and local services with priority on quality of life, workforce, and entrepreneurship supports. This funding will help cities and counties seed and deploy best practices in immigrant support services with state provided technical assistance, including hiring a liaison or ombudsman to provide or expand support services across local government for immigrant communities, including small business owners, or establishing or maintaining a local office for immigrant services.

Business Quick Start Guides & Translations

Provide \$600,000 General Fund in 2022-23, and \$200,000 ongoing, to expand the number and availability of industries with Business Quick Start Guides and translate those resources to priority languages, including annual translation updates, as needed, and in coordination with the California Business Investment Services permitting unit and the California Office of the Small Business Advocate. Develop navigational guides regarding the professional licensing process in partnership with the Department of Consumer Affairs and immigrant serving organizations and provide translations. Synthesize website content and make it easier for individuals to access translated forms and navigate the online content.

Export Training Network

Provide \$2 million one-time General Fund in 2022-23 to support the statewide expansion of the export training network overseen by the International Affairs and Trade unit within GO-Biz. Funding would be allocated through a request for proposal for service providers to develop export training programs and curriculum aimed at underserved business owners, including immigrant entrepreneurs and small business operators. As a component of the training programs, service providers should also recruit business professionals to mentor immigrant and refugee entrepreneurs. Funding will be targeted to seven regions: San Diego, Inland Empire, Orange County, Los Angeles, Central Valley, Bay Area, and Northern California.

Trade Missions

Provide \$150,000 ongoing General Fund to enhance border region economic development activities and growing bilateral trade and investment between California and Mexico. Funding would be used to implement four to five virtual or hybrid trade missions, effectively scaling a successful Baja-focused May 2021 virtual trade mission organized by GO-Biz. The California-Mexico border region, commonly referred to as the Cali Baja Bi-National Mega-Region or CaliBaja, has a strong and diverse industrial center with plenty of opportunity for cross-border economic activity, particularly in the manufacturing arena. The trade missions would be targeted at advancing the border region's strategic industries, enabling cross-border economic growth and development.

LAO COMMENTS

The LAO raises the following key questions:

- What are the key barriers to economic integration for immigrants? Would these programs address these barriers? How broadly?
- Do particular groups of immigrants or immigrants in certain regions of the state face higher barriers? Should the proposal include specific geographic targeting criteria?
- How does the administration's proposal take into consideration these first two questions?
- How will GO-Biz evaluate the effectiveness of the new programs?
- How can the state ensure that grants to local governments would not supplant existing or future local funding toward these efforts?

STAFF COMMENTS

Staff notes that this proposal is multilayered and needs statutory changes above and beyond clarifying the role of the Director of Immigration Integration and aligning the functions of the position.

The Subcommittee may wish to ask to the following:

- What languages will the Business Quick Start Guides & Translations be available through this proposal?
- Is the Office of Small Business Advocate the first stop for information for a person who is trying to expand their business or to begin a business? Are there other agencies who provide this information in one location? Does any other agency provide Business Quick start guides?
- For the local government grant investment program, how does the department plan to ensure statewide equity and accountability of this program without trailer bill language?
- Do service providers currently have an export training network? How will this funding complement the work already being done by service providers? Will there be trailer bill language to allocate the \$2 billion to the seven regions outlined?

Staff Recommendation: Hold Open

ISSUE 4: COMBATING ORGANIZED RETAIL THEFT

The Governor's budget includes \$20 million one-time General Fund in 2022-23 for GO-Biz to develop and distribute grants to small businesses that have been the victim of retail theft or that have suffered damage caused during retail theft incidents. The \$20 million is part of a larger request on combating organized retail theft. This Subcommittee will focus on the GO-Biz funding.

PANEL

The following individuals will participate virtually in the discussion of this issue:

- Tara Lynn Gray, Director, California Office of Small Business Advocate
- Brian Weatherford, Senior Fiscal & Policy Analyst, Legislative Analyst's Office
- Tamara Johnson, Finance Budget Analyst, Department of Finance
- Tim Weber, Principal Program Budget Analyst, Department of Finance
- Emma Jungwirth, Assistant Program Budget Manager, Department of Finance

BACKGROUND

The California Office of the Small Business Advocate (CalOSBA) within GO-Biz requests \$20 million one-time General Fund in 2022-23 to create a competitive grant program to support small businesses that have been victim of retail theft, or that have suffered damage caused during retail theft incidents, to assist with repairing or replacing infrastructure to resume business operations. California, like many states across the country, has experienced an increase of smash-and-grab crimes and vandalism, theft, burglaries, and robberies at businesses large and small.

According to a 2021 National Retail Federation survey, top ten cities where these "smash-and-grab" incidents are most prevalent include three California cities: Los Angeles, San Francisco/Oakland, and Sacramento. Los Angeles and the Bay Area are the number-one and number-two targets in the nation for this kind of crime. These crimes are initiated in an organized fashion—groups of individuals breaking into a store or building and stealing goods.

A vast majority of these crimes start at a storefront's glass windows and doors where security is most vulnerable. The requested resources will support small businesses that have been victim of retail theft, or that have suffered damage caused during retail theft incidents.

LAO COMMENTS

The LAO raises the following:

Several Practical Considerations Must Be Addressed. GO-Biz has not finalized key details of the proposed new grant program. This is particularly concerning because GO-

Biz has no institutional experience implementing a program like this. There are several practical considerations that will need to be addressed, and it may be very difficult or costly to do so. These include:

- Which Businesses Will Be Eligible? The definition of organized retail theft in statute is quite broad and would cover organized crime, smash and grabs, as well as coordinated shoplifting. Go-Biz would need to define the type of crime that would make a business eligible, and be able to distinguish between ineligible types of crimes.
- How Would GO-Biz Verify Applicant Eligibility? What evidence would be required to substantiate claims of damages or losses? Would a police report be required and would that be sufficient?
- What Types of Damages and Losses Would Be Covered and How Much Would Be Covered by The Grant? Would businesses be compensated for the entire amount of eligible damages or just a portion?
- How Would GO-Biz Verify the Amount of Losses or Damages? Would businesses self-certify their damages or would they need to provide records? How much effort would be invested to verify the claims for compensation?
- How Would GO-Biz Verify an Amount Was Not Covered by Insurance? Presumably, damages that are covered by insurance would not be eligible for compensation. Many retailers carry business owner's insurance policies that could cover many common damages and losses. However, options allow coverage to vary based on the individual needs of different businesses. Some businesses may not have insurance.

Program Could Have Unintended Consequences. It is unclear that a victim's compensation model will translate well to small businesses. Will this program have unintended consequences, such as discouraging businesses from taking precautions to prevent crime or to carry sufficient insurance?

Are There More Effective Alternatives? Depending on the Legislature's priorities, there might be more effective alternatives to this proposal.

STAFF COMMENTS

Staff recommends bringing this item back once trailer bill language is available to further evaluate this program.

The Subcommittee may wish to ask CalOSBA the following:

- What size businesses will this program apply to?
- How will CalOSBA provide funding to victims? What documentation will victims have to provide to qualify for the grants, insurance claims, police reports?

- How will GO-Biz reconcile compensation to victims with insurance claims issues? Is this an issue currently under GO-Biz's purview? Should this fall under Insurance or Victim's Compensation?

Staff Recommendation: Hold Open

ISSUE 5: SUPPLY CHAIN RESILIENCE

The Governor's budget includes \$30 million for GO-Biz to provide funding for operational and process improvements at ports, which includes improving data connectivity and enhancing goods movement. This request is part of a larger budget change proposal on Supply Chain Resilience; the Subcommittee will focus on the GO-Biz funding portion.

PANEL

The following individuals will participate virtually in the discussion of this issue:

- Aracely Campa-Ramirez, Deputy Director for Strategic Program Planning and External Affairs, Governor's Office of Business and Economic Development
- Brian Weatherford, Senior Fiscal & Policy Analyst, Legislative Analyst's Office
- Tamara Johnson, Finance Budget Analyst, Department of Finance
- Tim Weber, Principal Program Budget Analyst, Department of Finance
- Emma Jungwirth, Assistant Program Budget Manager, Department of Finance

BACKGROUND

California's ports are experiencing major disruption challenges that are hindering the movement of goods, creating costs for consumers and businesses, and creating negative environmental impacts. One way to enhance the movement of goods could be the development of a transparent, statewide data portal that is compatible with existing terminal operator platforms and can integrate our state's ports. This could result in more visibility into the supply change and data sharing that can provide more efficient movement of goods within California and nationwide. GO-Biz intends to work with stakeholders over the coming months to implement this proposal.

LAO COMMENTS

The LAO raises the following:

Grants Might Help Implement Common Standard for Freight Data. Key details for this proposal have not been finalized. The Federal Maritime Commission currently is identifying data interoperability problems at ports. Their initial findings will be reported in the Spring 2022 and GO-Biz envisions providing state funding to help implement any recommendations for common data standards.

Improved Data Interoperability Might Address Supply Chain Problems... The ports, ocean carriers, marine terminal operators, truckers, and railroads apparently lack data standards that would allow for efficiently sharing cargo records. Lack of data standards could be contributing to the recent supply chain problems. The federal Maritime Commission and GO-Biz believe that implementing data standards could, perhaps, help to alleviate these problems.

...**But State Role Is Unclear.** This proposal is not yet fully developed, pending the findings of the Federal Maritime Commission. In the event that GO-Biz decides to move forward with a focus on data interoperability, the LAO observes that there is not a clear role for the state. Federal agencies may be better situated to play a coordinating role. The beneficiaries are primarily private companies and there is a clear private-sector interest in adopting data standards if doing so would alleviate the recent problems.

Is GO-Biz Most Appropriate Agency to Administer This Program? Should the Legislature determine that state funding for these improvements is appropriate, it should then consider which agency is most suited to administer the program. GO-Biz has a cross-cutting coordination role for the state's key economic issues but has limited expertise in technical goods movement issues.

STAFF COMMENTS

Staff recommends bringing this item back once trailer bill language is available to further evaluate this program.

The Subcommittee may wish to ask the following:

- There are several agencies involved in interacting with the Ports. How does GO-Biz interact with the Ports and how does that differ than how CalSTA interacts with the ports?
- Who is ultimately in charge of coordinating the various state agencies with respect to the Ports?
- Do all Ports have the same data platforms? How will a statewide platform interact with the various platforms at the individual ports?
- The BCP states that GO-Biz will work with stakeholders on this legislation. Who are those stakeholders and what is the timeline?

Staff Recommendation: Hold Open

The Governor's budget includes \$20 million one-time General Fund, to be spent over four years, to expand the number of inclusive innovation hubs from 10 to 13 regions, and to establish the Entrepreneurship Fund to provide grants of up to \$100,000 per business for five new businesses incubated at each of the inclusive innovation hubs.

PANEL

The following individuals will participate virtually in the discussion of this issue:

- Tara Lynn Gray, Director, California Office of Small Business Advocate
- Brian Weatherford, Senior Fiscal & Policy Analyst, Legislative Analyst's Office
- Tamara Johnson, Finance Budget Analyst, Department of Finance
- Tim Weber, Principal Program Budget Analyst, Department of Finance
- Emma Jungwirth, Assistant Program Budget Manager, Department of Finance

BACKGROUND

The Governor's Budget proposes the following breakdown of the \$20 million request:

- \$13,000,000—Funding for each Hub at \$250,000 per year for four years.
- \$6,500,000—Entrepreneurship Fund, seed funding of up to \$100,000 per business for five small businesses incubated at each of Hubs.
- \$500,000—Administrative costs for CalOSBA to administer, monitor, and report on the Entrepreneurship Fund and the Hubs

The 2021 Budget included \$2.5 million one-time General Fund to revive the iHub program as the iHub2 Program with significant changes. The iHub2 program provides support to accelerators, incubators, and place-based small business development centers designed to foster qualified small businesses in technology driven and geographically diverse innovation business ventures. CalOSBA currently has a request for proposal (RFP) open to establish 10 Hubs within the state and expects to award funding of \$250,000 to each of the 10 by February 2022.

Chapter 259, Statutes of 2021 (SB 162) established the \$600 million Community Economic Resilience Fund (CERF). The goal of the legislation is to support regions in planning and implementing regional economic strategies to strengthen their economies and make prosperity more equitable and sustainable for more Californians. The CERF Leadership Team is comprised of the Governor's Office of Planning and Research (OPR), the California Labor Workforce Development Agency (LWDA), and GO-Biz. The Leadership Team has proposed a map that divides the state into 13 regions.

Each of the 13 CERF regions includes populations and areas that have been disproportionately impacted by COVID-19, but also areas where accelerated commercialization of innovation is vital to California's long-term economic recovery and strength.

CalOSBA believes that each region identified on the CERF map should have an Inclusive Innovation Hub as an anchor for strong innovation and startup business activity incentivized to focus on diversity, equity and inclusion in the state's tech and science-based startup ecosystem.

This proposal will reestablish the iHub2 program as the Accelerate CA: Inclusive Innovation Hub program to focus on inclusive economic growth. The program will be formal, established partnerships between industry, technical assistance providers, startups and entrepreneurs, universities and research institutions, and government in a specific geographic area, focused on a specific sector, that mirror the regions created by CERF process. Hubs will support regional inclusive ecosystems of innovation and drive investment towards regional assets to accelerate technology commercialization. They will support innovative startups in key emerging and growth industries with a strong focus on underserved founders and geographies.

LAO COMMENTS

Consider Evaluating Effectiveness of Innovation Hubs. We are unsure how effective the previous innovation hub program was. The administration did not study the innovation hub program before providing new funding last year and some innovation hubs continued operating without state funds, while others became inactive. Should the legislature approve this proposal, we suggest requiring the program collect information about the programs, other sources of funding, and outcomes of the innovation hubs. It would be prudent evaluate the effectiveness of the program before providing additional state funding. Moreover, a good evaluation would provide evidence that may inform any additional changes to the program in the future.

STAFF COMMENTS

The Subcommittee may wish to ask the following:

- Last year changes were enacted for both iHub2 and CERF, this proposal seems to make additional changes to both programs. Why is the CalOSBA proposing additional changes without analyzing the implementation of either program?
- CalOSBA is requesting changes to move from 10 to 13 regions, was funding equally distributed to the 10 regions from the 2021 budget funding or was funding concentrated in one region?

- How does CalOSBA plan to do outreach to ensure participation from all 13 regions?
- What are the rules for the Entrepreneurship Fund? How will the five small businesses be incubated? How will these businesses be chosen? Will the focus change across all the regions?
- The BCP asks for \$500,000 for administrative costs, is this in addition to administration costs on top of the current iHUB 2 and the CERF program? What is the total for administrative costs that will go into all three programs?

Staff Recommendation: Hold Open

ISSUE 7: LOCAL GOVERNMENT SUSTAINABILITY FUND
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The Governor's budget requests statutory changes to establish the Local Government Budget Sustainability Fund to provide short-term grants to local entities facing significant challenges to their near-term sustainability, but demonstrate a clear commitment to advancing a more climate-resilient local economy. This request also includes \$100 million General Fund in 2023-24, \$100 million in 2024-25, and \$250 million in 2025-26 to support this program.

PANEL

The following individuals will participate virtually in the discussion of this issue:

- Kaina Pereira, Senior Advisor, California Business Investment Services, Governor's Office of Business and Economic Development
- Brian Weatherford, Senior Fiscal & Policy Analyst, Legislative Analyst's Office
- Tamara Johnson, Finance Budget Analyst, Department of Finance
- Tim Weber, Principal Program Budget Analyst, Department of Finance
- Emma Jungwirth, Assistant Program Budget Manager, Department of Finance

BACKGROUND

According to the BCP, the overall policy goal for the Local Government Budget Sustainability Fund is to support targeted local county governments facing future and current threats to the sustainability of their local revenues and services, while empowering these counties to pursue economic diversification initiatives and projects that will provide long-term stability.

These grants will inject funds into county-led projects that are aimed at process improvement, economic diversification, climate technologies, economic development, job mobility, and job creation. As these economies grapple with the impacts of COVID-19 and climate change, these grants will offer flexibility to the qualified counties enabling investment in opportunities for future economic resilience, without the need to reduce necessary allocations for vital services.

GO-Biz requests statutory changes to establish the Local Government Budget Sustainability Fund to provide grants to counties that both are facing sustainability challenges and are committed and willing to advancing a more climate-resilient local economy.

GO-Biz also requests \$100 million General Fund in 2023-24, \$100 million in 2024-25, and \$250 million in 2025-26 for this program. Counties will be selected based on DGA inclusive of High Poverty and High Unemployment counties from January 2022 California Competes Tax Credit list of High-Poverty and High Unemployment Areas listing and all

subsequent changes to the DGAs under future CalCompetes application periods until funds have been exhausted.

LAO COMMENTS

The LAO notes that key information is not yet available to fully evaluate the proposal. The administration is still developing its statewide economic recovery and economic diversification framework, the Just Transition Roadmap, and the CERF. Once the administration has more clearly articulated its economic recovery and economic diversification objectives, it may be able to better answer the following questions:

- Would the Local Government Budget Sustainability Fund Complement Other State Economic Development Initiatives? The proposal lacks many key details, such as what projects would be eligible and the award criteria. We cannot evaluate the merits of this proposal until we better understand the objectives of the CERF in the context of the statewide Just Transition framework.
- What Amount of Funding Is Appropriate and Necessary. The proposal does not provide a justification for the amount requested. The CERF was funded at \$600 million. The proposed Local Government Budget Sustainability Fund, which is intended to fill gaps in the CERF, is a relatively large amount of money. With more information about the scope of the administration's statewide economic diversification objectives, the Legislature will be able to better assess whether a total of \$600 million, \$1.05 billion, or some other amount is most appropriate.

STAFF COMMENTS

The Subcommittee may wish to ask the following:

- What counties will be likely candidates for this funding?
- Can GO-Biz provide examples of these projects? Are there existing state programs that would possibly fund these projects?
- Why create a new program? Why not add additional funding to existing programs to reach these projects?
- Why is GO-Biz targeting county projects only as opposed to regional projects or city-led projects?

Staff Recommendation: Hold Open

ISSUE 8: TECHNICAL ASSISTANCE EXPANSION PROGRAM AND CAPITAL INFUSION PROGRAM

The Governor's budget includes \$6 million General Fund in 2022-23 to bolster the Technical Assistance Expansion Program and support increased demand, and \$26 million annually thereafter to permanently fund the Technical Assistance Expansion Program (\$23 million) and the Capital Infusion Program (\$3 million). Statutory changes are also requested to extend the programs permanently.

PANEL

The following individuals will participate virtually in the discussion of this issue:

- Tara Lynn Gray, Director, California Office of Small Business Advocate
- Brian Weatherford, Senior Fiscal & Policy Analyst, Legislative Analyst's Office
- Tamara Johnson, Finance Budget Analyst, Department of Finance
- Tim Weber, Principal Program Budget Analyst, Department of Finance
- Emma Jungwirth, Assistant Program Budget Manager, Department of Finance

BACKGROUND

TAEP. The 2018 Budget Act included \$17 million General Fund annually for 5 years to establish TAEP, which expanded the capacity of federal small business technical assistance programs in the state to provide additional services, such as free or low-cost one-on-one consulting and training. The program was enacted in Government Code Sections 12100 to 12100.69. TAEP's funding is focused on direct services to small businesses with a preference for programs that support underserved business groups, including women, minority, and veteran-owned businesses and businesses in low-wealth, rural, and disaster-impacted communities. Eligible centers include the Small Business Development Centers, Women's Business Centers, Veteran Business Outreach Centers, Minority Business Development Administration Centers, Procurement Technical Assistance Centers, Manufacturing Extension Partnership Centers, and any other similar federally contracted centers. These centers are designated by federal funding partners to provide one-on-one confidential consulting and training to help small businesses and entrepreneurs start, expand, and create jobs in California.

Below is the program impact for TAEP:

Fiscal Year	State Dollars Committed	Number of Centers	Small Businesses 1:1 Consulting	Small Businesses Trained
Year 1 2018-19	\$16,999,998	83	24,371	42,534
Year 2 2019-20	\$16,943,906	82	59,395	111,442
Year 3 2020-21	\$17,490,308**	83	50,084*	56,179*
Year 4 2021-22	\$17,363,270**	87	TBD	TBD
Year 5 2022-23	\$23,000,000***	TBD	TBD	TBD

* Results reflect Q1-3; Q4 results are pending.

**State dollars reflect unspent, returned, and/or extended money from prior years.

***Includes \$6 million investment from this proposal.

CIP. CalOSBA has administered CIP since 2014-15, which provides which provides competitive grant funding to the California Small Business Development Center (SBDC)

Network, the largest technical assistance program for small businesses in California. The California SBDC Network is comprised of five regional networks, each having an administrative hub or "Lead Center" and a network of SBDC sub-centers. CIP is aimed at helping SBDCs to expand their one-to-one, no-cost confidential consulting to small business owners to help them attain loans or investor capital, understand and resolve credit readiness issues, and develop funding strategies for business expansion or startup.

In 2014-15, \$2 million General Fund was allocated to the SBDC programs for CIP, and funding allocations of \$2 million, \$1.5 million, and \$3 million were provided in 2015-16, 2016-17 and 2017-18. Similar to TAEP, the 2018 Budget Act included \$3 million annually for 5 years for CIP, with the last year of CIP's funding being in 2022-23. This request is for \$3 million General Fund ongoing beginning in 2023-24 to permanently fund CIP. This will allow for the continuance of technical assistance for direct access to capital for market expansion, including procurement assistance programming and collaboration with agency partners, and increase access to direct funding to underserved markets.

LAO COMMENTS

Ongoing Funding Reasonable, But Reduces Accountability and Legislative Flexibility. Should the Legislature strongly support continued state funding for the small business training and consulting centers, it would be reasonable to consider funding on an ongoing basis. Ongoing funding provides GO-Biz and the centers more certainty. While limited term fund may make it more difficult for the centers to make long-term plans, it would provide a mechanism for routine oversight.

STAFF COMMENTS

Both of these technical assistance programs provided vital support to small businesses prior to and during the pandemic. Expanding the amount technical assistance for the TAEP program will address issues of oversubscription to the program and making both programs permanent will provide ongoing support for small businesses.

Staff Recommendation: Hold Open

ISSUE 9: HUMAN RESOURCES STAFFING

The Governor's budget includes \$110,000 (General Fund) in 2022-23 and ongoing to support one new permanent position to allow the Human Resources Unit to provide administrative support for Department's growing and new programs.

PANEL

The following individuals will participate virtually in the discussion of this issue:

- James Teahan, Administrative Chief, Governor's Office of Business and Economic Development
- Brian Weatherford, Senior Fiscal & Policy Analyst, Legislative Analyst's Office
- Tamara Johnson, Finance Budget Analyst, Department of Finance
- Tim Weber, Principal Program Budget Analyst, Department of Finance
- Emma Jungwirth, Assistant Program Budget Manager, Department of Finance

BACKGROUND

GO-Biz was created in 2012 and is considered an agency-level organization (e.g., California Environmental Protection Agency, Resources Agency, Government Operations, etc.) that reports directly to the Governor's Office. It has three subordinate divisions, two with their own Executive Directors (i.e., IBank and the CA Film Commission), and tourism (Visit California). It also has eleven separate and distinct programs under its organizational umbrella with many Governor's appointees.

Since 2017-18, GO-Biz has added 47 new positions, a growth of 36 percent, while the number of HR staff has remained the same with four positions. According to GO-Biz, it has a challenging high number of Governor Appointees who make up 18.5 percent of the workforce.

Similar size agencies such as Department of Aging, Environment Health Hazard Assessment and Office of Inspector General, with 121 to 134 staff and only 2 to 6 appointees have perm full time HR staff of at least 5 to 6. GO-Biz, with current staff count of 173, has only four permanent full time HR staff.

3-YEAR EXPENDITURES AND POSITIONS

	Positions			Expenditures		
	2020-21	2021-22	2022-23	2020-21*	2021-22*	2022-23*
0220 Go-Biz	41.0	48.1	53.1	\$6,947	\$132,368	\$52,099
0225 California Business Investment Services	19.0	16.3	16.3	2,159	8,644	3,635
0230 Office of the Small Business Advocate	6.0	14.8	14.8	2,592,222	1,822,533	218,936
0235 Infrastructure, Finance and Economic Development	62.2	43.1	45.1	92,493	216,722	90,736
0240 Community Reinvestment Grants Program	10.0	11.0	13.0	45,517	40,000	50,000
0245 Local Equity Grant Program	-	-	-	-	35,573	15,574
TOTALS, POSITIONS AND EXPENDITURES (All Programs)	138.2	133.3	142.3	\$2,739,338	\$2,255,840	\$430,980

LAO COMMENTS

No Concerns with Proposal for Increased Human Resources Staffing. The Governor's budget includes \$110,000 ongoing General Fund to increase GO-Biz human resources by one position. The number of positions at GO-Biz has increased by 66 percent over the last five years as the Legislature has increased the responsibilities of this department. The LAO is not raising concerns with this proposal because management and general administrative expenses typically follow increases in departmental programmatic responsibilities.

STAFF COMMENTS

The Subcommittee may wish to ask GO-Biz to clarify the number of positions currently at the agency: the BCP states that there are 174 for the current year, but GO-Biz only has 133.3 authorized positions.

Staff Recommendation: Hold Open

****** PUBLIC COMMENT ******