SOUTHERN CALIFORNIA LEADERSHIP COUNCIL

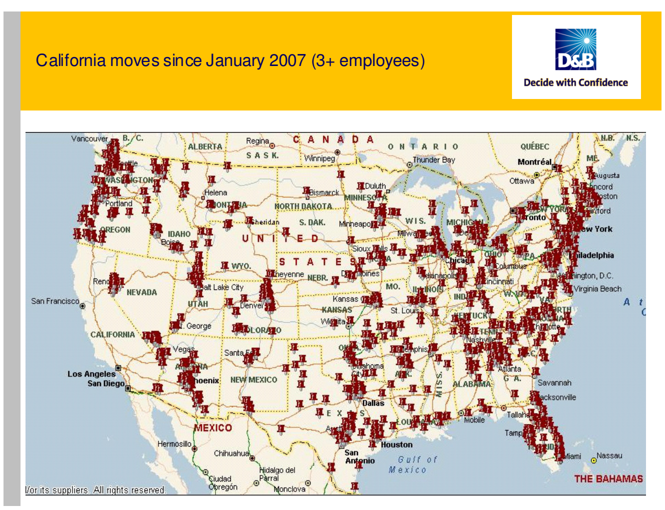
"To Ensure the Region's Economic Vitality and Quality of Life"

Southern California Green Jobs Strategy

Presented by Governor Gray Davis, Co-Chair

Southern California Leadership Council

It is often said that quality of life starts with a job. More private sector jobs are the key to reduce unemployment, eliminate the state deficit, fund public employee wages and benefits, improve education and create a greener quality of life for all of us in California.



Step one is to recognize that if we can't stem the tide of corporate relocations and expansions to "anywhere but California", we risk continuing to lose more jobs than we add, particularly when it comes to better paying jobs. But in addressing both retention and attraction of business, we can emphasize and further our clean, green aspirations. Private sector jobs create the sustainable tax revenues for the public sector to support these green objectives while delivering its many other services to the public.

The key is for each of California's "mega regions" to adopt an economic strategy for the future. Northern California and the Central Valley will of necessity have differing emphasis than Southern California, and the state should support the differences as well as the common elements of the regions. Jack Kyser and his team have done a great job getting us all on the same page regarding our regional economy. As Co-Chair of the Southern California Leadership Council, I would like to suggest three top strategy priorities for our region, Southern California. It is difficult in such a diverse region to narrow to three but we need the focus to achieve both regional and state level buy-in. Our three top priorities have been selected based both on the threats and opportunities in these sectors. For each of these strategies we will provide a list of state and regional actions as possible success factors.

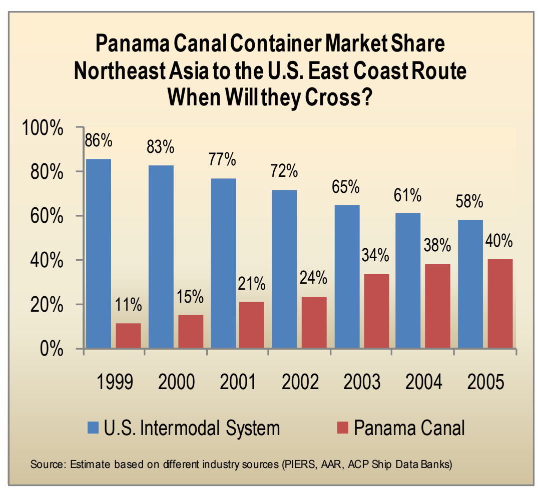
First, Southern California must retain and expand its manufacturing and R&D base. This can be done with a focus and emphasis on clean, green solutions for the future — with renewables, more efficient energy, water and transportation technologies, applications and bioscience products for the world that improve quality of life while moderating climate change and/or improving human health and productivity. And, good paying, less than college education type jobs, in manufacturing are uniquely important in meeting the demographic and educational profile of Southern California's diverse population.

California must create a new, smarter, more comprehensive definition of a "Green Tech". Businesses designing and manufacturing products which will reduce overall emissions when used globally, like higher efficiency semiconductors, electronics, motors, compressors, drive trains, electrical equipment, cooking equipment, etc., should be treated as green **even if the emissions from the production occur here.** We should also think of bioscience applications and products as Green Tech since they improve human health and productivity. California and our region in particular already lead in and will continue to improve our source emissions compared with other national or global locations. So strategically attracting and retaining these Green Tech businesses **here** is the true model for global leadership in climate change.

And we must recognize that we compete for these green businesses and jobs and must present a package of green job policies and incentives to attract and retain these industry leaders. A side-by-side comparison of California and Texas, the state most successful in stealing our manufacturers, presents the realistic challenge to succeed. We must selectively stake out those programs and incentives, which are most cost effective at growing the businesses and jobs we want. Our list of possible state and regional actions is included in your materials.

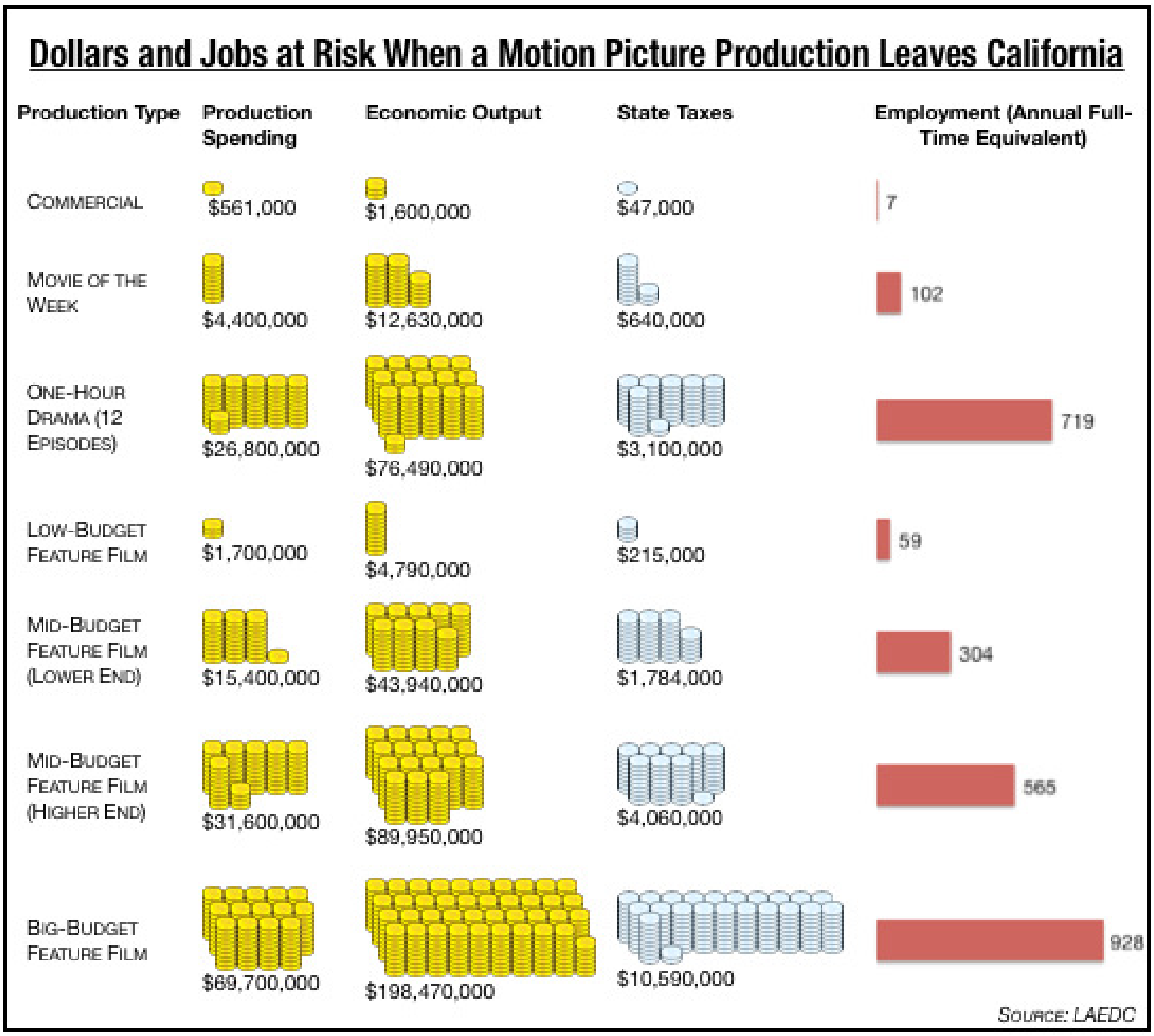
California vs. Texas		
Category	**California**	**Texas**
Population Rank	#1	#2
Unemployment	12.4%	8.1%
US Job Gains 1yr, Aug.	(43,700)	152,800
Venture Capital	$6.5B	$.716B
Growth in Green Tech	7.7%	15.5%
Growth in Manuf. Cap.	3.7 new/exp facilities	24.5 new/exp
Manuf. Tax Exemp	Sales Tax in Ent. Zone	Full sales/use tax
Right to Work	No	Yes
Individual Tax Policy	8.25% sales, 10.55% inc.	6.25%, no inc.
Corporate Tax Policy	8.84% income	.5-1% fran.
Climate Change Laws	Yes	No
Bond Rating	S&P A-	AA+
Avg. Teacher Salary	$60,000/yr	$41,744/yr
ACT Score rank	#44	#30
8th grade proficiency	#30	#16
Hispanic Population	About 1/3rd	About 1/3rd

Second, California must "Beat the Panama Canal" when it comes to International Trade. Having a vibrant wholesale trade and logistics industry here is a critical competitive factor in retaining and growing manufacturing industry jobs. Moreover, goods moved through our ports and trade corridors over land to destinations across the US and the world reduce transportation-related greenhouse gases when compared to using sea routes through the Panama Canal. Manufacturing relies on logistics for competitiveness. Manufacturing and wholesale trade are major sources of tax revenues as, Jack has pointed out.



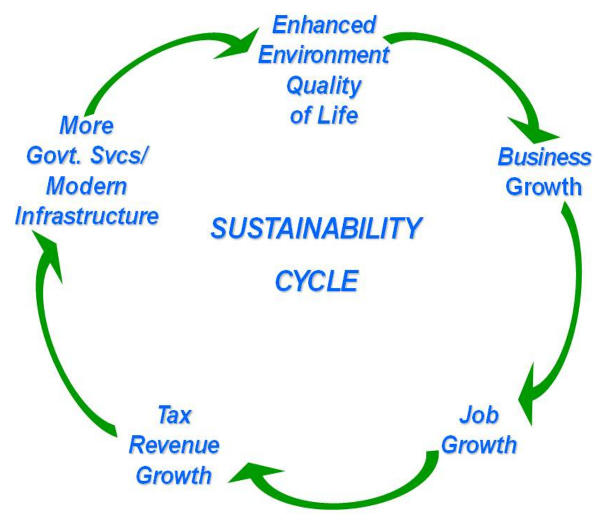
With upwards of half a million jobs at stake, we must successfully compete with the Canal by being closer, cheaper, faster and cleaner, or stand to lose as much as 35% of the international trade business and with it our manufacturing advantage and the ability to fund new, clean and efficient improvements in our trade corridors. Our region is currently bringing all of the necessary players and communities to the table to Beat the Canal. The requisite state and regional actions to support the effort are attached.

Third, California must compete as the leader in the entertainment industry. California has already proven that it can stem runaway production with cost



effective, targeted incentives. This uniquely California, creative based industry spawns many benefits to Southern California's and the state's economy including tourism attraction, game and entertainment applications and design and lifestyle leadership. A partnership of state and regional actions are attached. The entertainment industry is clearly committed to climate change strategies through technological and creative leadership.

A sense of urgency on these strategies is critical. When we consider California's 12.4% unemployment rate, the third worst in the nation, and the state's ongoing fiscal crisis, we believe that emergency measures are in order and that the Legislature should pass emergency legislation granting the Governor the same emergency powers as if this were a natural disaster until such time as we achieve significantly reduced unemployment levels and fiscal stability.



If we recognize the urgency and we succeed at these proposed strategies, then we can truly achieve all elements of the "sustainability cycle" which Southern California, the state and indeed the world needs to enjoy a green quality of life.

ATTACHMENT 1

Manufacturing Action Steps

State Level

- Adopt a "global benefits" based definition of Clean/Green Tech for businesses and their products or applications for use in state legislation, regulation and policy making which recognizes the climate change benefits from worldwide use of best available technologies and applications in California products and services.
- Continue recently enacted Manufacturers Sales Tax Credit and extend beyond Enterprise Zones to all Clean/Green Tech
- Continue R&D Tax Credit and expand for Clean/Green Tech
- Create a formal University/State University alliance program in the engineering and science schools to partner on R&D and attract Federal Funding (*modeled on Cooperative Extensions, but for Manufacturing)*
- Create formal Community College Training Initiative for Manufacturers
- Eliminate 4/10 overtime rule for manufacturers with workforce support
- Create formal CEQA incentives a la SB 375 for "jobs to housing" manufacturing relocations/expansions in SCS compliant regions
- Provide manufacturers free credits/allowances under AB 32 with preference for Clean/Green Tech and early movers
- Add back the former Manufacturers Investment Tax Credit for Clean/Green Tech
- Support "Beat the Panama Canal" Initiatives to protect wholesale trade and logistics competitiveness as a manufacturing competitiveness strategy
- Create expanded federally supported Enterprise Zones for manufacturers with priority for Clean/Green Tech (*specifically new Manufacturing Enterprise Zones – with tax credits only for manufacturing firms)*
- Align state tax code re accelerated depreciation with the feds to help particularly the smaller manufacturers to avoid different depreciation rates for different entities

Regional Level

- Make jobs to housing relocations/expansions a primary strategy of SB 375 SCS Strategy for Southern California
- Create AQMD incentives for Clean/Green Tech Manufacturers
- Target job creation and sales tax generating Manufacturing and Wholesale attractions and retentions in local and regional economic development strategies and programs. (*Provide each county a set amount of manufacturing incentive money, which they could use to retain/attract/expand key firms? Allocate the funds by population. Allow smaller counties to "auction" their incentive to other counties)*
- Create special sales and business to business tax sharing incentives for local and County Government for Clean/Green Tech attractions and expansions

ATTACHMENT 2

Beat the Panama Canal Expansion Action Steps

State Level

- Fund the balance of Proposition 1B bonds for projects that help us Beat the Canal.
- Reprioritize the goods movement project list to focus on the most competitive public and private projects and expedite all State agency authorizations and interactions needed to advance those projects.
- Improve community college training for goods movement careers.
- Fund a State cargo attraction marketing strategy, which highlights the State's green investment in goods movement like the Clean Trucks program.
- Revamp Enterprise Zones, integrating with Trade Zone program around State ports of entry to boost job growth and accountability.
- Establish an R&D Tax Credit for Clean/Green Tech energy innovations at ports of entry and on trade corridors like the Alameda Corridor East.
- Support policies encouraging competition between State ports and other US ports of entry.
- Enhance goods-movement educational alliance programs between CSLB and USC, which train and educate the supply chain workforce.
- Support "Beat the Panama Canal" initiatives that integrate wholesale trade, logistics and manufacturing competitiveness throughout Southern California.
- Reformat the Enterprise Zones program with priority for wholesale trade and Clean/Green Tech.
- Develop and support performance matrix, measuring turn time and reliability on ports and trade corridors, for State to use in evaluating competitors.
- Establish local authority for design-build construction using any State and local funding that can bring jobs to our economy faster.
- Transfer all State authority over public-private partnership funding of infrastructure construction projects to local jurisdictions.

- Grandfather all Beat the Canal priority projects, public and private, that were incorporated into the Regional Transportation Plan as of January 1, 2007 from any new or additional requirements at the State or Local level.
- Require additional legislative agreement of all State agency requirements that have a fiscal impact on projects that help us Beat the Canal.

Regional Level

- Press for regional ports to adopt an on-port competitive cargo operating strategy for competing with the Panama Canal expansion.
- Work with regional transportation agencies and corridors to prioritize existing goods movement projects that will help us Beat the Canal.
- Ensure local agencies will have complete authority to establish protocols to expedite any project that can get goods movement jobs on the ground faster.
- Encourage local jurisdictions to develop an integrated Enterprise and Trade Zone strategy to create jobs faster in the private sector.

ATTACHMENT 3

Entertainment Industry Steps

State Level

- Eliminate the current 2013 sunset on the existing film and television tax credit.
- Enhance the existing film and television tax credit in order to make California competitive with other jurisdictions by increasing the current limited annual cap of $100 million (e.g., New York state's program provides an aggregate of $2.1 billion in credits over the next 5 years)
- Revise the current $75 million per project expenditure cap so that any production spending in excess of that threshold (typically a tent pole feature movie which could employ a large number of Californians) may still apply for credits.
- Include scripted one-hour broadcast network television productions originating in California as eligible for the production tax credit.
- Create additional incentive to relocate productions currently in other jurisdictions to California by offering a "move-back" credit to cover 100% of moving expenses (thereby adding jobs to California that had been previously been incentivized to go to other jurisdictions)
- Guarantee that production tax credits for productions that relocate to California will remain available to those productions in succeeding years beyond the year of relocation to California (to provide assurance of continuity and stability to justify relocation of such productions).
- Create tax incentives for the California-based development of green and high tech production facilities to compete in the marketplace of 21st century filmmaking technologies (to stem the tide of high tech visual effects and post production work moving to other countries and other states). Set aside credits for production projects that utilize California green tech studios.

- Make the production tax credits transferable (which would assist independents who cannot fully use the current credits).
- Protect intellectual property created by the California entertainment industry by working with online intermediaries (such as Internet Service Providers, search engines, credit card companies, etc) to eliminate or significantly reduce online piracy.
- Elevate priority of grants of funds to law enforcement committed to protection of intellectual property, specifically protection against digital theft of the entertainment industry's work product.
- Extend the current reach of nuisance abatement laws, which currently cover commercial properties, by providing statutory authority to law enforcement to seize *residential* properties as well, where illegal manufacture of DVDs occurs.