

SILICON VALLEY BUSINESS JOURNAL

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# A Decade of Progress A Decade of Progress A Decade of Progress

# Fixing California – Then and Now



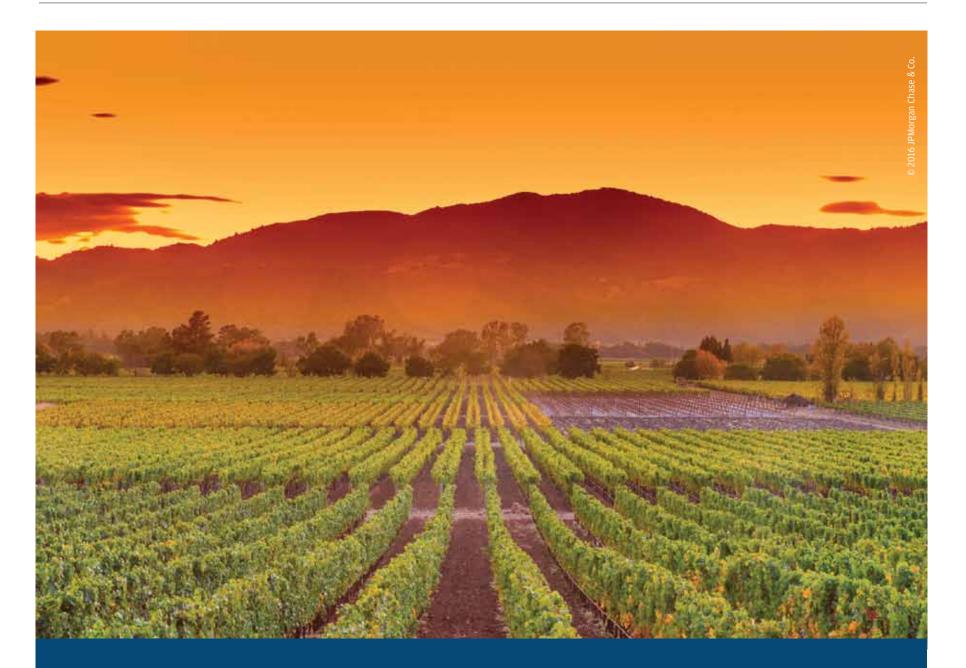
Strengthening democracy



Improving government performance



Creating middle-class jobs



#### Investing in California

Generating economic opportunity has always been central to how we do business at JPMorgan Chase. Our support of small businesses and workforce development is a significant way we add value in our communities. By developing innovative programs such as New Skills at Work — focused on developing skills to compete for today's jobs — and Small Business Forward — dedicated to building the long-term success of small businesses — we are helping to create jobs and build a more prosperous society.

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#### **MESSAGE FROM THE PRESIDENT**

# Ever forward!



CA Fwd is the only organization in the state that works in an explicitly bipartisan way to strengthen the overall foundation of government. That has always been a core value – making sure that the system works for everyone, no matter which party is in charge.

Jim Mayer, President and CEO, CA FWD

What a difference 10 years make!

CA Fwd was formed a decade ago to use sound analysis to craft pragmatic solutions and advance them through enactment and implementation so that California could grow jobs, deliver high-quality and cost-effective public services, and restore trust and accountability in government.

This special section has many examples of what has been accomplished over that decade.

But our name commits us to be looking forward to the next opportunities to bolster governance so that California can deploy policies and programs that advance opportunity for everyone and sustainability for our communities and regions.

CA Fwd is the only organization in the state that works in an explicitly bipartisan way to strengthen the overall foundation of government. That has always been a core value – making sure that the system works for everyone no matter which party is in charge.

But now it is even more important, as California grapples with what it means to be a blue state in a red nation – and more importantly, given the divisions between blue and red counties, how California can advance goals shared by urban and rural, coastal and inland, northern and southern Californians.

Even before this election cycle, civic-minded Americans were looking to California to see how we had recovered from the unofficial list of endangered states. Looking forward, we are called to model for the nation how to nurture a thriving economy, upward mobility, social equity and environmental sustainability. How to govern for all, and for our children's children

That sounds impossible, naive even. That's what they said a decade ago, too

We either step forward, or we step back and let others define our fate. We chose to step forward.

We chose to invite all regions and all sectors to find ways to lift more people out of poverty and into the middle class, to restore the California Dream. We are on our way:

California has made significant new investments in education and workforce training. But we have to strengthen the relationships between public institutions, civic organizations and private sector employers to build durable, efficient and adaptive pipelines to jobs with a future.

We simply must give a green light to substantial new housing near transit and jobs. That will require significant infrastructure investments, a public awareness campaign and political courage so our children and our neighbors can afford to live in California.

We have to be as smart and committed to building a vibrant, resilient and equitable low-carbon economy as we have been visionary in our efforts to reduce carbon emissions.

These are big, complex issues that through the California Economic Summit thousands of Californians are tackling head-on

At the same time, we must sustain our efforts to improve government performance – to focus and rethink how we spend billions of dollars in the criminal justice, social service, public and mental health systems.

CA Fwd's work with Riverside, San Bernardino, Santa Cruz and other counties to transform their justice systems demonstrates that public agencies can and want to develop more cost-effect strategies for helping Californians caught up in the system in part because of underemployment and poverty, substance abuse and untreated mental health issues. Technology and data systems, harnessed by new fiscal and management practices and driven by broader partnerships have tremendous potential to transform neighborhoods and change the life trajectories of millions of Californians.

Much of this was possible because of the political reforms that reduced the partisan gridlock and shifted power to citizens and voters, including citizens redistricting, top two primary, term limits among others. CA Fwd launched the 50 State Solution project to capture and link state-based reform work from around the country so that we can share what we have learned and learn from others. Democracy must always be a work in progress.



"California is in a very different place today than we were 10 years ago – and that's a good thing. CA Fwd has been right there in the center of change, leading, pushing and supporting reform."

Eloy Ortiz Oakley, Chancellor, California Community Colleges





**Leon Panetta** 

Tom McKernan

# Founded on strong leadership

As CA Fwd celebrates 10 years of serving as a catalyst for a better California, it's important to recognize the outstanding bipartisan leadership of its co-chairs and the Leadership Council that has guided its success.

Co-chairs Leon Panetta
(D) and Thomas McKernan (R)
launched the organization. When
Secretary Panetta was called to
Washington, Bob Hertzberg, then
a former Assembly Speaker and
now a Senator, stepped in. Lenny
Mendonca, a retired McKinsey
& Company director, succeeded
Hertzberg. McKernan led with
distinction until his retirement,
at which time Pete Weber joined
Mendonca at the helm.

#### Our leadership

#### Lenny Mendonca, Co-chair

Former Director of the San Francisco office of McKinsey & Company

#### Peter Weber, Co-chair

Former Executive Committee Chair of the California Partnership for the San Joaquin Valley

#### Carl Guardino

President & CEO of the Silicon Valley Leadership Group

#### Jennifer Hernandez

Partner, Holland & Knight

#### Joanne Kozberg

Principal at California Strategies, LLC

#### Laurie Madigan

Partner at Madigan Consulting, Inc.

#### James P. Mayer

President & CEO of California Forward

#### Thomas V. McKernan, Founding

**Co-chair;** Chair of the Board of the Automobile Club of Southern

#### Pete Peterson

Pepperdine School of Public Policy

#### Cruz Reynoso

Former Associate Justice of the California Supreme Court & the Third District Court of Appeal

#### Constance L. "Connie" Rice

Former Co-director of the Los Angeles NAACP Legal Defense & Educational Fund

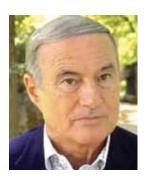
#### **Duf Sundheim**

Principal at GPS Mediation, APC & Former Chair of the California Republican Party

**Eugene J. "Gene" Voiland**Former president & CEO of Aera
Energy LLC

"The problem wasn't that the people of California were anti-government. They were just fed up that government wasn't working."

#### **Pete Weber,** Fresno business leader and CA Fwd co-chair





# Easing Partisan Gridlock

#### Restoring trust in government is critical to the future of democracy

When California Forward was formed in 2007, "Californians considered government to be broken," remembers Lenny Mendonca, a Bay Area business leader and co-chair of CA Fwd's Leadership Council.

The Assembly and Senate were paralyzed by hyperpartisanship. Reforms to improve education and public health, protect the environment and build sustainable communities were blocked by a lack of consensus. Not surprisingly, the Legislature approval rate was a dismal 10 percent.

"The problem wasn't that the people of California were antigovernment," explains Pete Weber, a Fresno business leader and CA Fwd co-chair, "they were just fed up that government wasn't working."

Over the next few years, CA Fwd and its partners successfully advanced a number of political reforms to ease the gridlock and restore confidence in state government.

#### Giving voters more of a say

First up was reforming the gerrymandered political boundaries that give an unfair advantage to one party.

In 2008, voters approved Proposition 11, which transferred the job of drawing up the legislative map (and, through a subsequent measure, the congressional district map), from lawmakers to citizens. The result was to reduce partisan influence and better reflect the diversity of communities throughout the state.

The grip of partisan politics on the state was further weakened with the passage of Proposition 14 in 2010. Every voter can now vote for all candidates in primary elections, with the final decision coming down to the top-two primary vote getters, regardless of party.

"The result is a more moderate legislature on both sides of



"CA Fwd
has been a
lynchpin in
reinvigorating
democracy, in
getting people
involved in
shaping the
future they
want."

#### Bill Mueller,

Executive Director, Valley Vision

the aisle, which more accurately reflects the electorate at large," says Chris Taipo, president, Legislative Strategies, Inc.

#### **Reforming term limits**

In 2012, voters agreed that term limits were too restrictive. Proposition 28 allows state lawmakers to serve up to 12 years in either house of the legislature, giving them an opportunity to dig into policy issues, build expertise and learn to work together.

The effect has been twofold: to reduce the influence of lobbyists on first-term lawmakers and to encourage legislators to stick around to get the job done.

"The focus has shifted to finding a commonality to address some of the state's more intractable issues," says Taipo.

#### Prudent budgeting / more transparency

Californians have continued to vote for reform in government. In 2014, CA Fwd joined Governor Brown in promoting Proposition 2, the so-called "rainy day fund." Passed overwhelmingly, the measure requires the state to put money aside to help mitigate the next inevitable economic downturn.

This past November, voters passed Proposition 54, which was a win for increased legislative transparency. The new legislation prohibits lawmakers from passing any bill unless it has been in print and online for 72 hours.

"Special interests will no longer have the power to rewrite laws at the last minute," says Dan Carrigg of the League of California Cities. "The public can weigh in and the legislators will know what they are voting on."

#### A renewed trust in government

"By inspiring better decision-making at all levels of government, we're helping to restore public confidence and trust in government," says CA Fwd President & CEO Jim Mayer.

# Rebuilding Trust Between The People and Government



"California Forward keeps their focus squarely on the goal of restoring the public's faith in government."

**Kevin Mullin,** Assembly Speaker pro Tem

# CA Fwd is advancing a more responsive government

California Forward was created in 2007 to inspire comprehensive changes to the way public decisions were being made.

Over the past decade, many of the needed reforms identified by CA Fwd have been enacted and implemented to ease partisan gridlock, reverse fiscal trends and begin a restructuring of government to better align with the state's size, diversity and complexity.

This work continues as CA Fwd advocates alongside key stakeholders, legislators, county officials and regional civic leaders for greater local control of education, public safety and social service programs, as well as new alignment of resources to match program responsibilities.

"California Forward's advocacy in the area of governance reforms and a more transparent public process, along with their efforts in the area of voter engagement, support for a majority vote to pass the state budget and term-limit reform has been a benefit for all Californians," says Kevin Mullin, Assembly Speaker pro Tem.

"As significant as the reforms achieved by California Forward are, it is the way they have gone about cutting across partisan lines and interest groups to forge collaborative solutions that's created a new model of decision making that serves all Californians," says Assemblymember David Chiu.

"California Forward appreciates that different regions of the state have differing challenges and resources and has effectively engaged regional leaders in identifying needs and designing strategies to respond to those needs while keeping statewide interests top of mind."

New redistricting laws amplify the progress made with the passage of the toptwo primary that opened up state government to problem solvers who prioritize their constituents above their political party.

State Senator Steve Glazer, who won office in 2015 following a contentious special election, credits the top-two primary for creating space for independent-minded candidates.

"Our new top-two primary encourages candidates and elected officials to look at public policy proposals from a higher and broader political perch," says Glazer. "California Forward's work to advance these types of political reforms is making a big difference in molding our government into one that is more open, fair, representative and responsive."

"We need to rebuild trust between the people and our government and California Forward is leading this effort in important and impactful ways."



"It is the way they have gone about cutting across partisan lines and interest groups to forge collaborative solutions that's created a new model of decision making that serves all Californians."

**David Chiu,** Assembly Member

# Key wins for transparency and accountability

CA Fwd partnered in several successful efforts in the last legislative session to advance a more responsive and representative government that's accountable for results.

#### Access to funding data:

CA Fwd helped to make the case for accelerating the modernization of the Cal-Access database system that tracks campaign spending, lobbyist reporting and



independent expenditure campaigns.

"Upgrading and modernizing the state's campaign finance technology is a critical next step in restoring public trust in government by providing information about who is seeking influence and funding campaigns," says Jim Mayer, president & CEO, CA Fwd.

#### Public financing of elections:

Senate Bill 1107,
which allows for
public financing
of elections, is an
example of the
power of broad-base
coalitions in enacting
reforms. Public financing is seen as an
important step in reducing the influence
of special interest money in campaigns.
CA Fwd co-convened the work group that
surfaced the opportunity and provided
explicitly bipartisan support for the

#### Citizen redistricting:

CA Fwd was an original partner in the work that led to reducing gerrymandering by giving the decennial job of redrawing



congressional and state legislative districts to citizens.

New legislation now allows cities and counties to create independent redistricting commissions to draw district lines for elections. The new law is expected to have far-reaching implications for historically underrepresented communities.

# Moving California Forward

#### THEN... 2007

# 10%

#### CITIZENS' APPROVAL OF LEGISLATURE

- California swimming in red ink even in boom years.
- Partisan gridlock in the Legislature.
- Warring state agencies and local government.

#### **Ballot measures creating accountability for results**

#### 2008

#### CITIZENS REDISTRICTING:

Prop 11 helped reduce partisan gerrymandering by giving the job of drawing political boundaries to citizens.

#### 2010

**TOP-TWO PRIMARY:** Prop 14 gave every voter the right to vote for all candidates in primary elections, giving politicians an incentive to appeal to all voters in their districts.

**SIMPLE MAJORITY VOTE FOR THE STATE BUDGET:** Prop 25 made it harder for partisan stalemates to hold up funding for essential state and community services.

#### **Promoting cost-effective public services**

**COMMUNITY CORRECTIONS:** CA Fwd works with counties to develop cost-effective strategies designed to reduce recidivism and unnecessary incarceration.

**K-12 SCHOOLS:** CA Fwd works with school leaders to develop effective strategies to close the achievement gap.

#### 2012

#### TERM-LIMIT REFORM:

Prop 28 allowed state lawmakers to serve up to 12 years in either house of the Legislature, giving them a chance to build expertise and relationships.

#### **Growing middle-class jobs**

# REDUCING POVERTY AND RESTORING UPWARD MOBILITY:

CA Fwd and its partner, the CA Stewardship
Network, are advancing a comprehensive Roadmap to Shared Prosperity to align state policies with the needs of regions to grow sustainable communities and resilient economies with well-paying jobs.

#### INFRASTRUCTURE FINANCING

**TOOLS:** The Summit network crafted and advocated for new local authority to finance infrastructure that supports jobs, communities and the environment.

#### **WORKFORCE INVESTMENTS:**

Summit partners are steering state funds toward programs that increase job skills for a new generation of middle-class wage earners.

In 2016 the state launched the Strong Workforce program, targeting \$200 million to community college programs aligned with in-demand, high-paying jobs.

#### SUSTAINABLE RESOURCE

MANAGEMENT: The Summit network is working with regional water leaders to identify and fix state regulatory and finance actions that slow down efforts to develop reliable water supplies while restoring ecosystems.

#### AFFORDABLE HOUSING:

The Summit has developed and is advancing a comprehensive framework for state and local actions that can reduce the costs and increase the supply of affordable housing throughout the state.

# From Red Ink to a Reserve

For nearly a decade, California was swimming in red ink – even in boom years. Schools, roads and the economy were not going to get better if the budget was always late and never balanced. So CA Fwd convened fiscal experts from both parties and proposed a new budget process based on best practices for improving stability and results.

The Governor and the Legislature debated the proposal extensively, and over several years most of the elements have become law or practice.

"There's no question California Forward helped create the space for these reforms to be pursued," says Tim Gage, principal and co-founder, Blue Sky Consulting Group, and former state budget director. "CA Fwd played a significant role as a convener and helping to set the agenda for fiscal reform."

#### Simple majority to pass state budget

In the 1990s and 2000s, state budgets were increasingly held up by partisan stalemates. Public agencies had to borrow money, annual planning was stymied and projects were put on hold. Teachers received early layoff notices and some community services were suspended.

CA Fwd called for lowering the vote threshold to pass a budget from two-thirds, which was hard to achieve in an increasingly partisan legislature, to a simple majority vote. Interest groups backed an initiative that made the change.

"Prop 25 certainly has provided more stability

for local entities and school districts throughout the state," says Gage.

#### Banking on comprehensive change

CA Fwd also advocated for multi-year planning and performance-based budgeting. Governor Brown vetoed a popular performance-based budgeting measure and instead directed changes in budgeting practices to encourage efficiencies and created a performance unit in the Department of Finance.

In addition, legislation was enacted requiring the annual budget to include five-year forecasts of expenditures and revenues.

"Multiyear forecasting may, in fact, be the best solution," says Gage. "It encourages lawmakers to pay closer attention to the impact of legislation or proposals going forward."

#### The Rainy Day Fund

CA Fwd also called for capturing "spikes" in revenue and establishing a robust budget reserve. Proposition 2, passed in 2014, does just that, and today the state has a significant reserve to cushion budget cuts in the next recession

"If you're looking for a leap forward or big change in terms of fiscal or political policy, it more often comes from an external agent – and CA Fwd was key to building a political commitment to establishing a healthy reserve," says Ken Hall, a former state budget official. "If you're looking for a leap forward in terms of fiscal or political policy, it more often comes from an external agent – and CA Fwd was key to building a political commitment to establishing a healthy reserve."

#### Ken Hall,

Former state budget official and education finance consultant

#### 2014

**PUBLIC RECORDS REFORM:** Prop 42 affirmed in the constitution the public's right to local government records.

**BALLOT INITIATIVE REFORM:** SB 1253 increased public review of proposed ballot measures, increased transparency and encouraged legislative solutions.

**RAINY DAY FUND:** Prop 2 provided a mechanism for managing volatile revenue and saving money to provide essential services during economic recessions.

#### 2016

**LEGISLATOR SUSPENSION REFORM:** Prop 50 in 2016 gave the California Legislature clear authority to suspend members of the Senate or the Assembly without pay.

**72-HOURS IN PRINT:** Prop 54 requires all legislation to be public for 72 hours before a final vote in the Assembly and Senate.

NOW... 2017

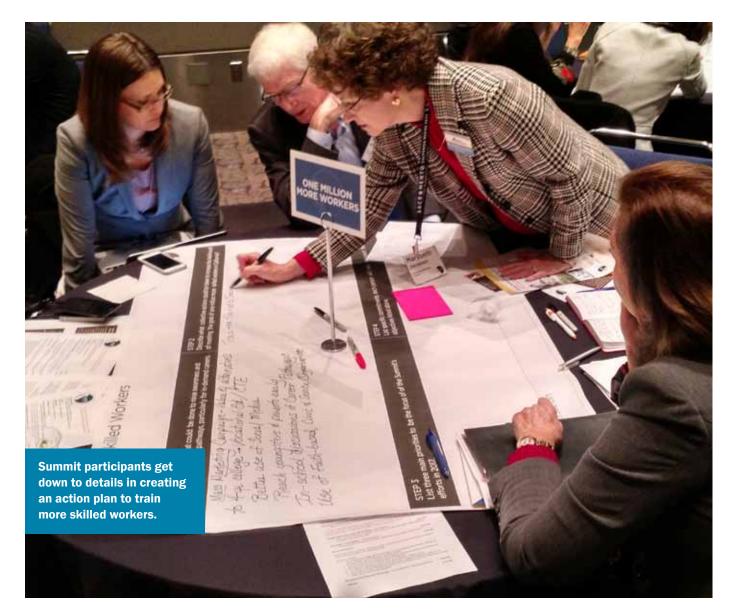
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#### **CITIZENS' APPROVAL OF LEGISLATURE**

California Forward's prescription for change helped to...

- Ease partisan gridlock.
- Improve fiscal management.
- Better align government with the state's size, diversity and complexity.





"What I love about the California **Economic Summit** is that it's not topdown, it's bottomup. We're not selling down an economic vision from Sacramento because we recognize the diverse economies that exist within California are the drivers."

Gavin Newsom, California Lieutenant Governor

#### THE CALIFORNIA ECONOMIC SUMMIT

# A Roadmap to Shared Prosperity

### Restoring upward mobility: The imperative of our time

**CALIFORNIA** 

The 2016 California Economic Summit took place last December, just one month after an historic presidential election rattled the nation's political foundation. The Summit was an opportunity to assess California's progress toward meeting the challenges of one million more homes, jobs and acrefeet of water - and to forge new strategies along our Roadmap to Shared Prosperity.

While many Californians cast their ballots differently than voters in Middle America, the same economic hardships that motivated people elsewhere can be found throughout the state.

While job growth is steady, so too are concerns about rising income inequality and stubbornly high levels of poverty. For millions of Californians of every age and race and gender, the future is clouded by economic uncertainty, rising costs (especially for housing), and fading hopes for upward

"Since the economic recession, not everybody has recovered in the same way," says Alma Salazar, vice president for education and workforce development, Los Angeles Area Chamber of Commerce. "It's absolutely paramount that we continue to focus on growing better middle class jobs to ensure that we are lifting folks out of poverty."

These issues – and the consequences for the millions of people struggling

with them - are the driving force behind the California Economic Summit's Roadmap to Shared Prosperity, which outlines a non-partisan, inclusive path toward sustainable growth that is right for California—and that may be a model for the rest of the nation.

Grounded in distinct regional perspectives, the Summit has rallied leaders of every political stripe around solutions that meet the high standard of a "triple bottom line" - simultaneously growing the economy, improving environmental quality and increasing opportunity for all.

"When I look at my own family, three generations of Califore've had the opportunity to live the American Dream," says Paul Granillo, president & CEO of Inland Empire Partnership. "And yet as I look around that reality of the American Dream is getting harder and harder to attain."

Over the last year, the Summit has advanced this work through its One Million Challenges, three ambitious goals that seek to prepare Californians for higher-wage jobs, increase housing affordability and encourage investment in

In addition, widespread economic dissatisfaction prompted California Forward and its partners in the California Stewardship Network to probe deeper into the drivers of persistent poverty and stifled mobility and how the Roadmap could be bolstered to provide more lasting, more comprehensive solutions.

# Action Plan for 2017

#### More skilled workers

#### **Enable students to define their future**

- Target outreach campaigns to entrylevel and second-career students to help assess career interests.
- Revitalize job images to make indemand occupations more appealing and relevant.
- Employ online planning tools for use by middle-school counselors, teachers, parents and students.

#### Accelerate innovation, adaptation and replication

- Promote innovations and connect institutional entrepreneurs.
- Build programs to industry standards.
- Support a culture of innovation.

#### **Connect employers and institutions**

- Strengthen mechanisms to share information about the knowledge and skills needed in the workplace and help employers find prepared students.
- Engage employers from the start.
- Operationalize effective feedback loop.
- Create regional stewardship to assess progress and target resources.

#### Increase ROI; ensure adequate and reliable funding

- Pursue recession-proof funding partnerships to maximize value and political support.
- Better showcase the value of investing in the Strong Workforce program.



A new program trains health care workers at American River College.



California
is building
far less
housing than
it needs, and
low supply
has pushed
home prices
beyond the
reach of
many of its
citizens.

#### More housing

Identify new and existing revenue streams to encourage infill housing/meet Regional Housing Need Allocation

- Offer property tax incentives for local agencies that approve new housing.
- Fund programs that promote affordability and increase housing supply for low-income households.
- Give incentives to jurisdictions that change local regulations to reduce costs and accelerate development.

#### More water

Identify government options to support integrated, watershed-scale solutions.

■ Facilitate resource planning across watersheds and identify changes in state policies or practices that can enable or accelerate these evolutions.

Identify funding and financing options to support watershed solutions.

- Work with water managers, business leaders and civic organizations to identify funding streams and financing models to pay for watershed management solutions.
- Incentivize the use of Enhanced Infrastructure Financing Districts to leverage investment in water management and ecosystem restoration.

Support regulatory innovations to enhance sustainable water management.

Identify regulatory barriers and pilot approaches.



Watershed protection is a critical part of efficiently managing the water supply.

California needs up to one million more skilled workers in fields like clean energy and technology.

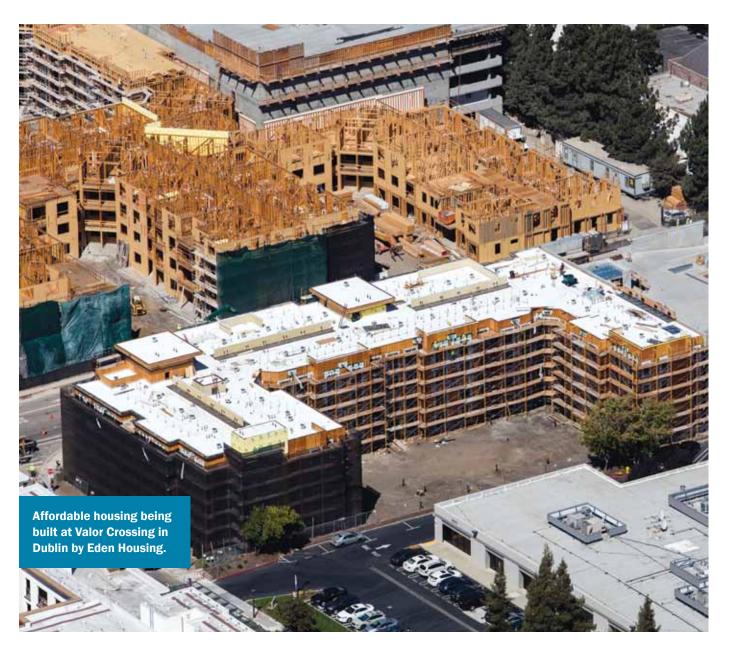


#### **Emerging issue: Middle-income jobs**

Because the major drivers of stagnating mobility are different in every region, each region will require different solutions. In the Bay Area, for example, rising housing costs are impacting upward mobility far more than job availability. In the northern counties, the primary issue is lack of living-wage jobs. In the San Joaquin Valley, skills gaps are the most critical factor. In much of Los Angeles and the Inland Empire, all three factors are significant contributors to stubbornly high poverty levels.

Identifying appropriate regional strategies will be a major theme in the coming months and a focus of the Summit's work in 2017.

Tune into the Summit's website at <a href="www.caeconomy.org">www.caeconomy.org</a> for updates.



"We appreciate California Forward bringing people together to look at the urgency of the housing problem and to look at immediate, mid-term and longrange solutions."

#### Denise Pinkston,

Partner, TMG Partners, and Co-chair of Bay Area Council Housing Committee

One million more homes

# Reducing Costs, Increasing Supply

With housing supply falling far below demand, housing prices and rents are being driven up far beyond what millions of Californians can afford.

According to a McKinsey Global Institute report released last September, only 50 percent of California's households can afford the cost of housing in their local market. Virtually none of California's low-income and very-low-income households can afford the local cost of housing.

Since 2008, state and federal investment in affordable housing has plummeted by 68 percent. The loss of redevelopment agencies and depletion of voter-approved housing bonds has left a \$1.7 billion hole in funding.

In addition, notes Assemblymember David Chiu, "the cost of construction has escalated due to land prices and a lack of skilled construction labor."

"In some jurisdictions, local opposition to affordable housing combined with a complicated approval process has delayed or halted production. All of these factors have contributed to the crisis."

It's a view echoed by private sector builders. "The problem is that the bar for new housing has been contin-



**ROADMAP TO PROSPERITY** ONE MILLION

CHALLENGE

ually raised over the last several decades," says Denise Pinkston, a partner with TMG Partners. "We've increased costs with fees and mitigations for schools, water, infrastructure, traffic and affordable housing. Building codes and energy efficiency standards keep growing."

In fact, according to the California Housing Consortium, on average it takes six-eight months longer to approve housing projects in California than the rest of the

"The resulting reduction in housing units produced and the rising cost of new housing is driving our families, our children, our teachers and our workforce out of the state," says Pinkston. "No responsible society fails so completely to make room for future generations."

Pinkston's concerns are echoed by Malaki Seku-Amen, president & CEO, California Urban Partnership: "Affordable housing is critical to building healthy, safe and economically secure communities. If we don't address this issue, we're turning our backs on the most vulnerable citizens in our state, and creating a permanent underclass."

Continued on next page

# Summit earns high marks for priorities and broad coalition

#### By Lenny Mendonca and Duf Sundheim

The California Economic Summit is on the right track and drawing together a diverse coalition, say attendees of the fifth annual event held last month in Sacramento.

A survey of those who were there in December showed 94 percent of respondents agreed the Summit is focused on the right priorities that balance the interests of business, labor, social equity and the environment.

"The lesson we learned is that there is a danger in perpetuating two classes of citizens," says Eloy Ortiz Oakley, who recently assumed the post of chancellor of the California Community Colleges.

"The Summit brings together experts in education, workforce, housing, water, all the things that really make up a better California," adds Oakley. "It's critical that we now come up with solutions that benefit all Californians."

While broadening the middle class and addressing California's nagging poverty issue were major themes, survey respondents believe the biggest achievement of the Summit was its ability to bring together diverse and influential stakeholders to find common ground and align on priorities for the state

"Five years ago we were asking if we could actually get people from around the state to work together to balance the three Es – economy, environment and, equity – as well as the regional diversity of our state," says former Fresno Mayor Ashley Swearengin, who has been part of the Summit since its inception. "We know that what works well in San Francisco is not going to work in Fresno. We had to create a framework that allows for the diversity of regions and to custom-make solutions at the local and the regional level. And it's working."

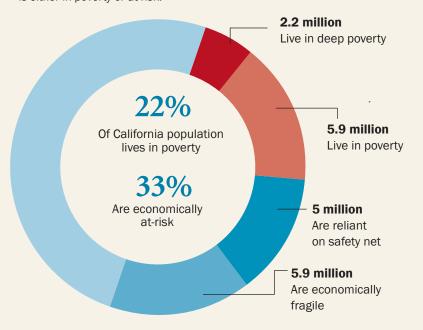
The work of the Summit's Action Teams and Cross-Team Collaborations has involved literally thousands of Californians since the Summit started five years ago. Nearly nine in 10 respondents agreed that the Summit plays a vital role and should be repeated in future years.

"After five years, we've seen the fruits of a lot of work, a lot of investment, a lot of dialogue and sometimes tension," says Paul Granillo, president and CEO of the Inland Empire Economic Partnership. "We've had some really amazing conversations, ideas and people stepping forward to implement those ideas. That's a credit to the Summit."



#### California's at-risk population

Some 8.1 million Californians (22 percent of the population) live in poverty – more than in any other state. More than half the population is either in poverty or at-risk.



#### Continued from previous page

Cathy Creswell, housing consultant and former acting state housing director, points outs "the biggest obstacles to increasing supply are funding, land availability and how its regulated, and political will."

The McKinsey report suggests the innovations with the highest potential to unlock new supply range from changing the rules to incentivize local governments and accelerating the land-use approval process to boosting construction productivity and deploying modular construction techniques.

"To meet the range of housing needs in our state, lawmakers must ease building restrictions and make a significant investment in proven, affordable home programs," says Ray Pearl, executive director, California Housing Consortium.

The state could, for example, establish a permanent revenue source, using document recording fees, to directly fund affordable housing for working families and other vulnerable populations. The state could also increase the share of property taxes to local governments that approve affordable homes, with priority given to infill projects and housing built close to jobs and transit.

Last spring, with the California Economic Summit calling for big policy changes, Governor Brown unveiled a dramatic new proposal for streamlining the local housing approval process for multi-family housing projects.

"The current dialogue about the need to reform the housing approval process so that it happens in a reasonable amount of time with clear rules and standards is a critical step," says Pinkston.

While the Governor's proposal stalled, Summit participants developed a comprehensive framework for state and local actions, including fiscal incentives, inclusionary zoning and regulatory changes that could cut the cost of development and increase the supply of housing.

"Organizations such as California Forward play a valuable role in bringing diverse stakeholders together to generate policy solutions and build consensus that can help further our legislative goals," says Chiu.

"California
Forward and the
Economic Summit
are uniquely
positioned to
create a coalition
that can create
real change."

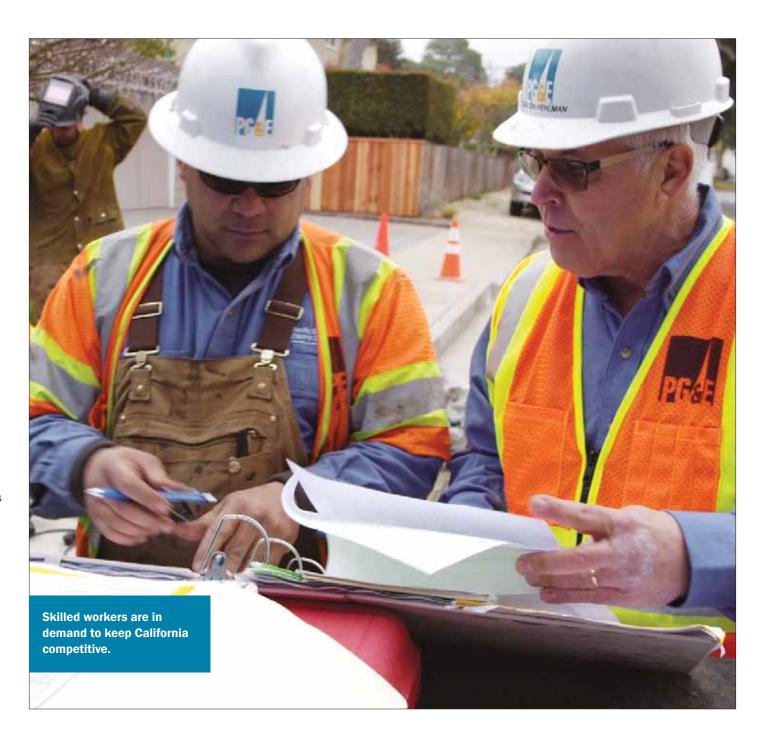
#### Cathy Creswell,

Housing and planning consultant

"I don't think much of where we are today on the workforce issue would have been possible without CA Fwd and the leadership of Jim Mayer and others who have really helped drive awareness and provide guidance for us to follow."

Alma Salazar, Vice President, Education & Workforce, Los Angeles Area Chamber of Commerce





#### One million more skilled workers

# Building a Strong Workforce

Over the next decade, California is expected to have openings for an additional 1 million qualified workers than the existing college programs can produce. These are good, well-paying jobs in the state's growth industries: health care, technology, production, clean energy and pollution reduction and advanced transportation.

The Governor and Legislature have allocated an additional \$200 million a year to the Strong Workforce program to help the state's community colleges close the skills gap.

From the beginning, the California Economic Summit worked closely with regional partners from education and business to ensure the Strong Workforce Program will encourage collaboration among community colleges, increase efficiency in spending and improve responsiveness to regional labor markets.

"The California Economic Summit has consistently highlighted the growing skills gap and wage gap that have plagued California communities," says Eloy Ortiz Oakley, the new chancellor of the California Community Colleges. CCC is the largest system of higher education in the country, composed of 72 districts and 113 colleges serving 2.1 million students per year.



#### **ROADMAP TO PROSPERITY**

ONE MILLION CHALLENGE

"The Summit also articulated the importance of regions to the state economy," says Oakley. "Bringing the key players to the table to discuss the challenges we face and propose statewide solutions has been tremendously important to the future of our state."

"Much of the credit for this effort is due to the work of Van Ton-Quinlivan, CCC's vice chancellor," says Jim Mayer, president & CEO, California Forward. "Coming from Pacific Gas and Electric, she knew first-hand the missed opportunity of not providing adequate programs for 'middle-skilled' jobs, those requiring more than a high school diploma but less than a bachelor's degree."

Ton-Quinlivan convened advisors from the colleges, the employment and the civic sectors and led efforts to coordinate planning for what's seen as an enormously significant change in aligning resources and curricula to better serve students and meet employers' needs.

Statewide, health care is one of the places where there is a huge need for skilled workers, including lab technicians, occupational and physical therapists and advanced imaging techs. Cathy Martin, vice president of the California

Continued on next page

### Why the Middle Class Matters

By Kish Rajan

Co-founder, Epiphany

California is the land of milk and honey, of dreamers and doers.

But that's not good enough, nor is it sustainable, unless we strive to do better for all who comprise our state's workforce.

Our state has the uncanny ability to continually reinvent itself through the seemingly boundless talent and ingenuity of its inhabitants. Yet for all of our recent success, Californians have also become complacent, assuming that our innovative capacity, entrepreneurial prowess and belief in social responsibility will automatically unleash broad economic prosperity and expanded opportunities for everyone to join the middle class. They haven't.

This disparity has never been more evident than it is now, but it remains unresolved and requires a reboot in thought, action and policy. In 1971 about 70 percent of Americans were described as middle class. Today that number is only 50 percent. In the Sacramento region, the income gap between rich and poor grew by more than 30 percent over the past decade, while the Inland Empire saw the biggest jump – more than 40 percent.

Our challenge is to harness our powerful state economy and expand it to extend prosperity to more Californians. The California Economic Summit's goal of lifting one million families out of poverty into the middle class isn't simply ambitious – it's a necessity for our collective future.

Public policy has a vital role to play. When

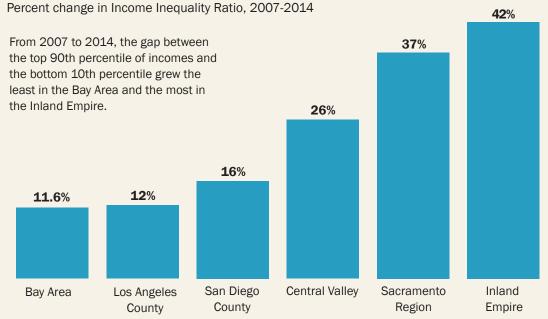
I ran Governor Brown's Office of Business and Economic Development (Go-Biz), we concentrated on economic development and job creation. It's not a job that government can do in a vacuum. It takes the private sector, civic leadership and, yes, the government to make a difference.

Not surprisingly, my work took me to CA Fwd, which was (and is) a valuable partner in the work toward strengthening the middle class. CA Fwd's

unique ability to convene and communicate with stakeholders across the various economic sectors in the California regions helps develop pragmatic solutions that can make a real difference.

The California dream has always been about the collective embrace of our entrepreneurial spirit to foster opportunities for all to create a better state for our children than the one we inherited. I hope you will join us in reinventing that dream once more.

#### Where income inequality is growing in California



SOURCE: PUBLIC POLICY INSTITUTE OF CALIFORNIA

these being trained at

American River College.

Continued from previous page

Hospital Association, has been working with community colleges to fill the need.

"Community colleges listened to industry when we said we're a rapidly transforming industry and we need a supply chain that can innovate with us and not lag behind," says Martin.

Martin points to the example of Los Rios Community College District, which is collaborating with the four large hospitals in the area to revamp health care career pathways, as a model of "the forward-thinking innovation that's becoming a model for the country."

Another example is Long Beach City College, which worked with the Port of Long Beach and Cal State Long Beach to establish an Academy of Global Logistics and International

Trade at Cabrillo High School. The academy offers a supplychain pathway from entry-level logistics though postgraduate management.

As a leader in clean technology, California is going to need an estimated 15,000 well-trained workers to meet state goals.

"While the technology is almost there, when it comes down to the folks actually doing the work, there are big skills gaps," says Jim Caldwell, sector navigator, Energy, Construction and Utilities education for the California



Community Colleges.

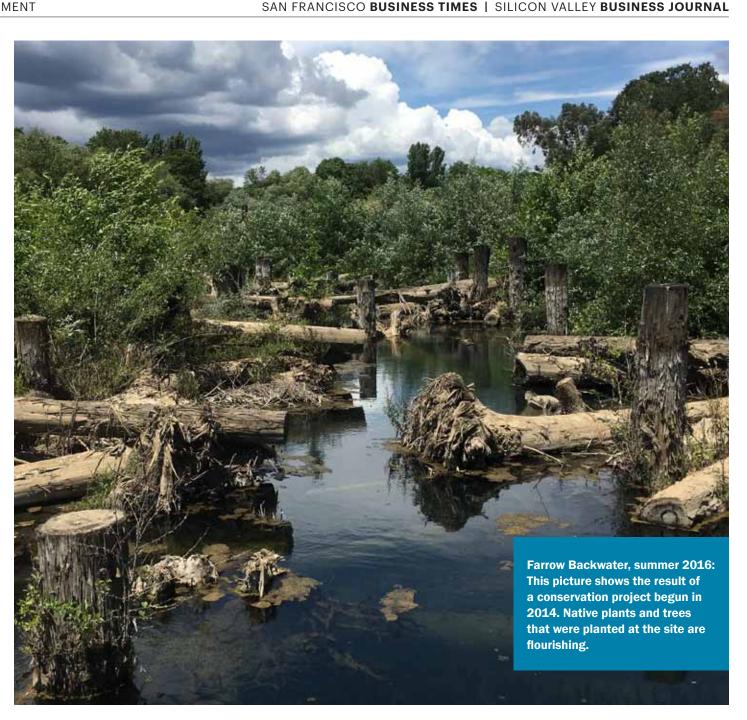
Caldwell partnered with Kish Rajan, former president of the Southern California Leadership Council (SCLC), to create a data-driven solution that would breed confidence in private sector participants.

"When we elevate the level of confidence the private sector has in the solution design, it dramatically improves our opportunity to succeed in solving this real workforce challenge," says Rajan.



"People who come together at the Economic **Summit are** aspirational - seeking to achieve real progress and action."

James Gore, Sonoma County Supervisor



One million more acre-feet of water

# Meeting the State's Water Challenge

Even before the drought, Californians were using far more water each year, roughly 10 million acre-feet, than the state's water systems reliably supply.

In 2015, the California Economic Summit set a 10-year goal to conserve, capture and re-use an additional one million acre-feet of water every year.

#### Reform and financing

"The first imperative moving forward is more fficient regulatory strategy," says Charles Gardiner, principal strategist with the Catalyst Group. "When regulation gets in the way of protecting public health and the environment, it's time to rethink what we're doing. It's a huge challenge, but we're making progress."

Second is figuring out how to pay for better water

"We need to be creative about how to pay for water projects," says Gardiner. "We're not talking about more taxes or revenue, but improved financial systems and more cost-effective solutions."



**ROADMAP TO PROSPERITY** ONE MILLION

CHALLENGE

One approach is the use of Enhanced Infrastructure Financing Districts (EIFDs) to pool funds for regional infrastructure projects. EIFDs were created with support of Summit partners to fill the hole left by the dissolution of the state's redevelopment agencies.

"The EIFD process turns planning on its head," says Mark Pisano, USC Price School of Public Policy professor. "Planning for growth, infrastructure and mitigation is made possible by the capacity to integrate the funding needed to make it real."

#### **Urban-rural connection**

Following the passage of a \$7.45 billion water bond in 2014, the Summit's Working Landscapes Action Team, headed up by Dr. Glenda Humiston at the University of California, has advocated for making the best use of these funds. Humiston supports investing in integrated watershed management plans that encourage urban and agricultural water districts

Continued on next page

### Water conservation: A case in point

The Dry Creek Habitat Enhancement Project is creating habitat features in Dry Creek, a tributary of the Russian River, to improve conditions for endangered coho salmon and threatened steelhead along six miles of the creek. The photos at left and below show a habitat enhancement feature that was completed in 2014. The habitat, called the Farrow Backwater, provides shelter for young fish. Logs and rocks are used to create features such as side channels and riffles that slow water velocity in Dry Creek and improve habitat for the endangered and threatened fish species in the Russian River watershed.



Farrow, Oct. 2013

This photo was taken when the backwater feature, built on property owned by the Amista Vineyards in Healdsburg, was nearly completed. It is connected to Dry Creek at the center of the photo.



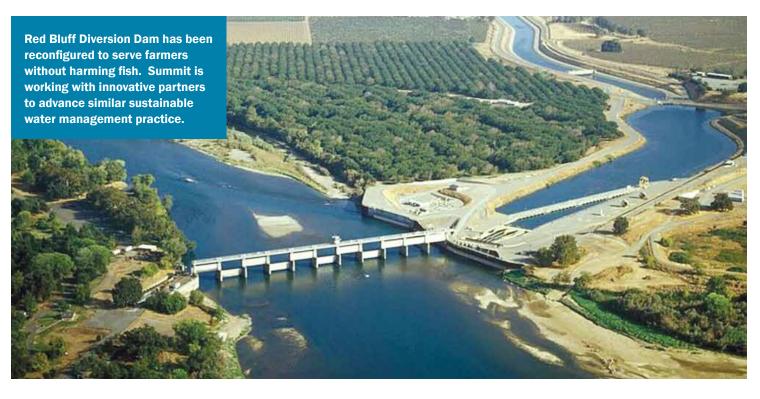
Farrow, May 2015

In less than two years, you can see how the replanted native vegetation has thrived and stabilized the banks, providing shade for young fish.



Fish in viewing gallery

The new Russian River Fish Ladder and Viewing Gallery provides improved passage for fish up and down the river and allows visitors to watch salmon during their migration.



"Huge, big, hairy, audacious goals, but we're working on it."

**Glenda Humiston,** UC vice president and

Summit leader

Continued from previous page

to coordinate their actions.

"The fact is," she says, "we're all in this together. Every time I see or hear somebody say, 'Ag is only 2 percent of the GDP of the state, why should we even care about them?' I think, 'It's the source of our food and vitally important ecosystem services. We have to care!"

#### Innovative water management

In a state where water doesn't flow year round, capturing and reusing runoff is critical to water management.

The Santa Ana Watershed Project Authority (SAWPA) is exploring an innovative project to trade outlawns on large corporate campuses and institutional

spaces for groundwater recharge reservoirs.

"Traditional flood control strategies have focused on moving runoff to the ocean to avoid flood damage," says Mike Antos, SAWPA watershed manager. "The Santa Ana project proposes regrading large open spaces and landscaping with rocks, gravel and native plants to collect rainwater and allow it to soak into the ground, where it can late be pumped and reused."

The Sonoma County Water Agency's (SCWA) ambitious plan to better manage the Russian River watershed includes capturing more groundwater, improving water quality and enhancing habitat for endangered salmon species.

"Our water supply system is dependent on Mother Nature, including creeks that convey our water from storage to pumps, and underground gravel that naturally filters and cleans our groundwater supplies," says James Gore, SCWA director.

"Climate change will alter how Mother Nature operates. This plan enables us to make the best management decisions based on the best scientific data available."

To make these strategies work, regional water authorities need the cooperation of the state, city governments and private property owners.

"Most businesses have been working on efficiency and reducing water usage, but they also need to be advocates for sustainability within the larger watershed," says Jim Mayer, CA Fwd president & CEO.

The Summit is helping to identify state actions that can support the governance, regulatory and finance aspects of regional strategies and encourage their replication in other watersheds.

#### **CALIFORNIA'S FUTURE**

# Rising Stars

# Millennial roundtable: Young leaders say California is on the right path

California is known worldwide for innovation and groundbreaking policies. From Silicon Valley technologies and the creative genius of Hollywood to advances in manufacturing and new agricultural practices, California's economic strength is built on new discoveries, entrepreneurship and leaders who embrace cultural and intellectual diversity. Public policies developed in California – from pollution reduction and climate change to evolving water strategies and advancing equality – are national models. CA Fwd asked a new generation of political and civic leaders to share what they think about the challenges facing California and their own roles in making government more responsive, effective and efficient.

### What are the biggest challenges facing California government?

**Brian Burrell:** "Challenging inequity... We have to confront the aftereffects of a legacy of discriminatory policies that created and accelerated disparities in wealth, housing and access to economic opportunity."

**Patrick Dorsey:** "I see college students who are struggling to afford housing and access to proper nutrition and who are uncertain about their future. They worry about how they'll manage student loan debt and how this will impact their ability to own a home."

Mai Yang Vang: "The inability to break down silos is a major challenge. In education, for example, it's hard to accomplish our goals without addressing the whole student. The public sector needs to embrace working with multiple partners to address local needs depending on the people we're serving."

**Gustavo Herrera:** "Increasing civic engagement for young adults in California is a challenge and major opportunity for our state government. We hope our representatives will take the time to

meet with and listen to us. There are major economic issues – unemployment, stagnant wages, high cost of college, access to health care –we need to address."

**Burrell:** "The challenge is not in electing people who value and represent their constituents, the challenge is government systems that are confusing and difficult to navigate – and that prevent Californians from actively participating in decision-making."

### What are the obstacles to overcoming those challenges?

**Burrell:** "There is great value in the stability of governance that prevents dramatic shifts in policy and legislation every election cycle. But unfortunately, California, and most of America, rest on systems and institutions that were built for a different time, and continue to carry the legacy of discriminatory practices."

**Herrera:** With some 20.2 million college students in the U.S., ... registration is the key. Young people who are registered to vote turn out



at nearly the same rates as older voters...The state should invest in continuing to promote voting on and near campuses."

**Dorsey:** "We must continue to collaborate and identify innovative policy solutions that are proven to be the most effective. This is the surest way to overcome political fragmentation. It takes the state and local governments working together, with aligned priorities, to make sure that we can overcome these obstacles."

**Burrell:** "California can and should strive for putting people at the center of government..."

Vang: "We need to build a more multidisciplinary government that can focus on doing what's best for the clients served. Partnerships and collaboration are key. For example, in education we understand that students may have health concerns that affect their ability to learn, so it's critical, then, that we partner with county health agencies."

### Is State government moving in the right direction?

**Burrell:** "Overall, yes! California continues to be a national leader in ideas that advance job creation, invest in people through health care and skills training, and welcomes new residents by expanding access to education and opportunity for undocumented immigrants."

"But California has not been bold enough in building career pathways and employment opportunities across the state. We must continue to ask ourselves who is left out and why?"

**Vang:** "I would say we're at a good staring point. There's a shift that's moving government closer to the people. It's really about having local stakeholders being part of process."

**Dorsey:** "I would like to see greater investment in higher education and an effort to foster an environment for businesses to thrive and recruit a well-trained work force."

### How will new, young leaders do things differently?

Vang: "Millennials are all about innovation and using all forms of media to communicate with the public. We get it that public input doesn't only happen in public meetings; we need to use different forms of media to share messages and help people navigate the system."

"I think we also recognize the importance of working across sectors and generations. It's important to lean on – and learn from – our elders and not to try to do it all alone... Young professionals are all about paying it forward."

Herrera: "At a recent young adult meet-up hosted by Young Invincibles in San Bernardino, three of 20 of those in attendance were actively running personal campaigns towards city council leadership as a result of their desire to reshape the national and local election dialogues."

"We also see a strong cohort of young millennial leaders across California pushing for more inclusive legislation, which clearly resonates with the values of the most diverse generation in the history of the United States."

**Burrell:** "California's young leaders are excited to get involved in building a better California, and unwilling to wait for change to come to them."

"One example is Peter Ortiz who decided to run for – and win – a seat on the Mount Pleasant School Board. His priorities include creating a culture of collaboration among students, schools, parents and community partners. He's an advocate for modern updates to education, connecting schools with the job skills needed in local areas and the employers who are hiring."

"Ortiz' vision of collaboration and modernization is reflective of many young leaders who look to build a system that doesn't just include a single person's ideas, but one that brings together a whole community's experience and needs."

**Dorsey:** "Young leaders are concerned about the environment and social justice, and stress the importance of equity in the polices we hope to implement."

# How is California Forward making government more responsive, effective and efficient?

**Burrell:** "California Forward can continue their leadership by making big ideas attainable, and continuing to bring together a diverse array of coalition partners to turning their priorities into reality."

**Vang:** "It critical for CA Fwd to continue to share and highlight best practices for being more responsive, effective and efficient – for bringing government closer to people – across the state."

**Dorsey:** "I once thought California was unmanageable, but, as we have observed from CA Fwd, change is possible."

"California
Forward is
inspiring a new
generation of
leaders."

#### **Patrick Dorsey**

CEO, Associated Students, California State University Sacramento



# Fighting Crime the Smarter Way



**CA FWD** is working with counties and school districts to transform how they solve problems.

By Jay Orr

CEO, County of Riverside

The high cost of incarceration has led many counties to look for ways to lower their jail population through programs that promote diversion and/or reduce recidivism.

In 2014, Riverside County was under pressure from a lawsuit, a court-ordered cap on its jail population and tightening budgets to reduce overcrowding in the county's jails. While we had already taken steps to increase jail beds by beginning construction of the East County Detention Center in Indio, we knew we couldn't build our way out of the crisis. We needed to look for new solutions.

As a former DA and public defender, I realized that lowering the jail population would require a big shift in the entire criminal justice system. We took note of California Forward's approach to improving outcomes for individuals and the community by having county leaders work together, across departmental lines, and approached them for help.

We realized we were working on a monumental change that, if done correctly, will have a positive fiscal impact on the county.

CA Fwd assembled a Justice System Change Initiative (J-SCI) team of subject matter experts on probation, criminal justice and public policy research.

On the county's side we tasked Chief Probation Officer Mark Hake to take the lead. Hake put together an internal team made up of representatives from the sheriff's, probation and behavioral health departments; and the district attorney, public defender and the courts.

J-SCI's strategy was to promote new justice system policies and practices that better align resources to promote public safety by using data-driven evidence.

Over the course of more than two years, the J-SCI conducted a jail utilization study to determine who was in Riverside County's jails and why. They found more than 40 percent of the jail bookings for the year 2014 were not for new crimes, instead they were for warrants, court commitments, technical violations and holds. In other words, inmates were in jail for breaking rules, not laws.

Another finding was that mentally ill inmates are booked more often and stay longer than other inmates. Both of these findings shed light on changes that could be made within the county to lower the jail population.

Recommendations from the jail study were unanimously approved by the board of supervisors and adopted with good results.

For example, a drop in juvenile offender re-entry rates is attributed to a shift in thinking in the probation department coupled with two new programs that provide young offenders guidance and educational opportunities, and allow officers to more effectively communicate with clients through smartphone texting.

Another new effort is the unprecedented collaboration between our sheriff's department and Riverside University's Health System to improve outcomes for the mentally ill who are in jail. Behavioral health clinicians are now embedded in the jail, and sheriff's staff are being better trained to work with the mentally ill.

New cross-departmental work groups are tackling other recommendations put forth in the jail study to reduce the jail population.

While progress to date is significant and we are proud of being recognized throughout the state as a model for cross-system change, we still have a long road ahead and look forward to our continued work with CA Fwd.

# Double-down on smart government



Government should ask what are we trying to do and how will success be measured.

By Sunne Wright McPeak

President and CEO, California Emerging Technology Fund

Since its launch a decade ago, thousands of Californians have participated in California Forward events and initiatives. Now it's time to review what we've learned as guidance for the future.

While CA Fwd has championed both structural reforms (such as redistricting, top-two primary elections, or length of time a bill must be in print before the Legislature can vote) and substance reforms (such as performance-based management and budgeting, realignment of human services or integration of workforce training), a number of vexing challenges have persisted and some have worsened. Consider the increase in income disparity, the lack of improvement in government effectiveness and deepening political

Disillusionment with government stems from the reality that government does not work well enough for most people. There's too small a return on investment for taxpayers and too little improvement for those dependent on government assistance to get ahead and become more self-sufficient.

Government reform needs to start with the premise that form should follow function and, therefore, the first order of business should be clarity about what is to be achieved and how success will be measured.

We at the California Emerging Technology Fund (CETF) observe a remarkable amount of consensus throughout the state about how government should and could function. It is what CA Fwd calls "Smart Government," which calls for transforming the "substance" of government that is rooted in quantified goals, performance metrics and accountability for improved outcomes.

At the heart of Smart Government is the alignment of the primary human services provided by the state, counties, cities, schools and special districts to achieve better outcomes for children and their families, with accountability for results in the form of improved lives for the disadvantaged and higher ROI for taxpayers.

CA Fwd's Partnership for Community Excellence is working with counties to execute system change efforts in criminal justice and social services, and with school districts striving to reduce the achievement gap. The strategy also applies to efforts to improve workforce development investments and other state policies that can restore upward mobility.

CETF has a mission to close the Digital Divide in California by accelerating deployment and adoption of high-speed Internet access, or "broadband." Although the construction of broadband infrastructure is a fairly daunting task, an even more sobering challenge is bringing low-income households online. The inter-related factors and forces in poor neighborhoods that we call the "wall of poverty"—the lack of good schools coupled with few opportunities for jobs and decent housing exacerbated by higher levels of crime and pollution - combine to present a high hurdle for residents to

These challenges require coordinated effort and collective impact by all levels and forms of government to help residents successfully escape poverty and be able to contribute to increasing California's prosperity. We call it "Neighborhood Transformation."

Encouraging examples of initiatives incorporating the principles of Smart Government and elements of Neighborhood Transformation include the Bridge Academy in Fresno, the Launch Initiative in the Inland Empire and the County-City-School-Community Partnership in Sacramento.

In this era of societal divisiveness and political volatility in search of an intersection of sanity and common sense, California Forward should seize the opportunity to advance substantive government reform by doubling down on Smart Government.



In tribute to The Honorable

# **Leon Panetta**

# Founding Co-chair of California Forward



For your vision and courage, integrity and steward leadership in service of California and the United States of America, we are truly grateful.

Please join us in recognizing Secretary Panetta's leadership as we honor him at CA FWD's 10th Anniversary Gala Dinner on January 26th in San Francisco. For more information, please visit: cafwd-secure.org/cafwd/forward-thinking2017

On behalf of the CA Fwd Leadership Council,

James P. Mayer
President & CEO

Lenny Mendonca
CA Fwd Co-chair

**Peter E. Weber** CA Fwd Co-chair

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