MAXIMIZING RETURNS:
A PROPOSAL FOR IMPROVING THE ACCOUNTABILITY OF CALIFORNIA'S INVESTMENTS IN ECONOMIC DEVELOPMENT

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A Proposal for Improving the Accountability of California's Investments in Economic Development

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EXECUTIVE SUMMARY

In November 2001, economists declared that the nation's economy was officially in a recession. California's unemployment rate rose by 1.1 percentage points between January and November, and there were over 250,000 more jobless Californians in November than at the beginning of the year. The downturn in the economy has been accompanied by a sharp deterioration in the state's fiscal condition, with forecasters now predicting a state budget deficit in excess of $10 billion in the upcoming fiscal year.

The recession, which follows a period of unprecedented economic growth, has prompted renewed interest, at both the state and national levels, in how public policies and public dollars can best be used to stimulate the economy. To date, most of the debate has focused on what new efforts might be initiated to improve the state's economy. Little or no attention has been paid to whether the billions of dollars the state already spends each year to promote a healthy economy are achieving their desired result.

Policymakers are now faced with the challenge of bridging a substantial budget gap and, at the same time, coping with the impact of an economic slowdown. ***Maximizing Returns: A Proposal for Improving the Accountability of California's Investments in Economic Development*** attempts to recast these challenges as an opportunity to take a fresh and comprehensive look at what constitutes economic development, how much the state currently spends to promote a healthy economy, and whether these public investments are well spent. While recent policy debates around issues such as education have focused on accountability and performance standards, no similar standards have been applied to state spending for economic development, as this report will document. Moreover, the state has failed to adopt a strategy, goals, or objectives to guide the use of resources devoted to promoting a healthy economy. Some of the lack of attention and guidance stems from the lack of a comprehensive vision of economic development that takes into account not only traditional business assistance programs, but also the full array of state tax, regulatory, workforce development, and other programs that support a comprehensive approach to economic development.

Maximizing Returns seeks to present a comprehensive examination of state economic development spending. This analysis uses a functional framework to examine the totality of state spending, including both dollars appropriated through the annual budget act and dollars spent through the tax code, and asks what accountability provisions, if any, are currently used to ensure the effective use of state resources. Specifically, this report asks:

- **What state programs and policies support economic development?**
- **What economic development functions and goals are our tax dollars supporting?**
- **How much of state economic development spending is subject to evaluation or review?**
- **How could California's economic development dollars be better spent?**

Maximizing Returns analyzes state economic development spending over the past six budget years, including "on-budget" spending allocated through the annual budget act, such as state job training programs, and tax incentives, or "off-budget" spending.[1] This report does not single out specific programs as "bad examples," or recommend elimination of any current programs. Rather, it encourages an assessment of *all* state economic development expenditures in order to maximize the state's return on its economic development investments. Such consideration can help policymakers identify ineffective efforts and build on successful ones, as well as highlighting where program goals should be updated to reflect a changing economy.

The main body of this report explores the general concept of economic development, discusses the need for and components of program evaluation, provides an overview of state economic development programs and tax incentives, and presents key findings and recommendations. These findings are based on the research presented in the Appendices to the report. Appendix 1 lists state economic development programs, including a brief description of each. Appendix 2 presents a matrix of spending on each program for the years 1995-96 through 2000-01. Appendix 3 lists evaluation and reporting requirements for each program.

What is Economic Development?

In order to examine economic development spending in California, it is important to address several key questions:

- **How do we define economic development?**
- **What are the goals of economic development?**
- **How should the success of economic development programs be measured?**

The current lack of consensus on the answers to these questions makes it difficult to determine whether economic development spending has a significant effect on the state's economic health, business climate, and quality of life. Current economic development spending, particularly tax expenditures, primarily supports individual firms and businesses. This business development approach has resulted in a tax-focused system that emphasizes reducing business costs, as opposed to a broader "economic development" approach that seeks to build healthy communities.

While traditional models of economic development focus on economic growth, economic development in its broadest sense encompasses nearly every state budget program and expenditure. In general, most economic development programs are based on the goals of job and income creation, fiscal improvement (e.g., generating new tax revenues), and/or physical improvements.[2] For public officials, economic development often means job creation, which in their eyes is achieved by stimulating business activity. Under this definition, economic development policies "have in common an attempt to reduce some sort of business costs, broadly defined."[3]

Although all of these issues - job creation, business support, quality of life, infrastructure improvement, and job quality - are important components of economic development, the broadest definition of economic development would require an examination of almost all state budget programs and expenditures, which is beyond the scope of this report. For example, although infrastructure construction, maintenance, and development are critical to the state's economic health, entire reports could be (and have been) written on this issue alone. ***Maximizing Returns*** attempts to strike a balance between the vast realm of "almost everything states do" and the narrow characterization of business and job retention and creation. Specifically, this report focuses on activities that foster job creation, technological development, a healthy business sector, and a skilled workforce.

Toward that end, ***Maximizing Returns*** classifies state economic development spending into eight functional categories:

1. **Developing Products and Improving Manufacturing Processes;**
2. **Promoting Research and Technology;**
3. **Developing Local Economies;**
4. **Planning and Management Support for Business;**
5. **Facilitating Regulatory Compliance;**
6. **Developing a Skilled Workforce;**
7. **Business Capital and Funding; and**
8. **Marketing and International Markets.**

These categories provide a framework for examining the functions and assets that contribute to a healthy economy.[4] They also help indicate where programs might be consolidated in order to minimize duplication or better coordinated to increase program effectiveness and efficiency.

It should be noted that the Developing a Skilled Workforce category only includes programs primarily aimed at helping employers secure a skilled workforce. While programs designed to boost the knowledge or skills of individual workers contribute to a healthy economy, they are primarily aimed at furthering the skills of individuals and, therefore, are not included in this report. ***Maximizing Returns*** also excludes funding for workforce development received from the federal government, including Workforce Investment Act (WIA) moneys.

Overview of State Economic Development Spending

California's economic development spending is spread across more than two dozen departments, agencies, boards, commissions, and authorities, with no centralized lead or oversight entity. Nearly all of the $5.5 billion spent each year through the tax code on economic development is not tied to any state program and receives no oversight whatsoever. Such fragmentation hinders public access to these programs. While individuals and businesses can go to local Employment Development Department (EDD) field offices for assistance with issues such as job placement, business expansion, and worker relocation, they often do not realize that these offices and services are available to them, much less services offered by offices such as Permit Assistance Centers or local Workforce Investment Boards. In addition to the difficulties of navigating state economic development programs, the lack of a coordinated strategy severely complicates attempts to assess the effectiveness of economic development spending.

The majority of the state's spending for economic development occurs through the state's tax code. In 2000-01, $5.5 billion of the $7.8 billion in economic development spending identified in this report came in the form of revenues lost as a result of the more than 75 provisions of state tax law that have goals consistent with the definition of economic development used in this report. Economists use the term "tax expenditure" to refer to efforts to implement policy goals through the tax code. The use of the term "expenditure" highlights the fact that, from an economic standpoint, there is no difference between provisions that provide special tax treatment for a specific industry or activity, and a grant or other traditional spending program that supports the same industry or activity.

It is difficult to assess the effectiveness of tax expenditures because, unlike direct program expenditures, they are not reviewed as a part of the annual budget process and often times little or no data is available to determine whether or not an incentive has achieved its desired policy goal. Most state tax expenditures are not subject to regular evaluation, unless formal review and reporting requirements or sunset dates are included in the original legislation. In order to serve as an effective economic development strategy, tax expenditures should have a well-articulated policy goal and identifiable outcomes that allow policymakers to determine whether an incentive makes the best use of public resources.

Questions for Evaluating the Effectiveness of Economic Development Incentives

Any evaluation of the effectiveness and efficiency of economic development spending should examine whether a program or tax policy:

- Has a clearly defined outcome.
- Effectively addresses the desired outcome.
- Provides sufficient benefits to encourage or achieve the desired outcome.
- Rewards a business or individual for doing what they would have done in the absence of the program or policy.
- Is of equal or higher priority than competing uses of public resources.
- Is consistent with existing law, priorities, and precedents.

The issue of program design and accountability is particularly important in light of the difficulty of modifying or eliminating tax expenditure programs once they are enacted. The state's constitution requires a two-thirds vote of each house of the Legislature to pass any measure that increases state revenues, including provisions that narrow eligibility for or reduce the benefits provided by a tax expenditure. In contrast, any measure reducing state revenues can be enacted by a majority vote.

Measuring the Success of Economic Development Programs

While the categories presented above provide a framework for examining different goals of state economic development programs, they do not provide information on the effectiveness of state efforts to attain these goals. Oversight and evaluation can help ensure that programs are accountable for the effective and efficient use of public resources, as well as providing for broader public and legislative scrutiny. Oversight should, at a minimum, address these questions:

- **How much are taxpayers paying?**
- **Who benefits from the program?**
- **Should others benefit?**
- **Is this the most effective and efficient way to achieve state policy goals?**

In addition, evaluation can be used to identify "best practices" that can be replicated, support long-term planning efforts, and help motivate personnel.[5] The ability to conduct an effective evaluation depends upon program design that:

- **Defines program goals clearly at the outset;**
- **Identifies appropriate indicators or benchmarks to measure progress toward program goals;**
- **Ensures adequate data collection; and**
- **Establishes a formal process for reporting results and receiving feedback.**

One of the most difficult aspects of program evaluation is deciding what to measure. Policymakers can measure the outputs of a particular program, such as the number of units of a service provided. While evaluations based on measuring outputs provide information about the quantity of program activities, they do little in the way of measuring the quality or effectiveness of those activities. Another option is to measure outcomes, or the results of the program. While measuring ***outcomes*** may be a more effective way to evaluate a program, it can be much more complicated than measuring ***outputs***.

One reason evaluation often focuses on outputs is that they are generally easier to quantify than outcomes. Also, while an evaluator can easily describe the activities of a program, it is quite difficult to conclusively attribute economic outcomes to a specific program, since many other factors can affect the health of the economy of a state or region. Therefore, appropriate outcome indicators should not only accurately measure the desired outcome, but also assess the ***impact*** of the program in question. Selecting indicators becomes even more difficult when a program or policy has more than one desired outcome, such as a workforce development program aimed at both improving employment opportunities for participants and attracting new employers to an area by boosting the skills of the labor force.

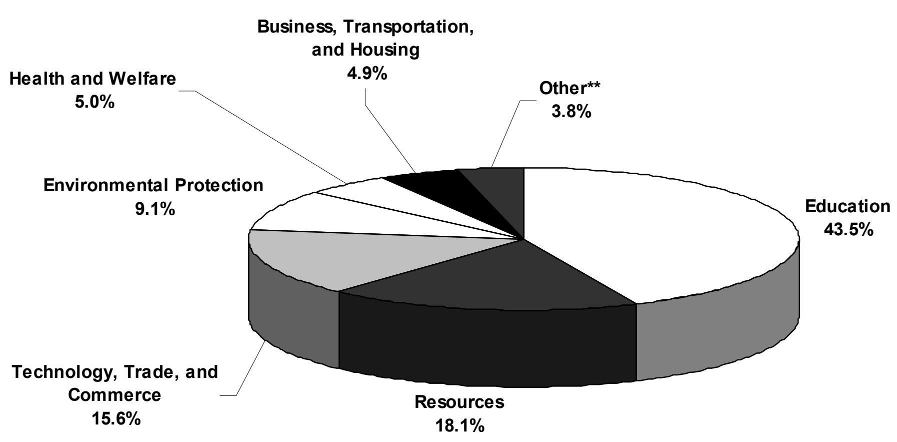
Another challenge is the ability to quantify program goals, which are often less specific than those mentioned in the workforce development example. Identifying an indicator for a less tangible economic development goal, such as creating a better business climate, can be extremely difficult.

KEY FINDINGS AND RECOMMENDATIONS

Finding 1: The State Lacks a Structural Framework for Economic Development Spending

California's economic development spending is scattered across more than two dozen departments, agencies, boards, commissions, and authorities, as well as more than six dozen tax expenditures. The state's primary economic development agency, the Technology, Trade, and Commerce Agency (TTC), administered approximately one out of every 20 dollars of total economic development spending in 2000-01 (4.5 percent), and only 16 percent of on-budget economic development spending (Figure 1). The Department of Education and the California Community Colleges administered the largest share of on-budget spending (44 percent), due in large part to the share of state economic development resources devoted to vocational education and job training programs.

Figure 1
The State's Lead Economic Development Agency Administered Only 16 Percent of 2000-01 Economic Development Spending*



*Does not include tax expenditures.
**"Other" includes Legislative/Judicial/Executive, General Government, and State and Consumer Services.

Fragmentation results from the way economic development policy is developed and from the lack of an overarching strategy to guide state spending and policymaking. Many state economic development programs were created to emulate federal programs, or to implement a "good idea" brought to a legislator with little analysis of how well the program may fit California's overall needs. Other programs were created to take advantage of available federal funding. Since federal funding is nearly always tied to specific activities, program administrators can get locked into activities that may not work in California for fear of losing federal dollars. Once created, programs are rarely eliminated; political priorities, the desire to take advantage of federal funds, and the reluctance of institutions and organizations to change all work to make these programs effectively permanent.

Fragmentation and a lack of coordination also exist between the state and California's large community of local economic development programs, in both the public and private sectors. The vast majority of state spending for economic development, including virtually all spending through the tax code, bypasses the local economic development delivery system. The disconnect between state and local programs weakens the efforts of both. State programs and policymakers fail to receive the full benefit of the information networks and close-to-the-ground knowledge that local program officials have of their own communities. Local programs, on the other hand, may fail to reflect or even be at odds with broader state and regional goals and priorities, such as the competition between localities for sales tax generating retail development.

Recommendation 1: Develop a Unified Economic Development Strategy

As a first step toward increasing accountability and maximizing program effectiveness, the state should establish a comprehensive economic development strategy. An effective strategy should include both long-term and short-term policy goals. It should strive for shared and sustainable growth that broadly distributes the benefits of economic development over time and constituencies. Policymakers should account for the importance of good schools and adequate infrastructure to a strong and competitive economy, as well as recognizing that healthy communities depend on decent jobs, environmental quality, and adequate financial resources to support quality public services. Finally, an effective economic development strategy should consider regional and local needs.

The Governor and the Legislature should work together to coordinate and oversee economic development programs and implement the state's economic development strategy. The planning process should, at a minimum, focus on long-term economic trends, continually review the current status of the state's economy and economic development strategy, analyze which economic development goals are being achieved, and assess what needs to be done to make further progress toward achieving strategic objectives. Consolidating authority for and oversight of economic development programs can help eliminate duplication of effort, increase the "user friendliness" of state programs and services, and provide the Legislature, Administration, and public with one entity to hold accountable for efficient, productive, and cohesive economic development.

Functional budgeting offers a tool for examining state economic development spending. Under the current system, programs with similar goals are administered by a number of different agencies and departments. ***Currently, no single report, document, or data source presents a comprehensive picture of economic development spending.*** Summarizing total state economic development spending in a unified functional budget would highlight economic development as a discrete area defined by broad policy goals. A functional budget, which would be in addition to the annual state budget, would identify the total amount of funds spent both through annual appropriations and tax incentives. This document could help policymakers understand how well dollars are matched to economic development priorities. It may also encourage legislators to prioritize state economic development spending by showing how proposed economic development programs fit into existing spending.

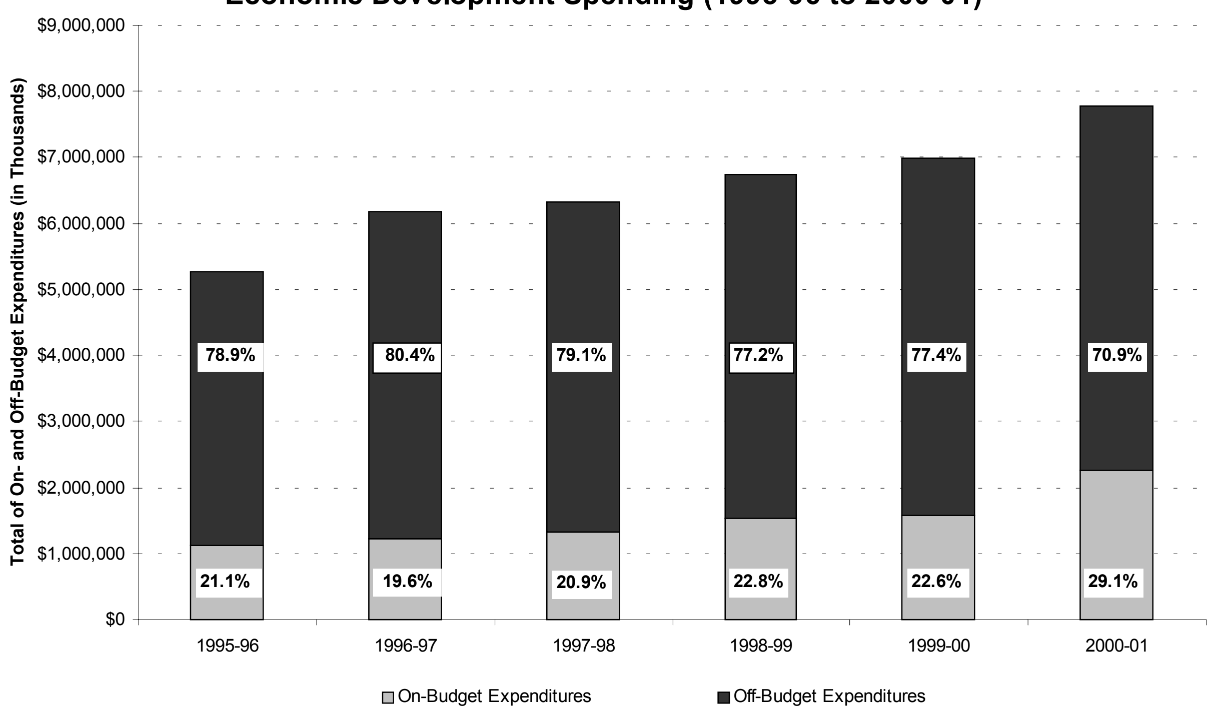
Finding 2: Most Economic Development Funds Go to General Support for Business

Economic development accounts for a relatively small share of state spending. During the period examined in this report, 1995-96 to 2000-01, economic development spending increased slightly each year, for a total increase of $2.5 billion (48 percent). In contrast, state General Fund spending increased by $35.5 billion (80 percent). The largest increase occurred in 1996-97, when the total spending (on and off budget) increased by $917 million (17 percent). The growth was primarily attributable to increases in the cost of tax expenditures, particularly costs attributable to the special tax rate for Subchapter S corporations, which rose by $443 million, and a $180 million increase in the cost of the manufacturer's investment credit.

Tax expenditures account for the overwhelming majority of state economic development spending, averaging 77 percent of total economic development expenditures during the years 1995-96 to 2000-01 (Figure 2). The share of economic development spending occurring through tax expenditures actually decreased slightly, from 79 percent in 1995-96 to 71 percent in 2000-01. The total dollar cost of tax expenditures rose from $4.2 billion in 1995-96 to $5.5 billion in 2000-01.

The share of on-budget economic development expenditures increased from 21 percent in 1995-96 to 29 percent in 2000-01, from $1.1 billion to $2.3 billion. The largest increase of $789 million (11 percent) occurred in 2000-01. This increase was primarily attributable to additional spending for the Infrastructure and Economic Development Bank, which received a $204 million increase; energy-related programs, which rose by $209 million; and the Jobs-Housing Balance and Downtown Rebound Programs under the Department of Housing and Community Development, which received a combined increase of $99 million.[6]

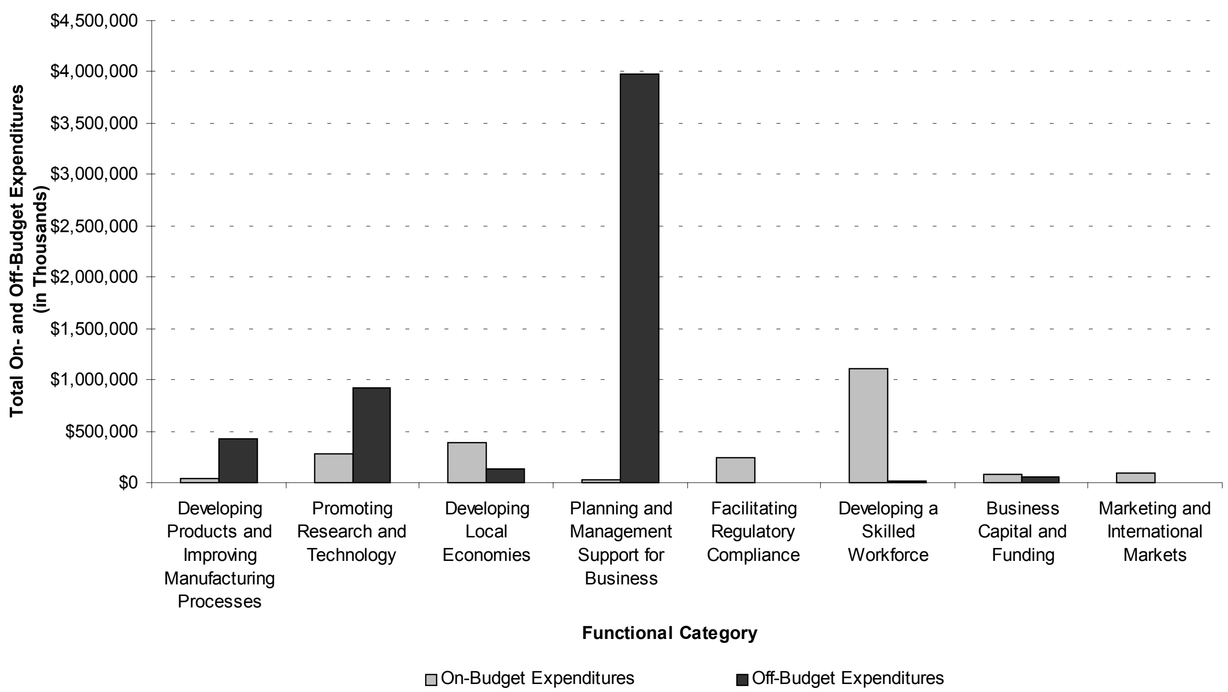
Figure 2
Tax Expenditures Make Up the Largest Part of Economic Development Spending (1995-96 to 2000-01)



Interestingly, the distribution of economic development spending between the functional categories used in this report changed significantly over the period studied. Spending in seven of the eight categories increased between 1995-96 and 2000-01. However, spending for Marketing and International Markets fell by 3.2 percent ($3 million). While the largest dollar increase was in the Planning and Management Support for Business category ($764 million), this category had the smallest ***percentage*** increase (24 percent). The largest ***percentage*** increase was in the Business Capital and Funding category, which more than quintupled (446 percent). Spending in the Developing Local Economies category tripled (229 percent), and spending in the Promoting Research and Technology category more than doubled (129 percent). The Developing a Skilled Workforce category increased by only 36 percent ($294 million).

By far, the largest share of state support for economic development in 2000-01 (52 percent) went to Planning and Management Support for Business (Figure 3). Of the $4.0 billion spent for this function, only $30.4 million went to on-budget program spending. The tax expenditures in this category primarily provide general relief for business and are not targeted to specific policy goals, such as increasing research and development or support for distressed communities.

Figure 3
Economic Development Spending by Functional Category
(2000-01)



Promoting Research and Technology received the second largest share of state economic development spending in 2000-01. This category came in a distant second at $1.2 billion, or 15 percent of state economic development spending. The majority of this spending ($916 million) was in the form of tax expenditures.

Developing a Skilled Workforce received the third largest share of state economic development spending in 2000-01, at 14 percent ($1.1 billion). In contrast to Planning and Management Support for Business and Promoting Research and Technology, workforce development spending was allocated almost entirely in the form of on-budget program expenditures.

Recommendation 2: Prioritize Economic Development Spending on Areas of Strategic Importance

California's annual spending, both on- and off-budget, for economic development amounts to less than one percent of the state's economy. In light of the limited resources available for economic development, policymakers should reconsider the wisdom of devoting over half of current spending to general support for business. Using the planning process recommended above, policymakers should identify goals and objectives where strategic allocation of resources could have a measurable impact on the state's economy.

Employers cite workforce training as one of the most crucial areas in which the state could assist business development.[7] Yet, workforce development comes in a distant third in this analysis, with 14 percent ($1.1 billion) of total economic development spending in 2000-01. Policy experts note that the Governor and Legislature should work to make workforce development programs more efficient and effective before infusing more funding.

Finding 3: Tax Expenditures Account for the Majority of Economic Development Spending

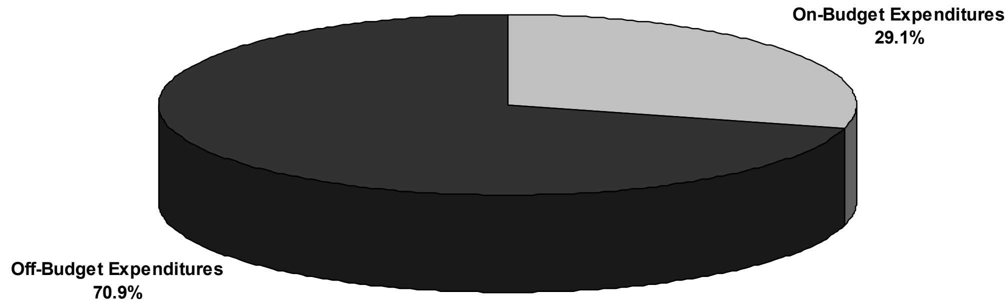
More than two-thirds (71 percent) of the state dollars devoted to economic development in 2000-01 were spent through the tax code, rather than through individual department budgets (Figure 4). In 2000-01, economic development tax policies cost the state $5.5 billion, $3.2 billion more than on-budget programs. The state has added or expanded more than 25 different tax expenditures since 1990, which reduced state revenues by over $697 million in 2000-01. This is an understatement of the actual cost of these tax expenditures since there is no estimate of the revenue loss associated with many of the state's tax incentives. Tax policies and programs do not receive even the minimal scrutiny of the annual budget process and there is no mechanism currently in place to compare the effectiveness and efficiency of tax expenditures with on-budget expenditures, exacerbating the fragmentation of economic development policymaking.

Recommendation 3: Institute a Systematic Review of Tax Expenditure Programs

The state's large number of tax expenditure programs have been enacted over a number of decades to assist individual industries, encourage certain types activities, or respond to concerns over California's competitiveness with other states as a place to do business. The lack of coordination and oversight discussed above have led to a reduction in the share of state revenues provided through the corporate income tax, which provided 16.8 percent of the state's General Fund revenues in 1978-79, but only 7.6 percent in 2001-02, and created inequities between similar firms and industries. The state's large number of tax expenditure programs also puts the state's tax system, with its relatively high rates but very narrow base, at odds with experts that recommend stable tax systems with low rates and broad bases in order to increase equity, encourage compliance, and reduce the impact of state taxes on economic decisions.

A lack of reporting and evaluation requirements make it impossible to determine whether the state is receiving benefits from tax expenditure programs commensurate with their cost. However, the state does not currently collect even the most minimal information needed to assess the effectiveness of state tax expenditures, such as whether firms that claim state tax credits are increasing or decreasing their

Figure 4
More Than Two-Thirds of Economic Development Spending is Financed through the Tax Code (2000-01)



employment or investment within the state. At present, the state's tax expenditure reporting is limited to an accounting of the revenues foregone as a result of specific provisions. At a minimum, the state should require disclosure of the identity of firms receiving tax preferences and the amount of benefit received. A more accountable process would link identified policy objectives with a measurement of the progress made toward achieving these goals and ensure that adequate data is available to assess the cost effectiveness and efficiency of the tax policy as an economic development strategy.

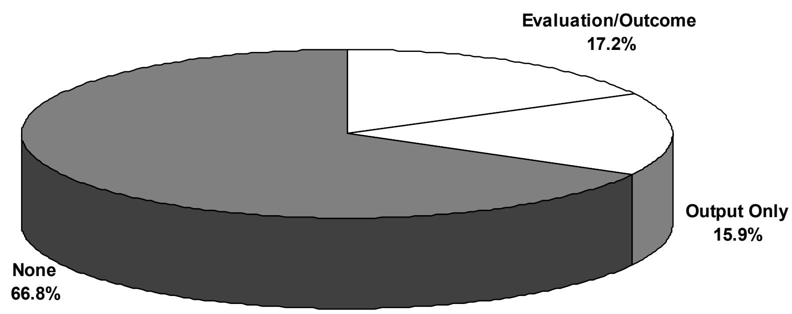
The state should establish a sunset review process to ensure that state resources support programs with the greatest economic return.[8] This process would provide much-needed oversight for tax expenditure programs that remain in effect long after their effectiveness has expired. The state should also evaluate whether existing tax expenditures support current state policy priorities, taking into account the need for sufficient revenues to support broader policy goals such as improving the state's schools and investing in California's infrastructure. In this way, the state could evaluate whether an incentive has achieved program goals and would have the opportunity to modify the incentive to increase its effectiveness.

Finding 4: Most Economic Development Spending is Not Evaluated

On- and off-budget economic development programs cost California $7.8 billion in FY 2000-01, equivalent to 9.7 percent of General Fund expenditures.[9] Despite the fact that the state devotes a significant proportion of its resources to economic development, there is little information available to document whether these programs actually achieve their intended results. This report classified programs as "evaluation/outcome" (17 percent), "output only" (16 percent), or as having no evaluation or review requirements relating to program effectiveness (67 percent). Only 17 percent of 2000-01 economic development spending went to programs with evaluation or outcome-based review. Over two-thirds of economic development spending in 2000-01 went to programs that had no provision for evaluation or review (Figure 5).

While state agencies or departments administer all on-budget spending, these entities often do not

Figure 5
More than Two-Thirds of Economic Development Spending is Not Evaluated (2000-01)



closely oversee or monitor program administration. While many programs require annual reporting to the Legislature, it is difficult to discern whether this reporting actually happens, and, if it does not, whether the programs suffer any consequences.

When economic development spending is broken down by on- and off-budget expenditures, the differences in evaluation requirements are striking. While the majority of on-budget programs are subject to at least output reporting requirements (91.0 percent), the vast majority (90.5 percent) of tax expenditures have ***no*** reporting requirements and/or processes for assessing program effectiveness. Of the few that do, most report only basic data. The lack of reporting makes it difficult for the Legislature, the Administration, and the public to hold programs accountable. It also limits awareness of when program goals or activities need to updated or eliminated.

Programs in the Developing a Skilled Workforce category were more likely to include evaluation requirements than other categories defined in this report. This reflects the fact that these programs are funded almost exclusively through on-budget expenditures and also because of federal reporting requirements imposed as a condition for receiving matching funds. In contrast, expenditures that support Planning and Management Support for Business are primarily tax expenditures. As a result, workforce development funds are subject to annual review and adjustment through the budget process, while policymakers seldom review expenditures for direct assistance.

Recommendation 4: Evaluate Economic Development Spending Based on Outcomes

Evaluation is necessary to ensure that the state is held accountable for the effective and efficient use of public resources, and to provide a context for broader public and legislative oversight. However, in most cases, evaluation requirements amount to very minimal oversight, and tend to measure outputs rather than outcomes.

Policymakers should use outcome measures to evaluate the effectiveness of economic development spending. An outcome-based evaluation process should identify desired outcomes; select measures or indicators; set standards for performance and outcomes; report results; and use outcome and performance information for planning, managing, and budgeting. A number of states use legally binding performance contracts to guarantee a return on their investment. Contracts can provide a tool for outlining promised outcomes and holding recipients of economic development incentives accountable for the delivery of promised jobs and investment.

Meaningful evaluation of state economic development activities cannot occur without basic data collection. Currently, only a few programs collect the information needed to assess outcomes and efficiency, such as the number of program participants or job placement rate. Even fewer programs regularly make this information available to policymakers and the public. The Governor and Legislature should adopt, as a matter of policy, a requirement that programs collect and report basic data and provide adequate staff and budget resources for the data collection. For programs that already do this, existing data should be analyzed. The coordinating mechanism discussed above could review this data and determine how and whether to revise reporting requirements to be more effective and efficient.

Conclusion

California's current structure of economic development spending is fragmented and lacks a systematic review and evaluation process. As a result, it is difficult, if not impossible, to determine whether the $7.8 billion devoted to economic development in 2000-01, or even the total $39.3 billion since 1995-96, has had a measurable impact on the vitality of the state's economy and the well-being of Californians. Policymakers have a responsibility to ensure that the dollars that go toward economic development are spent wisely; a coordinated economic development strategic plan can help achieve this goal. With a functional budget that requires outcome-based evaluations, policymakers could identify programs with the highest returns and adjust funding accordingly. Reviewing tax expenditures and budget allocations in a single document and planning process would illuminate current spending priorities and focus on whether this funding is being used efficiently to promote California's economic goals. Functional budgeting and outcome-based evaluation could help legislators spend economic development dollars as strategically and effectively as possible. In this manner, the state can help ensure the maximum return on its economic development investments.

Methodology

Maximizing Returns focuses on state spending for activities that foster quality job creation, technological development, a healthy business sector, and a skilled workforce. This report excludes federal expenditures on state and local economic development initiatives, bonds related to economic development issued by agencies outside the budget, and economic development-related spending through quasi-public agencies. Due to the difficulty in obtaining detailed expenditure data, programs administered by the University of California and the California State University are also excluded. Programs were identified through program descriptions in the Governor's Budget, as well as agency and department web sites and conversations with agency and legislative staff. Spending information on programs was compiled from the Governor's Budgets for various years, while tax expenditure information came from the Legislative Analyst's Office, legislative bill analyses, the Franchise Tax Board, the Department of Finance, and the Board of Equalization. Reporting requirements were identified in state law and confirmed wherever possible by program administrators. General research included numerous telephone and personal interviews with program administrators, academic researchers, policy experts, and legislative staff.

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A Proposal for Improving the Accountability of California's Investments in Economic Development

Introduction

In November 2001, economists declared that the nation was officially in a recession. California's unemployment rate rose by 1.1 percentage points between January and November, and there were over 250,000 more jobless Californians in November than at the beginning of the year. The downturn in the economy has been accompanied by a sharp deterioration in the state's fiscal condition, with forecasters now predicting a state budget deficit in excess of $10 billion in the upcoming fiscal year.

The recession, which follows a period of unprecedented economic growth, has prompted renewed interest, at both the state and national levels, in how public policies and public dollars can best be used to stimulate the economy. To date, most of the debate has focused on what new efforts might be initiated to improve the state's economy. Little or no attention has been paid to whether the billions of dollars the state already spends each year to promote a healthy economy are achieving their desired result.

Policymakers are now faced with the challenge of bridging a substantial budget gap and, at the same time, coping with the impact of an economic slowdown. ***Maximizing Returns: A Proposal for Improving the Accountability of California's Investments in Economic Development*** attempts to recast these challenges as an opportunity to take a fresh and comprehensive look at what constitutes economic development, how much the state currently spends to promote a healthy economy, and whether these public investments are well spent. While recent policy debates around issues such as education have focused on accountability and performance standards, no similar standards have been applied to state spending for economic development, as this report will document. Moreover, the state has failed to adopt a strategy, goals, or objectives to guide the use of resources devoted to promoting a healthy economy. Some of the lack of attention and guidance stems from the lack of a vision of economic development that takes into account not only traditional business assistance programs, but also the full array of state tax, regulatory, workforce development, and other programs that support a comprehensive approach to economic development.

Maximizing Returns seeks to present a comprehensive examination of state economic development spending. This analysis uses a functional framework to examine the totality of state spending, including both dollars appropriated through the annual budget act and dollars spent through the tax code, and asks what accountability provisions, if any, are currently used to ensure the effective use of state resources. Specifically, this report asks:

- **What state programs and policies support economic development?**
- **What economic development functions and goals are our tax dollars supporting?**
- **How much of state economic development spending is subject to evaluation or review?**
- **How could California's economic development dollars be better spent?**

Maximizing Returns analyzes state economic development spending over the past six budget years, including "on-budget" spending allocated through the annual budget act, such as state job training programs, and tax incentives, or "off-budget" spending.[10] This report does not single out specific programs as "bad examples," or recommend elimination of any current programs. Rather, it encourages an assessment of *all* state economic development expenditures in order to maximize the state's return on its economic development investments. Such consideration can help policymakers identify ineffective efforts and build on successful ones, as well as highlighting where program goals should be updated to reflect a changing economy.

In addition to the lack of coordination of economic development programs, tax expenditures, and planning, there is limited knowledge of the effectiveness of current programs and tax incentives. In FY 2000-01, only 17 percent of state economic development dollars went to programs with any kind of outcome-based evaluation in place. For the remaining programs, current monitoring and reporting practices generally focus on activities and outputs, rather than outcomes; in fact, the majority of programs do not even collect the data needed to evaluate whether programs are cost-effective and efficient at achieving their intended goals.

The main body of this report explores the general concept of economic development, discusses the need for and components of program evaluation, provides an overview of state economic development programs and tax incentives, and presents key findings and recommendations. These findings are based on the research presented in the Appendices to the report. Appendix 1 lists state economic development programs, including a brief description of each. Appendix 2 presents a matrix of spending on each program for the years 1995-96 through 2000-01. Appendix 3 lists evaluation and reporting requirements for each program.

What is Economic Development?

Defining the Parameters

In order to examine economic development spending in California, it is important to address several key questions:

- **How do we define economic development?**
- **What are the goals of economic development?**
- **How should the success of economic development programs be measured?**

The current lack of consensus on the answer to these questions makes it difficult to determine whether economic development spending has a significant effect on the state's economic health, business climate, and quality of life. Current economic development spending, particularly tax expenditures, primarily supports individual firms and businesses. This business development approach has resulted in a tax-focused system that emphasizes reducing business costs, as opposed to a broader "economic development" approach that seeks to build healthy communities.

The traditional understanding of economic development focuses on economic growth:

> *Economic development is fundamentally about enhancing the factors of productive capacity - land, labor, capital, and technology - of a national, state, or local economy. By using its resources and powers to reduce the risks and costs which could prohibit investment, the public sector often has been responsible for setting the stage for employment-generating investment by the private sector.*[11]

Under such a broad definition, it can be difficult to discern what programs can be defined as furthering economic development. As the National Conference of State Legislatures (NCSL) notes,

> *A complete list of state activities that foster economic development would include almost every-*

thing states do. Public education, transportation, public safety, and administration of the courts are essential parts of the physical and social infrastructure. Regulation of labor and working conditions, public health, banking and other financial activities, and environmental conditions all affect the climate for economic development.[12]

In general, most economic development programs are based on the goals of job and income creation, fiscal improvement (e.g., generating new tax revenues), and/or physical improvements.[13] For public officials, economic development often means job creation, which in their eyes is achieved by stimulating business activity. Under this definition, economic development policies "have in common an attempt to reduce some sort of business costs, broadly defined."[14] Strategies for promoting this type of economic development include subsidies for business and helping businesses obtain capital, improve manufacturing processes, train and place workers, and comply with government regulations.[15]

Although all of these issues - job creation, business support, quality of life, infrastructure improvement, and job quality - are important components of economic development, the broadest definition of eco-

What's Not Included: Building Healthy Communities and a Better Business Climate

Economic development is a long-term process that encompasses many areas beyond the scope of this report, such as K-12 and higher education (although vocational education programs are included) and infrastructure investments. Funds allocated by voter-approved bonds, which have traditionally paid for a significant portion of the state's infrastructure expenses, are not included in this report. For example, the Passenger Rail and Clean Air Bond Act and the Clean Air and Transportation Improvement Bond Act help provide cleaner air and better transportation options. The state spends over $200 million per year to repay general obligation bonds authorized by each of these bonds. Other voter-approved bonds that could be included under a broad definition of economic development spending include those for housing, schools, water projects, and parks.

The Corporation for Enterprise Development (CFED), a nonprofit economic development policy institute, has identified five key components of a positive business climate that build on existing assets to attract businesses. First, states and communities need to invest in education to improve worker skills in order to adapt to an increasingly technological world. Second, states must invest in infrastructure maintenance and repair in order to ensure cost-effective and efficient delivery of basic services. Third, regulators must work with businesses to achieve acceptable standards without compromising enforcement of environmental and workplace laws. Fourth, tax reform measures should account for revenue adequacy, balance, equity, efficiency, and accountability, rather than focusing solely on tax rates and tax competitiveness. Finally, financial support programs for businesses must be turned into effective delivery systems that encourage higher productivity, better wages, and more accountability.

The National Conference of State Legislatures (NCSL) argues that economic development should aim to "improve the capacity of firms by improving the quality of their inputs, particularly by improving education, workforce development, and infrastructure." Suggested policy options to develop "knowledge economy" workers include improving K-12 and higher education, developing ways to assess and improve employability, providing incentives to help meet the need for workers in high-growth industries, and helping higher education institutions retain science and technology faculty.

Source: Governor Gray Davis, *2000-01 Budget* (Sacramento: January 2000) and *2001-02 Budget* (Sacramento: January 2001); William Schweke, Brian Dabson, and Carl Rist, *Improving Your Business Climate: A Guide to Smarter Public Investments in Economic Development* (Corporation for Enterprise Development: Washington, DC, 1996), pp. vii-viii; and Monica Kearns, *Retooling State Economic Development Policy for the New Economy* (National Conference of State Legislatures: Denver, CO and Washington, DC, July 2001), pp. 15-16, 26.

nomic development would require an examination of almost all state budget programs and expenditures, which is beyond the scope of this report. For example, although infrastructure support, maintenance, and development are critical to the state's economic health, entire reports could be (and have been) written on this issue alone. ***Maximizing Returns*** attempts to strike a balance between the vast realm of "almost everything states do" and the narrow characterization of business and job retention and creation. Specifically, this report focuses on activities that foster job creation, technological development, a healthy business sector, and a skilled workforce.

Classifying State Economic Development Programs

This report examines state economic development programs using eight functional categories. These categories provide a framework for identifying the functional goal of the state's economic development programs and activities.[16] They also help indicate where programs might be consolidated in order to minimize duplication or better coordinated to increase program effectiveness and efficiency. The following section defines each of these categories. There is clearly overlap between the various functions; many of these programs could be listed under two or more different classifications. For purposes of simplicity, this report tries to match each program with the category that most closely corresponds with the program's primary economic development function based on the following questions:

- **What outcome or product does this program support?**
- **Who is the customer?**
- **Where did the funds come from?**
- **How are the funds targeted?**

Category 1: Developing Products and Improving Manufacturing Processes

This category includes programs that help businesses turn research and innovations into marketable products, as well as services that help improve manufacturing processes. These programs primarily help small- and medium-sized businesses. This category includes programs such as the Manufacturing Technology Program, which provides matching grants and technical assistance to nonprofit corporations to encourage the development of manufacturing technology. It also includes tax expenditures such as the Manufacturer's Investment Credit, which provides an incentive for businesses to invest in equipment used for manufacturing, research and development, and other activities.

Category 2: Promoting Research and Technology

This category includes programs that encourage businesses to invest in research and technology. The California Energy Commission's Geothermal Resources Development Account Program, for example, provides loans and grants to local jurisdictions and private entities to promote geothermal research, resource development, planning, mitigation, and environmental enhancement projects. On the tax expenditure side, the Research and Development credit provides a tax credit equal to a portion of certain research and development expenses. The property tax exemption for computer programs aims to encourage software purchases by exempting businesses' software investments from the property tax. While the University of California and California State University conduct considerable research and development, those activities are not included in this report due to the difficulty in obtaining detailed expenditure data for these institutions.

Category 3: Developing Local Economies

This category includes programs that target economic development resources to local communities.

Programs in this category include the Boating Facilities Program under the Department of Boating and Waterways, which grants funds to local governments to design and build harbors and boating facilities. This category also includes the Technology, Trade, and Commerce Agency's (TTC) Office of Military Base Retention and Reuse, which oversees programs that help communities adjust after base closures. Tax expenditures in this category include a tax credit for deposits in community development financial institutions and an interest income exemption for investments in distressed communities.

Category 4: Planning and Management Support for Business

This category includes programs that promote the establishment and management of businesses. For example, the Department of Industrial Relations' Conciliation of Employer-Employee Disputes program helps mediate workplace conflicts, while the TTC's regional offices assist businesses in problem-solving and expansion efforts. This category also includes a long list of tax expenditures including the carryforward of net operating losses, tax relief for multinational corporations that operate in California, property tax exemptions for disease-infested grapevines, and sales tax exemptions for cargo freighters and airlines.

Category 5: Facilitating Regulatory Compliance

This category includes programs that help businesses navigate the regulatory process in areas such as land use, permitting, and environmental protection. For example, the Office of Permit Assistance under the TTC helps businesses obtain permit approvals, while the California Pollution Control Financing Authority issues revenue bonds to help industrial firms and agricultural producers comply with environmental requirements. Tax expenditures that fall under this category primarily seek to reduce compliance costs, and include preferential property tax assessments for upgraded or new underground storage tanks, and a tax credit designed to reduce open burning of rice straw by farmers.

Category 6: Developing a Skilled Workforce

The workforce development category (often known as workforce preparation or job training) includes programs that develop California's workforce through job training, vocational education, and assistance to businesses in obtaining skilled workers. Many workforce development programs have dual goals: creating a skilled workforce and improving the employment prospects of individual program participants.

Maximizing Returns attempts to differentiate between programs primarily aimed at helping employers secure a skilled workforce and those designed to boost the knowledge or skills of individual workers. Programs focused on job creation, helping employers improve the skills of their existing workforce, or helping employers attract skilled workers are included; programs that provide general or vocational education that are not linked to a specific job or employer are not.[17] For example, the Employment Development Department's (EDD) Employment and Employment-Related Services Program, which aims to "facilitate a match between employers' needs and job seekers' skills" is included. The California Conservation Corps, which "engages young men and women in meaningful work, public service and educational activities that assist them in becoming more responsible citizens" is not.[18]

While programs designed to boost the knowledge or skills of individual workers contribute to a healthy economy, they are primarily aimed at furthering the skills of individuals and, therefore, are not included in this report. ***Maximizing Returns*** also excludes funding for workforce development received from the federal government, including Workforce Investment Act (WIA) moneys.

Category 7: Business Capital and Funding

This category encompasses programs that help businesses obtain capital, including programs that make or guarantee loans or that authorize the sale of bonds. The California Industrial Development Financing Advisory Commission, for example, issues revenue bonds to help businesses finance the acquisition, construction, or rehabilitation of facilities. Tax expenditures in this category include a personal

Economic Development at the Local Level: A Delivery System Independent of the State

Although often aimed at similar goals, state and local economic development spending generally occur independently from one another; policy experts note that the existing allocation of funds completely bypasses the local economic development delivery system. Since the state lacks an overarching economic development strategy or plan, local economic development organizations do not work toward statewide goals but instead focus on local needs. Even where state and local spending overlap, there is little or no formal coordination.

At the local level, California has an extensive network of economic development organizations. According to the California Association for Local Economic Development (CALED), over 300 cities and 30 counties have full-time economic development offices and there are more than 50 regional economic development organizations across the state. The most common organization, the nonprofit economic development corporation (EDC), typically serves an area within a single county and is supported primarily with public funds. EDC activities include identifying resources, business advocacy, and assisting in the retention, expansion, and attraction of business. Another common local economic development effort, the "business incubator," provides services such as counseling, business development seminars, and access to information databases. A state program administered by the Technology, Trade, and Commerce Agency (TTC) provides grants to incubators on a competitive basis to help with startup expenses. Other local economic development organizations include small business development centers (also administered by TTC), Chambers of Commerce, business improvement districts, and downtown merchant associations.

Redevelopment has become a major local economic development tool, particularly since the passage of Proposition 13 in 1978. Although redevelopment agencies (RDAs) are local government agencies, redevelopment activities indirectly cost the state millions of dollars each year. Once an RDA forms a project area, it receives the revenues resulting from any subsequent increase in property tax revenues within that area. This "increment" goes to the RDA because it is deemed to be attributable to anti-blight improvements made through redevelopment. Under the state's school spending guarantee (Proposition 98), the state must backfill the loss created when property tax revenues are directed away from schools to the RDAs through this tax increment financing (TIF). According to one estimate, backfilling this shift costs the state up to $800 million each year. According to the State Controller's Office, the 378 active RDAs spent a total of $3.4 billion in 1999-00 (the most recent year for which data is available). More than two-thirds of RDAs' total revenues came from TIF revenues. More than half of total RDAs' total expenditures (52 percent, or $1.8 billion) went to interest expenses, principal payments on long-term debt, and administrative costs, rather than directly to stimulating economic development and redevelopment.

Source: California Association for Local Economic Development, *Building Economically Competitive Communities: A White Paper on Local Economic Development* (Sacramento: March 1995), p. 3; California Association for Local Economic Development, *Building Economically Competitive Communities Through Greater State-Local Cooperation: White Paper Update* (Sacramento: June 1999), p. 4; Technology, Trade, and Commerce Agency, *California Business Incubator Grant Awards Announced*, downloaded from http://www.commerce.ca.gov/ on December 12, 2001; Michael Dardia, *Subsidizing Redevelopment in California* (Public Policy Institute of California: San Francisco, January 1998), p. 32; and Kathleen Connell, State Controller, *Community Redevelopment Agencies Annual Report: Fiscal Year 1999-00* (Sacramento: April 2001), pp. iv, x, xii.

income tax exclusion of 50 percent of any gain from the sale of qualified small business stock, which is intended to encourage investment in California's small businesses.

Category 8: Marketing and International Markets

The final category includes programs that help businesses develop and expand markets, both within California and abroad. Some of these programs are specifically targeted at helping businesses "define, research, and develop markets, including developing national and international sales strategies."[19] These programs include the Tourism Division and a network of trade offices in foreign countries, both administered by the TTC, as well as the Agricultural Commodities and Marketing Services program under the Department of Food and Agriculture.

Overview of State Economic Development Spending

Currently, economic development programs are spread across more than two dozen departments, agencies, boards, commissions, and authorities, with no centralized lead or oversight entity. With respect to workforce development alone, for example, the Governor's 1999-00 Budget noted that:

> *The State currently has a multi-billion dollar patchwork of 35 overlapping job training programs administered by 12 state agencies.… These programs were established in response to specific needs, each with its own set of policies and procedures relating to eligibility and performance standards, but they are not integrated into an effective workforce development system.*[20]

Such fragmentation hinders public access to these programs. While individuals and businesses can go to local EDD field offices for assistance with issues such as job placement, business expansion, and worker relocation, they often do not realize that these offices and services are available to them, much less services offered by offices such as Permit Assistance Centers or local Workforce Investment Boards. The TTC administers many loan and grant programs, as well as other services, which provide significant benefits to small businesses; advocates note, however, that small business owners often have to be proactive in seeking out these programs.[21] Even when individuals and businesses ***are*** proactive, it may be difficult to know where to begin: EDD? The TTC? The California Community Colleges? The Department of Food and Agriculture? With responsibility for economic development programs falling under so many agencies and lacking a central clearinghouse, the challenge of finding the "right" program can be almost overwhelming; moreover, customers may find it difficult to hold a particular program accountable if services are not rendered.

In addition to the difficulties of navigating state economic development programs, the lack of a coordinated strategy severely complicates attempts to assess the effectiveness of economic development spending. In particular, tax expenditures, which account for the largest share of economic development spending, are almost entirely unaccounted for in the annual state budget, limiting policymakers' ability to realistically understand the extent of economic development spending. Even the budget line items related to economic development are spread throughout numerous sections of the state budget, making them that much more difficult to track.

The State's Role in Economic Development: A Timeline

The state's main economic development agency, the TTC, was established in the late 1960s as the Department of Commerce by then-Governor Ronald Reagan. The department was eliminated for about four years under then-Governor Edmund G. Brown, Jr., but was reconstituted in 1978 in response to growing concerns about the state's reputation as "anti-business."[22] In response to the severe economic downturn of the early 1990s, then-Governor Pete Wilson elevated the department to cabinet status as the Trade and Commerce Agency in 1990. In 2000, Governor Gray Davis changed the name to the Technology, Trade, and Commerce Agency and created a new Science, Technology, and Innovation Division within the TTC.

Legislation passed in 1993 required the TTC to convene a panel to supervise the development of a two-year state economic development strategic plan, with subsequent biennial updates.[23] The Economic Strategy Panel (ESP) focused on prominent industry clusters, defined as "geographic concentrations of competing, collaborating, and related businesses that drive the economies of California's regions and, therefore, the state."[24] The ESP recommended that the state develop a comprehensive approach to workforce development, including efforts such as reducing duplication among programs, encouraging networking among programs, identifying outdated regulations, and establishing a comprehensive state economic data system. The panel's initial report also cited the need to balance infrastructure and quality of life considerations with state and local tax and regulatory policies.[25]

While the TTC is considered the primary agency responsible for economic development, the California Community Colleges system (CCC) also plays a significant role in California's economic development by helping to prepare students to enter or re-enter the workforce. The CCC established an economic development program (commonly known as the Economic Development Network, or EDNet) in 1987 as part of an overall state strategy to assist small business.[26] EDNet provides training and business support services through regional centers located on community college campuses throughout the state. EDNet also oversees job training partnerships between community colleges and local high-growth and emerging industries, as well as (jointly with the TTC) the statewide network of Small Business Development Centers.[27]

As an outgrowth of deliberations over the implementation of federal welfare reform, the Legislature enacted the Regional Workforce Preparation and Economic Development Act (RWPEDA) in 1997.[28] The act required four state agencies, the Health and Human Services Agency, the TTC, the Department of Education, and the CCC, to collaboratively develop a state workforce development plan and to fund regional collaboratives integrating workforce development and economic development programs. The partnership's report, submitted to the Legislature in January 2000, recommended expanding the partnership, integrating the private sector more actively into the workforce development system, supporting local workforce development systems, removing barriers, such as regulatory requirements, to service delivery, and increasing program accountability.[29]

In 1998, as part of an overall effort to move toward a nationwide workforce development system, Congress passed both the Carl D. Perkins Vocational and Technical Education Act (VTEA) and the Workforce Investment Act. The VTEA gave states and local education agencies more flexibility over the use of federal funds, supported the integration of academic and vocational education, and established increased accountability measures.[30] The Act also required each state to submit a plan to the US Department of Education for approval. Vocational education programs in California are primarily provided through the state Department of Education and the CCC, which worked together to develop the State Vocational Education Plan.[31]

The Workforce Investment Act (WIA), also enacted in 1998, replaced the former Job Training Partnership Act (JTPA), effective July 1, 2000. The WIA aimed to consolidate some job training programs and to move state workforce development systems toward a voucher model with performance measures. The state Workforce Investment Board (WIB), established in 1999, is made up primarily of business representatives and is responsible for overseeing the development of a five-year workforce investment plan, first published in 2000.[32] The WIA focuses on merging funding streams and shifting to a client-

Economic Development at the Regional Level:
The Humboldt County Workforce Development Partnership

After realizing that existing workforce and economic development efforts had not succeeded in improving their prosperity and competitiveness, public and private sector representatives in Humboldt County began a collaborative effort to link the delivery of workforce preparation, education, and training services to the economic development efforts for the region. This collaboration created the Humboldt County Workforce Development Partnership (WDP), a workforce development system that included the North Coast School-to-Career Consortium (education/training providers), the Industry Cluster Network (economic development organizations/business), and the One-Stop Delivery system (labor support services). The concept was to completely re-think workforce development in the region and to develop stronger linkages both within industry and between industries and education/training providers.

The WDP was one of six pilot regions funded under the Regional Workforce Preparation and Economic Development Act (RWPEDA), which provided a pool of new money for the WDP to implement their vision of a new workforce system. However, because the RWPEDA funds were divided between five agencies and organizations and had strict rules governing their use, the WPD faced the challenge of maintaining a collaborative approach with a potentially divisive funding stream. The WPD addressed the challenge in two ways. First, the five receiving agencies agreed to pool a percentage of the administrative share of their RWPEDA funds in order to hire a coordinator, which helped maintain the collaborative nature of the partnership. Second, the WPD translated its vision for a new workforce development system into specific tasks that could be performed by the receiving agencies given their rules regulating the use of RWPEDA money.

Among the efforts of the WPD to redesign Humboldt County's workforce delivery system, two merit special mention. The first was the creation of a system of skills development for the automotive industry cluster through the Department of Education's Regional Occupation Centers/Programs, Adult Education programs, and the local community colleges. Workforce training providers developed different levels of automotive career training, identified the specific agency or program that provided the different levels of training, and made that information available to those hoping to get into the industry and those in the industry who would like to enhance their skills. Efforts are underway to develop this type of user-friendly education/training system for all of the industry clusters in the region.

The second is the creation of the North Coast Textile Design Center, which was originally designed by several economic development organizations involved in the Industry Cluster Network of the WDP. The center supports the region's sportswear industry, job seekers, and entrepreneurs by providing sewing machine operation and repair training, business support, assistance in developing prototypes, and help with marketing new products. The center collaborated with other agencies and educators to train welfare-to-work clients. Many workers obtained jobs using commercial sewing machines and knitting machines. One example was a project with the University of California Cooperative Extension that helped Hmong women sew traditional handwork into garments and other textiles. The women created prototypes for the goods, but marketing and pricing of the handwork items are proving to be a difficult challenge.

The 1998 enactment of the Workforce Investment Act transformed the WDP into the Workforce Investment Board (WIB), which, while increasing the number of participants, has made the collaboration process more political and bureaucratic. This could be problematic given the private sector's lack of familiarity and impatience with the process-driven approach of the public sector. However, many of the WDP participants are also on the WIB and are committed to continued progress toward developing an integrated workforce training system.

Source: Phone interview with Kathleen Moxon, Executive Director of the Institute for the North Coast (June 8, 2001) and California Center for Regional Leadership, *Workforce Development Case Studies*, downloaded from www.calregions.org/pdf/workforce.pdf on April 17, 2001.

based voucher system in order to best meet local needs and provide maximum access to participants. Accordingly, the Act requires the Governor to establish local workforce investment boards and directs approximately 80 percent of WIA funds to local activities.[33] Services are offered through local One-Stop operations, which are often jointly located with EDD field offices.

Most State Economic Development Spending Occurs Through the Tax Code

The majority of the state's spending for economic development occurs through the state's tax code. In 2000-01, $5.5 billion of the $7.8 billion in economic development spending identified in this report came in the form of revenues lost as a result of the more than 75 provisions of state tax law that have goals consistent with the definition of economic development used in this report. Economists use the term "tax expenditure" to refer to efforts to implement policy goals through the tax code. The use of the term "expenditure" highlights the fact that, from an economic standpoint, there is no difference between provisions that provide special tax treatment for a specific industry or activity, and a grant or other traditional spending program that supports the same industry or activity.

Tax expenditures or incentives include a range of credits, deductions, exemptions, or other special treatment. Since tax expenditures reduce the amount of revenues raised by the state's basic tax structure, they force the state either to increase the taxes paid by other businesses or individuals or to reduce public services. Tax expenditures also tend to be less visible than direct program expenditures, which are reviewed as part of the state's annual budget process, and are generally subject to fewer controls and less oversight. The on-budget economic development programs discussed in this report, for example, receive a fixed dollar appropriation through the annual budget act, which determines the amount of services that can be provided. There is no such limit on most tax expenditure programs, leaving the state with an open-ended financial obligation, even if a program turns out to be far more costly than originally intended.

Tax systems exist to raise the revenues necessary to finance public services. Thus, it is important to examine the policies used to foster economic development that are administered through the tax code within the context of the overall goals of state tax policy. Experts identify four components of a good tax system:[34]

1. **Sufficiency:** A good tax system generates enough revenue for the government to finance the desired level of public services.
2. **Simplicity:** A good tax system is easy to administer and is understandable, which leads to increased compliance.
3. **Equity:** A good tax system taxes those in similar situations the same (vertical equity) and it taxes those in different situations according to their ability to pay (horizontal equity).
4. **Efficiency:** A good tax system does not interfere with the flow of resources to their most economically efficient uses.

Most economic development tax expenditures fail to fulfill the four goals for good tax policy outlined above. By diverting resources from other public services that are also critical to a healthy economy, such as education and infrastructure, tax incentives make it difficult for government to finance an adequate level of public services. Tax expenditures complicate the state's tax code and impose additional administrative burdens on tax officials in order to ensure compliance with state tax laws. Economic development incentives, virtually by definition, violate the principle of equity by favoring certain activities, industries, or areas over others. Finally, tax expenditures may result in an inefficient use of resources, particularly if they provide benefits to businesses to do the same thing they would have done in the absence of an incentive.

Research indicates that state taxes do have some influence on businesses' location and investment decisions, but that taxes play a lesser role than factors such as labor costs, availability of a skilled workforce, proximity to markets, access to raw materials and quality transportation systems, and quality of life considerations.[35] One reason for this is that state and local taxes represent a small share of the total cost of doing business. After accounting for the federal deductibility of state taxes, state and local taxes typically account for less than 3 percent of the cost of doing business.[36]

Studies of the overall effectiveness of tax incentives as a tool to spur economic development arrive at mixed conclusions, at best. Research suggests that state taxes have some influence on business and investment decisions, but that the degree of influence varies depending on the effect tax levels have on public service provision. Studies show a correlation between state spending for public services and the level of economic growth, suggesting that tax cuts that lead to reductions in public services, especially education and infrastructure, have a negative effect on a state's economic performance.[37] Other studies find that tax increases that lead to greater investment in public education and public capital result in increased economic activity.[38] Finally, most researchers agree that incentives influence ***where*** economic activity occurs rather than the overall ***level*** of economic activity. In short, incentives "merely encourage the movement of employment opportunities from one place to another but do not actually result in net national job creation."[39]

It is difficult to evaluate the effectiveness of tax expenditures because, unlike direct program expenditures, they are not reviewed as a part of the annual budget process and often times little or no data is available to assess whether or not an incentive has achieved its desired policy goal. Most state tax expenditures are not subject to regular evaluation, unless formal review and reporting requirements or sunset dates are included in the original legislation. In order to serve as an effective economic development strategy, tax expenditures should have a well-articulated policy goal and identifiable outcomes that allow policymakers to determine whether an incentive makes the most effective and efficient use of public resources.

Questions for Evaluating the Effectiveness of Economic Development Incentives

Any evaluation of the effectiveness and efficiency of economic development spending should examine whether a program or tax policy:

- Has a clearly defined outcome.
- Effectively addresses the desired outcome.
- Provides sufficient benefits to encourage or achieve the desired outcome.
- Rewards a business or individual for doing what they would have done in the absence of the program or policy.
- Is of equal or higher priority than competing uses of public resources.
- Is consistent with existing law, priorities, and precedents.

The issue of program design and accountability is particularly important in light of the difficulty of modifying or eliminating tax expenditure programs once they are enacted. The state's constitution requires a two-thirds vote of each house of the Legislature to pass any measure that increases state revenues, including provisions that narrow eligibility for or reduce the benefits provided by a tax expenditure. In contrast, any measure reducing state revenues can be enacted by a majority vote.

California's extensive use of tax expenditures for economic development raises the question of whether it is the most efficient use of the state's limited resources. With respect to tax expenditures, one of the most important questions is whether businesses are receiving benefits (i.e., lower taxes) for investments

Enterprise Zones: Efficient Economic Development?

What Are Enterprise Zones?

Enterprise Zones provide a package of tax incentives to encourage business investment and job creation in specified geographic areas identified as economically distressed. Enterprise Zone programs became popular in the 1980s as a strategy for economic revitalization. The California Enterprise Zone Act and the Employment and Economic Incentive Act were enacted in 1984, thus establishing Enterprise Zones and Employment and Economic Incentive Program Areas (EZs). The program has been expanded over the years to encompass 39 EZs. Similar state programs that provide tax breaks for investment in targeted areas include the seven Local Agency Military Base Recovery Areas (LAMBRAs), the Targeted Tax Area (TTA) in Tulare County, and the two Manufacturing Enhancement Areas (MEAs). While the original zones were selected through a competitive application process, recent legislation has essentially designated the TTA and the MEAs by narrowly defining eligibility criteria.

What Benefits Do EZs Provide?

Businesses operating within an EZ are eligible for:

- Carryforward of 100 percent of any net operating losses for 15 years;
- Tax credits for hiring certain categories of individuals;
- Tax credits for sales tax paid on the purchase of eligible machinery and parts;
- Enhanced business expense deductions, including accelerated depreciation; and
- Preference points on State contract bids.

Financial institutions can deduct the interest paid on loans made within an EZ. In addition to state incentives, local governments may eliminate local permits and fees, provide low interest loans, and train employees for businesses investing in EZs.

What Do We Know About the Effectiveness of EZs?

EZ tax credits cost the state over $560 million in lost revenues between 1986 and 2001. However, there is little evidence available about the effectiveness of the program. The Technology, Trade and Commerce Agency (TTC) administers the EZ program at the state level, and is required by statute to evaluate and report to the Legislature every five years on changes in employment, investment, incomes, and state and local tax revenues in EZs. Local governments, in coordination with local organizations, businesses, and the public, administer EZs at the local level, but have no reporting requirements and receive no state funding.

In California, the large number of EZs could undermine their effectiveness. The ability of the EZ approach to increase economic activity in the state's most distressed areas requires that zone designation be limited to those communities. The state, by distributing benefits across such a large number of EZs, instead of carefully targeting the most economically depressed areas, may have reduced the effectiveness of EZ incentives to significantly increase investment in any single zone.

In August 2001, the California Research Bureau (CRB) published the results of a study that matched census tracts in EZs with census tracts from the same regions that had comparable economic and demographic characteristics, and compared growth rates for employment, monthly earnings, and new firm locations for three periods, 1991-1995, 1995-1999, and 1991-1999. The CRB found that while EZ tracts had higher average growth rates for most measures than their matched counterparts, the success of individual zones varied considerably. In fact, between 1991 and 1999, of the 24 zone areas studied, seven had lower employment growth rates than their non-zone matches, eight had lower growth rates in the number of new firm locations, and 13 had lower earnings growth rates. The CRB study did not attempt to isolate the effects of the EZ tax incentives on zone economic activity, so it is not possible to attribute the differences between zone and non-zone tracts to the incentives.

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Prior studies of California's EZs have not been able to isolate the effects of the incentives either. In 1999, the TTC documents changes for several indicators in EZs including the number of business and residential building permits issued, employment and wage rates, and the use of EZ tax incentives. However, since the TTC does not compare EZ data with data from the surrounding regions or with benchmarks, it is difficult to evaluate EZ performance or isolate the effects of EZ incentives. In 1996, the TTC did find that the bulk of the value of EZ tax incentives ($110 million, or 79 percent) went to businesses with assets over $100 million. In the same year, the TTC found that the average wage paid to employees for whom EZ hiring tax credits were claimed was $7.17 per hour.

A 1995 California State Auditor examination of the EZ program attempted to compare EZs to their surrounding regions. The Auditor analyzed data on changes in the number of businesses and jobs in EZs and their surrounding counties for the period 1991-1994. The analysis indicated that EZs grew faster than the surrounding regions, but the Auditor was unable to isolate the effects of EZ programs from other factors influencing the regions' economies and, thus, was not able to conclusively evaluate the impact of the EZs.

Finally, a 1994 evaluation of EZs found that 85 percent of the zones included in the analysis had lower employment growth than predicted. In the study's survey of zone area businesses, "Nearly all respondents (67 percent of the cases with regard to facility locations and 81 percent with regard to employment expansions) reported that the benefits of the enterprise program had not influenced their business decisions. Those that had relocated into or expanded within a zone or area were nearly unanimous in asserting that their business had not located where it had because of any program benefits." The evaluation concluded that the tax incentives provided by EZs have only a modest effect and that the state should restructure the program to provide targeted economic development activities including job training, job matching, regulatory relief, and infrastructure upgrading. The researchers also recommended establishing a reporting system for evaluating programs.

Sources: Suzanne O'Keefe and Roger Dunstan, *Evaluation of California's Enterprise Zones* (California Research Bureau: Sacramento, August 2001); California Trade and Commerce Agency, *California Enterprise Zones: 1998 Annual Report* (Sacramento: July 1999); California State Auditor, Bureau of State Audits, *Trade and Commerce Agency: The Effectiveness of the Employment and Economic Incentive and Enterprise Zone Programs Cannot Be Determined* (Sacramento: November, 1995); David E. Dowall, Marc Beyeler, and Chun-Cheung Sidney Wong, *Evaluation of California's Enterprise Zone and Employment and Economic Incentive Programs* (California Policy Seminar: Berkeley, March 1994); and Franchise Tax Board data on tax credits.

or activities that would have occurred in the absence of the incentive. Most tax expenditures are entitlements: any taxpayer meeting eligibility requirements may claim the expenditure, regardless of the total cost of the program. This makes it difficult to determine what fraction of the total cost subsidizes activities that would have occurred in the absence of the program.

Since the reporting requirements for businesses claiming tax expenditures are minimal, linking tax expenditures with changes in outcomes in investment or employment is extremely difficult. Some state and local governments have addressed the issue of outcome accountability by including "clawback" provisions in tax expenditures and other economic development programs. These provisions require that businesses that do not meet the requirements of an expenditure must refund the subsidy to the governing body. Clawback provisions serve several purposes: they require policymakers to clearly define, in quantifiable terms, the goals of new tax expenditures; they require data collection and reporting; and they help ensure that economic development dollars are used more effectively.

Measuring the Success of Economic Development Programs

Evaluating Economic Development Programs

While the categories above provide a framework for examining different goals of state economic development programs, they do not provide information on the effectiveness of state efforts to attain these goals. Oversight and evaluation can help ensure that programs are held accountable for the effective use of public resources, as well as providing for broader public and legislative scrutiny. Well-designed and timely evaluations based on appropriate data "enable policymakers to strategically preserve certain programs and tax preferences while gradually eliminating those programs that are either ineffective or are no longer strategic to the state's development goals."[40]

Effective oversight should, at a minimum, address these questions:

- **How much are taxpayers paying?**
- **Who benefits from the program?**
- **Should others benefit?**
- **Is this the most effective and efficient way to achieve state policy goals?**

In addition, evaluation can be used to identify "best practices" that can be replicated, support long-term planning efforts, and help motivate personnel.[41] The ability to conduct an effective evaluation depends upon program design that:

- **Defines program goals clearly at the outset;**
- **Identifies appropriate indicators or benchmarks to measure progress toward program goals;**
- **Ensures adequate data collection; and**
- **Establishes a formal process for reporting results and receiving feedback.**

Numerous techniques can be used to evaluate economic development programs, including measuring outcomes against objectives or benchmarks, cost/benefit analysis, and experimental designs that compare outcomes for program participants to those of non-participants. The choice of methodology will most often depend on the nature of the program being evaluated. For example, an evaluation of different job creation programs might use a cost/benefit analysis that compares the cost-per-job-created for the different programs. Alternatively, an evaluation of a job training program might use an experimental design that randomly assigns clients to either a "treatment" group (those who will receive training) or a "control" group (those who will not). The employment outcomes of the two groups can be compared in order to ensure program effectiveness.

Regardless of the method selected, an effective evaluation requires that program goals are clearly defined at the outset and that program funding includes the resources needed for data collection and evaluation.

Outputs Versus Outcomes

One of the most difficult aspects of program evaluation is deciding what to measure. Policymakers can measure the outputs of a particular program, such as the number of units of a service provided. For example, in an effort to evaluate the cost effectiveness of the TTC's foreign trade offices, the Legislature required the TTC to report on outputs, such as the number of private sector inquiries and the number of businesses served.[42] While evaluations based on measuring outputs provide information about the quantity of activities of programs, they do little in the way of measuring the quality or effectiveness of those activities.

Another option is to measure outcomes, or the results of the program. For example, the Legislature also required the TTC to report on the impact of foreign trade offices on California's business community and the state's economy. To fulfill this requirement, the TTC reported the number of business deals resulting from direct intervention from a trade office, as reported by the businesses involved, and the benefits associated with those deals including the monetary value of the exports and the number of jobs created.[43] While measuring ***outcomes*** may be a more effective way to evaluate a program, it can be much more complicated than measuring ***outputs***.

Determining Measurable Indicators

One reason evaluation often focuses on outputs is that they are generally easier to quantify than outcomes. Also, while an evaluator can easily describe the activities of a program, it is quite difficult to conclusively attribute economic outcomes to a specific program, since many other factors can affect the health of the economy of a state or region. Therefore, appropriate outcome indicators should not only accurately measure the desired outcome, but also assess the ***impact*** of the program in question. Selecting indicators becomes even more difficult when a program or policy has more than one desired outcome, such as a workforce development program aimed at both improving employment opportunities for participants and attracting new employers to an area by boosting the skills of the labor force.

Another challenge is the ability to quantify program goals, which are often less specific than those mentioned in the workforce development example. Identifying an indicator for a less tangible economic development goal, such as creating a better business climate, can be extremely difficult. As illustrated above, a range of indicators can be used to measure similar outcomes.

What Triggers an Evaluation of a State Program?

Even when programs include evaluation requirements, these are often minimal and/or not enforced. One of the few times a program may be closely examined is when the Legislature formally requests a report. This usually happens in one of two ways: through the California State Auditor or through the state budget process.

California State Auditor/Bureau of State Audits

Legislators may submit a request for a program audit to the Joint Legislative Audit Committee. If the committee approves the request, it directs the Bureau of State Audits, headed by the State Auditor, to initiate a review. Examples of the scope of recent audits include an assessment of whether a program is complying with statutory requirements, a review of program expenditures, and an analysis of program performance. The Bureau of State Audits is independent of both the executive and legislative branches, administered instead by the Milton Marks Commission on California State Government Organization and Economy (commonly known as the Little Hoover Commission). Although the Auditor makes specific findings and recommendations in its reports, it does not carry enforcement authority. If an agency disagrees with the recommendations, it is under no obligation to implement them. The agency is required, however, to report to the Auditor on the progress it has made toward implementing any recommendations. For the most part, agencies comply with this reporting requirement, even if they do not actually implement the recommendations.[44] Each year, the Auditor reports its findings and recommendations from the previous year to the Assembly and Senate Budget Subcommittees.

Evaluating Effectiveness: Different Indicators for Similar Outcomes			
Outcome	**Joint Venture: Silicon Valley**	**Corporation for Enterprise Development**	**Portland Multnomah Progress Board**
Improve Education/ Human Resources	• Share of 3rd graders reading at national benchmark • Percentage of teachers not fully certified • Intermediate algebra enrollment by ethnicity, region versus state • Percentage of high school graduates meeting college entrance requirements, region versus state • High school graduation rate by ethnicity	• Percentage of 4th graders proficient in science and math • High school graduates as a percentage of students entering 9th grade four years previously • Percentage of heads of household with at least 12 years of education • Percentage of heads of households with at least 4 years of college	• Kindergarten readiness (healthy, takes turns, sits still, communicates verbally) as assessed by teachers • Percent of students meeting state math and reading standards • Decrease in high school dropout rate • Increase in percent of 25 year olds with a high school or college degree
Increase Innovation Assets	• Number of fast-growth publicly traded companies • Total venture capital investment • Number of initial public offerings and mergers and acquisitions	• Number of employed doctoral scientists and engineers per 1,000 workers • Percentage of house-holds with computers • Research and development (R&D) expenditures at doctorate-granting institutions, dollars per capita • Amount of private R&D, in dollars per worker	• No measures for this category
Improve Economic Performance	• Regional per capita income versus US • Value added per employee	• Percentage change in annual average employment • Average annual unemployment rate • Layoff events per 1,000 business establishments • Trade sector personal income per worker • Percentage rate of business closings • Average annual pay for all workers covered by unemployment insurance	• Per capita income, county versus state and US • Average annual wages, county versus state and US • Jobs gained/lost in county by sector (1988-1998) • Unemployment rates, county versus state and US • Value of exports from Portland Metro Area and West Coast Ports

Source: Joint Venture: Silicon Valley Network, *2001 Index of Silicon Valley: Measuring Progress Toward the Goals of Silicon Valley 2010* (January 2001); Corporation for Enterprise Development, *Development Report Card for the States 2000*, downloaded from http://drc.cfed.org on June 12, 2001; and Portland Multnomah Progress Board, *Benchmarks*, downloaded from http://www.p-m-benchmarks.org on June 13, 2001.

Supplemental Budget Language

Alternatively, the Legislature can include language in the budget act requiring an agency or department to formally report to the Legislature on its program. This language is called supplemental language, and requires agencies to provide the Legislature with program information such as a progress report based on fiscal data, a documentation of how performance standards have been met, or an accounting of how a backlog has been dealt with. Budget subcommittees can reduce funding for agencies that fail to submit required reports, but this threat is rarely, if ever, enforced.

Opportunities for Improving Accountability:
The Technology, Trade, and Commerce Agency

In 2001, at the request of the Joint Legislative Audit Committee, the State Auditor conducted a performance audit of the Technology, Trade, and Commerce Agency (TTC). A primary focus of this audit was to review the agency's progress toward implementing a strategic plan that includes mission, goals, and performance measures for TTC programs. The Auditor found that the TTC had no agency-wide strategic plan, and that many TTC programs lacked key elements of strategic planning such as goals or performance targets. The Auditor explained that:

> *….by de-emphasizing strategic planning, the agency is forgoing the benefits of taking a broad, outcome-based approach to focus the efforts of programs on overall goals and to evaluate the programs' success in meeting goals. The agency, by relying instead on individual program plans that omit essential elements of strategic planning, lacks a basis to integrate its diverse programs and allocate limited resources to fulfill its mission most effectively. Also, without adequate strategic planning, the agency lacks an effective way to demonstrate that it is wisely using the more than $200 million spent on its programs each year.*

The Auditor recommended that the TTC develop a long-term, agency-wide strategic planning process, and that it report biennially to the Legislature on its progress in implementing this process. The TTC defended itself on the grounds that the recent energy crisis, "a dynamic environment," and staff vacancies had limited its strategic planning abilities, but agreed to implement many of the Auditor's specific recommendations.

Source: California State Auditor, Bureau of State Audits, *Technology, Trade, and Commerce Agency: Its Strategic Planning is Fragmented and Incomplete, and Its International Division Needs to Better Coordinate With Other Entities, but Its Economic Development Division Customers Generally Are Satisfied* (December 2001), pp. 1-4, 7.

Program Evaluation is Less Than a Perfect Solution

Program evaluation and reporting requirements can provide policymakers and the public with valuable information that can be used to maximize the returns gained through the investment of public resources. Several recent experiences, however, illustrate the difficulty in ensuring that evaluation and feedback mechanisms are appropriately structured, that the data needed to assess programs' performance is available on a timely basis, and that any recommendations for needed changes are implemented.

Lack of Enforcement Authority Limits the Effectiveness of Evaluations

Evaluations can only improve program outcomes if they result in implementable recommendations. Although an evaluation may reveal problems that hamper the effectiveness and efficiency of a particular program, these findings are not always acted upon. For example, in 1995, the Legislature directed the State Auditor to review both the economic development programs under the CCC and the contracting process used by the CCC and the state Department of Education (CDE) to prepare the Vocational Education State Plan.[45] The Auditor's report identified numerous problems, including community colleges' failure to meet economic development grant reporting requirements and what the Auditor considered to be inappropriate practices relating to the Vocational Education State Plan contract.

Since the Auditor's recommendations were not binding, however, the CCC and CDE were not mandated to implement them. A follow-up audit in 1997 found that although many of the Auditor's recommendations had been implemented, not all concerns had been addressed due to claims of limited staffing and disagreement with the audit's original findings.[46] In addition, a related audit in 1999 found that the CCC and CDE had inappropriately used some federal vocational education funds to administer other, similar federal and state programs.[47] Both the CCC and CDE disagreed with the Auditor's conclusions and were unwilling to follow all of the Auditor's recommendations. As of February 2001, the CCC and CDE had taken only partial action to address the Auditor's concerns.[48] Without enforcement authority, it is difficult to implement any corrective changes even when evaluations uncover problems.

Unclear Reporting Requirements Hinder Objective Program Evaluation

Although a program may require tracking or data collection, the absence of specific requirements may result in ineffective or inconsistent record keeping. The Budget Act of 1999 required the Auditor to conduct a program audit of the TTC's Manufacturing Technology Program, which assists small and medium manufacturers through three local centers. The report found that the Office of Strategic Technology (OST) had not only failed to develop statewide goals for the program, but it had not closely monitored the centers' progress toward meeting the goals, and had not ensured that the centers were meeting funding requirements. According to the Auditor, because the agency had not established a uniform reporting format for the centers, nor required the centers to document or certify the data they reported, insufficient data was available with which to evaluate program effectiveness. The Auditor's

Economic Development at the Federal Level:
A Disconnected Array of Programs and Expenditures

As in California, economic development programs at the federal level are not neatly consolidated under a single agency or department. In September 2000, the US General Accounting Office (GAO) identified 73 economic development programs, administered by ten agencies and 27 sub-agency units - not including tax expenditures, direct federal spending, or regulatory provisions. A total of approximately $58 billion went to these programs in FY 1999. In general, programs target funding based on geography, income and poverty levels, population density, and areas affected by military downsizing.

Also similar to California, federal economic development spending includes many tax expenditures. Estimated 2001 tax expenditures for research and development alone total over $6 billion. Tax expenditures related to community and regional development, including empowerment zone incentives, are estimated at $1.2 billion for 2001. Tax expenditures for agriculture are estimated at $0.3 billion.

Rather than being tied together through some sort of coordinating mechanism or common process, federal economic development programs vary in procedures, time frames for allocating resources, methods of monitoring, and processes for documenting results. Moreover, there is no formal mechanism or forum to facilitate coordination between federal and state programs.

A recent study by the National Academy of Public Administration found that federal agencies "often unintentionally enforce short-term thinking about development. They have little authority to make multi-year grants. Agency leaders sometimes help to create expectations that a project will have a visible short-term impact. Uncertainty about federal budgets may encourage local agencies to get what they can when funds are available, for fear that next month or next year, the money will be gone."

Source: National Academy of Public Administration, *A Path to Smarter Economic Development: Reassessing the Federal Role* (Washington, DC: November 1996), p. 37; General Accounting Office, *Economic Development: Multiple Federal Programs Fund Similar Economic Development Activities* (Washington, DC: September 2000), pp. 4, 10; and Joint Committee on Taxation, *Estimates of Federal Tax Expenditures for Fiscal Years 2001-2005* (Washington, DC: April 6, 2001), pp. 16-23.

report noted that:

> *When centers submit incomplete or inaccurate reports, OST lacks important information to monitor the program and detect deficiencies. Deficiencies in center performance that are not addressed ultimately affect services to the manufacturing companies that the program is intended to serve.* [49]

In this instance, the TTC and the centers agreed with the Auditor's recommendations, and the TTC moved immediately to take corrective actions. As of February 2001, most of the Auditor's concerns had been addressed.[50]

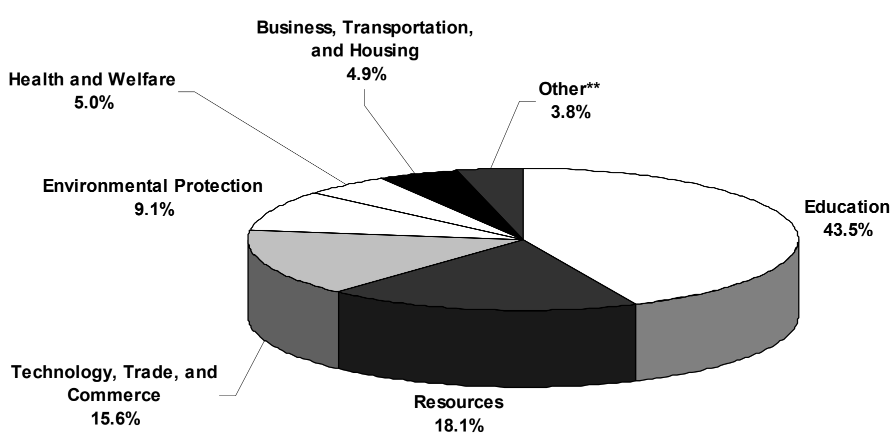
This example illustrates some potential consequences of vague reporting requirements. When programs are not required to certify data, it is difficult to determine whether that data is accurate. Without follow-up enforcement when reporting ***is*** incorrect, it is difficult to ensure that program administrators submit accurate and up-to-date reports. Finally, without an ongoing reporting requirement, it is difficult to obtain timely data and determine whether the program continues to be effective.

KEY FINDINGS AND RECOMMENDATIONS

Finding 1: The State Lacks a Structural Framework for Economic Development Spending

California's economic development spending is scattered across more than two dozen departments, agencies, boards, commissions, and authorities, as well as more than six dozen tax expenditures. The state's primary economic development agency, the TTC, administered approximately one out of every 20 dollars of total economic development spending in 2000-01 (4.5 percent), and only 16 percent of on-budget economic development spending (Figure 1). The Department of Education and the California Community Colleges administered the largest share of on-budget spending (44 percent), due in large

Figure 1
The State's Lead Economic Development Agency Administered Only 16 Percent of 2000-01 Economic Development Spending*



*Does not include tax expenditures.
**"Other" includes Legislative/Judicial/Executive, General Government, and State and Consumer Services.

part to the share of state economic development resources devoted to vocational education and job training programs.

Fragmentation results from the way economic development policy is developed and from the lack of an overarching strategy to guide state spending and policymaking. Many state economic development programs were created to emulate federal programs, or to implement a "good idea" brought to a legislator with little analysis of how well the program may fit California's overall needs. Other programs were created to take advantage of available federal funding. Since federal funding is nearly always tied to specific activities, program administrators can get locked into activities that may not work in California for fear of losing federal dollars. Once created, programs are rarely eliminated; political priorities, the desire to take advantage of federal funds, and the reluctance of institutions and organizations to change all work to make these programs effectively permanent. Moreover, the current allocation of funds bypasses the local economic development delivery system. Since the bulk of funds are distributed through tax expenditures, outside a formal delivery system, firms never have a contact point for finding out the full package of resources that may be available to them.

Fragmentation and a lack of coordination also exist between the state and California's large community of local economic development programs, in both the public and private sectors. The vast majority of state spending for economic development, including virtually all spending through the tax code, bypasses the local economic development delivery system. The disconnect between state and local programs weakens the efforts of both. State programs and policymakers fail to receive the full benefit of the information networks and close-to-the-ground knowledge that local program officials have of their own communities. Local programs, on the other hand, may fail to reflect, or even be at odds with, broader state and regional goals and priorities, such as the competition between localities for sales tax generating retail development.

Recommendation 1: Develop a Unified State Economic Development Strategy

Getting Started

As a first step toward increasing accountability and maximizing program effectiveness, the state should establish a comprehensive economic development strategy. An effective strategy should include both long-term and short-term policy goals. The strategy should build upon a realistic assessment of the state's capabilities, specifically recognizing demographic, geographic, and economic strengths and weaknesses. It should strive for shared and sustainable growth that broadly distributes the benefits of economic development over time and constituencies. Policymakers should account for the importance of good schools and adequate infrastructure to a strong and competitive economy, as well as recognizing that healthy communities depend on decent jobs, environmental quality, and adequate financial resources to support quality public services. In crafting a comprehensive economic development strategy, policymakers should draw on California's tremendous diversity to unite old and new constituencies: business and labor, community leaders and local officials, educators and human service professionals.

An effective economic development strategy should also consider regional and local needs. For example, cities and counties are currently required under state law to establish general plans for growth. Each plan includes a "housing element" that is subject to state approval. In this manner, the state-directed goal of total housing construction can be achieved through local developed strategies. The primary role of the state in this process should be to set the policy framework of targets, priorities, and accountability; collect and analyze data; and provide funding for local strategic planning.

Adopting an economic development agenda can improve other state planning efforts, as well. Legislation passed in 1999 requires the Governor to submit a five-year state infrastructure plan annually, beginning in the 2002-03 budget year.[51] Drafting a meaningful plan will require departments to evaluate their infrastructure needs in light of their program priorities. A state economic development strategy would aid in this process by fostering communication and coordination between the departments and agencies administering economic development programs.

Coordinate State Economic Development Programs and Efforts

Consolidating authority for and oversight of economic development programs can help eliminate duplication of effort, increase the "user friendliness" of state programs and services, and provide the Legislature, Administration, and the public with one entity to hold accountable for efficient, productive, and cohesive economic development. There is no easy answer, however, on how to achieve such coordination. Economic development policy experts agree that economic development programs should ***not*** be consolidated under one department or even under one agency, even if this were possible. Bureaucratic resistance would make consolidation difficult, if not impossible, to achieve. Instead, the state should establish a process for coordinating and consolidating policy oversight so program administrators throughout the state bureaucracy can work toward common goals and objectives.

The Governor and the Legislature should work together to coordinate and oversee economic development programs and implement the state's economic development strategy. One economic development expert notes the need for a mechanism that continuously "listens to" and reviews information about what is happening with the economy. This mechanism could help pinpoint emerging problems that may significantly affect the state's economy, and work with policy leaders and the economic development community to determine a proactive approach to addressing those problems.[52] Such a "listening mechanism" should focus on long-term economic trends, since the Legislature and Administration tend to focus on short-term programs and outcomes. This mechanism could provide a forum for economic experts to discuss their views and theories on long-term trends, a valuable asset to policymakers in understanding where the economy is going. Finally, this mechanism could continually review the current status of the state's economy and economic development strategy, analyze which economic development goals are being achieved, and assess what needs to be done to make further progress toward achieving strategic objectives.

Coordination of economic development spending should also foster cooperation among economic development programs by creating a common mission statement and goals to help administrators understand how their programs fit into the state's overall strategy. For example, the Pollution Control Financing Authority helps industrial firms and agricultural producers comply with state environmental standards. While this falls under the economic development umbrella, specifically the regulatory compliance category in this report, its environmental protection role is more readily apparent. Helping administrators to realize the benefits of cooperation could reduce duplication among programs. When motivated by an economic development strategy, coordination may also allow for pooling of funds, or provide more flexibility in spending state and federal dollars.[53] In this way, funding for individual programs could be protected, reducing the risk of "turf wars" among administrators.

Establish a Functional Budget

Functional budgeting offers a tool for examining state economic development spending. Under the current system, programs with similar goals are administered by a number of different agencies and departments. ***Currently, no single report, document, or data source presents a comprehensive picture of economic development spending.*** A review of programs by functional category, such as the eight suggested in this report, illustrates the correlation between incentives and their intended benefits. The current approach encourages fragmentation and duplication. A functional economic development budget allows policymakers to identify redundancies or gaps in programs and develop a cohesive and directed policy path. This task could be taken on by the lead coordinating entity discussed above.

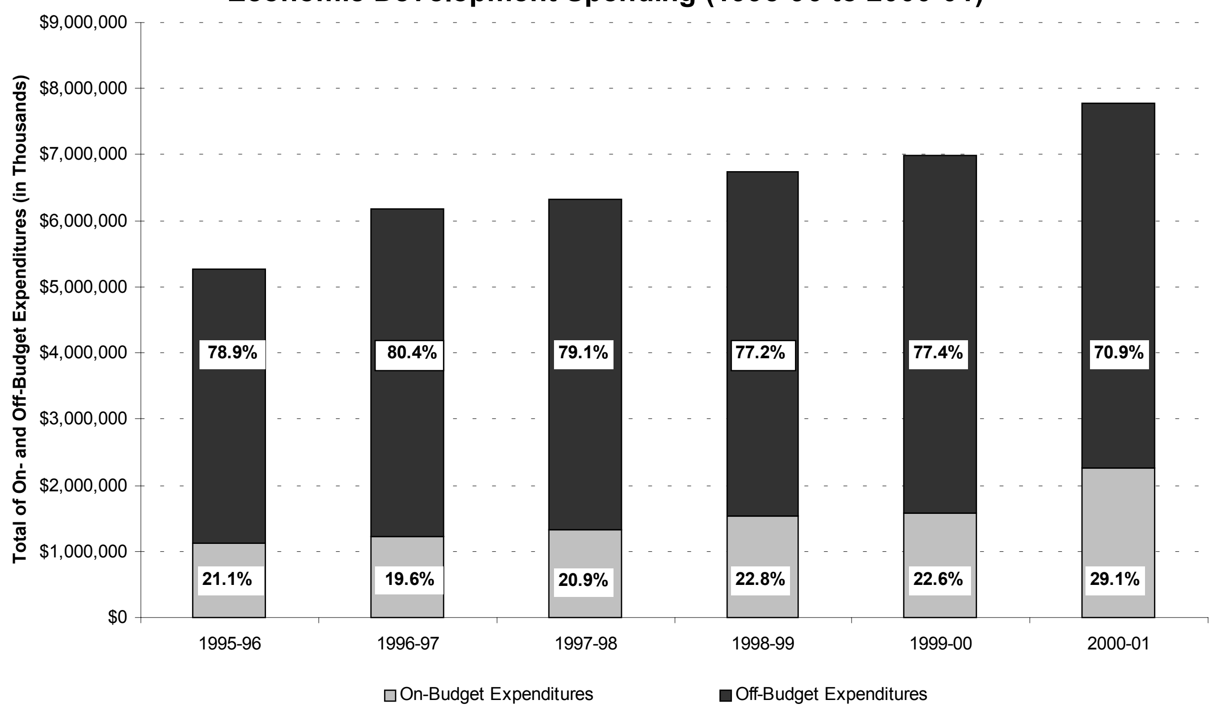
Summarizing total state economic development spending in a unified functional budget would highlight economic development as a discrete area defined by broad policy goals. A functional budget, which would be in addition to the annual state budget, would identify the total amount of funds spent both through annual appropriations and tax incentives. This document could help policymakers understand how well dollars are matched to economic development priorities. It may also encourage legislators to prioritize state economic development spending by showing how proposed economic development programs fit into existing spending.

Finding 2: Most Economic Development Funds Go to General Support for Business

Economic development accounts for a relatively small share of state spending. During the period examined in this report, 1995-96 to 2000-01, economic development spending increased slightly each year, for a total increase of $2.5 billion (48 percent). In contrast, state General Fund spending increased by $35.5 billion (80 percent). The largest increase occurred in 1996-97, when the total spending (on and off budget) increased by $917 million (17 percent). The growth was primarily attributable to increases in the cost of tax expenditures, particularly costs attributable to the special tax rate for Subchapter S corporations, which rose by $443 million, and a $180 million increase in the cost of the manufacturer's investment credit.

Tax expenditures account for the overwhelming majority of state economic development spending, averaging 77 percent of total economic development expenditures during the years 1995-96 to 2000-01

Figure 2
Tax Expenditures Make Up the Largest Part of Economic Development Spending (1995-96 to 2000-01)



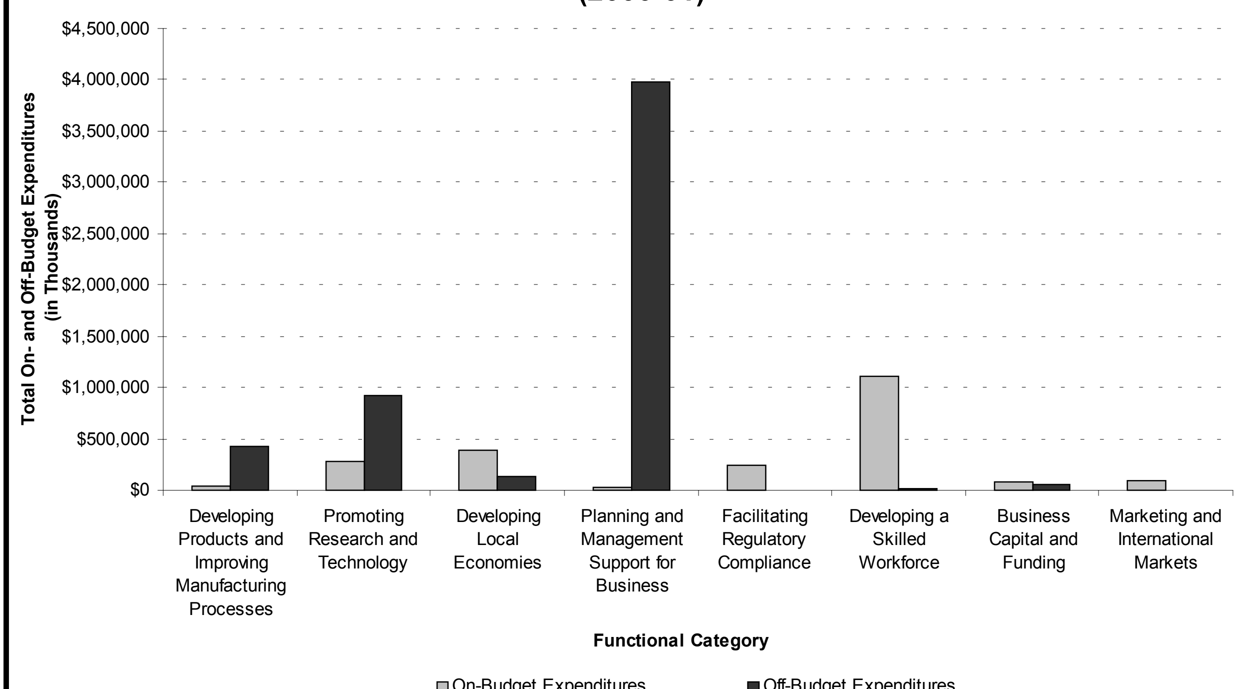
(Figure 2). The share of economic development spending occurring through tax expenditures actually decreased slightly, from 79 percent in 1995-96 to 71 percent in 2000-01. The total dollar cost of tax expenditures rose from $4.2 billion in 1995-96 to $5.5 billion in 2000-01.

The share of on-budget economic development expenditures increased from 21 percent in 1995-96 to 29 percent in 2000-01, from $1.1 billion to $2.3 billion. The largest increase of $789 million (11 percent) occurred in 2000-01. This increase was primarily attributable to additional spending for the Infrastructure and Economic Development Bank, which received a $204 million increase; energy-related programs, which rose by $209 million; and the Jobs-Housing Balance and Downtown Rebound Programs under the Department of Housing and Community Development, which received a combined increase of $99 million.[54]

Interestingly, the distribution of economic development spending between the functional categories used in this report changed significantly over the period studied. Spending in seven of the eight categories increased between 1995-96 and 2000-01. However, spending for Marketing and International Markets fell by 3.2 percent ($3 million). While the largest dollar increase was in the Planning and Management Support for Business category ($764 million), this category had the smallest ***percentage*** increase (24 percent). The largest ***percentage*** increase was in the Business Capital and Funding category, which more than quintupled (446 percent). Spending in the Developing Local Economies category tripled (229 percent), and spending in the Promoting Research and Technology category more than doubled (129 percent). The Developing a Skilled Workforce category increased by only 36 percent ($294 million).

By far, the largest share of state support for economic development in 2000-01 (52 percent) went to Planning and Management Support for Business (Figure 3). Of the $4.0 billion spent for this function, only $30 million went to on-budget program spending. The tax expenditures in this category primarily

Figure 3
Economic Development Spending by Functional Category
(2000-01)



provide general relief for business and are not targeted to specific policy goals, such as increasing research and development or support for distressed communities.

Promoting Research and Technology received the second largest share of state economic development spending in 2000-01 (Table 1). This category came in a distant second at $1.2 billion, or 15 percent of state economic development spending. The majority of this spending ($916 million) was in the form of tax expenditures.

Table 1
2000-01 Economic Development Spending by Functional Category
(in Thousands)

	Dollar Amount	Percentage of Total
Planning and Management Support for Business	$4,008,393	51.6%
Promoting Research and Technology	$1,195,751	15.4%
Developing a Skilled Workforce	$1,114,707	14.3%
Developing Local Economies	$525,683	6.8%
Developing Products and Improving Manufacturing Processes	$463,200	6.0%
Facilitating Regulatory Compliance	$245,256	3.2%
Business Capital and Funding	$127,904	1.6%
Marketing and International Markets	$91,946	1.2%
TOTAL	**$7,772,840**	**100.0%**

Developing a Skilled Workforce received the third largest share of state economic development spending in 2000-01, at 14 percent ($1.1 billion). In contrast to the Planning and Management Support for Business and Promoting Research and Technology, workforce development spending was allocated almost entirely in the form of on-budget program expenditures.

Recommendation 2: Prioritize Economic Development Spending on Areas of Strategic Importance

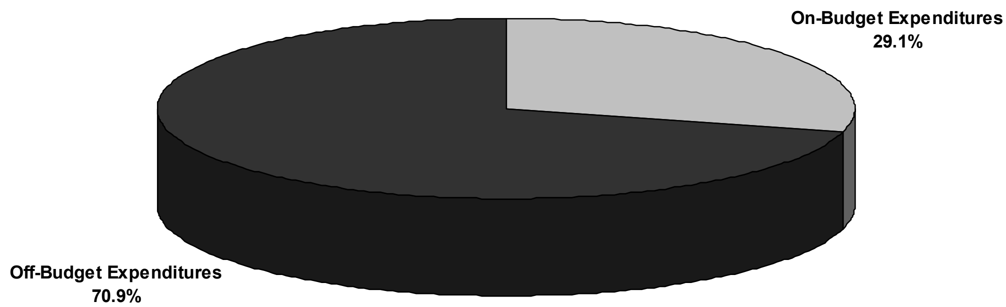
California's annual spending, both on- and off-budget, for economic development amounts to less than one percent of the state's economy. In light of the limited resources available for economic development, policymakers should reconsider the wisdom of devoting over half of current spending to general support for business. Using the planning process recommended above, policymakers should identify goals and objectives where strategic allocation of resources could have a measurable impact on the state's economy.

Employers cite workforce training as one of the most crucial areas in which the state could assist business development.[55] Yet, workforce development comes in a distant third in this analysis, with 14 percent ($1.1 billion) of total economic development spending in 2000-01. Policy experts note that the Governor and Legislature, perhaps through the "listening mechanism" discussed earlier, should work to make workforce development programs more efficient and effective before infusing more funding.

Finding 3: Tax Expenditures Account for the Majority of Economic Development Spending

More than two-thirds (71 percent) of the state dollars devoted to economic development in 2000-01 were spent through the tax code, rather than through individual department budgets (Figure 4). In 2000-01, economic development tax policies cost the state $5.5 billion, $3.2 billion more than on-budget pro-

Figure 4
More Than Two-Thirds of Economic Development Spending is Financed through the Tax Code (2000-01)



grams. The state has added or expanded more than 25 different tax expenditures since 1990, which reduced state revenues by over $697 million in 2000-01. This is an understatement of the actual cost of these tax expenditures since there is no estimate of the revenue loss associated with many of the state's tax incentives. Tax policies and programs do not receive even the minimal scrutiny of the annual budget process and there is no mechanism currently in place to compare the effectiveness and efficiency of tax expenditures with on-budget expenditures, exacerbating the fragmentation of economic development policy.

Recommendation 3: Institute a Systematic Review of Tax Expenditure Programs

The state's large number of tax expenditure programs have been enacted over a number of decades to assist individual industries, encourage certain types activities, or respond to concerns over California's competitiveness with other states as a place to do business. The lack of coordination and oversight discussed above have led to a reduction in the share of state revenues provided through the corporate income tax, which provided 16.8 percent of the state's General Fund revenues in 1978-79, but only 7.6 percent in 2001-02, and created inequities between similar firms and industries. The state's large number of tax expenditure programs also puts the state's tax system, with its relatively high rates but very narrow base, at odds with experts that recommend:

> *A state tax system should produce a stable and adequate revenue stream, to avoid frequent changes in the tax base and rates. It should be balanced among possible sources with broad bases so that rates can be low. Low rates on broad bases help make taxes more equitable (by spreading the incidence of taxation broadly), encourage compliance, stabilize the revenue stream, and minimize the impact of taxes on economic decisions.*[56]

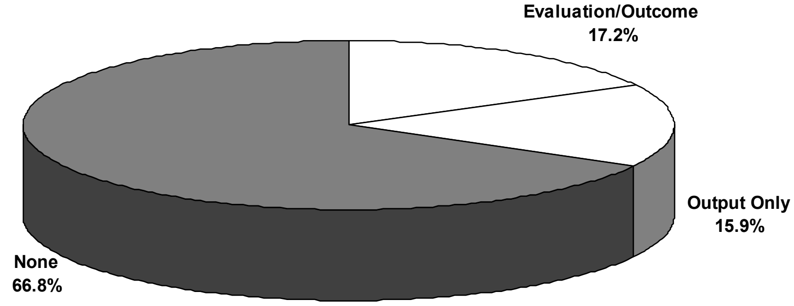
A lack of reporting and evaluation requirements make it impossible to determine whether the state is receiving benefits from tax expenditure programs commensurate with their cost. However, the state does not currently collect even the most minimal information needed to assess the effectiveness of state tax expenditures, such as whether firms that claim state tax credits are increasing or decreasing their employment or investment within the state. At present, the state's tax expenditure reporting is limited to an accounting of the revenues foregone as a result of specific provisions. At a minimum, the state should require disclosure of the identity of firms receiving tax preferences and the amount of benefit received. A more accountable process would link identified policy objectives with a measurement of the progress made toward achieving these goals and ensure that adequate data is available to assess the cost effectiveness and efficiency of the tax policy as an economic development strategy.

The state should establish a sunset review process to ensure that state resources support programs with the greatest economic return.[57] This process would provide much-needed oversight for tax expenditure programs that remain in effect long after their effectiveness has expired. The state should also evaluate whether existing tax expenditures support current state policy priorities, taking into account the need for sufficient revenues to support broader policy goals such as improving the state's schools and investing in California's infrastructure. In this way, the state could evaluate whether an incentive has achieved program goals and would have the opportunity to modify the incentive to increase its effectiveness. It is important to note, however, that while there is little objection to evaluating tax expenditures in theory, there are practical barriers to meaningful evaluation.

Finding 4: Most Economic Development Spending is Not Evaluated

On- and off-budget economic development programs cost California $7.8 billion in FY 2000-01, equivalent to 9.7 percent of General Fund expenditures.[58] Despite the fact that the state devotes a significant proportion of its resources to economic development, there is little information available to document whether these programs actually achieve their intended results. This report classified programs as "evaluation/outcome" (17 percent), "output only" (16 percent), or as having no evaluation or review requirements relating to program effectiveness (67 percent). Only 17 percent of 2000-01 economic development spending went to programs with evaluation or outcome-based review. Over two-thirds of economic development spending in 2000-01 went to programs that had no provision for evaluation or review (Figure 5).

Figure 5
More than Two-Thirds of Economic Development Spending is Not Evaluated (2000-01)



While state agencies or departments administer all on-budget spending, these entities often do not closely oversee or monitor program administration. While many programs require annual reporting to the Legislature, it is difficult to discern whether this reporting actually happens, and, if it does not, whether the programs suffer any consequences. The Legislature tends to react only when a problem arises, a policy one economic development expert has disapprovingly dubbed "gotcha oversight."[59] In 2001, the Assembly Budget Committee initially withheld funding for state departments if reporting requirements were not met; such threats, however, are relatively rare, and only rarely carried out.

When economic development spending is broken down by on- and off-budget expenditures, the differences in evaluation requirements are dramatic (Table 2). While the majority of on-budget programs are subject to at least output reporting requirements (91.0 percent), the vast majority (90.5 percent) of tax expenditures have ***no*** reporting requirements and/or processes for assessing program effectiveness. Of the few that do, most report only basic data. The lack of reporting makes it difficult for the Legislature, the Administration, and the public to hold programs accountable. It also limits awareness of when program goals or activities need to updated or eliminated.

Table 2
Tax Expenditures Less Likely to be Evaluated
(2000-01 Spending in Thousands)

	On-Budget Programs		Tax Expenditures		Total	
	Spending	Percent of On-Budget Spending	Revenue Loss	Percent of Total Revenue Loss	**Spending and Revenue Loss**	**Percent of Total Spending and Revenue Loss**
Evaluation/Outcome	$1,232,482	54.6%	$108,000	2.0%	**$1,340,482**	**17.2%**
Output Only	$822,925	36.4%	$415,400	7.5%	**$1,238,325**	**15.9%**
None	$203,533	9.0%	$4,990,500	90.5%	**$5,194,033**	**66.8%**
TOTAL	**$2,258,940**	**100.0%**	**$5,513,900**	**100.0%**	**$7,772,840**	**100.0%**

Workforce Development programs were more likely to include evaluation requirements than other categories defined in this report. This reflects the fact that these programs are funded almost exclusively through on-budget expenditures and also because of federal reporting requirements imposed as a condition for receiving matching funds. In contrast, expenditures that support Planning and Management Support for Business are primarily tax expenditures. As a result, workforce training funds are subject to annual review and adjustment through the budget process, while policymakers seldom review expenditures for direct assistance.

Recommendation 4: Evaluate Economic Development Spending Based on Outcomes

Establish an Accountable Economic Development System

Evaluation is necessary to ensure that the state is held accountable for the effective and efficient use of public resources, and to provide a context for broader public and legislative oversight. However, in most cases, evaluation requirements amount to very minimal oversight, and tend to measure outputs rather than outcomes. For example, this report classifies the manufacturer's investment tax credit as "output only" because the law creating the credit included a provision to sunset the tax credit in 2001 or any subsequent year if the state's manufacturing employment as of January 1 of the previous year does not exceed January 1, 1994 levels by at least 100,000.[60] There is no requirement that firms actually claiming the credit demonstrate increased employment and no examination of whether the credit is a cost-effective means of encouraging manufacturers to invest in California.

Examinations of state workforce development programs have concluded that outcome-based evaluation for workplace-based retraining programs is both possible and cost-effective. A 2000 study of the Employment Training Panel (ETP) noted that it was difficult to obtain data from company managers because "They simply did not think of training in a way that related to measured financial performance."[61] Yet, the study found substantial gains in productivity attributable to ETP training. The Workforce Investment Act of 1998 requires programs receiving federal job training funds to report a variety of outcome measurements, such as entry into unsubsidized employment, retention in such employment for six months, and earnings after six months.[62] The new workforce development system will provide a model for measuring both the outcomes of public spending and consumer satisfaction with service delivery.

Policymakers should use outcome measures to evaluate the effectiveness of economic development spending. An outcome-based evaluation process should: identify desired outcomes; select measures or indicators; set standards for performance and outcomes; report results; and use outcome and performance information for planning, managing, and budgeting. A number of states use legally binding performance contracts to guarantee a return on their investment. Contracts provide a tool for outlining promised outcomes and holding recipients of economic development incentives accountable for the delivery of promised jobs and investment.[63] Policymakers should also hold programs accountable for implementing changes recommended by oversight and evaluation studies to ensure that these processes translate into meaningful changes in the way state funds are allocated and administered.

Ensure the Collection of Basic Data

Meaningful evaluation of state economic development activities cannot occur without basic data collection. Currently, only a few programs collect the information needed to assess outcomes and efficiency, such as the number of program participants or job placement rate. Even fewer programs regularly make this information available to policymakers and the public. The Governor and Legislature should adopt, as a matter of policy, a requirement that programs collect and report basic data and provide adequate staff and budget resources for the data collection. For programs that already do this, existing data should be analyzed. The "listening mechanism" discussed above could review this data and determine how and whether to revise reporting requirements to be more effective and efficient.

An important caveat noted by policy experts is that agencies often limit access to data in the name of confidentiality. This concern contributes in large part to the lack of data sharing among agencies that administer similar programs. However, confidentiality concerns should not prevent evaluation and coordination efforts altogether. The Legislature and Governor should work with program administrators to determine methods of data coordination and collection that ensure state funds are effectively and efficiently spent.

Conclusion

California's current structure of economic development spending is fragmented and lacks a systematic review and evaluation process. As a result, it is difficult, if not impossible, to determine whether the $7.8 billion devoted to economic development in 2000-01, or even the total $39.3 billion since 1995-96, has had a measurable impact on the vitality of the state's economy and the well-being of Californians. Policymakers have a responsibility to ensure that the dollars that go toward economic development are spent wisely; a coordinated economic development strategic plan can help achieve this goal. With a functional budget that requires outcome-based evaluations, policymakers could identify programs with the highest returns and adjust funding accordingly. Reviewing tax expenditures and budget allocations in a single document and planning process would illuminate current spending priorities and focus on whether this funding is being used efficiently to promote California's economic goals. Functional budgeting and outcome-based evaluation could help legislators spend economic development dollars as strategically and effectively as possible. In this manner, the state can help ensure the maximum return on its economic development investments.

Methodology

As noted earlier, ***Maximizing Returns*** focuses on activities that foster quality job creation, technological development, a healthy business sector, and a skilled workforce. This report excludes programs related to the broadest definition of economic development, such as infrastructure support, maintenance, and development. This report also excludes federal expenditures on state and local economic development initiatives. Due to the difficulty in obtaining detailed expenditure data, programs administered by the University of California and the California State University are also excluded. ***Maximizing Returns*** also excludes bonds related to economic development issued by agencies outside of the budget, and economic development-related spending through quasi-public agencies.

Numerous sources were used for this report. Programs were identified through program descriptions in the Governor's Budget, as well as agency and department documents and web sites and conversations with agency and legislative staff. Spending information on programs was compiled from the Governor's Budgets for various years, while tax expenditure information came from the Legislative Analyst's Office, legislative bill analyses, the Franchise Tax Board, the Department of Finance, and the Board of Equalization. The total cost of tax expenditures for all years covered by the analysis underestimates the actual costs due to the lack of available data on some tax expenditures and because minor tax expenditures, those estimated to be less than $500,000 per year, are not included in the totals. Reporting requirements were identified in state law and confirmed wherever possible by program administrators. General research included numerous telephone and personal interviews with program administrators, academic researchers, policy experts, and legislative staff.

In order to avoid double counting, state line item budget figures do not include reimbursements from other departments to those programs. Reimbursed funds are included in the budget twice, once under the *reimbursed* department and once under the *reimbursing* department. In the reimbursed department's budget, the funds are noted separately, but in the reimbursing department's budget they are not broken out separately. Thus, it is not possible to determine whether a reimbursement is counted within a reimbursing department, and whether counting the figure in the reimbursed department would result in double counting. Exclusion of reimbursement amounts results in a more conservative estimate of economic development spending.

ENDNOTES

[1] "On-budget" refers to programs that receive funding through annual appropriations in the state budget act. "Off-budget" refers to tax expenditures, which are not included in the annual budget but reduce the amount of revenues collected from the state's basic tax structure. The term "tax expenditure" refers to tax credits, deductions, exemptions, and other preferential treatment provided through the tax code aimed at achieving the functional goals defined as economic development in this report. This report uses the terms "tax expenditure" and "tax incentive" interchangeably.

[2] John P. Blair, *Local Economic Development: Analysis and Practice* (Sage Publications: Thousand Oaks, 1995), p. 168.

[3] Timothy J. Bartik, *Who Benefits from State and Local Economic Development Policies?* (W.E. Upjohn Institute for Employment Research: Kalamazoo, MI, 1991), p. 5.

[4] The categories used in this report were adapted from various sources, including the following. Gus Koehler, Ph.D., and Costolino Hogan, *State Government Economic Development Programs* (California Research Bureau: Sacramento, November 26, 1996), pp. 1-4; Senate Advisory Commission on Cost Control in State Government, *California's Economic Development Programs* (Sacramento: February 1990), pp. 34a-34p; and William Schweke, Brian Dabson, and Carl Rist, *Improving Your Business Climate: A Guide to Smarter Public Investments in Economic Development* (Corporation for Enterprise Development: Washington, DC, 1996), pp. 145-146.

[5] Blaine Liner, et al., *Making Results-Based State Government Work* (Urban Institute Press: Washington, DC, April 2001).

[6] These increases do not account for the fact that the 2001-02 Budget transferred $277 million from the Infrastructure and Economic Development Bank to the General Fund, or Governor Gray Davis' proposal in November 2001 to eliminate the Jobs-Housing and Downtown Rebound programs.

[7] Personal interview with Fred Main, California Chamber of Commerce (March 2, 2001).

[8] Sunset review processes repeal a program or tax expenditure unless the Legislature votes to extend it. The need to reauthorize a program or tax expenditure provides an opportunity for policymakers to review the effectiveness of a program and make any needed changes.

[9] The 9.7 percent figure includes the dollar value of tax expenditures and non-General Fund budget spending. This figure is not directly comparable to General Fund spending, which does not include the cost of tax expenditure programs.

[10] "On-budget" refers to programs that receive funding through annual appropriations in the state budget act. "Off-budget" refers to tax expenditures, which are not included in the annual budget but reduce the amount of revenues collected from the state's basic tax structure. The term "tax expenditure" refers to tax credits, deductions, exemptions, and other preferential treatment provided through the tax code aimed at achieving the functional goals defined as economic development in this report. This report uses the terms "tax expenditure" and "tax incentive" interchangeably.

[11] US Department of Commerce, Economic Development Administration, *What is Economic Development?* downloaded from http://www.doc.gov/eda/html/2a1_whatised.htm on September 12, 2001.

[12] Ronald Snell, *A Review of State Economic Development Policy: A Report from the Task Force on Economic Incentives* (National Conference of State Legislatures: Denver, CO and Washington, DC, March 1998), p. 6.

[13] John P. Blair, *Local Economic Development: Analysis and Practice* (Sage Publications: Thousand Oaks, 1995), p. 168.

[14] Timothy J. Bartik, *Who Benefits from State and Local Economic Development Policies?* (W.E. Upjohn Institute for Employment Research: Kalamazoo, MI, 1991), p. 5.

[15] Gus Koehler, Ph.D., *State Government and California University Economic Development Programs* (California Research Bureau: Sacramento, September 1, 1993), p. 1, and Timothy J. Bartik, *Who Benefits from State and Local Economic Development Policies?* (W.E. Upjohn Institute for Employment Research: Kalamazoo, MI, 1991), p. 3.

[16] The categories used in this report were adapted from various sources, including the following. Gus Koehler, Ph.D., and Costolino Hogan, *State Government Economic Development Programs* (California Research Bureau: Sacramento, November 26, 1996), pp. 1-4; Senate Advisory Commission on Cost Control in State Government, *California's Economic Development Programs* (Sacramento: February 1990), pp. 34a-34p; and William Schweke, Brian Dabson, and Carl Rist, *Improving Your Business Climate: A Guide to Smarter Public Investments in Economic Development* (Corporation for Enterprise Development: Washington, DC, 1996), pp. 145-146.

[17] Many experts characterize workforce development more broadly. For example, see Alicia Bugarin, *California's Job Training Programs: Financial and Outcome Data* (California Research Bureau: Sacramento, May 1996).

[18] Governor Gray Davis, *2001-02 Budget* (Sacramento: January 2001), and downloaded from California Conservation Corps at http://www.ccc.ca.gov/cccweb/ABOUT/about.htm on December 12, 2001.

[19] Gus Koehler, Ph.D., and Costolino Hogan, *State Government Economic Development Programs* (California Research Bureau: Sacramento, November 26, 1996), p. 3.

[20] Governor Gray Davis, *Governor's Budget Summary 1999-00* (Sacramento: January 1999), p. 17.

[21] Personal interview with Fred Main, California Chamber of Commerce (March 2, 2001).

[22] California Association for Local Economic Development, *Building Economically Competitive Communities Through Greater State-Local Cooperation: White Paper Update* (Sacramento: June 1999), pp. 2-3.

[23] The Economic Strategy Panel was created by AB 761 (Vasconcellos), Chapter 864, Statutes of 1993.

[24] California Economic Strategy Panel, *Collaborating to Succeed in the New Economy: Principles from the La Jolla Retreat* (May 2000) downloaded from http://commerce.ca.gov/ttca/pdfs/link_overview/ersi/principleslajollaretreat.pdf on December 17, 2001.

[25] California Economic Strategy Panel, *Collaborating to Compete in the New Economy: An Economic Strategy for California* (Sacramento: February 1996). The Economic Strategy Panel is not currently holding official meetings due to a lack of sufficient appointed members.

[26] EDNet was established in statute by AB 1497 (Polanco), Chapter 1214, Statutes of 1991.

[27] Downloaded from California Community Colleges, Office of Economic Development and California Community Colleges, Economic Development Network at http://www.cccco.edu/cccco/econ_dev/gen2/overview.htm and http://165.196.18.116/ on October 11, 2001. Also based on

phone conversation with John Prentiss, California Community Colleges (May 4, 2001).

28 The RWPEDA was enacted by AB 1542 (Ducheny), Chapter 270, Statutes of 1997 and re-authorized and amended by SB 1744 (Johnston), Chapter 990, Statutes of 1998.

29 Delaine Eastin, Lon Hatamiya, Grantland Johnson, and Thomas J. Nussbaum, *California Workforce Development: A Policy Framework for Economic Growth* (Sacramento: January 2000), pp. 5-7.

30 California Department of Education, *Carl D. Perkins Vocational & Technical Education Act (P.L. 105-332): State Plan Summary*, downloaded from http://www.cde.ca.gov/shsd/aci/perkins.html on March 19, 2001.

31 The US Department of Education approved California's State Vocational Education Plan in June 2000.

32 Governor Gray Davis, *2001-02 Budget* (Sacramento: January 2001), and downloaded from the California Workforce Investment Board at http://www.calwia.org/ on March 19, 2001.

33 US Department of Labor, Employment and Training Administration, *Workforce Investment Act of 1998* (Washington, DC: September 1998), pp. 12-13.

34 National Conference of State Legislatures and the National Governors' Association, *Financing State Government in the 1990s* (Washington, DC: 1993), pp. 16-19.

35 Robert G. Lynch, *Do State and Local Tax Incentives Work?* (Economic Policy Institute: Washington, DC, 1996), p. 22.

36 Robert G. Lynch, *Do State and Local Tax Incentives Work?* (Economic Policy Institute: Washington, DC, 1996), p. 4.

37 Timothy J. Bartik, *Growing State Economies, How Taxes and Public Services Affect Private-Sector Performance* (Economic Policy Institute: Washington, DC, 1996), p. 18.

38 Timothy J. Bartik, *Who Benefits From State and Local Economic Development Policies?* (W.E. Upjohn Institute for Employment Research: Kalamazoo, MI, 1991), p. 48.

39 Peter S. Fisher and Alan H. Peters, *Industrial Incentives: Competition Among American States and Cities* (W.E. Upjohn Institute for Employment Research: Kalamazoo, MI, 1998), p. 9.

40 Corporation for Enterprise Development, *Budgeting and Economic Development Performance: A Guide to Unified Development Budgets* (Washington, DC: November 2000), p. 32.

41 Blaine Liner et al., *Making Results-Based State Government Work* (Urban Institute Press: Washington, DC, April 2001).

42 Legislative Analyst's Office, *Supplemental Report of the 1998 Budget Act, 1998-99 Fiscal Year* (Sacramento: August 25, 1998), downloaded from http://www.lao.ca.gov/082598_19998-99_supplemental_report.html on December 12, 2001.

43 Gina Mandy and Claire Hervey, Eds., *International Trade and Investment Year in Review: Fiscal Year 1999-00* (International Trade and Investment Division, Technology, Trade, and Commerce Agency: Sacramento, 2001), pp. 5-9.

44 Phone conversation with Debbie Meador, Bureau of State Audits (July 13, 2001).

45 California State Auditor, Bureau of State Audits, *California Community Colleges: The Chancellor's Office Inadequately Controlled Its Economic Development Program and, Along With the Department of Education, Circumvented State Contracting Procedures* (Sacramento: January 4, 1996).

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48 California State Auditor, Bureau of State Audits, *Implementation of State Auditor's Recommendations* (Sacramento: February 2001), pp. 7-9.

49 California State Auditor, Bureau of State Audits, *California Trade and Commerce Agency: It Has Not Demonstrated Strong Leadership for the Manufacturing Technology Program, Collected the Data Necessary to Measure Program Effectiveness, or Ensured Compliance with Program Requirements* (Sacramento: December 21, 1999), p. 18.

50 California State Auditor, Bureau of State Audits, *Implementation of State Auditor's Recommendations* (Sacramento: February 2001), pp. 331-332.

51 AB 1473 (Hertzberg), Chapter 606, Statutes of 1999.

52 Phone conversation with Trish Kelly, Center for Regional Leadership (September 13, 2001).

53 Personal interview with Rona Levine Sherriff, Senate Office of Research (March 6, 2001).

54 These increases do not account for the fact that the 2001-02 Budget transferred $277 million from the Infrastructure and Economic Development Bank to the General Fund, or Governor Gray Davis' proposal in November 2001 to eliminate the Jobs-Housing and Downtown Rebound programs.

55 Personal interview with Fred Main, California Chamber of Commerce (March 2, 2001).

56 Ronald Snell, *A Review of State Economic Development Policy: A Report from the Task Force on Economic Incentives* (National Conference of State Legislatures: Denver, CO and Washington, DC: March 1998), p. 46.

57 Sunset review processes repeal a program or tax expenditure unless the Legislature votes to extend it. The need to reauthorize a program or tax expenditure provides an opportunity for policymakers to review the effectiveness of a program and make any needed changes.

58 The 9.7 percent figure includes the dollar value of tax expenditures and non-General Fund budget spending. This figure is not directly comparable to General Fund spending, which does not include the cost of tax expenditure programs.

59 Personal interview with Robert Herrell, Senator Jackie Speier's Office (February 14, 2001).

60 SB 671 (Alquist), Chapter 881, Statutes of 1993. Excludes aerospace employment.

61 Richard W. Moore, Daniel R. Blake, G. Michael Phillips, Daniel McConaughy, and Amy Cheung von Haam, *ETP At Work: An Evaluation of 1995-96 ETP Projects* (College of Business Administration and Economics, California State University, Northridge: January 27, 2000), p. 38.

62 Workforce Investment Act of 1998, Public Law 105-200, August 7, 1998, 112 Stat. 936, 105th Congress, Chapter 6, Section 136(b).

63 William Schweke, Brian Dabson, and Carl Rist, *Improving Your Business Climate* (Corporation for Enterprise Development: Washington, DC, 1996), p. 37.

Appendices

The Appendices that follow provide more detailed information on state economic development programs, specifically, program descriptions, spending, and statutory reporting requirements. ***Maximizing Returns*** recommends that policymakers formulate a strategic plan for state economic development spending. In creating such a strategy, policymakers should consider including (at a minimum) these types of information in order to better understand and maximize the state's returns on its economic development investments.

Appendix 1

California Economic Development Programs

Appendix 1 provides a comprehensive list of state economic development programs, including both on-budget programs and tax expenditures. The list, which includes a brief description for each program, is divided into the eight categories used in this report. Programs are listed in the same manner in which they are broken out in the spending matrix in Appendix 2; sub-bullets signify programs that are not broken out separately in the spending matrix. For on-budget expenditures, the line item number is included in parentheses. Program information was compiled from Governor's Budgets for various years, department web sites, conversations with program administrators, the Legislative Analyst's Office, and legislative bill analyses.

1. Developing Products and Improving Manufacturing Processes

These programs provide services that help businesses turn research and innovations into marketable products, and services that help improve manufacturing processes.

Budget Line Item Expenditures

Manufacturing Technology Program, Division of Science, Technology, and Innovation in the Technology, Trade, and Commerce Agency (2920-07)
Serves as the state version of the federal Manufacturing Excellence Program (MEP). The MEP is part of the US Department of Commerce's Manufacturing Extension Partnership, a nationwide network of nonprofit centers that provide assistance to small and medium manufacturers, typically under 500 employees. The MEP provides matching grants and technical assistance to centers in California, which in turn provide businesses assistance with information systems implementation, management strategies, inventory and production management, product assurance, and plant modernization.

Office of Strategic Technology, Division of Science, Technology, and Innovation in the Technology, Trade, and Commerce Agency (2920-10.30)
Provides assistance with technology-based product development and commercialization, manufacturing technology development, and investment to the space commerce and aeronautics industry. This office was moved from the Economic Development Division in 2001.

Tax Expenditures

Capital Investment Incentive Program (CIIP) – Property Tax Rebate
Authorizes local governments to establish a CIIP to provide an investment incentive to attract large manufacturing facilities from industries including high technology, aerospace, automotive, mineral-recovery geothermal, and biotechnology. The CIIP is defined as an amount up to or equal to the local agency's share of the property tax on a facility's assessed value in excess of $150 million. Eligibility is subject to certain job creation and wage considerations.

Economic Revitalization Manufacturing Property – Property Tax Rebate
Authorizes local governments to rebate some or all of the property tax revenues otherwise due from economic revitalization manufacturing property for a period of five years. This provision applies to manufacturing operations that create or provide at least ten manufacturing jobs paying at least $10 per hour for at least five years. Sunsets on January 1, 2003.

Investments by New Manufacturers - Sales and Use Tax Exemption
Provides a partial exemption for manufacturing, research, and recycling property purchased by new businesses. Encourages expansion of manufacturing and research property in California.

Joint Strike Fighter – Personal Income/Corporate Tax Credit
Provides a tax credit equal to between 10 and 50 percent of qualified wages and qualified property placed into service, under contracts or subcontracts for the manufacture of property in California for ultimate use in the Joint Strike Fighter program. The credit is limited to $10,000 per year, per qualified employee. Sunsets on December 1, 2006.

Manufacturers' Investment Credit (MIC) - Personal Income/Corporate Tax Credit
Provides a tax credit equal to 6 percent of qualified costs paid or incurred by a business for acquiring, constructing, or reconstructing property. The credit may be claimed for qualifying property, including manufacturing, research and development, pollution control, and recycling. In 1998, the MIC was expanded to include purchase of and/or the cost of labor used to manufacture computers and computer peripheral equipment that is used primarily to develop or manufacture software.

Teleproduction and Postproduction Equipment – Sales and Use Tax Exemption
Exempts equipment that will be used at least 50 percent of the time for post-production services for film or video, including editing, film/video transfers, and audio production, from the sales and use tax.

2. PROMOTING RESEARCH AND TECHNOLOGY

These programs encourage business investment in research and technology.

Note: The University of California does considerable research and analysis that is not included in this report.

Budget Line Item Expenditures

Geothermal Resources Development Account Program, Technology Systems Division in the California Energy Commission (3360)
Provides loans and grants to local jurisdictions and private entities to promote geothermal research and resource development, planning, mitigation, and environmental enhancement projects.

Public Interest Energy Research (PIER) Program, Technology Systems Division in the California Energy Commission (3360)
Provides funding to public and private entities for research, development, and demonstration activities that advance science and technology and are not adequately provided for by competitive or deregulated markets. This program was created by AB 1890 (Chapter 854, Statutes of 1996), which deregulated California's electricity industry. The program provides funding for advanced generation, renewables, end-use efficiency, environmental research, and strategic research.

- **PIER's Energy Innovations Small Grant Program** provides grants of up to $75,000 to small businesses, academic institutions, small nonprofit organizations, and individuals to prove the feasibility of research and development concepts relating to PIER program objectives.

Renewable Energy Program, Technology Systems Division in the California Energy Commission (3360)
Supports the development of renewable energy in California that is not adequately provided by competitive and deregulated markets. This program was created by AB 1890 (Chapter 854, Statutes of 1996), which deregulated California's electricity industry.

- The **Emerging Renewables Buy-Down Program** provides funding for residences and small businesses to pay for a portion of the cost of certain grid-connected renewable energy systems.

Tax Expenditures

Aircraft Ground Control Stations Sold for Use Outside of California – Sales and Use Tax Exemption
Exempts ground control stations, including controls, video equipment, and other equipment, sold as an integral part of the station to any non-resident or foreign government for use outside of California, from the sales and use tax.

Computer Programs - Property Tax Exemption
Exempts all computer programs, except basic operational programs, from property taxation.

Contributions of Computers and Scientific Equipment to Educational Institutions - Corporate Tax Deduction
Allows corporations to claim enhanced deductions for contributions of computers, software, and scientific equipment to higher education institutions. Provides an incentive for businesses to make such donations. Sunset extended in 1998 to include the 1998, 1999, and 2000 tax years.

Custom Computer Programs - Sales and Use Tax Exemption
Exempts custom computer programs, other than basic operating systems, from the sales and use tax. The rationale is that sales of these programs are primarily sales of a service and therefore should not be taxable.

Enhanced Oil Recovery Costs - Personal Income/Corporate Tax Credit
Provides a tax credit equal to 5 percent of costs associated with the "enhanced recovery" of oil and gas. Designed to encourage pumping from marginal oilfields.

Expensing of Mining Exploration, Development, Research, and Experimental Costs - Personal Income/Corporate Tax
Allows an immediate deduction for the costs of research or experimental activities and qualified mining-related exploration and development costs. Provides an incentive to undertake projects that may not be immediately profitable.

Intangible Property - Sales and Use Tax Exemption
Exempts intangible property transferred as part of a technology transfer agreement from the sales and use tax. Intended to implement a Board of Equalization decision regarding an appeal filed by Intel Corporation.

Master's Degree in Flight Test Technology – Property Tax Exemption
Extends the property tax exemption for higher education facilities to include an educational institution that provides a master's degree program based on a course of study of at least one year in flight test technology or flight test science.

Percentage Allowance for Depletion of Mineral and Other Natural Resources - Personal Income/ Corporate Tax
Allows a fixed percentage deduction for resource depletion. Provides an incentive to explore and develop oil, gas, and other mineral resources.

Property Used in Space Flights - Sales and Use Tax Exemption
Originally provided an exemption for qualified property purchased for any space flight originating at Vandenberg Air Force Base, until January 1, 2004. Extended to all space activity and made permanent in 1998.

Research and Development - Personal Income/Corporate Tax Credit
Provides a tax credit equal to a percentage of amounts paid for certain additional research and development expenses. Provides an incentive to invest in research and development by reducing the after tax cost of investment.

3. Developing Local Economies

These programs encourage economic growth in local communities.

Budget Line Item Expenditures

Aeronautics Division, Department of Transportation (2660-10)
Supports California's aviation activities by promoting optimum use of existing airports. Administers noise regulation and land use planning laws that foster compatible land use planning around airports and encourages environmental mitigation measures to lessen noise, air pollution, and other impacts caused by aviation. Other activities include enhancing movement of goods to and from airports, ensuring that airports and heliports comply with safety requirements, and providing engineering and financial assistance to local governments. The Aeronautics Division was called the Aeronautics Program until 2001.

Boating Facilities Program, Department of Boating and Waterways (3680-10)
Expands and improves public and boater access to California's waterways, provides funds to local governments for design and construction of boat launching facilities, and makes loans to local governments for planning, design, and construction of small craft harbors and to businesses for development of recreational arenas. Also plans, designs, and constructs boating facilities on state-owned or controlled properties and provides aquatic weed control in the Sacramento-San Joaquin River Delta. Provides funds to local and federal agencies to finance beach erosion control measures to protect coastal resources.

California Indian Assistance Program, Community Affairs Division in the Department of Housing and Community Development (2240-20)
Helps Indian tribal organizations obtain and manage state and federal funds for housing, infrastructure, and community and economic development projects.

California Urban Waterfront Area Restoration Financing Authority (983)
Provides financing for publicly and privately sponsored projects that provide visitor-serving facilities, waterfront-dependent industries, public recreation, and erosion control facilities. Established in 1983 to issue up to $650 million in revenue bonds to make loans or acquire title to property, and to underwrite or undertake directly a variety of urban waterfront development projects.

Downtown Rebound Programs, Community Affairs Division in the Department of Housing and Community Development (2240-20)
Provides funds through the Downtown Rebound Direct Loan Program and the Downtown Rebound Planning Grants Program for revitalization of urban downtown areas through the conversion of commercial and industrial space into residential units, residential infill, high-density housing development, and planning.

Economic Development/Jobs-Housing Balance Program, Community Affairs Division in the Department of Housing and Community Development (2240-20)
Provides grants to local governments to attract new business and jobs to "housing rich" communities.

Infrastructure and Economic Development Bank, Technology, Trade, and Commerce Agency (2920-05)
Provides low-cost financing to local governments for infrastructure projects and issues tax-exempt

revenue bonds for public and private projects. The Bank was originally under the Office of Local Development in the Economic Development Division.

- The **Conduit Revenue Bond Program** issues industrial development bonds for manufacturing companies, 501(c)(3) bonds for nonprofit organizations, exempt facility bonds, and other types of revenue bonds.
- The **Infrastructure State Revolving Fund Program** provides low-cost financing to public agencies for a wide variety of infrastructure and public improvements.
- The **Rural Economic Development Infrastructure Program** provides low-cost financing for the construction, improvement, or expansion of public infrastructure in rural areas.

Inter-Regional Partnership Grants for Jobs-Housing Balance Program, Community Affairs Division in the Department of Housing and Community Development (2240-20)
Funds inter-regional partnerships of regional agencies to analyze the impact of jobs and housing imbalances and develop mitigation policies, programs, and implementation plans.

Jobs-Housing Balance Incentive Grants, Community Affairs Division in the Department of Housing and Community Development (2240-20)
Provides financial incentives to local governments that increase their issuance of residential building permits.

Office of Business Development, Economic Development Division in the Technology, Trade, and Commerce Agency (2920-10.10)
Engages in marketing and business retention activities. Programs include:

- The **California Main Street Program** focuses on enhancing the economic, social, cultural, and environmental well-being of traditional commercial districts of cities, towns, and neighborhoods. Provides on-site technical assistance services to address revitalization needs of these districts.
- The **Office of Major Corporate Projects** works predominantly with large companies to encourage expansion in California. Coordinates Red Teams, which work to maintain and retain jobs in California.
- The **Old Growth Diversification Revolving Loan Program** provides loans aimed at creating and retaining jobs in areas affected by timber harvest reductions, as well as sawmill and related plant closures. Preference is given to projects that employ displaced timber workers. Funded by the US Forest Service.
- The **Sudden and Severe Economic Dislocation Loan Program** provides business loans in areas affected by plant and military base closures, defense downsizing, industry layoffs, and presidentially-declared disasters. The program gives priority to projects aimed at reemployment and retention of jobs in defense-related communities, and is used in conjunction with private lending and investment sources. Funded through the US Economic Development Administration.
- The **Team California** network brings together resources and expertise from the public and private sector to promote business investment and job creation. Works with Red Teams, which work to retain and create jobs at the local and regional level.

Office of Local Development, Economic Development Division in the Technology, Trade, and Commerce Agency (2920-10.40)
Helps communities develop and implement business retention and expansion programs.

- The **California Rural Development Council** coordinates the delivery of state and federal programs, works with tribal and local governments, provides a forum for discussing rural issues, and recommends policies, strategies, and programs to address the needs of rural California.
- The **Job Creation Investment Fund Grant Program** provides grants to counties to develop and implement local job creation strategies to provide employment for CalWORKs recipients.

Office of Military Base Retention and Reuse, Economic Development Division in the Technology, Trade, and Commerce Agency (2920-10.09)
Helps business and communities affected by defense industry downsizing and base closures. The functions of this office were originally under the Office of Local Development.

- The **Defense Adjustment Matching Grant Program** provides a portion of the matching funds required by communities seeking federal funding for defense-related economic adjustment planning and implementation grants.
- The **Defense Conversion Clearinghouse** maintains a library of publications related to defense industry downsizing, base closures, and employee layoffs and retraining. Also coordinates a regional network of communities affected by defense downsizing and assists communities affected by base closures in marketing the properties and facilities electronically. Maintains, along with the California Research Bureau, the California Economic Diversification and Revitalization (CEDAR) system, which helps link Internet users to information on base reuse and closure, business assistance, and re-employment and retraining.
- The **Defense Conversion Council** coordinates efforts to minimize the state's loss of bases and jobs from future base closures.

Regional Technology Alliances, Division of Science, Technology, and Innovation in the Technology, Trade, and Commerce Agency (2920-07)
Serves companies that develop dual-use technologies in the interest of defense industry conversion and diversification. Activities, provided through three offices located in the Bay Area, Los Angeles, and San Diego, include leveraging funds from public and private sources, assisting in the formation of new businesses, and working with the Office of Military Base Retention and Reuse (see above).

State Community Development Block Grant (CDBG) Program, Community Affairs Division in the Department of Housing and Community Development (2240-20)
Provides federal CDBG program benefits to local governments for housing rehabilitation, infrastructure, community facilities, economic development, planning studies, and public services.

- The **Economic Development Allocation** provides grants to local governments for the creation, expansion, or retention of identified businesses, with the goal of creating or retaining jobs for low income workers in rural communities.
- The **Enterprise Fund** provides loans to businesses, grants for publicly owned infrastructure, and microenterprise assistance, with the goal of creating or preserving jobs for low income and very low income persons.
- **General, Native American, and Colonias Allocations** provide grants to fund housing activities, public works, community facilities, and public service projects serving lower income people in small, typically rural communities.
- **Planning and Technical Assistance Grants** provide funds to small cities and counties for planning and evaluation studies related to housing, public works, community development, and economic development.

Urban Predevelopment Loan/Jobs-Housing Balance Program, Community Affairs Division in the Department of Housing and Community Development (2240-20)
Provides short-term loans to finance the initial costs of constructing, converting, preserving, or rehabilitating assisted housing developments near transit stations.

Tax Expenditures

Deposits in Community Development Finance Institutions (CDFI) – Personal Income/Corporate Tax Credit
Allows a credit equal to 20 percent of the amount of each qualified deposit made by a taxpayer in a

taxable year into a CDFI. CDFIs are private financial institutions that lend or invest in urban, rural, and reservation-based communities where access to capital is limited. Total qualified deposits cannot exceed $10 million in a calendar year. The credit is available from January 1, 1997 to January 1, 2007. Legislation was passed in 1999 allowing insurance companies to claim the credit for qualified deposits made into a CDFI.

Enterprise Zones (EZs)

Equipment - Sales and Use Tax Credit
Provides a credit equal to the sales and use tax paid on manufacturing equipment purchased by a business located within an EZ during the tax year.

Expensing of Equipment - Personal Income/Corporate Tax
Allows businesses operating within an EZ to elect to immediately deduct, rather than depreciate, equipment purchased for use within the zone.

Hiring - Personal Income/Corporate Tax Credit
Provides a tax credit to businesses operating within an EZ for hiring qualified disadvantaged employees. The credit starts at 50 percent of wages paid in the first year and declines to 10 percent of wages paid in the fifth year of employment. Qualifying wages are defined as the amount paid up to 150 percent of minimum wage.

Income from Investments in Economically Depressed Areas - Personal Income/Corporate Tax Exclusion
Exempts from gross income the interest received from investments made in state-designated economically depressed areas, including EZs and the Los Angeles Revitalization Zone (see below). Provides an incentive for investments in economically depressed areas of the state.

Net Operating Loss Carryover - Personal Income/Corporate Tax
Provides for a 100 percent net operating carryover for losses associated with operations within an EZ for a 15-year period.

Background: The Enterprise Zone Act authorizes the designation of 42 EZs with the goal of stimulating business and employment in economically depressed areas of the state. Although the Technology, Trade, and Commerce Agency (TTC) designates most EZs, some are designated by legislation. Within an EZ, cities and counties can modify regulatory controls (including permits and development fees), provide tax incentives, expand infrastructure, and target federal grants for items such as economic development, transportation, and vocational education. Businesses are eligible for five percent bidding preferences for state procurement contracts, if they certify that 90 percent of the contract will be done at worksites within an EZ.

Eligibility: The TTC selects EZs through a competitive application process. A geographic area must fulfill at least one of the following criteria to be eligible for designation by the TTC:
- The area has experienced plant closures affecting more than 100 workers within the previous two years;
- The area has a history of gang related activity; or
- The city, county, or city and county has submitted findings to the TTC that the area is eligible because it meets the Urban Development Action Grant criteria of the US Department of Housing and Urban Development (HUD).

Once designated, an EZ designation is binding for 15 years. This period can be extended to 20 years if the zone passes an audit and the local government submits an updated plan justifying the need for five additional years.

The governing bodies of the localities that have EZ jurisdiction are required to identify a **targeted employment area**, where at least 51 percent of its residents are low or moderate income, based on the most recently available US Census data. Businesses operating in EZs are encouraged to hire residents from targeted employment areas, which may or may not be the same area as or part of an EZ.

Local Agency Military Base Recovery Areas (LAMBRAs)

Local Area Military Base Recovery Areas (LAMBRAs) - Various Tax Expenditures
Provides incentives for reuse of former military facilities. A LAMBRA cannot exceed the boundaries of the original base property, must be located at a base that has been scheduled for closing or downsizing by a base closure act, must be located at a base for which the local governing body has approved a reuse plan, and cannot overlap any existing EZ. The LAMBRA program provides incentives for conducting business within a LAMBRA if, in the first two years, there is a net increase in jobs of one or more employees. These incentives include loan priorities and contract preferences, allowing businesses to expense 40 percent of the cost of qualified property, and EZ tax benefits.

Los Angeles Revitalization Zone (LARZ)

Los Angeles Revitalization Zone (LARZ) - Various Tax Expenditures
Aids economic development efforts in areas of Los Angeles County that suffered damage during the civil disturbances in April and May 1992. Taxpayers doing business in this zone may qualify for special state tax incentives similar to those in EZs. Sunset on December 1, 1998; however, taxpayers can carry forward and claim tax credits earned prior to that date.

Manufacturing Enhancement Areas (MEAs)

Hiring - Personal Income/Corporate Tax Credit
Provides a tax credit for manufacturing businesses that hire at least 50 percent of their workforce from the county in which the MEA is located. At least 30 percent of the local residents hired must be disadvantaged individuals who qualify for certain federal or state job training programs. The credit starts at 50 percent of wages paid in the first year and declines to ten percent of wages paid in the fifth year of employment. Qualifying wages are defined as the amount paid up to 150 percent of minimum wage.

Background: The Manufacturing Enhancement Area program (MEA) was established in 1997 to promote manufacturing activities in areas of the state with high unemployment levels. The two MEA designations, located in Brawley and Calexico, will expire in 2012.

Eligibility: For an area to be eligible to be designated as an MEA, it must meet all of the following criteria:

- The unemployment rate in the county in which the MEA is located was at least three times the state average from 1990-95 inclusive;
- The applicant has been designated a federal Enterprise Community Zone or Empowerment Zone; and
- The applicant is in a Border Environment Cooperation Commission region.

The area must also meet at least one of the following criteria:

- The area population has grown less than 5 percent per year for each of the two years preceding the application;

- The median household income is less than $25,000 per year;
- The population is less than 20,000 according to the 1990 US Census; or
- The area is within a rural community.

Targeted Tax Area

Targeted Tax Area – Various Tax Expenditures
Stimulates development in selected economically depressed areas. Established in 1997, the Targeted Tax Area (TTA) extends four EZ benefits to transportation, warehousing, utility, and certain manufacturing businesses operating within a TTA. The four benefits are (a) the credit for the sales and use tax paid on equipment used in the area, (b) a hiring credit, (c) a 40 percent business expense deduction for property purchased for use in the area, and (d) a 100 percent carryover of net operating losses. To be eligible, an area must meet four of the following five criteria:

- The area had previously applied for, but was denied, designation as an EZ;
- The area had an average unemployment rate in 1996 of more than 7.5 percent;
- The area has a median family income of $32,700 or less;
- The area has at least 17.5 percent of its population below the poverty level; and
- The area ranked in the top quartile among counties in percentage of population receiving AFDC benefits from July 1995 to June 1996.

4. Planning and Management Support for Businesses

These programs promote the establishment and management of businesses.

Budget Line Item Expenditures

Administrative and Finance Division, Technology, Trade, and Commerce Agency (2920-70)
Supports agency programs by providing administrative services while observing all applicable laws, rules, and regulations. Includes the Office of the Secretary, who provides the executive leadership for the agency's overall mission. Also includes the Legislative Affairs Unit, which serves as the liaison between the agency and the Legislature, and monitors and implements all legislation applying to the agency and its program activities.

California Film Commission, Economic Development Division in the Technology, Trade, and Commerce Agency (2920-10.20)
Provides a "one-stop shop" for filmmakers by issuing permits for filming on state-owned property, administering incentive programs for filming in California, and working with production companies to facilitate the filmmaking process. Responsible for promoting, increasing, and retaining the production of motion pictures, television programs, and commercials within the state.

- The **Film California First Program,** initiated on January 1, 2001, aims to attract and retain movie and television production. Reimburses production companies on a first-come, first-serve basis for costs incurred in California, including state and federal employee costs (e.g., California Highway Patrol), user fees, and public equipment costs.

Conciliation of Employer-Employee Disputes, Department of Industrial Relations (8350-20)
Prevents or minimizes work stoppages and interruptions of business or public services by making skilled conciliators available to disputing parties with the objective of reaching voluntary settlements of labor-management disputes.

Economic Research and Strategic Initiatives Division, Technology, Trade, and Commerce Agency (2920-60)
Provides critical analyses, policy recommendations, and economic development initiatives to address California's complex and changing economy.

- The **California Economic Strategy Panel** engages in a biennial strategic planning process, studying the economy by economic regions and industry clusters to identify economic foundations that facilitate industry growth and expansion (i.e., taxation and regulation policies, education and workforce preparation, and infrastructure). The Panel is currently inactive due to a lack of sufficient members.
- The **Office of Economic Research** provides information, analysis, and expert consultative services to assist in the agency's mission of creating economic growth and jobs in California.
- The **Regulation Review Unit** reviews the economic and business impact of proposed regulations.

Membership, Coastal States Organization (8800.80)
Represents the interests of states that border on the Pacific Ocean, Atlantic Ocean, Gulf of Mexico, and Great Lakes, with regard to coastal zone management and offshore energy development issues.

Membership, Pacific Fisheries Legislative Task Force (8800.35)
Represents the interests of the states and territories that border the Pacific Ocean, with regard to Pacific

fisheries, aquaculture, and seafood issues.

Membership, Western States Legislative Forestry Task Force (8800.30)
Provides a forum for legislators from six western states and two Canadian provinces to monitor and discuss forestry resource management issues.

Regional Offices, Economic Development Division in the Technology, Trade, and Commerce Agency (2920-10.70)
Assists businesses in solving problems, fosters and encourages business expansion in California, and recruits out-of-state companies to locate in California. The offices are located in the Bay Area, Los Angeles, Sacramento, and San Diego.

Tax Expenditures

Accelerated Depreciation for Equipment - Personal Income Tax
Allows for more rapid deduction of investments in income-producing assets.

Accelerated Depreciation for Diseased Grapevines - Personal Income/Corporate Tax
Allows vine owners to receive accelerated depreciation for the vines purchased to replace vineyards harmed by Pierce's Disease.

Aircraft Being Repaired - Property Tax Exemption
Exempts any aircraft that is in California solely for the purpose of being overhauled, modified, serviced, or repaired, from property taxation.

Aircraft Jet Fuel Used by Common Carriers and the Military - Fuel Tax Exemption
Exempts common carriers (e.g., commercial airlines) and the military from paying aircraft jet fuel tax.

Aircraft Repair and Related Equipment - Sales and Use Tax Exemption
Exempts tangible personal property that is used in the maintenance, repair, overhaul, or improvement of commercial aircraft, purchased after October 1, 1996, from the sales and use tax.

Animal Feed - Sales and Use Tax Exemption
Exempts any transfer of feed for animals that ordinarily constitute food for human consumption from the sales and use tax.

Animal Life - Sales and Use Tax Exemption
Exempts animal life that ordinarily constitutes food for human consumption from the sales and use tax.

Artwork Produced at Social Gatherings – Sales and Use Tax Exemption
Exempts paintings, drawings, illustrations, and sketches produced at social gatherings for entertainment from the sales and use tax. Artwork must be given to guests at no cost.

Blood Collection and Blood Pack Units – Sales and Use Tax Exemption
Exempts blood collection and blood pack units used to collect or store human blood from the sales and use tax.

Cargo Containers for Food – Sales and Use Tax Exemption
Exempts containers sold or leased to packers who place food for human consumption in the containers from the sales and use tax.

Carryforward of Net Operating Losses - Personal Income/Corporate Tax
Allows business owners to carry forward a portion of their net operating losses for up to five years (15 years for losses incurred prior to 1997). Businesses in Enterprise Zones may carry forward 100 percent of operating losses. Designed to provide tax relief to businesses and to recognize that a tax year is an arbitrary amount of time to businesses.

Containers - Sales and Use Tax Exemption
Exempts the sale of various containers from the sales and use tax, including returnable containers when sold with the contents or when resold for refilling, and non-returnable containers when sold without the contents.

Diseased Grapevines - Property Tax Assessment
Authorizes county boards of supervisors to enact ordinances permitting owners of grapevines affected by Pierce's Disease to have replacement vines assessed using the base year value of the diseased vines.

Expensing of Agricultural Costs - Personal Income/Corporate Tax
Allows immediate deductions for soil, water conservation, and fertilizer expenditures, up to a maximum of 25 percent of gross income from farming.

Expensing of Circulation Costs for Periodicals - Personal Income/Corporate Tax
Allows an immediate deduction for the cost of establishing, maintaining, or increasing the circulation of a periodical.

Farmland Security Zones - Property Tax Assessment
Provides for lower property tax assessment of the value of prime agricultural land when the owner signs a self-renewing contract to keep the land in agriculture, open space, or other compatible use.

Food Animal Medicines - Sales and Use Tax Exemption
Exempts drugs or medicines used in producing food for human consumption from the sales and use tax.

Fruit Trees, Nut Trees, and Grapevines – Property Tax Exemption
Provides a four-year property tax exemption for fruit and nut trees that were severely damaged during the December 1990 and 1998 freezes. Provides a three-year exemption for grapevines that were severely damaged during the December 1990 freeze.

Fuel Sold to Air Common Carriers for International Flights - Sales and Use Tax Exemption
Exempts fuel used by airlines with a destination outside of the United States from the sales and use tax.

Internationally Registered Vehicles – Vehicle License Fee Reduction
Extends vehicle license fee reductions to commercial trucks that operate on an interstate basis and are under the International Registration Plan Agreement.

Leases of Motion Pictures - Sales and Use Tax Exemption
Exempts the lease of motion pictures from the sales and use tax.

Leases of Specified Linens - Sales and Use Tax Exemption
Exempts linen supplies and similar articles used in recurring laundering and cleaning services from the sales and use tax.

Master Tapes and Master Records - Sales and Use Tax Exemption
Exempts transfers of master tapes and records used by the recording industry in making sound recordings from the sales and use tax.

Minimum Franchise Tax Exemption for Credit Unions - Corporate Tax
Exempts state-chartered credit unions from the minimum franchise tax.

Minimum Franchise Tax Exemption for New Corporations - Corporate Tax
Exempts all new corporations that incorporate or qualify to do business in the state on or after January 1, 2000, from the minimum franchise tax for their first two years of operation.

Minimum Franchise Tax Exemption for New Small Businesses - Corporate Tax
Provides a reduction in the minimum franchise tax for new businesses that are formed as corporations and have gross receipts of less than $1 million. The minimum franchise tax is reduced to $300 for new businesses in their first year of operation and $500 in their second year. This policy was enacted by legislation in 1998 to encourage the development of new businesses. In 1999, the Legislature exempted all new corporations from the minimum franchise tax, thus the revenue loss for the small corporation execption is limited to 1998-99, 1999-00, and 2000-01.

Motion Picture Production Services - Sales and Use Tax Exemption
Exempts qualified production services from the sales and use tax.

Occasional Sales of Vehicles, Vessels, or Aircraft – Sales and Use Tax Exemption
Exempts mobile homes, commercial coaches, vehicles, vessels, and aircraft from the sales and use tax when the qualified vehicles are included in the transfer of the business' assets to a new owner.

Partnership Property Used to Produce Motion Pictures - Sales and Use Tax Exemption
Exempts property rented, leased, or otherwise furnished by a partnership to its members for the production of motion pictures from the sales and use tax.

Poultry Litter - Sales and Use Tax Exemption
Exempts products used as litter in poultry and egg production and ultimately resold as, or incorporated in, fertilizer products from the sales and use tax.

Printed Advertising Materials - Sales and Use Tax Exemption
Exempts catalogs, letters, circulars, brochures, and pamphlets consisting substantially of advertisements from the sales and use tax.

Qualified Fertilizer - Sales and Use Tax Exemption
Exempts fertilizer to be used on land if the land produces food for human consumption from the sales and use tax.

Railroad and Related Equipment - Sales and Use Tax Exemption
Exempts tangible personal property used as a component of qualified railroad equipment in the course of repairing, cleaning, altering, or improving that equipment outside of California from the sales and use tax.

Sale-Leasebacks Involving Certain Governmental Entities - Sales and Use Tax Exemption
Exempts the transfer of certain transportation, pollution control, or alternative energy equipment, when these transfers constitute sale-leasebacks or similar arrangements with designated public agencies for

financing purposes, from the sales and use tax.

Seeds and Plants - Sales and Use Tax Exemption
Exempts the transfer of seeds and plants that ordinarily constitute food for human consumption from the sales and use tax.

Single-Use Mailing Lists - Sales and Use Tax Exemption
Exempts mailing lists where the purchaser is restricted to a single use of the list from the sales and use tax.

Subchapter S Corporation Tax Rate - Personal Income/Corporate Tax
Allows eligible small businesses to elect "S" corporation status rather than "C." S corporations pay a reduced tax rate of 1.5 percent, as compared to the 8.84 percent paid by C corporations. Shareholders of a Subchapter S corporation pay income taxes on the dividends they receive.

Subscription Periodicals - Sales and Use Tax Exemption
Exempts newspapers, periodicals, and their component parts that are published at least four times a year from the sales and use tax.

Tax Liability on Bad Debts - Sales and Use Tax Exemption
Exempts retailers from paying sales and use tax due on accounts that have been determined to be uncollectible.

Trade Show and Convention Sales – Sales and Use Tax Nexus
Exempts persons or entities whose only presence in California is trade show and convention activities from the sales and use tax. This exemption does not include sales made at the convention or trade show.

Use of Refiners' Gas - Sales and Use Tax Exemption
Exempts "still gas" that has been produced as a by-product during the refining of purchased crude oil from the sales and use tax.

Vessels that Transport Over 1,000 Tons - Sales Tax Exemption
Exempts sales of vessels capable of transporting cargoes of more than 1,000 tons from taxation. Vessels used in California remain subject to the tax.

Water's Edge Election - Corporate Tax
Provides tax relief to multinational corporations by allowing them to compute California corporate income tax based only on their US income.

Watercraft Common Carrier Fuel - Sales and Use Tax Exemption
Exempts fuel for water common carriers (e.g., cruise ships and cargo freighters) after they have reached their first out-of-state destination, from the sales and use tax. Sunsets on January 1, 2003.

5. Facilitating Regulatory Compliance

These programs help businesses navigate the regulatory process in areas such as land use, permitting, and environmental protection.

Budget Line Item Expenditures

California Alternative Energy and Advanced Transportation Financing Authority (971)
Provides financing for the construction and installation of facilities using alternative methods and sources of energy. Establishes criteria for projects selected for financing, issues revenue bonds, enters into loan agreements for the sale, construction, installation, or acquisition of projects, and assists small businesses in locating a funding source for projects not financed by the Authority.

California Pollution Control Financing Authority (974)
Provides California businesses with a reasonable method of financing pollution control by issuing revenue bonds to industrial firms and agricultural producers for the acquisition, construction, or installation of pollution control facilities to comply with environmental requirements mandated by public agencies.

Coastal Resources Development Program, State Coastal Conservancy (3760-15)
Preserves coastal agricultural land in farming use and assists in the design or redesign of subdivisions and waterfronts to encourage appropriate private development and public and commercial use. Protects and provides public access ways to coastal lands with high scenic, recreational or habitat value and land along the coast and bay shore. Also acquires important coastal resource lands for eventual conveyance to public agencies or qualified nonprofit organizations.

Energy Facility Licensing (Siting) Program, Systems Assessment and Facility Siting Division in the California Energy Commission (3360)
Licenses new power generation plants throughout the state.

Energy-Water Connection Program, Energy Efficiency and Demand Analysis Office in the California Energy Commission (3360)
Provides resources to help water professionals control costs.

Office of Permit Assistance, Economic Development Division in the Technology, Trade, and Commerce Agency (2920-10.60)
Helps businesses obtain environmental permit approvals, provides counseling for companies as they enter the regulatory process, and serves in an ombudsman's role throughout the process. Also oversees various additional permit assistance centers whose costs are included in numerous departmental budgets (see Permit Assistance Centers below).

Permit Assistance Centers, Secretary for Environmental Protection (0555-20.10)
Guides individuals and businesses through the complex regulatory system, eliminates regulatory overlap, and promotes government coordination. The 13 centers are located throughout the state. In addition, the Cal-Gold web site, operated by the California Environmental Protection Agency, provides greater convenience for those seeking permit assistance by providing services such as forms and applications through the Internet. Personnel costs for the Centers were originally included in the budgets of the various participating departments and listed under Special Environmental Programs (3985-10.10).

In 1999-00, funding was transferred to the Secretary of the Environmental Protection Agency.

Science, Pollution Prevention, and Technology Program, Department of Toxic Substances Control (3960-20)
Implements the Hazardous Waste Technology Certification Program and the Pollution Prevention Program, which encourage independent research on pollution prevention activities, development of new environmental technologies, and evaluation of source-reduction plans submitted by industry. These functions, which were originally included under Program Direction and Support (3960-16) and the External Affairs Program (3960-17), were transferred to the Science, Engineering, and Technology Program beginning in 1995-96. The program name was changed to the Science, Pollution Prevention, and Technology Program in the 1998-99 Budget.

Site Mitigation Program, Department of Toxic Substances Control (3960-12)
Implements the state's site cleanup laws and participates in the federal Superfund program. Oversees a variety of projects, including cleanup of military installations. Also administers the Cleanup Loans and Environmental Assistance to Neighborhoods (CLEAN) program, which helps developers, property owners, and local governments redevelop brownfield sites in urban areas.

Waste Reduction and Management Program, California Integrated Waste Management Board (3910-11)
Works with local government, industry, and the public to reduce solid waste and ensure environmentally safe landfills. Beginning in 2000-01, this program consolidated the Planning and Enforcement Program (3910-10), the Disposal Site Cleanup and Maintenance Program (3910-15), and the Waste Reduction and Resource Recovery Program (3910-20) to streamline administration of diversion, waste reduction, resource recovery, and permitting and enforcement activities.

- The **Recycling Market Development Zone (RMDZ) Program**, a partnership of local governments and the Board, provides incentives to businesses that use recycled materials in their manufacturing processes. Provides low-interest loans, other financial assistance, product marketing, and permitting assistance to recycling manufacturers located in RMDZs throughout the state.
- The **Referral Team (R-Team) Program** works in partnership with other agencies and programs to help recycling-based businesses start and prosper. Serves as a port of entry for the RMDZ Program, as well as providing services such as business development and technical, financial, and marketing assistance to recycling-based businesses outside RMDZs.

Tax Expenditures

Accelerated Depreciation for Pollution Control Equipment - Personal Income/Corporate Tax
Allows depreciation of the cost of pollution control facilities over a 60-month period instead of a 10-year period.

Accelerated Depreciation for Reforestation Expenditures - Personal Income/Corporate Tax
Allows deduction of up to $10,000 per year of qualifying reforestation expenditures over seven years.

Active Solar Energy Systems – Property Tax Exemption
Provides a property tax exemption for new construction or addition of an active solar energy system. The exemptions are equal to the total value of the main or core system and up to 75 percent of the value of pipes and ducts used to carry solar energy and dual-use equipment.

Leach Pads, Tailing Facilities, and Settling Ponds – Property Tax Assessment
Allows leach pads, tailing facilities, and settling ponds, which are used in the mining industry to extract minerals from ore and to contain mine wastes, to be appraised as fixtures, which allows property tax

assessments to reflect depreciation.

Rice Straw - Personal Income/Corporate Tax Credit
Provides a tax credit of $15 per ton of rice straw grown in California. In order to be eligible for the credit, the taxpayer must be an "end user" of rice straw, i.e., the taxpayer must use it for any purpose other than open burning. Intended to reduce air pollution by reducing open burning of rice straw by farmers.

Salmon and Steelhead Trout Habitat Restoration - Personal Income/Corporate Tax Credit
Provides a tax credit for costs incurred in restoring salmon and trout habitat. Requires qualifying projects to provide jobs to unemployed persons from the commercial fishing and timber industries. Intended to encourage efforts to increase natural production of salmon and steelhead trout and to increase employment in areas that have lost significant numbers of fishing and timber industry jobs. Sunset on December 1, 2000.

Underground Storage Tanks – Property Tax Assessment
Provides that underground storage tanks that have been improved, upgraded, or replaced in order to comply with federal, state, and local regulations are not considered "newly constructed" for purposes of property tax assessment.

6. Developing a Skilled Workforce

These programs develop California's workforce through job training, vocational education, and assistance to businesses in obtaining skilled workers.

Adult Education, Department of Education (6110-156-0001)
Provides general education programs for adults and out-of-school youth to improve literacy skills and employability and to meet the special needs of the disabled, older persons, and limited English-speaking persons. Services are delivered through local public high schools.

Apprenticeship and Other On-the-Job Training, Department of Industrial Relations (8350-60)
Promotes, develops, and expands on-the-job training and apprenticeship programs with both public and private employers on behalf of the Administrator of Apprenticeship and the California Apprenticeship Council. Also provides training for inmates and wards of correctional institutions.

Bureau for Private Postsecondary and Vocational Education, Department of Consumer Affairs Bureaus, Programs, and Divisions (1111-27)
Provides policy guidance for private postsecondary education in California, as well as being responsible for oversight and approval of private colleges, universities, and vocational institutions. The Bureau was originally an independent entity called the Council for Private Postsecondary and Vocational Education (6880); administration of the program was transferred to the Department of Consumer Affairs effective January 1, 1998.

California Occupational Information Coordinating Committee (6330)
Promotes the development, distribution, and use of occupational, labor market, and career information. Responsible for coordinating the development of the occupational information system (OIS), which provides career information to youth and other users. The Committee includes representatives from the Department of Education, the Employment Development Department, the California Community Colleges, the Technology, Trade, and Commerce Agency, the Department of Rehabilitation, the Department of Social Services, the Employment Training Panel, and the Bureau for Private Postsecondary and Vocational Education. This program is funded entirely with federal dollars and administered by the state.

California State Council on Vocational Education (6320)
Evaluates the adequacy and effectiveness of statewide vocational education programs and services and advises public entities on matters relevant to vocational education policy, programs, and plans. The Council ceased operation in March 1997 due to a restructuring of the federal vocational education program that eliminated all state councils on vocational education.

Economic Development Unit (EDNet), California Community Colleges (6870-20.30.050)
Coordinates economic development programs and projects in the California Community Colleges system. EDNet projects, which focus on the employing firm as the primary customer rather than the individual worker or student, range from workforce development to technology transfer. Objectives include leveraging resources to support economic development at the local, regional, and state levels, as well as assisting communities experiencing military base downsizing and closures. EDNet also funds, in conjunction with the Technology, Trade, and Commerce Agency, the Small Business Development Centers, which provide training and education assistance to small business owners.

Employment and Employment-Related Services Program, Employment Development Department (5100-10)
Seeks to facilitate a match between employers' needs and job seekers' skills. Many of these employment services are provided through the One-Stop Career Center system and through EDD Job Service field offices. Services include:

- The **Intensive Services Program** provides employment services to difficult-to-place persons, including referring individuals to job openings, contacting employers to develop job openings, and referring individuals to supportive services needed to overcome barriers to employment.
- The **Job Agent Program** provides employment assistance to economically disadvantaged individuals with serious barriers to employment (e.g., lack of education, lack of language skills, disability) by matching the individual with a Job Agent to develop an individualized employment plan.
- The **Job Service Program (Wagner-Peyser 90 Percent Activities)** was authorized by the federal Wagner-Peyser Act, as amended by the Workforce Investment Act. Provides employer services including labor market information to help with planning for business expansion, relocation, and future hiring; focused recruitment for new business ventures or facilities needing a large number of specialized workers in a short time; relocation assistance for dislocated workers; and locally coordinated workforce preparation services. Also provides services to job seekers, such as job search training workshops and referral to partner agencies that provide training and other employment-related services.
- The **Veterans Services Program** provides services to veterans including counseling, labor market information, job referrals, job search workshops, and job development with potential employers.
- **Wagner-Peyser 10 Percent Projects** make up the 10 percent of the state's federal job service grant (Wagner-Peyser) that is spent at the Governor's discretion.

Employment Training Panel Program, Employment Development Department (5100-50)
Funds training for new hires and existing employees, with the goal of assisting businesses to obtain skilled workers to stay competitive, productive, and profitable. The program was expanded in 1997 to include Welfare-to-Work programs and provide for training in areas of high unemployment, with an emphasis on the working poor.

Senior Community Service Employment Program, Department of Aging (4170-20)
Provides part-time subsidized training and employment in community service facilities for low income persons who are 55 years of age or older, pursuant to Title V of the Older Americans Act. Also promotes transition to unsubsidized employment. This program was funded entirely with federal dollars until 2000-01, when the state augmented funding to pay costs associated with the state minimum wage increase.

Vocational Education, Department of Education (6110-10.70)
Offers courses providing the academic knowledge and skills needed to prepare for further education and careers in current or emerging employment sectors.

- The state **Agricultural Vocational Incentive Grant Program** and the federal **Carl D. Perkins Vocational Education and Applied Technology Act** help local education agencies improve agricultural education programs and increase the competence of middle school students, high school students, and agricultural education instructors in Regional Occupational Centers and Programs. The programs also promote the development and use of curriculum, instructional materials, and instructional strategies that prepare students for the agricultural industry.
- The **Partnership Academies** coordinate curriculum focused on a career theme with academic classes. The technical focus for an Academy is determined by an analysis of the local labor market, with an eye toward fields that are expanding, offer jobs with career "ladders," and have companies willing to support the program.

- **Regional Occupational Centers and Programs (ROC/Ps)** consolidate state and federal funds at the local, direct service level to offer employment training, placement, and support services to high school students and adults. A typical ROC/P combines state resources from several contiguous school districts with funds from Carl Perkins, Vocational Education, Private Industry Council, and various federal training resources.
- The **School-to-Career Advisory Council**, which includes representatives of education, business, labor, parents, the Legislature, and workforce and economic development organizations, provides policy recommendations to the Governor. The School-to-Career system evolved from the federal School-to-Work Opportunities Act, signed into law in May 1994, which calls for the integration of school-based and work-based learning.

Vocational Education Unit, California Community Colleges (6870-20.30.030)
Provides state-level policy direction for community college vocational and technical education programs. Activities include working with the State Department of Education to develop, implement, and administer the State Plan for Vocational and Technical Education, evaluating programs supported by federal funds, and determining priorities for funding state leadership activities and special projects.

Workforce Investment Act (WIA) Program, Employment Development Department (5100-61)
Provides workforce development services to adults, dislocated workers, and youth including instruction leading to completion of secondary school, tutoring, internships, job shadowing, work experience, adult mentoring, and comprehensive guidance and counseling. This program combined three existing programs, Adult Employment and Training, Youth Activities, and Dislocated Workers, when the federal Workforce Investment Act of 1998 was enacted to replace the Job Training Partnership Act (JTPA) Program (5100-60), effective July 1, 2000. The JTPA Program provided training and other services to economically disadvantaged adults and youth facing serious barriers to employment to help them enter the workforce and reduce welfare dependency. (See also the Workforce Investment Board below).

Workforce Investment Board (5120)
Provides policy direction for state workforce development programs with the goal of better responding to the employment, training, and education needs of its customers. Other board duties include overseeing the development of a five-year Workforce Investment Plan, overseeing local workforce education and training programs, and negotiating performance standards with the Department of Labor. The Workforce Investment Board was established pursuant to the WIA, which repealed the JTPA and created new requirements for employment and training programs. (See also the WIA Program above).

Workforce Preparation Unit, California Community Colleges (6870-20.30.060)
Acts as policy liaison and coordinates activities with several state agencies that have responsibility for workforce development, including WIA programs. Also responsible for the community colleges' involvement with programs such as the School-to-Career Partnership, as well as acting as ongoing liaison to the regions of California regarding workforce preparation issues. The unit was called the JTPA Program until 2000-01.

Tax Expenditures

Employer-Paid Graduate Education Expenses - Personal Income Tax Exclusion
Allows an employee to exclude from gross income the amounts contributed by his or her employer toward graduate level education expenses, up to $5,250, beginning January 1, 2000.

7. Business Capital and Funding

These programs help businesses obtain capital, e.g., by making or guaranteeing loans or by authorizing the sale of bonds.

Budget Line Item Expenditures

California Debt Limit Allocation Committee (959-10)
Oversees the state's allocation of private activity tax-exempt bonds, including industrial development bonds, housing bonds, and facilities bonds for solid waste disposal. Composed of the State Treasurer (chair), the Governor or Director of the Department of Finance, and the State Controller.

California Industrial Development Financing Advisory Commission (965.10)
Issues industrial development revenue bonds that are intended to benefit economically distressed areas. The proceeds of the bonds provide industry with an alternative method of financing capital outlay to acquire, construct, or rehabilitate facilities that will increase employment or otherwise contribute to economic development.

Contracts, Grants, and Loans, Technology, Trade, and Commerce Agency (2920-40)
Develops and approves all contract, grant, and loan agreements for the Agency.

Energy in Agriculture Program, Energy Efficiency and Demand Analysis Office in the California Energy Commission (3360)
Provides direct technical assistance to the agricultural industry through education and training activities, funds for on-farm demonstration projects, and low-interest loans for the purchase of energy conservation equipment.

Energy Cooperatives Development Program, Systems Assessment and Facility Siting Division in the California Energy Commission (3360)
Provides information on financial opportunities available to small consumers and groups of consumers that form energy cooperatives to better access the benefits of electricity deregulation. The program's target audience is small business, small agricultural firms, and residential customers, who are not targeted by conventional aggregators.

Office of Small Business, Economic Development Division in the Technology, Trade, and Commerce Agency (2920-10.50)
Helps small businesses in a cooperative effort with small business development corporations and small business development centers. The Office oversees loan programs ranging from energy conservation and hazardous waste reduction to environmental assistance and farm loans.

- The **Business Incubator Program** awards grants to nonprofit corporations and local government agencies that start incubators, which provide services such as counseling, business development seminars, access to information databases, and on-site libraries.
- The **California Small Business Loan Guarantee Program** provides lenders with the necessary security, in the form of a guarantee, to approve loans or lines of credit for small businesses.
- The **Commercial Fishing Vessel Fuel Conservation Loan Program** provides loans to finance commercial fishing vessel equipment and modifications that result in fuel savings. This program replaces the former Fishing Fleet Loan Program, which was administered by the Governor's Office of Planning and Research and the Office of Small Business.

- The **Disaster Loan Guarantee Program** allows Small Business Financial Development Corporations to issue loan guarantees to assist small businesses and farmers who suffer significant damage or losses in times of disaster, including the Loma Prieta earthquake of 1989, the 1990 freeze, the Los Angeles civil disturbances of 1992, the Northridge Earthquake of 1994, and the freeze of January 1999.
- The **Hazardous Waste Reduction Loan Program** provides loans to finance equipment or a production practice that either achieves a net reduction in solid waste generated or lessens the hazardous properties of the solid waste.
- The **Replacement of Underground Storage Tank Loan Program** provides loans for replacement, removal, and upgrade of underground storage tanks to facilitate compliance with federal and state laws.
- The **Small Business Development Center Program** operates through a network of locally-based centers that provides one-stop business counseling, training, and links to other economic development resources in all California counties.

Solar Energy and Distributed Generation Grants Program, Technology Systems Division in the California Energy Commission (3360)
Provides grants to California residents to help offset the cost of purchasing and installing new solar energy and distributed generation systems, including swimming pool heating applications.

Supervision of California Business and Industrial Development Corporations, Department of Financial Institutions (2150-50)
Licenses and regulates non-fiduciary businesses and industrial development corporations in order to help them qualify for federal programs such as the Small Business Administration's Loan Guarantee Program.

Tax Expenditures

Employee Stock Ownership Plans (ESOPs) - Personal Income/Corporate Tax
Allows employers that provide ESOPs to their employees to deduct dividends paid to the ESOP when those dividends are paid to participants or used to retire debt. Also allows the deferral of capital gains on the sale of stock to an ESOP if the proceeds are used to acquire a similar type security. An ESOP is an employee benefit plan that makes the employees of a company owners of stock in that company.

Limited Partnership Investment Source Rules - Personal Income Tax Exemption
Exempts the dividends, interest, or gains and losses from qualifying investment securities of limited partnership members who reside outside California and whose only contact with the state is through a broker, dealer, or investment advisor, from the personal income tax.

Sale of Qualified Small Business Stock - Personal Income Tax Exclusion
Provides an exclusion from gross income for up to 50 percent of any gain from the sale of qualified small business stock. A "qualified stock" must be held for at least five years, originally issued between January 1, 1993 and January 1, 1999 by a company doing business in California that has less than $50 million in gross assets, and have at least 80 percent of its payroll attributable to employment located in California.

8. Marketing and International Markets

These programs help businesses develop and expand markets, both in California and abroad.

Budget Line Item Expenditures

Agriculture Commodities and Marketing Services, Department of Food and Agriculture (8570-21.30)
Provides administrative guidance to industry-wide marketing programs through cooperation with county agricultural commissioners and sealers of weights and measures, state and federal agencies, agricultural industry groups, and marketing order programs.

Assistance to Fairs and County Agricultural Activities, Department of Food and Agriculture (8570-31)
Provides financial and administrative assistance to fairs and partially reimburses counties for carrying out agricultural programs authorized by the Food and Agricultural Code under the supervision of the Department of Food and Agriculture.

California Exposition and State Fair (8560.10)
Provides a forum for the competitive and non-competitive exhibition of the State's industrial and agricultural products. Placed under the oversight authority of the Department of Food and Agriculture effective January 1, 1998.

Commission on the Californias, International Trade, and Investment Division in the Technology, Trade, and Commerce Agency (2920-20.08)
Develops economic, educational, and cultural relations with the Mexican states of Baja California and the Baja California Sur.

Energy Technology Export Program, Transportation Energy Division in the California Energy Commission (3360)
Provides technical and financial assistance to California energy companies in promoting their products and services abroad. Program activities include providing pre-investment "seed" funding, conducting market and trade analyses, and organizing overseas trade missions.

Foreign Trade and Investment Offices (Overseas Offices), International Trade and Investment Division in the Technology, Trade, and Commerce Agency (2920-20.50)
Provide business outreach to other nations. Offices are currently located in Argentina, Canada, China-Hong Kong, China-Shanghai, Germany, India, Israel, Japan, Mexico, the Philippines, Singapore, South Africa, South Korea, Taiwan, and the United Kingdom.

General Agricultural Activities (Export Promotion Program), Department of Food and Agriculture (8570-21.80)
Assists with the sale of agricultural goods by promoting exporters' goods through mechanisms such as international trade shows.

International Trade and Investment Headquarters, International Trade and Investment Division in the Technology, Trade, and Commerce Agency (2920-20.10)
Analyzes state, federal, and international issues that impact California and serves as the International Trade and Investment program's central headquarters.

Marketing and Communications Division, Technology, Trade, and Commerce Agency (2920-25)
Provides support for the agency's marketing and communications and public affairs outreach, including management of the state's business development marketing campaign.

Office of California-Mexico Affairs, International Trade and Investment Division in the Technology, Trade, and Commerce Agency (2920-20.09)
Works to strengthen economic, governmental, educational, and cultural ties between California and the Mexican states bordering the US.

Office of Export Development, International Trade and Investment Division in the Technology, Trade, and Commerce Agency (2920-20.30)
Helps California companies by organizing international and domestic business missions and trade shows, linking companies with international export opportunities, and providing general export assistance and counseling.

- The **Environmental Technology Export Program** helps California companies export technologies, goods, and services to international markets.
- The **Overseas Procurement Opportunities Program** attempts to expand markets for California exporters by improving access to business opportunities through contracts awarded by foreign governments.

Office of Export Finance, International Trade and Investment Division in the Technology, Trade, and Commerce Agency (2920-20.20)
Provides loan guarantees for California companies seeking capital to complete export sales.

Office of Foreign Investment, International Trade and Investment Division in the Technology, Trade, and Commerce Agency (2920-20.40)
Helps overseas companies considering locating or expanding in California. Provides investors with detailed data on California sites and financial incentives for companies, as well as acting as an advocate and liaison between government and foreign investors.

Tourism Division, Technology, Trade, and Commerce Agency (2920-30)
Promotes California as a travel destination. Works closely with local, state, and federal agencies, as well as the state's travel industry and other private sector partners, to develop marketing and promotional activities that increase consumer and trade interest in visiting California.

- The **California Welcome Centers** provide local information for visitors to the North Coast (Arcata, Rohnert Park), the Shasta Cascade region (Anderson), the Desert region (Barstow), the Bay Area (San Francisco), the Central Valley (Merced), Los Angeles County (Los Angeles), and San Diego County (Oceanside).

Tax Expenditures

None.

Appendix 2

California Economic Development Spending

Appendix 2 identifies spending on the programs described in Appendix 1, from FY 1995-96 through FY 2000-01. Appendix 2 is also divided into the eight categories used in this report; programs are listed in the same order as Appendix 1. The dollar amounts listed do not include federal funding, and reimbursements have been subtracted out in order to avoid double counting among programs. Expenditures are reported in thousands of dollars in order to accurately reflect annual program expenditures that were less than $1 million. State tax agencies report tax expenditure revenue losses in millions, which CBP converted by multiplying by 1,000. While this may result in minor over- or underestimates of revenue losses in certain cases, the totals reported for tax expenditures underestimate the actual annual state revenue losses since estimates of losses are not available for many tax expenditure programs.

Program expenditures were compiled from the Governor's Budgets for various years, except where noted. Revenue losses for tax expenditures were taken primarily from estimates by the Board of Equalization for sales and property taxes, and from the Franchise Tax Board for personal income and bank and corporation taxes. This information was supplemented by estimates from the Department of Finance, the Legislative Analyst's Office, and legislative bill analyses. Information was also obtained through conversations with various agency and department staff. Evaluation/reporting requirement information for programs was keyed generously, based on the information presented in Appendix 3.

Agency Key:

BTH	Business, Transportation, and Housing Agency
E	Education
EP	Environmental Protection Agency
GG	General Government
HW	Health and Human Services Agency
LJE	Legislative, Judicial, and Executive
R	Resources Agency
SCS	State and Consumer Services Agency
TE	Tax Expenditure
TTC	Technology, Trade, and Commerce Agency

Amounts Key:

$0	No state funding or program did not exist in this budget year
Minor	Less than $500,000 (exact number not available)
N/A	Data not available

Evaluation Key:

NONE	Program has no reporting requirements relating to program effectiveness
OUTPUT ONLY	Program is required to report basic data regarding the number of units/value of services provided
EVALUATION/ OUTCOME	Program evaluation and/or outcome reporting required

APPENDIX 2
CALIFORNIA ECONOMIC DEVELOPMENT SPENDING (in Thousands)

Agency	Line Item	Program	State Spending 1995-96	State Spending 1996-97	State Spending 1997-98	State Spending 1998-99	State Spending 1999-00	State Spending 2000-01	Evaluation/ Reporting Requirement
1. DEVELOPING PRODUCTS AND IMPROVING MANUFACTURING PROCESSES									
Budget Line Item Expenditures									
TTC	2920-07	Manufacturing Technology Program, Division of Science, Technology, and Innovation[1]	$0	$5,000	$6,740	$6,740	$6,740	$7,939	EVALUATION/ OUTCOME
TTC	2920-10.30	Office of Strategic Technology, Division of Science, Technology, and Innovation	$12,762	$15,383	$15,021	$17,445	$18,890	$28,361	OUTPUT ONLY
Budget Line Item Total			**$12,762**	**$20,383**	**$21,761**	**$24,185**	**$25,630**	**$36,300**	
Tax Expenditures									
TE		Capital Investment Incentive Program (CIIP) - Property Tax Rebate[2]	$0	$0	$0	N/A	N/A	N/A	OUTPUT ONLY
TE		Economic Revitalization Manufacturing Property - Property Tax Rebate[2]	N/A	N/A	N/A	N/A	N/A	N/A	EVALUATION/ OUTCOME
TE		Investments by New Manufacturers - Sales and Use Tax Exemption	$3,300	$49,700	$89,800	$100,100	$90,900	$37,400	OUTPUT ONLY
TE		Joint Strike Fighter - Personal Income/Corporate Tax Credit	$0	$0	$0	$0	$0	$5,000	NONE
TE		Manufacturers' Investment Credit (MIC) - Personal Income/Corporate Tax Credit[3]	$244,000	$424,000	$443,000	$354,000	$348,000	$369,000	OUTPUT ONLY
TE		MIC Extension to Software - Personal Income/ Corporate Tax Credit	$0	$0	$0	$6,000	$7,000	$8,000	OUTPUT ONLY
TE		Teleproduction and Postproduction Equipment - Sales and Use Tax Exemption	$0	$0	$0	$3,800	$7,500	$7,500	NONE
Tax Expenditure Total			**$247,300**	**$473,700**	**$532,800**	**$463,900**	**$453,400**	**$426,900**	
Developing Products and Improving Manufacturing Processes			**$260,062**	**$494,083**	**$554,561**	**$488,085**	**$479,030**	**$463,200**	

APPENDIX 2
CALIFORNIA ECONOMIC DEVELOPMENT SPENDING (in Thousands)

Agency	Line Item	Program	State Spending 1995-96	State Spending 1996-97	State Spending 1997-98	State Spending 1998-99	State Spending 1999-00	State Spending 2000-01	Evaluation/ Reporting Requirement
2. PROMOTING RESEARCH AND TECHNOLOGY									
Budget Line Item Expenditures									
R	3360	Geothermal Resources Development Account Program, Technology Systems Division, California Energy Commission[4]	$4,799	$2,259	$1,306	$4,003	$3,992	$2,810	NONE
R	3360	Public Interest Energy Research (PIER) Program, Technology Systems Division, California Energy Commission[4]	$0	$0	$25,750	$47,246	$44,460	$80,226	OUTPUT ONLY
R	3360	Renewable Energy Program, Technology Systems Division, California Energy Commission[4]	$0	$0	$11,642	$78,455	$84,432	$196,715	OUTPUT ONLY
Budget Line Item Total			**$4,799**	**$2,259**	**$38,698**	**$129,704**	**$132,884**	**$279,751**	
Tax Expenditures									
TE		Aircraft Ground Control Stations Sold for Use Outside of California - Sales and Use Tax Exemption	$0	$0	$600	$600	$600	<$1,000	NONE
TE		Computer Programs - Property Tax Exemption	$69,000	$101,000	$101,000	$101,000	$101,000	$101,000	NONE
TE		Contributions of Computers and Scientific Equipment to Educational Institutions - Corporate Tax Deduction[5]	$0	$0	$0	$4,000	$4,000	$4,000	NONE
TE		Custom Computer Programs - Sales and Use Tax Exemption	$67,000	$147,000	$169,000	$169,000	$174,000	$174,000	NONE
TE		Enhanced Oil Recovery Costs - Personal Income/Corporate Tax Credit[3]	Minor	Minor	$2,000	Minor	Minor	Minor	NONE
TE		Expensing of Mining Exploration, Development, Research, and Experimental Costs - Personal Income/Corporate Tax[3]	$85,000	$88,000	$67,000	$110,000	$126,000	$126,000	NONE
TE		Intangible Property - Sales and Use Tax Exemption	N/A	N/A	N/A	N/A	N/A	N/A	NONE
TE		Master's Degree in Flight Test Technology - Property Tax Exemption[2]	$0	$0	$0	Minor	Minor	Minor	NONE
TE		Percentage Allowance for Depletion of Mineral and Other Natural Resources - Personal Income/Corporate Tax[3]	$30,000	$35,000	$33,000	$43,000	$23,000	$23,000	NONE

APPENDIX 2
CALIFORNIA ECONOMIC DEVELOPMENT SPENDING (in Thousands)

Agency	Line Item	Program	State Spending 1995-96	State Spending 1996-97	State Spending 1997-98	State Spending 1998-99	State Spending 1999-00	State Spending 2000-01	Evaluation/ Reporting Requirement
TE		Property Used in Space Flights - Sales and Use Tax Exemption	$6,000	$6,000	$6,000	$6,000	$6,000	$6,000	NONE
TE		Research and Development - Personal Income/Corporate Tax Credit[3]	$260,000	$292,000	$378,000	$419,000	$456,000	$482,000	NONE
Tax Expenditure Total			**$517,000**	**$669,000**	**$756,600**	**$852,600**	**$890,600**	**$916,000**	
Promoting Research and Technology Total			**$521,799**	**$671,259**	**$795,298**	**$982,304**	**$1,023,484**	**$1,195,751**	

APPENDIX 2
CALIFORNIA ECONOMIC DEVELOPMENT SPENDING (in Thousands)

Agency	Line Item	Program	State Spending 1995-96	State Spending 1996-97	State Spending 1997-98	State Spending 1998-99	State Spending 1999-00	State Spending 2000-01	Evaluation/ Reporting Requirement
3. DEVELOPING LOCAL ECONOMIES									
Budget Line Item Expenditures									
BTH	2660-10	Aeronautics Division, Department of Transportation	$5,389	$6,277	$7,952	$11,239	$13,010	$9,779	NONE
R	3680-10	Boating Facilities Program, Department of Boating and Waterways[6]	N/A	$20,513	$32,993	$26,151	$52,878	$54,702	OUTPUT ONLY
BTH	2240-20	California Indian Assistance Program, Community Affairs Division, Department of Housing and Community Development[7]	$420	$324	$328	$328	$407	$420	NONE
LJE	983	California Urban Waterfront Area Restoration Financing Authority[8]	$0	$0	$0	$0	$0	$0	OUTPUT ONLY
BTH	2240-20	Downtown Rebound Programs, Community Affairs Division, Department of Housing and Community Development[7]	$0	$0	$0	$0	$0	$25,000	NONE
BTH	2240-20	Economic Development/Jobs Housing Balance Program, Community Affairs Division, Department of Housing and Community Development[7]	$0	$0	$0	$0	$0	$5,000	OUTPUT ONLY
TTC	2920-05	Infrastructure and Economic Development Bank (IEDB)[9]	$0	$0	$0	-$5	$526	$204,747	OUTPUT ONLY
TTC	2920-05	Conduit Revenue Bond Program, IEDB	(Included under Infrastructure and Economic Development Bank above)						NONE
TTC	2920-05	Infrastructure State Revolving Fund Program, IEDB	(Included under Infrastructure and Economic Development Bank above)						NONE
TTC	2920-05	Rural Economic Development Infrastructure Program, IEDB	(Included under Infrastructure and Economic Development Bank above)						EVALUATION/ OUTCOME
BTH	2240-20	Inter-Regional Partnership Grants for Jobs-Housing Balance Program, Community Affairs Division, Department of Housing and Community Development[7]	$0	$0	$0	$0	$0	$5,000	OUTPUT ONLY
BTH	2240-20	Jobs-Housing Balance Incentive Grants, Community Affairs Division, Department of Housing and Community Development[7, 10]	$0	$0	$0	$0	$0	$59,000	OUTPUT ONLY
TTC	2920-10.10	Office of Business Development (OBD), Economic Development Division	$3,046	$2,244	$4,058	$4,100	$2,341	$2,157	NONE
TTC	2920-10.10	California Main Street Program, OBD, Economic Development Division	(Included under Office of Business Development above)						EVALUATION/ OUTCOME

APPENDIX 2
CALIFORNIA ECONOMIC DEVELOPMENT SPENDING (in Thousands)

Agency	Line Item	Program	State Spending 1995-96	State Spending 1996-97	State Spending 1997-98	State Spending 1998-99	State Spending 1999-00	State Spending 2000-01	Evaluation/ Reporting Requirement
TTC	2920-10.10	Office of Major Corporate Projects, OBD, Economic Development Division	(Included under Office of Business Development above)						NONE
TTC	2920-10.10	Old Growth Diversification Revolving Loan Program, OBD, Economic Development Division	(Included under Office of Business Development above)						OUTPUT ONLY
TTC	2920-10.10	Sudden and Severe Economic Dislocation Loan Program, OBD, Economic Development Division	(Included under Office of Business Development above)						OUTPUT ONLY
TTC	2920-10.10	Team California, OBD, Economic Development Division	(Included under Office of Business Development above)						NONE
TTC	2920-10.40	Office of Local Development (OLD), Economic Development Division[11]	$7,158	$5,471	$5,682	$4,544	$5,240	$16,589	NONE
TTC	2920-10.40	California Rural Development Council, OLD, Economic Development Division	(Included under Office of Local Development above)						OUTPUT ONLY
TTC	2920-10.40	Job Creation Investment Fund Grant Program, OLD, Economic Development Division	(Included under Office of Local Development above)						OUTPUT ONLY
TTC	2920-10.09	Office of Military Base Retention and Reuse (OMBRR), Economic Development Division[12]	$0	$0	$0	$671	$740	$1,520	NONE
TTC	2920-10.09	Defense Adjustment Matching Grant Program, OMBRR, Economic Development Division	(Included under Office of Military Base Retention and Reuse above)						NONE
TTC	2920-10.09	Defense Conversion Clearinghouse, OMBRR, Economic Development Division	(Included under Office of Military Base Retention and Reuse above)						NONE
TTC	2920-10.09	Defense Conversion Council, OMBRR, Economic Development Division	(Included under Office of Military Base Retention and Reuse above)						EVALUATION/ OUTCOME
TTC	2920-07	Regional Technology Alliances, Division of Science, Technology, and Innovation[1]	$1,032	$1,009	$1,086	$1,152	$1,385	$1,685	OUTPUT ONLY
BTH	2240-20	State Community Development Block Grant (CDBG) Program, Community Affairs Division, Department of Housing and Community Development[7]	$840	$970	$980	$980	$1,050	$1,084	OUTPUT ONLY
BTH	2240-20	Urban Predevelopment Loan Program/Jobs-Housing Balance Program, Community Affairs Division, Department of Housing and Community Development[7]	$0	$0	$0	$0	$0	$5,000	OUTPUT ONLY
Budget Line Item Total			**$17,885**	**$36,808**	**$53,079**	**$49,160**	**$77,577**	**$391,683**	

APPENDIX 2
CALIFORNIA ECONOMIC DEVELOPMENT SPENDING (in Thousands)

Agency	Line Item	Program	State Spending 1995-96	State Spending 1996-97	State Spending 1997-98	State Spending 1998-99	State Spending 1999-00	State Spending 2000-01	Evaluation/ Reporting Requirement
Tax Expenditures									
TE		Deposits in Community Development Finance Institutions (CDFI) - Personal Income/Corporate Tax Credit	$0	$0	<$1,000	<$1,000	$1,000	$1,000	OUTPUT ONLY
TE		Enterprise Zone (EZ) Accelerated Write Off and Interest Exclusion - Personal Income/Corporate Tax[13]	N/A	N/A	N/A	N/A	N/A	N/A	EVALUATION/ OUTCOME
TE		EZ Hiring and Sales and Use Tax Credits[3, 14]	$41,000	$31,000	$47,000	$74,000	$97,000	$104,000	EVALUATION/ OUTCOME
TE		Income from Investments in Economically Depressed Areas - Personal Income/Corporate Income Exclusion[13]	N/A	N/A	N/A	N/A	N/A	N/A	OUTPUT ONLY
TE		Local Area Military Base Recovery Areas (LAMBRAs), Manufacturing Enhancement Areas (MEAs), and Targeted Tax Areas - Various Tax Expenditures[3]	$0	Minor	$1,000	$2,000	$1,000	$4,000	EVALUATION/ OUTCOME (LAMBRAs, MEAs) OUTPUT ONLY (TTAs)
TE		Los Angeles Revitalization Zone (LARZ) - Various Tax Expenditures[3, 15]	$101,000	$108,000	$144,000	$49,000	$50,000	$25,000	NONE
Tax Expenditure Total			**$142,000**	**$139,000**	**$192,000**	**$125,000**	**$149,000**	**$134,000**	

Developing Local Economies Total	**$159,885**	**$175,808**	**$245,079**	**$174,160**	**$226,577**	**$525,683**

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CALIFORNIA ECONOMIC DEVELOPMENT SPENDING (in Thousands)

Agency	Line Item	Program	State Spending 1995-96	State Spending 1996-97	State Spending 1997-98	State Spending 1998-99	State Spending 1999-00	State Spending 2000-01	Evaluation/ Reporting Requirement
4. PLANNING AND MANAGEMENT SUPPORT FOR BUSINESSES									
Budget Line Item Expenditures									
TTC	2920-70.01	Administrative and Finance Division	$3,513	$3,602	$3,679	$4,197	$4,521	$5,225	OUTPUT ONLY
TTC	2920-10.20	California Film Commission (CFC), Economic Development Division	$1,075	$1,118	$1,234	$1,461	$1,819	$18,577	OUTPUT ONLY
TTC	2920-10.20	Film California First Program, CFC, Economic Development Division	(Included under California Film Commission above)						EVALUATION/ OUTCOME
GG	8350-20	Conciliation of Employer-Employee Disputes, Department of Industrial Relations	$1,681	$1,630	$1,609	$1,826	$1,913	$1,953	NONE
TTC	2920-60	Economic Research and Strategic Initiatives Division (ERSID)[16]	$1,255	$1,189	$1,174	$1,294	$1,602	$1,760	NONE
TTC	2920-60	California Economic Strategy Panel, ERSID	(Included under Economic Research and Strategic Initiatives Division above)						OUTPUT ONLY
TTC	2920-60	Office of Economic Research, ERSID	(Included under Economic Research and Strategic Initiatives Division above)						NONE
TTC	2920-60	Regulation Review Unit, ERSID	(Included under Economic Research and Strategic Initiatives Division above)						NONE
GG	8800-80	Membership, Coastal States Organization	$5	$5	$13	$23	$13	$14	NONE
GG	8800-35	Membership, Pacific Fisheries Legislative Task Force	$11	$22	$22	$22	$22	$22	NONE
GG	8800-30	Membership, Western States Legislative Forestry Task Force	$11	$22	$22	$22	$22	$22	NONE
TTC	2920-10.70	Regional Offices, Economic Development Division	$2,723	$2,689	$2,639	$2,856	$2,971	$2,820	NONE
Budget Line Item Total			**$10,274**	**$10,277**	**$10,392**	**$11,701**	**$12,883**	**$30,393**	
Tax Expenditures									
TE		Accelerated Depreciation for Equipment - Personal Income Tax[3]	$195,000	$210,000	$200,000	$250,000	$260,000	$260,000	NONE
TE		Accelerated Depreciation for Diseased Grapevines- Personal Income/Corporate Tax	$0	$0	Minor	$1,000	$1,000	$1,000	NONE
TE		Aircraft Being Repaired - Property Tax Exemption[5]	N/A	N/A	N/A	N/A	N/A	N/A	NONE
TE		Aircraft Jet Fuel Used by Common Carriers and the Military - Fuel Tax Exemption	$64,000	$64,000	$77,000	$77,000	$79,000	$71,000	NONE
TE		Aircraft Repair and Related Equipment - Sales and Use Tax Exemption	$0	$4,500	$9,200	$9,800	$11,100	$11,800	NONE
TE		Animal Feed - Sales and Use Tax Exemption[5]	$191,000	$191,000	$201,000	$207,000	$207,000	$207,000	NONE

APPENDIX 2
CALIFORNIA ECONOMIC DEVELOPMENT SPENDING (in Thousands)

Agency	Line Item	Program	State Spending 1995-96	State Spending 1996-97	State Spending 1997-98	State Spending 1998-99	State Spending 1999-00	State Spending 2000-01	Evaluation/ Reporting Requirement
TE		Animal Life - Sales and Use Tax Exemption[5]	$43,000	$43,000	$46,000	$47,000	$47,000	$47,000	NONE
TE		Artwork Produced at Social Gatherings - Sales and Use Tax Exemption	$0	$0	$0	$0	$0	Minor	NONE
TE		Blood Collection and Blood Pack Units - Sales and Use Tax Exemption	$0	$0	$500	$900	$1,100	$1,100	NONE
TE		Cargo Containers for Food - Sales and Use Tax Exemption	$0	$0	$0	$0	$200	$600	NONE
TE		Carryforward of Net Operating Losses - Personal Income/Corporate Tax[3]	$484,000	$440,000	$431,000	$424,000	$434,000	$440,000	NONE
TE		Containers - Sales and Use Tax Exemption[17]	$278,000	$278,000	$300,000	$300,000	$300,000	$300,000	NONE
TE		Diseased Grapevines - Property Tax Assessment[5]	N/A	N/A	N/A	N/A	N/A	N/A	NONE
TE		Expensing of Agricultural Costs - Personal Income/Corporate Tax[3]	$14,000	$14,000	$9,000	$14,000	$11,000	$11,000	NONE
TE		Expensing of Circulation Costs for Periodicals - Personal Income/Corporate Tax[3]	$4,000	$4,000	$4,000	$4,000	$4,000	$4,000	NONE
TE		Farmland Security Zones - Property Tax Assessment	$0	$0	N/A	N/A	N/A	N/A	NONE
TE		Food Animal Medicines - Sales and Use Tax Exemption	$0	$1,100	$2,300	$2,400	$2,700	$2,900	NONE
TE		Fruit Trees, Nut Trees, and Grapevines - Property Tax Exemption[5]	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000	NONE
TE		Fuel Sold to Air Common Carriers for International Flights - Sales and Use Tax Exemption	$9,600	$10,100	$10,800	$11,500	$13,000	$13,800	NONE
TE		Internationally Registered Vehicles - Vehicle License Fee Reduction	$0	$0	$0	$0	$4,000	$4,000	NONE
TE		Leases of Motion Pictures - Sales and Use Tax Exemption	$56,000	$56,000	$19,000	$19,000	$20,000	$20,000	NONE
TE		Leases of Specified Linens - Sales and Use Tax Exemption[5]	$40,000	$40,000	$42,000	$44,000	$44,000	$44,000	NONE
TE		Master Tapes and Master Records - Sales and Use Tax Exemption[5]	N/A	N/A	N/A	N/A	N/A	N/A	NONE
TE		Minimum Franchise Tax Exemption for Credit Unions - Corporate Tax[3]	$13,000	$13,000	$8,000	$8,000	$10,000	$10,000	NONE
TE		Minimum Franchise Tax Exemption for New Corporations - Corporate Tax[3]	$0	$0	$0	$0	$28,000	$58,000	NONE

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CALIFORNIA ECONOMIC DEVELOPMENT SPENDING (in Thousands)

Agency	Line Item	Program	State Spending 1995-96	State Spending 1996-97	State Spending 1997-98	State Spending 1998-99	State Spending 1999-00	State Spending 2000-01	Evaluation/ Reporting Requirement
TE		Minimum Franchise Tax Exemption for New Small Businesses - Corporate Tax	$0	$0	$0	$4,000	$11,000	$11,000	NONE
TE		Motion Picture Production Services - Sales and Use Tax Exemption	$37,000	$37,000	$28,000	$28,000	$28,000	$28,000	NONE
TE		Occasional Sales of Vehicles, Vessels, or Aircraft - Sales and Use Tax Exemption[17]	$523,000	$523,000	$450,000	$450,000	$450,000	$450,000	NONE
TE		Partnership Property Used to Produce Motion Pictures - Sales and Use Tax Exemption[5]	N/A	N/A	N/A	N/A	N/A	N/A	NONE
TE		Poultry Litter - Sales and Use Tax Exemption[18]	$800	$800	$800	$800	$800	$800	NONE
TE		Printed Advertising Materials - Sales and Use Tax Exemption[17]	$26,000	$26,000	$30,000	$30,000	$30,000	$30,000	NONE
TE		Qualified Fertilizer - Sales and Use Tax Exemption[5]	$48,000	$48,000	$50,000	$52,000	$52,000	$52,000	NONE
TE		Railroad and Related Equipment - Sales and Use Tax Exemption[5]	Minor	Minor	Minor	Minor	Minor	Minor	NONE
TE		Sale-Leasebacks Involving Certain Governmental Entities - Sales and Use Tax Exemption[5]	N/A	N/A	N/A	N/A	N/A	N/A	NONE
TE		Seeds and Plants - Sales and Use Tax Exemption[5]	$24,000	$24,000	$25,000	$30,000	$30,000	$30,000	NONE
TE		Single-Use Mailing Lists - Sales and Use Tax Exemption[5]	N/A	N/A	N/A	N/A	N/A	N/A	NONE
TE		Subchapter S Corporation Tax Rate - Personal Income/Corporate Tax[3]	$797,000	$1,240,000	$1,180,000	$1,320,000	$1,390,000	$1,450,000	NONE
TE		Subscription Periodicals - Sales and Use Tax Exemption	$38,500	$40,500	$43,100	$45,900	$51,800	$55,000	NONE
TE		Tax Liability on Bad Debts - Sales and Use Tax Exemption[5]	N/A	N/A	N/A	N/A	N/A	N/A	NONE
TE		Trade Show and Convention Sales - Sales and Use Tax Nexus	$0	$0	$0	$2,000	$2,000	$2,000	NONE
TE		Use of Refiners' Gas - Sales and Use Tax Exemption[5]	N/A	N/A	N/A	N/A	N/A	N/A	NONE
TE		Vessels that Transport over 1,000 Tons - Sales Tax Exemption[5]	N/A	N/A	N/A	N/A	N/A	N/A	NONE

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CALIFORNIA ECONOMIC DEVELOPMENT SPENDING (in Thousands)

Agency	Line Item	Program	State Spending 1995-96	State Spending 1996-97	State Spending 1997-98	State Spending 1998-99	State Spending 1999-00	State Spending 2000-01	Evaluation/ Reporting Requirement
TE		Water's Edge Election - Corporate Tax[3]	$325,000	$335,000	$320,000	$330,000	$340,000	$350,000	NONE
TE		Watercraft Common Carrier Fuel - Sales and Use Tax Exemption	$22,000	$22,000	$20,000	$20,000	$11,000	$11,000	NONE
Tax Expenditure Total			**$3,233,900**	**$3,666,000**	**$3,507,700**	**$3,733,300**	**$3,874,700**	**$3,978,000**	
Planning and Management Support for Businesses Total			**$3,244,174**	**$3,676,277**	**$3,518,092**	**$3,745,001**	**$3,887,583**	**$4,008,393**	

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CALIFORNIA ECONOMIC DEVELOPMENT SPENDING (in Thousands)

Agency	Line Item	Program	State Spending 1995-96	State Spending 1996-97	State Spending 1997-98	State Spending 1998-99	State Spending 1999-00	State Spending 2000-01	Evaluation/ Reporting Requirement
5. FACILITATING REGULATORY COMPLIANCE									
Budget Line Item Expenditures									
LJE	971-10	California Alternative Energy and Advanced Transportation Financing Authority	$50	$55	$56	$38	$98	$164	OUTPUT ONLY
LJE	974	California Pollution Control Financing Authority[8]	$0	$0	$0	$0	$0	$0	OUTPUT ONLY
R	3760-15	Coastal Resources Development Program, State Coastal Conservancy	$2,834	$3,462	$3,523	$11,681	$2,724	$3,398	NONE
R	3360	Energy Facility Licensing (Siting) Program, Systems Assessment and Facility Siting Division, California Energy Commission[4]	$7,249	$8,102	$7,540	$8,129	$9,405	$18,081	NONE
R	3360	Energy-Water Connection Program, Energy Efficiency and Demand Analysis Office, California Energy Commission[4]	$0	$50	$270	$0	$0	$15,514	NONE
TTC	2920-10.60	Office of Permit Assistance, Economic Development Division	$816	$1,047	$593	$496	$575	$730	EVALUATION/ OUTCOME
LJE	0555-20.10	Permit Assistance Centers, Secretary for Environmental Protection[19]	$0	$0	$664	$2,821	$2,378	$2,428	EVALUATION/ OUTCOME
EP	3985-10.10	Permit Assistance Centers, Air Resources Board, Environmental Protection Agency	$133	$121	$0	$0	$0	$0	N/A
EP	3985-10.10	Permit Assistance Centers, Integrated Waste Management Board, Environmental Protection Agency	$67	$102	$0	$0	$0	$0	N/A
EP	3985-10.10	Permit Assistance Centers, Department of Pesticide Regulation, Environmental Protection Agency	$39	$41	$0	$0	$0	$0	N/A
EP	3985-10.10	Permit Assistance Centers, Department of Toxic Substances Control, Environmental Protection Agency	$443	$453	$0	$0	$0	$0	N/A
EP	3985-10.10	Permit Assistance Centers, State Water Resources Control Board, Environmental Protection Agency	$233	$362	$0	$0	$0	$0	N/A
EP	3985-10.10	Permit Assistance Centers, State and Consumer Services Agency	$110	$47	$0	$0	$0	$0	N/A

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Agency	Line Item	Program	State Spending 1995-96	State Spending 1996-97	State Spending 1997-98	State Spending 1998-99	State Spending 1999-00	State Spending 2000-01	Evaluation/ Reporting Requirement
EP	3985-10.10	Permit Assistance Centers, Department of Transportation, Business, Transportation, and Housing Agency	$183	$116	$0	$0	$0	$0	N/A
EP	3985-10.10	Permit Assistance Centers, Department of Fish and Game, Resources Agency	$73	$0	$0	$0	$0	$0	N/A
EP	3985-10.10	Permit Assistance Centers, Technology, Trade, and Commerce Agency	$120	$37	$0	$0	$0	$0	N/A
EP	3985-10.10	Permit Assistance Centers, Employment Development Department, Health and Human Services Agency	$121	$45	$0	$0	$0	$0	N/A
EP	3960-20	Science, Pollution Prevention, and Technology Program, Department of Toxic Substances Control[20]	$17,610	$6,035	$5,559	$7,390	$8,063	$10,151	OUTPUT ONLY
EP	3960-12	Site Mitigation Program, Department of Toxic Substances Control	$40,448	$51,868	$53,851	$49,880	$48,477	$85,557	EVALUATION/ OUTCOME
EP	3910-20	Waste Reduction and Resource Recovery Program, Integrated Waste Management Board[21]	$40,433	$31,638	$31,674	$42,022	$69,527	$0	N/A
EP	3910-10	Planning and Enforcement Program, Integrated Waste Management Board[21]	$19,170	$18,021	$17,882	$18,179	$20,304	$0	N/A
EP	3910-15	Disposal Site Cleanup and Maintenance Program, Integrated Waste Management Board[21]	$5,000	$4,930	$3,682	$4,259	$4,257	$0	N/A
EP	3910-11	Waste Reduction and Management Program, Integrated Waste Management Board[21]	$0	$0	$0	$0	$0	$109,233	EVALUATION/ OUTCOME
Budget Line Item Total			**$135,132**	**$126,532**	**$125,294**	**$144,895**	**$165,808**	**$245,256**	

Tax Expenditures									
TE		Accelerated Depreciation for Pollution Control Equipment - Personal Income/Corporate Tax[3, 13]	N/A	N/A	N/A	N/A	N/A	N/A	NONE
TE		Accelerated Depreciation for Reforestation Expenditures - Personal Income/Corporate Tax[3, 13]	N/A	N/A	N/A	N/A	N/A	N/A	NONE
TE		Active Solar Energy Systems - Property Tax Exemption[5]	N/A	N/A	N/A	N/A	N/A	N/A	NONE
TE		Leach Pads, Tailing Facilities, and Settling Ponds - Property Tax Assessment[2]	$0	$0	$0	N/A	N/A	N/A	NONE

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Agency	Line Item	Program	State Spending 1995-96	State Spending 1996-97	State Spending 1997-98	State Spending 1998-99	State Spending 1999-00	State Spending 2000-01	Evaluation/ Reporting Requirement
TE		Rice Straw - Personal Income/Corporate Tax Credit[3]	$0	Minor	Minor	Minor	Minor	Minor	OUTPUT ONLY
TE		Salmon and Steelhead Trout Habitat Restoration - Personal Income/Corporate Tax Credit[3]	Minor	Minor	Minor	Minor	Minor	Minor	OUTPUT ONLY
TE		Underground Storage Tanks - Property Tax Assessment	$0	$0	$0	$0	$0	$0	NONE
Tax Expenditure Total			**Minor**	**Minor**	**Minor**	**Minor**	**Minor**	**Minor**	

Facilitating Regulatory Compliance Total	**$135,132**	**$126,532**	**$125,294**	**$144,895**	**$165,808**	**$245,256**

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CALIFORNIA ECONOMIC DEVELOPMENT SPENDING (in Thousands)

Agency	Line Item	Program	State Spending 1995-96	State Spending 1996-97	State Spending 1997-98	State Spending 1998-99	State Spending 1999-00	State Spending 2000-01	Evaluation/ Reporting Requirement
6. DEVELOPING A SKILLED WORKFORCE									
Budget Line Item Expenditures									
E	6110-156-0001	Adult Education, Department of Education	$426,998	$451,722	$487,785	$530,944	$542,426	$573,612	EVALUATION/ OUTCOME
GG	8350-60	Apprenticeship and Other On-the-Job Training, Department of Industrial Relations	$3,459	$3,566	$3,656	$3,740	$4,395	$5,334	EVALUATION/ OUTCOME
SCS	1111-27	Bureau for Private Postsecondary and Vocational Education, Department of Consumer Affairs Bureaus, Programs, and Divisions[22]	$0	$0	$3,412	$7,369	$8,217	$5,164	EVALUATION/ OUTCOME
E	6880	Council for Private Postsecondary and Vocational Education[22]	$4,240	$4,031	$911	$0	$0	$0	N/A
E	6330	California Occupational Information Coordinating Committee[23]	$0	$0	$0	$0	$0	$0	OUTPUT ONLY
E	6320	California State Council on Vocational Education[24]	$95	$96	$0	$0	$0	$0	EVALUATION/ OUTCOME
E	6870-20.30.050	Economic Development Unit (EDNet), California Community Colleges	$9,073	$9,372	$29,073	$33,300	$34,368	$45,600	OUTPUT ONLY
HW	5100-10	Employment and Employment Related Services Program (EERSP), Employment Development Department	$25,046	$25,866	$25,467	$26,462	$29,127	$36,518	OUTPUT ONLY
HW	5100-10	Intensive Services Program, EERSP, Employment Development Department	(Included under Employment and Employment Related Services Program above)						NONE
HW	5100-10	Job Agent Program, EERSP, Employment Development Department	(Included under Employment and Employment Related Services Program above)						EVALUATION/ OUTCOME
HW	5100-10	Job Service Program, EERSP, Employment Development Department	(Included under Employment and Employment Related Services Program above)						NONE
HW	5100-10	Veterans Services Program, EERSP, Employment Development Department	(Included under Employment and Employment Related Services Program above)						OUTPUT ONLY
HW	5100-10	Wagner-Peyser 10 Percent Projects, EERSP, Employment Development Department	(Included under Employment and Employment Related Services Program above)						NONE
HW	5100-50	Employment Training Panel Program, Employment Development Department	$91,674	$118,278	$108,765	$132,185	$111,001	$75,819	EVALUATION/ OUTCOME
HW	4170-20	Senior Community Service Employment Program, Department of Aging[25]	$0	$0	$0	$0	$0	$930	OUTPUT ONLY
E	6110-10.70	Vocational Education (VE), Department of Education	(See below for program breakout)						OUTPUT ONLY

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Agency	Line Item	Program	State Spending 1995-96	State Spending 1996-97	State Spending 1997-98	State Spending 1998-99	State Spending 1999-00	State Spending 2000-01	Evaluation/ Reporting Requirement
E	6110-167-0001	Agricultural Vocational Incentive Grant Program, VE, Department of Education	$3,328	$3,592	$3,779	$3,691	$3,798	$3,975	EVALUATION/ OUTCOME
E	6110-166-0001	Partnership Academies, VE, Department of Education	$4,595	$7,637	$8,409	$13,964	$16,276	$19,666	EVALUATION/ OUTCOME
E	6110-105-0001	Regional Occupational Centers and Programs (ROC/Ps), VE, Department of Education	$250,138	$271,694	$292,587	$311,206	$320,383	$337,373	EVALUATION/ OUTCOME
E	6870-20.30.030	Vocational Education Unit, California Community Colleges	$1,614	$1,436	$1,411	$1,418	$1,610	$1,660	EVALUATION/ OUTCOME
HW	5100-61	Workforce Investment Act (WIA) Program, Employment Development Department[26]	$0	$0	$0	$0	$0	$56	EVALUATION/ OUTCOME
HW	5100-60	Job Training Partnership Act (JTPA) Program, Employment Development Department[26]	$0	$0	$0	$0	$0	$0	N/A
HW	5120	Workforce Investment Board[26]	$0	$0	$0	$0	$0	$0	OUTPUT ONLY
E	6870-20.30.060	Workforce Preparation Unit, California Community Colleges[26]	$0	$213	$90	$0	$0	$0	NONE
Budget Line Item Total			**$820,260**	**$897,503**	**$965,345**	**$1,064,279**	**$1,071,601**	**$1,105,707**	

Tax Expenditures									
TE		Employer-Paid Graduate Education Expenses - Personal Income Tax Exclusion	$0	$0	$0	$0	$0	$9,000	NONE
Tax Expenditure Total			**$0**	**$0**	**$0**	**$0**	**$0**	**$9,000**	

Developing a Skilled Workforce Total	**$820,260**	**$897,503**	**$965,345**	**$1,064,279**	**$1,071,601**	**$1,114,707**

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CALIFORNIA ECONOMIC DEVELOPMENT SPENDING (in Thousands)

7. BUSINESS CAPITAL AND FUNDING

Agency	Line Item	Program	State Spending 1995-96	State Spending 1996-97	State Spending 1997-98	State Spending 1998-99	State Spending 1999-00	State Spending 2000-01	Evaluation/ Reporting Requirement
Budget Line Item Expenditures									
LJE	0959-10	California Debt Limit Allocation Committee	$360	$409	$413	$541	$823	$868	NONE
LJE	0965-10	California Industrial Development Financing Advisory Commission	$322	$272	$253	$357	$305	$524	NONE
TTC	2920-40	Contracts, Grants, and Loans	$999	$4,057	$1,074	$1,187	$1,152	$1,547	NONE
R	3360	Energy in Agriculture Program, Energy Efficiency and Demand Analysis Office, California Energy Commission[4]	$333	$21	$0	$660	$146	$36,519	NONE
R	3360	Energy Cooperatives Development Program, Systems Assessment and Facility Siting Division, California Energy Commission[4]	$0	$0	$0	$0	$0	$0	OUTPUT ONLY
TTC	2920-10.50	Office of Small Business (OSB), Economic Development Division	$11,425	$23,507	$14,247	$25,057	$11,047	$37,577	OUTPUT ONLY
TTC	2920-10.50	Business Incubator Program, OSB, Economic Development Division	(Included under Office of Small Business above)						OUTPUT ONLY
TTC	2920-10.50	California Small Business Loan Guarantee Program, OSB, Economic Development Division	(Included under Office of Small Business above)						OUTPUT ONLY
TTC	2920-10.50	Commercial Fishing Vessel Fuel Conservation Program, OSB, Economic Development Division	(Included under Office of Small Business above)						NONE
TTC	2920-10.50	Disaster Loan Guarantee Program, OSB, Economic Development Division	(Included under Office of Small Business above)						OUTPUT ONLY
TTC	2920-10.50	Hazardous Waste Reduction Loan Program, OSB, Economic Development Division	(Included under Office of Small Business above)						NONE
TTC	2920-10.50	Replacement of Underground Storage Tank Program, OSB, Economic Development Division	(Included under Office of Small Business above)						OUTPUT ONLY
TTC	2920-10.50	Small Business Development Center Program, OSB, Economic Development Division	(Included under Office of Small Business above)						OUTPUT ONLY
R	3360	Solar Energy and Distributed Grants Program, Technology Systems Division, California Energy Commission[4]	$0	$0	$0	$0	$0	$841	NONE
BTH	2150-50	Supervision of California Business and Industrial Development Corporations, Department of Financial Institutions	$0	$0	$25	$15	$27	$28	OUTPUT ONLY

APPENDIX 2
CALIFORNIA ECONOMIC DEVELOPMENT SPENDING (in Thousands)

Agency	Line Item	Program	State Spending 1995-96	State Spending 1996-97	State Spending 1997-98	State Spending 1998-99	State Spending 1999-00	State Spending 2000-01	Evaluation/ Reporting Requirement
Budget Line Item Total			**$13,439**	**$28,266**	**$16,012**	**$27,817**	**$13,500**	**$77,904**	
Tax Expenditures									
TE		Employee Stock Ownership Plans (ESOPs) - Personal Income/Corporate Tax[3]	$0	$6,000	$4,000	$4,000	$4,000	$4,000	NONE
TE		Limited Partnerships Investment Source Rules - Personal Income Tax Exemption[3]	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	NONE
TE		Sale of Qualified Small Business Stock - Personal Income Tax Exclusion[3]	$0	$0	$0	$15,000	$26,000	$36,000	NONE
Tax Expenditure Total			**$10,000**	**$16,000**	**$14,000**	**$29,000**	**$40,000**	**$50,000**	
Business Capital and Funding Total			**$23,439**	**$44,266**	**$30,012**	**$56,817**	**$53,500**	**$127,904**	

APPENDIX 2
CALIFORNIA ECONOMIC DEVELOPMENT SPENDING (in Thousands)

Agency	Line Item	Program	State Spending 1995-96	State Spending 1996-97	State Spending 1997-98	State Spending 1998-99	State Spending 1999-00	State Spending 2000-01	Evaluation/ Reporting Requirement
8. MARKETING AND INTERNATIONAL MARKETS									
Budget Line Item Expenditures									
GG	8570-21.30	Agricultural Commodities and Marketing Services, Department of Food and Agriculture	$11,347	$10,706	$9,922	$9,872	$9,731	$11,541	OUTPUT ONLY
GG	8570-31	Assistance to Fairs and County Agricultural Activities, Department of Food and Agriculture	$46,281	$44,014	$52,707	$54,017	$45,639	$53,339	NONE
GG	8560-10	California Exposition and State Fair[27]	$16,912	$17,113	$11,683	$0	$0	$0	OUTPUT ONLY
TTC	2920-20.08	Commission on the Californias, International Trade and Investment Division	$0	$0	$0	$0	$0	$244	NONE
R	3360	Energy Technology Export Program, Transportation Energy Division, California Energy Commission[4]	$75	$318	$401	$385	$255	$267	EVALUATION/ OUTCOME
TTC	2920-20.50	Foreign Trade and Investment Offices (Overseas Offices), International Trade and Investment Division	$4,591	$4,638	$4,479	$4,516	$3,986	$4,891	OUTPUT ONLY
TTC	2920-20.60	Overseas Offices (Contract Offices), International Trade and Investment Division	$0	$0	$0	$0	$646	$1,667	OUTPUT ONLY
GG	8570-21.80	General Agricultural Activities (Export Promotion Program), Department of Food and Agriculture	$744	$865	$857	$1,550	$1,664	$5,136	NONE
TTC	2920-20.10	International Trade and Investment Headquarters, International Trade and Investment Division	$1,399	$1,575	$1,660	$1,396	$1,622	$1,552	NONE
TTC	2920-25	Marketing and Communications Division	$662	$666	$670	$710	$658	$1,167	OUTPUT ONLY
TTC	2920-20.09	Office of California-Mexico Affairs, International Trade and Investment Division	$287	$305	$295	$312	$405	$310	NONE
TTC	2920-20.30	Office of Export Development (OED), International Trade and Investment Division	$1,399	$1,227	$1,307	$1,331	$1,337	$1,944	EVALUATION/ OUTCOME
TTC	2920-20.30	Environmental Technology Export Program, OED, International Trade and Investment Division	(Included under Office of Export Development above)						NONE
TTC	2920-20.30	Overseas Procurement Opportunities Program, OED, International Trade and Investment Division	(Included under Office of Export Development above)						NONE
TTC	2920-20.20	Office of Export Finance, International Trade and Investment Division	$3,433	$1,763	$2,393	$1,215	$1,774	$1,725	EVALUATION/ OUTCOME

APPENDIX 2
CALIFORNIA ECONOMIC DEVELOPMENT SPENDING (in Thousands)

Agency	Line Item	Program	State Spending 1995-96	State Spending 1996-97	State Spending 1997-98	State Spending 1998-99	State Spending 1999-00	State Spending 2000-01	Evaluation/ Reporting Requirement
TTC	2920-20.40	Office of Foreign Investment, International Trade and Investment Division	$598	$643	$638	$590	$783	$794	NONE
TTC	2920-30	Tourism Division	$7,246	$7,314	$7,314	$7,336	$7,321	$7,369	OUTPUT ONLY
TTC	2920-30	California Welcome Centers, Tourism Division	(Included under Tourism Division above)						NONE
Budget Line Item Total			**$94,974**	**$91,147**	**$94,326**	**$83,230**	**$75,821**	**$91,946**	

Marketing and International Markets Total	**$94,974**	**$91,147**	**$94,326**	**$83,230**	**$75,821**	**$91,946**
TOTAL BUDGET LINE ITEM SPENDING	**$1,109,525**	**$1,213,175**	**$1,324,907**	**$1,534,971**	**$1,575,704**	**$2,258,940**
TOTAL TAX EXPENDITURES	**$4,150,200**	**$4,963,700**	**$5,003,100**	**$5,203,800**	**$5,407,700**	**$5,513,900**
TOTAL STATE SPENDING ON ECONOMIC DEVELOPMENT	**$5,259,725**	**$6,176,875**	**$6,328,007**	**$6,738,771**	**$6,983,404**	**$7,772,840**

ENDNOTES - APPENDIX 2

[1] Data from the Technology, Trade, and Commerce Agency.
[2] Property tax expenditures primarily result in local revenue loss. To the extent that the expenditures reduce local funds for schools, there is a state revenue loss due to the Proposition 98 constitutional guarantee for school funding.
[3] Data for 1995-96, 1996-97, 1997-98, and 1998-99 are actual revenue losses, data for 1999-00 and 2000-01 are projections.
[4] Data from the California Energy Commission. Includes expenditures and encumbrances but not personnel and operating costs. Program funding for many of these programs increased significantly in 2000-01 due to the state energy crisis. The Energy Cooperatives Development Program is funded entirely with federal money.
[5] Due to lack of available data, the 1996-97 estimate was used for 1995-96 and the 1998-99 estimate was used for 1999-00 and 2000-01.
[6] 1995-96 spending for the Boating Facilities Program was not available. Source for 1996-97 through 1998-99: Department of Finance (may include reimbursements). Source for 1999-00 through 2000-01: Governor's 2001 Budget.
[7] Data from the Department of Housing and Community Development. The Downtown Rebound, Economic Development/Jobs-Housing Balance, Inter-Regional Partnerships for Jobs-Housing Balance, Jobs-Housing Balance Incentive Grants, and Urban Predevelopment Loan/ Jobs-Housing Balance programs all began in 2000-01.
[8] The Urban Waterfront Area Restoration Financing Authority and the Pollution Control Financing Authority are funded with proceeds of bond sales.
[9] Until 2001, the Infrastructure Bank was under the Office of Local Development in TTC and was not broken out separately in the Budget. The 1998-99 and 1999-00 Budgets also allocated funds (not reflected in this chart) to be used as working capital over subsequent years: $50 million and $425 million, respectively. The 2000-01 amount includes $200 million for the Infastructure Bank Fund; the 2001-02 Budget transferred $277 million from the Bank to the General Fund.
[10] Funding for the Jobs-Housing Balance Incentive Program will not be awarded until 2002. The original $100 million was reduced by $41 million in the 2001-02 Budget Bill, to $59 million. Governor Gray Davis proposed 2001-02 Budget cuts in November 2001 including a proposal to return the $59 million remaining in this program to the General Fund.
[11] The Office of Local Development administers several programs, including the California Technology Investment Partnership (CalTIP). Funding for the Regional Technology Alliances (2920-07), also listed in Category 3, comes out of the CalTIP Program. The Regional Technology Alliances funding has been subtracted from the Office of Local Development funding in order to avoid double-counting.
[12] The Office of Military Base Retention and Reuse was broken out separately for the first time in the 2000-01 Budget. It was originally under the Office of Local Development in the TTC.
[13] Data was not available to allow the Franchise Tax Board to estimate revenue losses for this provision.
[14] The significant increase in credits claimed in 1998-99 forward reflect program expansions and the sunset of the Los Angeles Revitalization Zone (LARZ). When the LARZ sunset, businesses located in LARZ areas that overlapped with existing Enterprise Zones were allowed to claim Enterprise Zone credits.
[15] The LARZ sunset on December 1, 1998; revenue losses in the following years are due to the use of carryover credits.
[16] The Economic Research and Strategic Initiatives Division (ERSID) was originally called the Division of Policy and Planning. It was changed to ERSID in the 1999-00 Budget.
[17] Amounts for 1997-98, 1998-99, 1999-00, and 2000-01 are the midpoints of estimates reported as ranges.
[18] Board of Equalization estimate for 1997-98 used for all years.
[19] Personnel costs for the Permit Assistance Centers were originally included in the budgets of the various participating departments, all of which were broken out under Special Environmental Programs (3985). Beginning in 1999-00, funding was transferred to the Secretary of Environmental Protection (555-20); it was not broken out by department in the Budget from 1998-99 forward.
[20] These functions were originally covered under Program Direction and Support (3960-16) and the External Affairs Program (3960-17); functions were transferred to the Science, Engineering, and Technology Program beginning in 1996-97. The program name was changed to Science, Pollution Prevention, and Technology in 1998-99.
[21] Beginning in 2000-01, the Planning and Enforcement Program (3910-10), the Disposal Site Cleanup and Maintenance Program (3910-15), and the Waste Reduction and Resource Recovery Program (3910-20) were consolidated into the Waste Management and Reduction Program.
[22] The Bureau for Private Postsecondary and Vocational Education in the Department of Consumer Affairs (DCA) replaced the Council for Private Postsecondary and Vocational Education. Program administration was transferred to DCA effective January 1, 1998.
[23] The California Occupational Information Coordinating Committee is a federal program administered by the state.
[24] The California State Council on Vocational Education ceased operation in March 1997 due to federal legislation that eliminated state boards of vocational education.
[25] The Senior Community Service Employment Program is a federal program administered by the state. The program received state funds in 2000-01 to cover costs related to the increase in the state's minimum wage.
[26] The Workforce Investment Act (WIA), passed by Congress in 1998, replaced the Job Training Partnership Act (JTPA) effective July 1, 2000. The WIA Program under the Employment Development Department replaced the JTPA Program under the Employment Development Department (5100-60). The JTPA-Employment Training Program at the California Community Colleges was renamed the Workforce Preparation Program in 2000-01.
[27] The Enterprise Fund for the State Fair was eliminated as of January 1, 1998 and oversight authority was given to the Department of Food and Agriculture. The Department does not break this item out separately in its budget.

Appendix 3
Program Evaluation/Reporting Requirements

Appendix 3 lists statutorily required reports for the economic development programs included in Appendix 1. Appendix 3 is divided into the eight categories used in this report, and programs are listed in the same order as in Appendices 1 and 2. This chart includes a brief description of the requirement, the California Code section or Supplemental Budget Report reference, and the entity to which the program must report. It also indicates whether the reporting requirement is one-time or annual. This information was compiled from state codes and conversations with program administrators, and was confirmed wherever possible by program administrators. It is important to note that Appendix 3 does ***not*** address the issue of whether the required reports are actually being prepared, submitted, and/or reviewed. Reports were not reviewed by the CBP for content or completeness. Categorization of reporting requirements as output or evaluation/outcome (see Appendix 2) was based on a review of statutory requirements and/or conversations with program staff.

Agency Key:

BTH	Business, Transportation, and Housing Agency
E	Education
EP	Environmental Protection Agency
GG	General Government
HW	Health and Human Services Agency
LJE	Legislative, Judicial, and Executive
R	Resources Agency
SCS	State and Consumer Services Agency
TE	Tax Expenditure
TTC	Technology, Trade, and Commerce Agency

Reference Key:

BPC	Business and Professions Code
CORP	Corporations Code
EDUC	Education Code
FAC	Food and Agriculture Code
FIN	Financial Code
GOV	Government Code
HNC	Harbors and Navigation Code
HSC	Health and Safety Code
LAB	Labor Code
MVC	Military and Veterans Code
PCC	Public Contract Code
PRC	Public Resources Code
PUC	Public Utilities Code
RTC	Revenue and Taxation Code
UIC	Unemployment Insurance Code

APPENDIX 3
CALIFORNIA ECONOMIC DEVELOPMENT PROGRAM EVALUATION/REPORTING REQUIREMENTS

AGENCY	PROGRAM	REFERENCE	EVALUATION/REPORTING REQUIREMENT	TO WHOM	FREQUENCY (DEADLINE)
1. DEVELOPING PRODUCTS & IMPROVING MANUFACTURING PROCESSES					
Budget Line Item Expenditures					
TTC	**Manufacturing Technology Program, Division of Science, Technology, and Innovation**	2000 and 2001 Budget Acts, Supplemental Reports	Report on implementation of competitiveness strategy, including specified fiscal and performance data.	Legislature	Twice: 3/1/01, 3/1/02
TTC	**Office of Strategic Technology, Division of Science, Technology, and Innovation**[1]	GOV §15333.5(g)(3)	Office must monitor and evaluate programs and projects to ensure contract compliance and performance agreements.		
Tax Expenditures					
TE	**Capital Investment Incentive Program (CIIP) - Property Tax Abatement**	GOV §51298	Counties and cities that establish programs must notify the TTC of payment amount and to whom any capital investment incentive payments were made each year. The TTC must compile this information and submit it every two years.	Legislature	Biennial
TE	**Economic Revitalization Manufacturing Property - Property Tax Rebate**	RTC §5108 (e)	The Legislative Analyst's Office must prepare a report listing the local agencies utilizing the abatement, the dollars expended per agency, the number of jobs created per agency, estimates of the share of new jobs in the jurisdiction that would have been in another state or jurisdiction without the abatement, and the cost per job. The report must include a comparison of this program to other economic development tools, as well as recommendations regarding the program's continuation.	Legislature	One-time: 1/1/02
TE	**Investments by New Manufacturers - Sales and Use Tax Exemption**	RTC §6377 (g)(2)(A)	The Employment Development Department must report the increase in the number of jobs in California's manufacturing sector, excluding the aerospace sector, over the total manufacturing employment of January 1, 1994. If manufacturing jobs do not exceed the 1994 sector employment level by 100,000 in any year after 2001, the credit will cease to be operative.	Legislature	Annual
TE	**Joint Strike Fighter - Personal Income/Corporate Tax Credit**		None		

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CALIFORNIA ECONOMIC DEVELOPMENT PROGRAM EVALUATION/REPORTING REQUIREMENTS

AGENCY	PROGRAM	REFERENCE	EVALUATION/REPORTING REQUIREMENT	TO WHOM	FREQUENCY (DEADLINE)
TE	**Manufacturers' Investment Credit (MIC) - Personal Income/Corporate Tax Credit**	RTC §23649(h)(2)(A)	The Employment Development Department must report the increase in the number of jobs in California's manufacturing sector, excluding the aerospace sector, over the total manufacturing employment of January 1, 1994. If manufacturing jobs do not exceed the 1994 sector employment level by 100,000 in any year after 2001, the credit will cease to be operative.	Legislature	Annual
TE	**Teleproduction and Postproduction Equipment - Sales and Use Tax Exemption**		None		

APPENDIX 3
CALIFORNIA ECONOMIC DEVELOPMENT PROGRAM EVALUATION/REPORTING REQUIREMENTS

AGENCY	PROGRAM	REFERENCE	EVALUATION/REPORTING REQUIREMENT	TO WHOM	FREQUENCY (DEADLINE)
2. PROMOTING RESEARCH AND TECHNOLOGY					
Budget Line Item Expenditures					
R	**Geothermal Resources Development Account Program, Technology Systems Division, California Energy Commission**	PRC §3822.1	Report on projects recommended for funding.	Joint Legislative Budget Committee, Department of Finance, and Legislative Analyst	When projects have been selected through the solicitation process
R	**Public Interest Energy Research (PIER) Program, Technology Systems Division, California Energy Commission**	1. PRC §25620.5(h) 2. PRC §25620.8	1. Report on the status of awards under the program for the past six months. 2. Report including the status of individual projects, significant events, and activities under the program.	Legislature and Governor	1. Semi-annual 2. Annual
R	**Renewable Energy Program, Technology Systems Division, California Energy Commission**	1. PUC §445(f) 2. PUC §445(g) 3. 1999 Budget Act, Supplemental Report	1. Report on the status of cash flow of individual program accounts. 2. Report on the status of awards and forecast of future awards. 3. Report listing each project, significant activities, and events, as well as the status of funding encumbrances and payments.	1,2. Legislature and Governor 3. Legislative Analyst	1. Annual 2. Quarterly 3. Annual
Tax Expenditures					
TE	**Aircraft Ground Control Stations Sold for Use Outside California - Sales and Use Tax Exemption**		None		
TE	**Computer Programs - Property Tax Exemption**		None		
TE	**Contributions of Computers and Scientific Equipment to Educational Institutions - Corporate Tax Deduction**		None		
TE	**Custom Computer Programs - Sales and Use Tax Exemption**		None		
TE	**Enhanced Oil Recovery Costs - Personal Income/Corporate Tax Credit**		None		
TE	**Expensing of Mining Exploration, Development, Research, and Experimental Costs - Personal Income/Corporate Tax**		None		

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CALIFORNIA ECONOMIC DEVELOPMENT PROGRAM EVALUATION/REPORTING REQUIREMENTS

AGENCY	PROGRAM	REFERENCE	EVALUATION/REPORTING REQUIREMENT	TO WHOM	FREQUENCY (DEADLINE)
TE	**Intangible Property - Sales and Use Tax Exemption**		None		
TE	**Master's Degree in Flight Test Technology - Property Tax Exemption**		None		
TE	**Percentage Allowance for Depletion of Mineral and Other Natural Resources - Personal Income/Corporate Tax**		None		
TE	**Property Used in Space Flights - Sales and Use Tax Exemption**		None		
TE	**Research and Development - Personal Income/Corporate Tax Credit**		None		

APPENDIX 3
CALIFORNIA ECONOMIC DEVELOPMENT PROGRAM EVALUATION/REPORTING REQUIREMENTS

AGENCY	PROGRAM	REFERENCE	EVALUATION/REPORTING REQUIREMENT	TO WHOM	FREQUENCY (DEADLINE)
3. DEVELOPING LOCAL ECONOMIES					
Budget Line Item Expenditures					
BTH	**Aeronautics Division, Department of Transportation**		None[2]		
R	**Boating Facilities Program, Department of Boating and Waterways**	HNC §63.6	Report on Department operations including loans made in past two years, the status of loans, the amount of loans, and legislative recommendations.	Legislature, Governor, and Boating and Waterways Commission	Biennial
BTH	**California Indian Assistance Program, Community Affairs Division, Department of Housing and Community Development**		None		
LJE	**California Urban Waterfront Area Restoration Financing Authority**	PRC §32065	Report including applications received or accepted, specification of bonds sold or authorized, projections of next year's needs, and revenues and expenditures for the prior year.[3]	Legislature	Annual
BTH	**Downtown Rebound Programs, Community Affairs Division, Department of Housing and Community Development**		None		
BTH	**Economic Development/Jobs-Housing Balance Program, Community Affairs Division, Department of Housing and Community Development**	HSC §50543(f)	Interim progress report, including the number of jurisdictions assisted by the program and a final report that includes program achievements.	Legislature	Twice: 12/31/02, 12/31/05
TTC	**Infrastructure and Economic Development Bank (IEDB)**	GOV §63035 - 63035.5	Report including list of applications accepted with expected employment impact, specification of bonds sold, amount of public and private funds leveraged, revenues and expenditures for the prior year, projections of needs for the upcoming year, and recommendations for state and federal law changes.	Joint Legislative Budget Committee, Governor, Legislative Analyst, and Legislative Counsel	Annual; quarterly during FY 1999-00 and 2000-01
TTC	Conduit Revenue Bond Program, IEDB		None		
TTC	Infrastructure State Revolving Fund Program, IEDB		None		

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CALIFORNIA ECONOMIC DEVELOPMENT PROGRAM EVALUATION/REPORTING REQUIREMENTS

AGENCY	PROGRAM	REFERENCE	EVALUATION/REPORTING REQUIREMENT	TO WHOM	FREQUENCY (DEADLINE)
TTC	Rural Economic Development Infrastructure Program, IEDB	GOV §15373.25(e)	Report on rural economic development activities including a list of approved applications; a revenue and expenditure summary and estimate for coming year; and an evaluation of program success including jobs created, business attracted, and revenues generated.		Annual
BTH	**Inter-Regional Partnerships for Jobs-Housing Balance Program, Community Affairs Division, Department of Housing and Community Development**	HSC §50543(f)	Interim progress report including the number of jurisdictions assisted by the program and a final report that includes program achievements.	Legislature	Twice: 12/31/02, 12/31/05
BTH	**Jobs-Housing Balance Incentive Grants Program, Community Affairs Division, Department of Housing and Community Development**	HSC §50543(f)	Interim progress report including the number of jurisdictions assisted by the program and a final report that includes program achievements.	Legislature	Twice: 12/31/02, 12/31/05
TTC	**Office of Business Development (OBD), Economic Development Division**	GOV §15330.05	Report on the efficiency and economic benefits of establishing an Inland Empire Distribution Center.	Joint Legislative Budget Committee, Appropriations Committees, Legislative Analyst, Department of Finance, Department of General Services, and Auditor General	One-time: 7/1/01
TTC	California Main Street Program, OBD, Economic Development Division	GOV §15399.8	Agency report must include program effectiveness, identification, and evaluation of operational and financial options, as well as an assessment of whether this program should be more closely linked with other state efforts.	Legislature	Annual
TTC	Office of Major Corporate Projects, OBD, Economic Development Division		None		Annual
TTC	Old Growth Diversification Revolving Loan Program, OBD, Economic Development Division	(Federal)[4]	This program is federally funded and provides annual reports to the federal government.	USDA, US Forest Service	Annual
TTC	Sudden and Severe Economic Dislocation Loan Program, OBD, Economic Development Division	(Federal)[4]	This program is federally funded and provides annual reports to the federal government.	US Economic Development Administration	Annual
TTC	Team California, OBD, Economic Development Division		None[5]		

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AGENCY	PROGRAM	REFERENCE	EVALUATION/REPORTING REQUIREMENT	TO WHOM	FREQUENCY (DEADLINE)
TTC	**Office of Local Development (OLD), Economic Development Division**		(See OLD programs below).		
TTC	California Rural Development Council, OLD, Economic Development Division	GOV §15373.113	Report including summary of Council activities, recommendations for future action, and an accounting of the source and use of funds disbursed in the prior fiscal year.	Legislature and Governor	Annual
TTC	Job Creation Investment Fund Grant Program, OLD, Economic Development Division	GOV §15365.56	Report including analysis of the local economy and labor market; inventories of local economic development activities and programs; inventory of Welfare-to-Work projects; regional strategic planning; and recommendations for additional state action.	Governor, Assembly and Senate Budget Committees, and Assembly and Senate Human Services Committees	One-time: 4/1/98
TTC	**Office of Military Base Retention and Reuse (OMBRR), Economic Development Division**		See OMBRR programs below.		
TTC	Defense Adjustment Matching Grant Program, OMBRR, Economic Development Division		None		
TTC	Defense Conversion Clearinghouse, OMBRR, Economic Development Division		None		
TTC	Defense Conversion Council, OMBRR, Economic Development Division	1. GOV §15346.5(a) 2. GOV §15346.5(d)(1) 3. GOV §15346.9	1. Development of a strategic plan for state and local military base retention and conversion efforts. 2. Evaluation of existing state military base retention and conversion programs, including recommendations on elimination of programs. 3. Study considering strategies for long-term protection of lands adjacent to military bases, as well as effects of local land use issues.	1. Legislature and Governor 2. Legislature 3. Legislature and Governor	1. One-time: 12/1/00 2. Twice: 11/1/00, 11/1/03 3. One-time: 11/30/00
TTC	**Regional Technology Alliances, Division of Science, Technology, and Innovation**	GOV §15379.12	Agency report must include this program.	Legislature and Governor	Annual
BTH	**State Community Development Block Grant (CDBG) Program, Community Affairs Division, Department of Housing and Community Development**	HSC §50834(e)	Department report on CDBG activity.	Chairs of Appropriate Legislative Committees and TTC	Annual

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CALIFORNIA ECONOMIC DEVELOPMENT PROGRAM EVALUATION/REPORTING REQUIREMENTS

AGENCY	PROGRAM	REFERENCE	EVALUATION/REPORTING REQUIREMENT	TO WHOM	FREQUENCY (DEADLINE)
BTH	**Urban Predevelopment Loan Program/Jobs-Housing Balance Program, Community Affairs Division, Department of Housing and Community Development**	HSC §50532(f)	Report including the number of units assisted, rents in assisted units, the number and amount of loans made, and recommendations to improve operations.	Legislature and Governor	Annual
Tax Expenditures					
TE	**Deposits in Community Development Finance Institutions (CDFI) - Personal Income/Corporate Tax Credit**	RTC §23657(d)(3)	The California Organized Investment Network must provide a list of the taxpayers issued certificates to claim tax credits, the amount of the qualified deposit made by each taxpayer, and the total amount of qualified deposits.	Franchise Tax Board	Annual
TE	**Enterprise Zones (EZs) - Various Tax Expenditures**	GOV §7085-7085.5	The TTC must evaluate the effectiveness of the Enterprise Zone Act on employment, investment, incomes, and state and local tax revenues in designated EZs. If an EZ fails to meet at least 75 percent of the goals and commitments made in its application, the TTC can de-designate the area. If this happens, businesses may continue to claim tax incentives for a period equal to the original life of the EZ.	Joint Legislative Budget Committee	Every five years: next due 1/1/03
TE	**Income from Investments in Economically Depressed Areas (Enterprise Zones and Los Angeles Revitalization Zone) - Personal Income/Corporate Tax Exclusion**	RTC §24384.5	See Enterprise Zone requirements above.		
TE	**Local Agency Military Base Recovery Area Program (LAMBRA) - Various Tax Expenditures**	GOV §7115	The TTC must report on the effects of the LAMBRA program on employment, investment, incomes, and state and local tax revenues within Areas. The TTC must also report the dollar value of LAMBRA credits claimed by businesses each year.	Legislature	Annual
TE	**Los Angeles Revitalization Zone(LARZ) - Various Tax Expenditures**		None		
TE	**Manufacturing Enhancement Areas (MEAs) - Various Tax Expenditures**	GOV §7073.8(a)(5)	The TTC must audit the program at end of the fifth and tenth years to determine the effectiveness of the designation in attracting manufacturing facilities and creating new employment opportunities. Continuation of the designation is contingent on evidence of program success.	Not Specified	Twice: fifth and tenth year of the program

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TE	**Targeted Tax Area - Various Tax Expenditures**	GOV §7097(e)	The TTC must conduct audits of program operations. Program deficiencies are to be reported to the Area's governing body, which has six months to correct problems or risk losing its designation.	Governing Body of the Targeted Tax Area	Periodically: not specified

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4. PLANNING & MANAGEMENT SUPPORT FOR BUSINESSES					
Budget Line Item Expenditures					
TTC	**Administrative and Finance Division**	1. PCC §10115.5 2. PCC §10359 3. PRC §42926	1. Report identifying agency's total participation by minority, women, and disabled veteran owned business enterprises. 2. Report by all state agencies on consulting contracts entered into during the prior fiscal year. 3. Report summarizing agency's progress in reducing solid waste as required by PRC §42921.	1,2. Legislature and Governor 3. Legislature	Annual
TTC	**California Film Commission, Economic Development Division**	GOV §15378(c)	Report including median, minimum, and maximum processing times for permits, as well as a description of the appeals process.	Legislature and Governor	Annual
TTC	Film California First Program, California Film Commission, Economic Development Division	GOV §15363.73(e),(f)	Report including all entities that received program funds, amounts received, and public services reimbursed. Final report including an independent audit of beneficiaries of Film California First expenditures and program impact on job retention and creation in California.	Joint Legislative Budget Committee and Governor	Annual: final due 1/1/04
GG	**Conciliation of Employer-Employee Disputes, Department of Industrial Relations**		None		
TTC	**Economic Research and Strategic Initiatives Division (ERSID)**	UIC §11014	Report analyzing a project to develop an integrated state workforce development plan, including recommendations for expansion of regional collaboratives and legislative changes needed to promote the development of regional collaboratives.	Joint Legislative Budget Committee and Governor	Annual: final due 7/1/01
TTC	California Economic Strategy Panel, ERSID	GOV §15363.10	Economic development strategic plan, including economic goals for state, priority issues, proposals for reforms to improve business and economy, evaluation of the effectiveness of state economic development programs, list of key industries on which to focus state efforts, and strategies to foster job growth and economic development.	Joint Legislative Budget Committee and Governor	Biennial
TTC	Office of Economic Research, ERSID		None		
TTC	Regulation Review Unit, ERSID		None		
GG	**Membership, Coastal States Organization**		None		
GG	**Membership, Pacific Fisheries Legislative Task Force**		None		

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GG	**Membership, Western States Legislative Forestry Task Force**		None		
TTC	**Regional Offices, Economic Development Division**	GOV §15323.5	The San Diego office must submit a report recommending methods, programs, and policies to improve the growth of jobs, income, and standards of living along the border.	Legislature and Governor	At least annually
Tax Expenditures					
TE	**Accelerated Depreciation for Equipment - Personal Income Tax**		None		
TE	**Accelerated Depreciation for Diseased Grapevines - Personal Income/Corporate Tax**		None		
TE	**Aircraft Being Repaired - Property Tax Exemption**		None		
TE	**Aircraft Jet Fuel Used by Common Carriers and the Military - Fuel Tax Exemption**		None		
TE	**Aircraft Repair and Related Equipment - Sales and Use Tax Exemption**		None		
TE	**Animal Feed - Sales and Use Tax Exemption**		None		
TE	**Animal Life - Sales and Use Tax Exemption**		None		
TE	**Artwork Produced at Social Gatherings - Sales and Use Tax Exemption**		None		
TE	**Blood Collection and Blood Pack Units - Sales and Use Tax Exemption**		None		
TE	**Cargo Containers for Food - Sales and Use Tax Exemption**		None		
TE	**Carryforward of Net Operating Losses - Personal Income/Corporate Tax**		None		
TE	**Containers - Sales and Use Tax Exemption**		None		

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TE	**Diseased Grapevines - Property Tax Assessment**		None		
TE	**Expensing of Agricultural Costs - Personal Income/Corporate Tax**		None		
TE	**Expensing of Circulation Costs for Periodicals - Personal Income/Corporate Tax Deduction**		None		
TE	**Farmland Security Zones - Property Tax Assessment**	GOV §16154	The Resources Agency must gather information that is necessary for program and administration and periodic review from local government agencies on lands in Farmland Security Zones.	Legislature and State Agencies including the Board of Equalization, the Department of Education, and the Department of Agriculture	Upon request only
TE	**Food Animal Medicines - Sales and Use Tax Exemption**		None		
TE	**Fruit Trees, Nut Trees, and Grapevines - Property Tax Exemption**		None		
TE	**Fuel Sold to Air Common Carriers for International Flights - Sales and Use Tax Exemption**		None		
TE	**Internationally Registered Vehicles - Vehicle License Fee Reduction**		None		
TE	**Leases of Motion Pictures - Sales and Use Tax Exemption**		None		
TE	**Leases of Specified Linens - Sales and Use Tax Exemption**		None		
TE	**Master Tapes and Master Records - Sales and Use Tax Exemption**		None		
TE	**Minimum Franchise Tax Exemption for Credit Unions - Corporate Tax**		None		

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TE	**Minimum Franchise Tax Exemption for New Corporations - Corporate Tax**		None		
TE	**Minimum Franchise Tax Exemption for New Small Businesses - Corporate Tax**		None		
TE	**Motion Picture Production Services - Sales and Use Tax Exemption**		None		
TE	**Occasional Sales of Vehicles, Vessels, or Aircraft - Sales and Use Tax Exemption**		None		
TE	**Partnership Property Used to Produce Motion Pictures - Sales and Use Tax Exemption**		None		
TE	**Poultry Litter - Sales and Use Tax Exemption**		None		
TE	**Printed Advertising Materials - Sales and Use Tax Exemption**		None		
TE	**Qualified Fertilizer - Sales and Use Tax Exemption**		None		
TE	**Railroad and Related Equipment - Sales and Use Tax Exemption**		None		
TE	**Sale-Leasebacks Involving Certain Governmental Entities - Sales and Use Tax Exemption**		None		
TE	**Seeds and Plants - Sales and Use Tax Exemption**		None		
TE	**Single-Use Mailing Lists - Sales and Use Tax Exemption**		None		
TE	**Subchapter S Corporation Tax Rate - Personal Income/Corporate Tax**		None		
TE	**Subscription Periodicals - Sales and Use Tax Exemption**		None		
TE	**Tax Liability on Bad Debts - Sales and Use Tax Exemption**		None		
TE	**Trade Show and Convention Sales - Sales and Use Tax Nexus**		None		

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TE	**Use of Refiners' Gas - Sales and Use Tax Exemption**		None		
TE	**Vessels that Transport Over 1000 Tons - Sales Tax Exemption**		None		

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TE	**Water's Edge Election - Corporate Tax**		None		
TE	**Watercraft Common Carrier Fuel - Sales and Use Tax Exemption**		None		

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5. FACILITATING REGULATORY COMPLIANCE					
Budget Line Item Expenditures					
LJE	**California Alternative Energy and Advanced Transportation Financing Authority**	1. PRC §26017 2. AB 29 (Kehoe), Chapter 8, Statutes of 2001 First Extraordinary Session	1. Report including applications received or accepted, bonds sold or authorized, projections of next year's needs, and a report of revenues and expenditures for the prior year. 2. Reports on renewable energy programs must be filed as follows: an interim report by 1/1/02; a final report by 7/1/02; and annual reports for continuing programs.	1. Legislature 2. Joint Legislative Budget Committee, Appropriations Committees, and Governor	Annual
LJE	**California Pollution Control Financing Authority**	1. HSC §44538 2. HSC §44559.6	1. Report including applications received or accepted, specification of bonds sold or authorized, projections of next year's needs, and a report of revenues and expenditures for the prior year. 2. Financial condition and programmatic results.	1. Legislature and State Treasurer 2. Legislature and Governor	Annual
R	**Coastal Resources Development Program, State Coastal Conservancy**		None		
R	**Energy Facility Licensing (Siting) Program, Systems Assessment and Facility Siting Division, California Energy Commission**		None		
R	**Energy-Water Connection Program, Energy Efficiency and Demand Analysis Office, California Energy Commission**		None		
TTC	**Office of Permit Assistance, Economic Development Division**	GOV §15399.51(b)(2)	Evaluation of the extent to which the program has resulted in an expedited permit process and a report of findings and conclusions.	Legislature	One-time: 1/1/96
EP	**Permit Assistance Centers, Secretary for Environmental Protection**	PRC §71040(c)	Report including the number of permits issued, expedited, or streamlined by each center; the number and type of businesses assisted by each center; and how business assistance has improved environmental protection.	Legislature and Governor	Annual
EP	**Science, Pollution Prevention, and Technology Program, Department of Toxic Substances Control**	1. HSC §25244.11 2. HSC §25244.15(e)[6]	1. Report including the status, funding, and results of all demonstration and research projects awarded grants, including recommendations and identification of state and federal incentives to accelerate activities.[7] 2. Report recommending goals for pollution prevention for 2000-07.	1. Legislature and Governor 2. Legislature	1. Annual 2. One-time: unspecified[8]

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EP	**Site Mitigation Program, Department of Toxic Substances Control**	1. HSC §25171 2. Annual Budget Act Language for the Department 3. SB 923, Chapter 435, 1994, Section 4 (program established under HSC §25396)	1. Report on alternative technologies, including the cost of each.[9] 2. Report on funds allocated for National Priorities List and State Orphan Sites. 3. Report on Expedited Remedial Action Program (pilot) including implementation activities, sites selected for response action, sites issued completion certificates, evaluation of program effectiveness in expediting cleanup of selected sites, and comparison of program effectiveness with other Department cleanup programs.	1. Public 2,3. Legislature and Governor	Annual
EP	**Waste Reduction & Management Program, Integrated Waste Management Board**	PRC §40507	Progress report on all program activities including status of certification and evaluation of local enforcement agencies, costs and benefits of tire recycling, effectiveness of public education efforts, and summary of available and wanted material.	Legislature	Annual
Tax Expenditures					
TE	**Accelerated Depreciation for Pollution Control Equipment - Personal Income/Corporate Tax**		None		
TE	**Accelerated Depreciation for Reforestation Expenditures - Personal Income/Corporate Tax**		None		
TE	**Active Solar Energy Systems - Property Tax Exemption**		None		
TE	**Leach Pads, Tailing Facilities, and Settling Ponds - Property Tax Assessment**		None		
TE	**Rice Straw - Personal Income/Corporate Tax Credit**	RTC §23610 (f)(6)	The Department of Food and Agriculture must report the number of tax credit certificates issued, the type of businesses receiving certificates, a general list of methods used to process the straw, and recommendations for issuing the credits to maximize the long-term use of the rice	Legislature	Annual
TE	**Salmon and Steelhead Trout Habitat Restoration - Personal Income/Corporate Tax Credit**	RTC §17053.66 (e)(4)	The Department of Fish and Game must provide a list of the qualified taxpayers issued certification and the allowable amount the credit allocated to each taxpayer.	Franchise Tax Board	Annual
TE	**Underground Storage Tanks - Property Tax Assessment**		None		

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AGENCY	PROGRAM	REFERENCE	EVALUATION/REPORTING REQUIREMENT	TO WHOM	FREQUENCY (DEADLINE)
6. DEVELOPING A SKILLED WORKFORCE					
Budget Line Item Expenditures					
E	**Adult Education, Department of Education**	1. 2000 Budget Act, Section 6110-156 and EDUC §8007 2. Workforce Investment Act of 1998, Title II Adult Education and Family Literacy Act	1. Programs receiving CalWORKs funds must collect information on program funding and sources, types and amounts of services, participant characteristics, and program outcomes and submit it to the state annually. Adult education programs receiving federal funds must comply with federal Perkins Act reporting requirements. 2. Adult education and literacy providers receiving federal funds must comply with the National Reporting System requirements including: educational gains and follow-up measures for participants entering or retaining employment, participants receiving a high school diploma or GED, and placement of participants in post-secondary education or training.	1,2. Legislature, Legislative Analyst's Office, Department of Finance, California Department of Education, and US Department of Education	Annual
GG	**Apprenticeship and Other On-the-Job Training, Department of Industrial Relations**	LAB §3073.5	Report including analyses of program participants during the past five years, actions taken to assist programs that are not meeting affirmative action goals, disputed and resolved issues, applications received, and programs disapproved and why.	Legislature and Public	Annual
SCS	**Bureau for Private Postsecondary and Vocational Education, Department of Consumer Affairs Bureaus, Programs, and Divisions**	1. EDUC §94995 2. BPC §101.1(a), §473.1(b), §473.2 3. BPC §312, 327, 336	1. Report including "timely information" on enforcement activities and statistics on the number of schools and students within the Bureau's scope. 2. Report including mission, goals, objectives, and legal jurisdiction; enforcement priorities, complaint and enforcement data, budget expenditures (including per-case average), and case timeline data; fund condition; time and costs of the licensing process; and initiation of legislative or other initiatives. "Sunset review" to evaluate whether board has demonstrated need for continued existence. 3. Department report on activities including evaluation of consumer programs of all agencies; the number and general patterns of consumer complaints; action taken; results if available; recommendations; and information on success in obtaining and disseminating information with respect to other departments.	1. Legislature and California Postsecondary Education Commission 2. Joint Legislative Sunset Review Committee 3. Legislature and Governor	1. Annual 2. Every four years 3. Annual

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E	**California Occupational Information Coordinating Committee**	1998 Carl D. Perkins Vocational and Technical Education Act, Section 118	Report on activities.[4]	US Department of Education	Annual
E	California State Council on Vocational Education (expired in 1996)	1990 Carl D. Perkins Vocational and Applied Technical Education Act	State vocational education plan must include the development and implementation of standards and performance measures for assisted programs, progress made toward achieving goals outlined in previous plans, and a description of implementation of performance evaluations of local programs.	US Department of Education	Initial three-year plan; two-year plan thereafter; annual revisions as necessary
E	**Economic Development Unit (EDNet), California Community Colleges**	EDUC §88550(b)	Report including expenditures by type, industry cluster, and region; marketing efforts conducted; the type of services provided to colleges and employers; the number of businesses, students, and employees served; and identification of benchmarks and indicators.	Legislature and Governor	Annual
HW	**Employment and Employment-Related Services Program (EERSP), Employment Development Department**	UIC §9616.5	Report on program effectiveness including the number of jobs listed, the number of job seekers using the system, and the number of employers listing jobs in the system.	Legislature	One-time: 3/31/98
HW	Intensive Services Program, EERSP, Employment Development Department		None		
HW	Job Agent Program, EERSP, Employment Development Department	UIC §9614	Evaluation of program.[4]	Legislature and Governor	Annual
HW	Job Service Program, EERSP, Employment Development Department		None		
HW	Veterans Services Program, EERSP, Employment Development Department	1. MVC §974.5 2. PCC §10115.5	1. Joint report by EDD and the Department of Veterans Affairs. 2. Report identifying the Department's total Disabled Veteran-Owned Business Enterprise participation for each fiscal year.	1. Legislature 2. Legislature and Governor	1. One-time: 1/1/02 2. Annual
HW	Wagner-Peyser 10 Percent Projects, EERSP, Employment Development Department		None		
HW	**Employment Training Panel Program, Employment Development Department**	UIC §10205	Report including labor market information; evaluations of the effectiveness of training; demand for training by industry, training type, and employer size; and changes in the demographics of the labor force.	Legislature and Governor	Three-year plan with annual updates

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HW	**Senior Community Service Employment Program, Department of Aging**	Older Americans Act of 1965, Title V, as amended by PL 106-501, Sections 503(a) and 508	Governors of participating states must submit an annual State Senior Employment Services Coordinated Plan. State agencies receiving funds under Title V must report on state's compliance with program funding requirements.	US Secretary of Labor	Annual
E	**Vocational Education, Department of Education**	EDUC §8007	Report including enrollment, the number of graduates, dropout rates, the number of students trained for specific entry level occupations, and fiscal information.[10]	Legislature	Annual
E	**Agricultural Vocational Incentive Grant Program, Vocational Education, Department of Education**	1. EDUC §52461 2. Not required by statute	1. Grantees must submit Agricultural Incentive Grant Expenditure Reports outlining spending and certifying the required local funding match for agricultural equipment. Once every three years, the Department must conduct an onsite review, comparing sites to state program standards. 2. Department conducts onsite review of grantees, comparing sites to state program standards.	California Department of Education	1. Annual 2. Every three years
E	**Partnership Academies, Vocational Education, Department of Education**	1. EDUC §54696 2. EDUC §54697	1. The Superintendent of Public Instruction must contract for a four-year independent review of the effectiveness of the four academies, report preliminary results after FY1994-95, and submit a final evaluation after FY1996-97. Includes attendance rates, the number of students entering jobs, measures of business involvement, and high school graduation and completion. 2. The Superintendent of Public Instruction must select an entity to perform a long-term evaluation; district participation is voluntary.	Legislature	1. Twice: 1/96, 1/98 2. One-time: unspecified
E	**Regional Occupational Center Programs (ROC/Ps), Vocational Education, Department of Education**	1. 2000 Budget Act, Section 6110-156 and EDUC §8007 2. EDUC §52302.3	1. ROC/Ps receiving state funds for CalWORKs must collect information on program funding and sources, the types and amounts of services provided, participant characteristics, and program outcomes. ROC/Ps receiving federal funds must comply with federal Perkins Act reporting requirements. 2. ROC/Ps are evaluated to assess how well the programs meet documented labor market demand, student employment outcomes, student completion rates, and whether the programs duplicate other workforce development programs	1. Legislature 2. Appropriate Governing Body	1. Annual 2. Biennial

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E	**Vocational Education Unit, California Community Colleges**	EDUC §8007	Report including enrollment, the number of graduates, dropout rates, the number of students trained for specific entry-level occupations, and fiscal information. Evaluation of a representative sample of participating districts and schools as measured by factors such as the extent of participants' job placement and the extent to which employers consider participants to be well-prepared for work.[10]	Legislature	Annual
HW	**Workforce Investment Act Program, Employment Development Department**	Workforce Investment Act of 1998, PL 105-220	California's Strategic Five-Year Plan. As required by WIA, the Workforce Investment Board submitted an initial plan in March 2000 and a final plan update in December 2000. The Workforce Investment Board is responsible for submitting any modifications to the plan.	US Department of Labor	One-time: 12/31/00
HW	**Workforce Investment Act (WIA) Programs**[11]	Workforce Investment Act of 1998, PL 105-220, Chapter 6, Section 136(b), (d), (e)	State Workforce Investment Board must report on progress toward achieving state performance measures, including the number of participants entering unsubsidized employment, six-month job retention and earnings, attainment of high school diplomas, local area progress in achieving local performance measures, and the status of ongoing evaluation studies to promote the efficiency and effectiveness of the state workforce investment system.	US Department of Labor	Annual
E	**Workforce Preparation Unit, California Community Colleges**	UIC §11011(a)	Report by the Regional Workforce Preparation and Economic Development Act (RWPEDA) partnership (HW, TTC, CCC, and the Superintendent of Public Instruction) on how state, local, and regional agencies can deliver "seamless, high-quality" workforce development services.	Legislature and Governor	One-time: 10/1/99
Tax Expenditures					
TE	**Employer-Paid Graduate Education Expenses - Personal Income Tax Exclusion**		None		

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7. BUSINESS CAPITAL AND FUNDING					
Budget Line Item Expenditures					
LJE	**California Debt Limit Allocation Committee**		None		
LJE	**California Industrial Development Financing Advisory Commission**		None		
TTC	**Contracts, Grants, and Loans**		None		
R	**Energy in Agriculture Program, Energy Efficiency and Demand Analysis Office, California Energy Commission**		None		
R	**Energy Cooperatives Development Program, Systems Assessment and Facility Siting Division, California Energy Commission**	(Federal)[4]	Final report at the end of the grant (#DE-FG36-99G010428).	US Department of Energy	One-time: 9/02
TTC	**Office of Small Business (OSB), Economic Development Division**	1. GOV §15331.2 2. GOV §15335.11	1. Maintain a centralized small business information system and provide a statistical abstract of this data. 2. Agency report must include OSB actions taken to encourage the formation of small businesses, evaluation of corporations formed, and the number of businesses	1. Legislature 2. Legislature and Governor	Annual
TTC	Business Incubator Program, OSB, Economic Development Division	GOV §15339.3(f)	Evaluation of program including the number of applicants for grants, the number of incubators assisted, and the number of small businesses assisted.	Legislature	Biennial
TTC	California Small Business Loan Guarantee Program, OSB, Economic Development Division	1. CORP §14030.2(b), 14076(a) 2. 2000 Budget Act, Supplemental Report	1. Report on the loss experience for the program including the numbers of bond and loan guarantees awarded through the expansion fund. Report also on the financial status of corporations and their portfolio of loans and surety bonds guaranteed. 2. Analysis of the loan default rate and comparison to other default rates, including recommendations of how to minimize the default rate and/or how to make program more efficient.	1. Legislature and Governor 2. Joint Legislative Budget Committee, Legislative Analyst, and Legislative Counsel	1. Annual 2. One-time: 2/1/01
TTC	Commercial Fishing Vessel Fuel Conservation Program, OSB, Economic Development Division		None		

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TTC	Disaster Loan Guarantee Program, OSB, Economic Development Division	CORP §14037.7	Report including loan guarantees, approved or rejected, by gender, ethnicity, type of business and location, as well as by each participating loan institution.	Legislature	60 days after guaranteeing loans
TTC	Hazardous Waste Reduction Loan Program, OSB, Economic Development Division		None		
TTC	Replacement of Underground Storage Tank Program, OSB, Economic Development Division	GOV §15399.19.1(a), (b)	Performance report including the number and size of grants or loans made, characteristics of recipients, the number of tanks removed, and program funds spent. One-time report detailing the status of the program, remaining needs for candidates, and suggested statutory changes.	Legislature and Governor	Annual, plus one-time report due 4/1/01
TTC	Small Business Development Corporations Program, OSB, Economic Development Division	CORP §14076(a)	Report on financial status of the corporations and their portfolio of loans and surety bonds guaranteed.	Legislature and Governor	Annual
R	**Solar Energy and Distributed Generation Grants Program, Technology Systems Division, California Energy Commission**		None		
BTH	**Supervision of California Business and Industrial Development Corporations, Department of Financial Institutions**	FIN §256	Department report including lists of banks, savings associations, and credit unions that were licensed, as well as foreign banks licensed in California.	Legislature and Governor	Annual
Tax Expenditures					
TE	**Employee Stock Ownership Plans (ESOPs) - Personal Income/Corporate Tax**		None		
TE	**Limited Partnership Investment Source Rules - Personal Income Tax Exemption**		None		
TE	**Sale of Qualified Small Business Stock - Personal Income Tax Exclusion**		None		

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8. MARKETING AND INTERNATIONAL MARKETS					
Budget Line Item Expenditures					
GG	**Agricultural Commodities and Marketing Services, Department of Food and Agriculture**	FAC §58937(b)	Advisory boards that assist the director in administering each market order must be audited by a certified public accountant or by agreement with the Department of Finance.	Governor, Department Director, and State Controller	At least biannually
GG	**Assistance to Fairs and County Agricultural Activities, Department of Food and Agriculture**	BPC §19606.1(c), 19621(c)	Joint Committee must review and concur or not concur with the Secretary's determination of allocations to be made, but cannot add or delete.	Joint Committee on Fairs Allocation and Classification	Annual
GG	California Exposition and State Fair	FAC §3333	Report including financial condition, present operations, and future planned activities.	Legislature and Governor	Annual
TTC	**Commission on the Californias, International Trade and Investment Division**		None		
R	**Energy Technology Export Program, Transportation Energy Division, California Energy Commission**	PRC §25698	Report including description of international energy market prospects, evaluation of program activities, and recommendations for state initiatives.	Legislature and Governor	Biennial
TTC	**Foreign Trade and Investment Offices (Overseas Offices), International Trade and Investment Division**	GOV §15364.74(c)	Report on activities and expenditures of overseas offices, including recommendations for future offices and funding.	Legislature and Governor	Annual
GG	**General Agricultural Activities (Export Promotion Program), Department of Food and Agriculture**		None		
TTC	**International Trade and Investment Headquarters, International Trade and Investment Division**		None		
TTC	**Marketing and Communications Division**	GOV §15363.7	Report on foreign and domestic business development marketing programs.		Annual
TTC	**Office of California-Mexico Affairs, International Trade and Investment Division**		None		

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CALIFORNIA ECONOMIC DEVELOPMENT PROGRAM EVALUATION/REPORTING REQUIREMENTS

AGENCY	PROGRAM	REFERENCE	EVALUATION/REPORTING REQUIREMENT	TO WHOM	FREQUENCY (DEADLINE)
TTC	**Office of Export Development (OED), International Trade and Investment Division**	GOV §15365.12(a), (b)	World Trade Commission report must include OED activities and events, accounting of OED's financial participation in trade promotion activities, and assessment of export sales accrued to state as result of OED activities.	Legislature and Governor	Biennial
TTC	**Environmental Technology Export Program, OED, International Trade and Investment Division**		None		
TTC	**Overseas Procurement Opportunities Program, OED, International Trade and Investment Division**		None		
TTC	**Office of Export Finance, International Trade and Investment Division**	GOV §15394.1(f)	The Export Finance Board must issue a report evaluating program impact, including private bank participation, access of California firms to federal programs, export volume of California firms, and other social and economic benefits to the state.		Annual
TTC	**Office of Foreign Investment, International Trade and Investment Division**		None		
TTC	**Tourism Division**	GOV §15364.52 - 15364.54	The Tourism Commission, in cooperation with the Office of Tourism, must adopt a marketing plan including assessment of Tourism Office activities; outline of upcoming year's program; identification of available resources; measurement of tourism spending, employment, and travel generated; and establishment of standardized methods to measure California's share of domestic and international tourism.	Legislature	Annual
TTC	California Welcome Centers, Tourism Division		None		
Tax Expenditures					
None.					

ENDNOTES - APPENDIX 3

[1] The new Division of Science, Technology, and Innovation administers programs previously under the former Office of Strategic Technology (OST). The OST was located in the Economic Development Division. It is included because this report covers economic development spending back to 1995-96.
[2] Per program contact, most of the Aeronautics Division local assistance funds go through the California Transportation Commission, where they are publicly reviewed.
[3] Per program contact, the Urban Waterfront Area Restoration Authority is currently not active.
[4] Information received from program contact; further information not available.
[5] Although not required by statute, the Team California program began producing an annual Trade Show report in 1999.
[6] These code sections have since been deleted from the Health and Safety Code.
[7] Per program contact, this reporting requirement is related to grant programs that have been defunded, so the Science, Pollution Prevention, and Technology Program no longer does this reporting.
[8] Per program contact, this requirement has not yet been completed.
[9] Per program contact, a number of reports have been completed but not in the last four to five years because it is more timely for the public to look it up on the Internet.
[10] The CCC and CDE Vocational Education Units also assist with the State Plan for Vocational Education.
[11] The Workforce Investment Board also evaluated the performance of WIA-funded programs in California.