



California's lieutenant governor unveils plan to revive economy

[Adam Weintraub/Associated Press](#)

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SACRAMENTO, Calif. (AP) — Lt. Gov. Gavin Newsom is releasing a plan to jumpstart economic development and job growth in California, stepping to the forefront of a vital issue as his first major policy move since he was elected to statewide office.

Newsom worked with players from the Republican and Democratic parties, business groups, economists and think tanks to develop an agenda for growth and global economic competitiveness as the nation's most populous state struggles to shake off the effects of the Great Recession. He plans to present it to hundreds of business executives Friday in San Jose.

Legislative action on one proposal — combining the state's economic development efforts into a single, cabinet-level office reporting to the governor — could come within weeks. Other initiatives should move forward in the next three to six months, according to a draft of the report provided to The Associated Press.

"For more than 10 years, the state of California has lacked a strategic, statewide economic plan," Newsom, the former San Francisco mayor, wrote in the proposal's introduction. "And in the last decade, we have reaped the bitter consequences."

The report cites the state's double-digit unemployment rate, which is second-highest in the nation, its persistent reputation for high taxes and burdensome business regulations, and the economic drag of the popped housing bubble. The state has seen a loss of more than 1 million jobs, not counting farm workers, in the past five years, according to federal data.

The report also notes strengths that could underpin new growth in California, including a culture of business innovation, access to export markets, an educated workforce, and a solid foundation in the emerging "cleaneconomy" for products with environmental benefits.

"This is a remarkable state, and a big part of our job is highlighting what's right," Newsom said Thursday.

The proposal lays out the broad strokes of a plan to set the state on a course toward job growth. Among its proposals:

- Consolidate and streamline fragmented economic development efforts into a cabinet-level office to assist businesses and coordinate support for regional development efforts. The plan calls for keeping staffing and state spending at their present levels.
- Emphasize innovation and manufacturing, particularly by small and agile companies serving global supply chains. Encourage expanded exports of both goods and services.

- Re-establish a state presence in foreign markets to promote trade, starting with a privately funded office in China within 180 days, then one in Brazil.

- Improve or eliminate state tax incentives that do not produce sufficient, measureable economic benefits.
- Remove thickets of "onerous and inconsistent regulations, slow bureaucracies and misaligned policies" that slow California businesses and impose barriers to global competition, without weakening standards.
- Plan education and job training with economic development in mind, emphasizing the skills workers will need for "new economy" jobs.

With the proposal as a starting point, Newsom said, "the question is how we begin to make it real."

A bill to reorganize state economic development efforts within the governor's cabinet is the likely first step. AB29, by Assembly Speaker John Perez, a Los Angeles Democrat, could be amended and taken up by the Legislature in August.

"Clearly the most urgent challenge facing California is our need to grow the economy out of the recession," Perez said in a prepared statement. A coordinated, comprehensive long-term approach to economic development, he said, can help the state remain a home for innovative and growing industries.

"Every year in California the budget crisis crowds out the jobs agenda," Newsom said, but a new Office of Economic Development would keep it on the radar.

Business leaders have had a role in developing the proposals since just after the November 2008 election, said Carl Guardino, president of the Silicon Valley Leadership Group, which represents some of the world's largest technology companies.

Gov. Jerry Brown, he said, approached the group and asked how the state could help restart job creation at manufacturing and technology companies.

The group's top recommendation: "Make a plan, perform to it," and put oversight high enough in state government to ensure the goals stay in focus, Guardino said. The group also helped develop Newsom's recommendations and will stay involved as it evolves, he said.

"This plan is incredibly strong, and it will only get stronger," he said.

Guardino praised Newsom's willingness to learn from others about better ways to foster economic development. Some fellow Democrats criticized Newsom for accompanying Republican lawmakers on a job-growth tour of Texas this spring, but "there's a lot of stuff out there we can learn," Guardino said.

State Assemblyman Dan Logue, R-Linda, an organizer of that Texas trip, had not seen Newsom's proposal but praised some aspects.

"I commend him for stepping up to the plate on regulations," as long as the streamlining helps all businesses, not just those in the "green" sectors, Logue said.

He also supports the idea of a cabinet-level economic development office, depending on who leads it.

"You can't drag somebody out of Stanford who's never run a business and put them in charge of economic development," Logue said. "You need someone who has run a company."

A group representing the state's manufacturers congratulated Newsom for trying to make California more attractive to high-wage businesses, and expressed hope the effort would change past practices of picking winners, such as renewable energy, for state support at the expense of other industries.

The group is "anxious to start helping," said Gino DiCaro, spokesman for the California Manufacturing and Technology Association.

"The essentials that any company needs for growth are simple: predictable costs, competitive costs, adequate infrastructure, access to skilled workers and regulatory certainty," he said.

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