

Date of Hearing: June 19, 2019

ASSEMBLY COMMITTEE ON ARTS, ENTERTAINMENT, SPORTS, TOURISM, AND
INTERNET MEDIA

Kansen Chu, Chair

SB 736 (Umberg) – As Amended April 22, 2019

SENATE VOTE: 38-0

SUBJECT: Creative Economy Task Force.

SUMMARY: Would establish a Creative Economy Task Force (Task Force) within the Governor’s Office of Business and Economic Development (GO-Biz) and requires the Task Force to study the creation of a state fund to assist local governments in the bidding process for major events. Specifically, **this bill:**

- 1) Establishes the Creative Economy Task Force Act intended to explore strategies for the state to assist local governments in attracting major events to spur job growth and to boost the economy.
- 2) Defines “major events” to include but is not limited to arts and cultural events, entertainment events, agricultural events, sporting events, and international conferences.
- 3) Establishes, until December 31, 2020, a Creative Economy Task Force within GO-Biz comprised of representatives from: the Governor’s Office; Department of Finance; California State Senate; California State Assembly; tourism organizations in urban and rural counties; the California State Association of Counties; League of California Cities; and, a private or nonprofit group with a track record of financing, planning, and executing large scale major events.
- 4) Requires the Task Force to study the creation of a state fund to assist local governments to compete with other states in the bidding process for major events and provide a report to the Legislature by June 30, 2020.
- 5) Declares that the article creating and authorizing the Task Force expires December 31, 2020.

EXISTING LAW:

- 1) Establishes GO-Biz within the Governor’s Office for the purpose of serving as the lead state entity for economic strategy and marketing of California on issues relating to business development, private sector investment, and economic growth.
- 2) Authorizes, under the Bergeson-Peace Infrastructure and Economic Development Bank Act, the creation of the IBank within GO-Biz which provides financing for public infrastructure projects that must promote economic development and attract, create, and sustain long-term employment opportunities.

FISCAL EFFECT: According to the Senate Appropriations Committee, GO-Biz indicates that it would occur a one-time General Fund cost of \$500,000 to implement the provisions of this bill.

COMMENTS:

- 1) *Author's statement and support.* According to the author, "California currently does not have a program like CEIP in existence. Though the state, as a whole, has regularly expressed its support for the creative arts as an industry through efforts like the California Film Tax Credit. A variety of approaches for attracting significant creative economy events in other regions outside of California have proven to be successful, however. These include a 'major Events Incentive Program' in Louisiana used to secure events such as the Super Bowl, National Championship Games, and an 'Events Trust Fund' in Texas to build for, and support, large scale events."

Many supporters wrote the Committee to communicate their shared belief that, "Creative industries make significant contributions to employment and economic growth in California. Each year, dozens of cultural, sporting, agricultural, and entertainment events attract international attention. Cities and counties compete vigorously to attract these events, which provide an important source of revenue for hotels, restaurants, shopping and transportation, as well as an expansive showcase for the host cities and counties. They foster innovation and encourage spillover effects that create opportunities for other industries by attracting investment, tourism, consumer spending and by generating tax revenue."

Other supporters, such as the San Jose Sports Authority, support the measure based on their belief it will help them maintain economic momentum, saying San Jose has "established itself as a premier destination for the most prestigious amateur and professional sporting events. These events include the Amgen Tour of California, Rock-n-Roll Half Marathon, U.S. Olympic Trials-Gymnastics, U.S. Figure Skating Championships, National Hockey League All-Star Game, NCAA Men's Basketball Championships, Super Bowl 50 and the 2019 College Football Playoff Championship Game. These events have contributed hundreds of millions of dollars to our local economy as well as contributing to our region's workforce." Despite these accomplishments, they assert, "The time is now for California to create a process that fosters growth and encourages creative economy output."

- 2) *California's Creative Economy is booming.* On May 15, 2019 this Committee along with the Joint Committee on Arts convened a Joint Informational Hearing entitled, "*Riding the Wave of the Creative Economy: Growth, Challenges, and the Arts Education Pipeline.*" The hearing featured a presentation of the 2019 Otis Report on the Creative Economy which showed major growth in the overall output for creative industries, arts organizations and professionals in California. The 2019 Otis Report on the Creative Economy is the 11th year of the report, a research project commissioned in 2007 by the Otis College of Art and Design to understand the size, growth and structure of the creative economy in Los Angeles County and later expanded to include all of California.

According to Otis, statewide the creative industries support 2.6 million jobs, \$227.8 billion in labor income and \$604.9 billion in annual output. Of those 2.6 million total jobs, 1 million represent workers directly employed in the creative industries, and the other 1.6 million are jobs indirectly generated by them.

Significant findings in the 2019 Otis Report on the Creative Economy of California include: In total, statewide in California, creative industries were responsible for 15% of total employment overall, in terms of direct and indirect employment. Los Angeles County is the

largest hub by employment for the creative industries in the U.S., with 10% more creative workers employed in the County than the next largest center for the creative industries in the country, New York City. On average, a creative industry job is higher than the county-wide average. (Creative: \$103,000 versus non-creative average: \$61,000). The Fashion sector in Los Angeles County employs around 24% more workers than its East Coast counterpart in New York City. There has been a very robust increase in employment in the field of Architecture and Related Services & Fine Arts and Performing Arts – increasing by 32%, demonstrating the health of arts and design in Los Angeles as a key growth area in the economy.

Although often used interchangeably, there is a distinction between the creative economy and the creative industries. The creative economy comprises many creative activities whether expressed as art or innovation. The creative industries are defined as those industries “which have their origin in individual creativity, skill, and talent and which have a potential for wealth and jobs creation through the generation and exploitation of intellectual property.” The creative economy is largely made up of the creative industries - a designated set of industries that depend upon individual creativity to generate employment and wealth, including the following “super sectors”: Architecture and related services, Creative Goods and Products, Entertainment and Digital Media, Fashion, Fine Arts and Performing Arts.

In 2017, there were 1.3 million people employed across the creative industries in California. Since 2010, the state has added more than 200,000 creative industry jobs, a 26 % increase. Additionally, across those five creative sectors there are 103,535 self-employed workers.

3) *State assistance programs potentially available for the Task Force to tap.* Through a variety of programs administered by a number of state agencies, local governments may apply for, and receive financing, loans, grants, or forms of state monies for various projects and purposes. For example:

- Until January 1, 2022, aimed at reducing recidivism, select counties in the state can receive grant funding through the Social Innovation Financing Program, administered by the Board of State and Community Corrections, which allows counties to enter into a “pay for success” contract (a contractual agreement between government, private investors, and service providers where private investors agree to provide financing to service providers to achieve social outcomes, agreed upon in advance, and the government agency agrees to pay a return on the investment if successful programmatic outcomes are achieved by the service provider). Grants are authorized between \$500,000 and \$2 million (up to \$5 million dollars total), upon appropriation of funds by the Legislature to the Recidivism Reduction Fund.
- IBank, California's only general purpose financing authority, has broad powers to issue tax-exempt and taxable revenue bonds, provide financing to public agencies, provide credit enhancements, acquire or lease facilities, and leverage state and federal funds. The Infrastructure State Revolving Fund provides direct low-cost financing to public agencies for a variety of public infrastructure projects; the Revenue Bond Financing Program provides financing for manufacturing companies, public benefit nonprofit organizations, public agencies and other eligible entities and; the California Lending for Energy and Environmental Needs Center provides low-cost financing to eligible state and local governments, public universities, schools, and hospitals for projects with commercially

proven technologies that are expected to result in carbon reduction or other environmental benefits or other environmental benefits.

- The Energy Conservation Assistance Act, administered by the Energy Commission, provides grants and loans to local governments and public institutions to maximize energy use savings, including, but not limited to, technical assistance, demonstrations, and identification and implementation of cost-effective energy efficiency measures and programs in existing and planned buildings or facilities.

4) *Double referral.* Should the bill pass out of this committee it will be re-referred to the Assembly Committee on Jobs, Economic Development, and the Economy.

REGISTERED SUPPORT / OPPOSITION:

Support

Basecamp Hospitality
 Cal Poly San Luis Obispo Experience Industry Management
 California Business Roundtable
 California Chamber of Commerce
 California Hotel & Lodging Association
 California Travel Association
 Cannery Row Company
 Certified Folder Display Service, Inc.
 City of Indian Wells
 County of Orange
 Dogtrekker.Com
 Greater Palm Springs Convention & Visitors Bureau
 Hilton Anaheim
 Long Beach Convention & Visitors Bureau
 Los Angeles County Board of Supervisors
 Los Angeles Rams
 Mammoth Lakes Tourism
 Pier 39
 Placer County Visitor's Bureau
 Rose Bowl Operating Company
 San Bernardino County - Economic Development Agency
 San Diego Tourism Authority
 San Francisco Travel Association
 San Gabriel Valley Economic Partnership
 San Jose Arena Management Center
 San Jose Earthquakes
 San Jose Sports Authority
 San Mateo County/Silicon Valley Convention & Visitors Bureau
 Solvang Conference & Visitor Bureau
 Starline Tours
 U.S. Cultural & Heritage Marketing Council
 Ventura Country Lodging Association
 Visit Anaheim

Visit Concord
Visit Richmond Convention & Visitors Bureau
Visit Sacramento
Visit San Jose
Visit Slo Cal - San Luis Obispo County
Visit Temecula Valley
Visit Tri Valley
Visit Vacaville
Visit Yosemite Madera County
Warner Bros. Entertainment Inc.
Winchester Mystery House

Opposition

There is no opposition on file.

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