

# REPORT OF THE CHIEF LEGISLATIVE ANALYST

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DATE: April 15, 2016

TO: Honorable Members of the Rules, Elections, Intergovernmental Relations, and Neighborhoods Committee

FROM: Sharon M. Tso   
Chief Legislative Analyst      Council File No.: 15-0002-S139  
Assignment No.: 16-03-0245

SUBJECT: Resolution (Englander - Blumenfield) to SUPPORT AB 2600 (Lackey)

CLA RECOMMENDATION: Adopt Resolution (Englander - Blumenfield) to include in the City's 2015-16 State Legislative Program SUPPORT for AB 2600 (Lackey), which would request the Regents of the University of California to establish the California Institute of Aerospace.

## SUMMARY

Resolution (Englander - Blumenfield), introduced on March 16, 2016, states that the University of California (UC) is a key component of California's public higher education system. The UC is known for enrolling large numbers of high-performing students of all economic backgrounds and engages in scientific research which has generated billions of tax dollars and economic growth through the creation of jobs, technologies, new products, new industries, and advances in medicine.

The Resolution states that the enactment of a State Aerospace Tax Credit in 2014 and a contract award from the United States Air Force in 2015 to the Northrup Grumman Corporation has positioned California to benefit from thousands of new jobs designing and building the Long Range Strike Bomber. The Legislature is considering AB 2600 (Lackey) which would request that the UC Regents establish the California Institute of Aerospace within twenty miles of Edwards Air Force Base or United States Air Force Plant 42 in order to leverage the State's existing aerospace industry infrastructure. The Resolution requests that the City support AB 2600.

The Economic and Workforce Development Department (EWDD) supports AB 2600 and states that the bill will promote economic growth in the region. The EWDD further states that the bill will strengthen existing efforts to build a job-producing industry cluster in aerospace and clean technologies. Furthermore, the EWDD states that implementation of the bill will attract small firms, revitalize the regional economy, and create jobs to complement the residential and commercial sectors. The EWDD notes that these efforts could be enhanced if the proposed Institute functions as an incubator for aerospace-focused small businesses and technology companies while also providing technical education.

## BACKGROUND

Following the end of the Cold War, the United States Department of Defense reduced procurement for aerospace-related products which resulted in the consolidation, closure, and relocation of aerospace companies in the Los Angeles region. The Los Angeles County Economic Development Corporation states that Los Angeles County lost 56 percent of its aerospace industry jobs during the period of 1990 to 2011. Aerospace firms continue to be a

source of employment at a reduced level at such facilities as Dryden Flight Research Center, Jet Propulsion Laboratory, and Los Angeles Air Force Base.

On July 10, 2014, the Governor signed AB 2389 (Fox) into law which provided tax credits to aerospace firms. Under AB 2389, eligible companies would collect the credit over 15 years with a maximum credit amount of \$25 million for the first five years, \$28 million the following five years, and \$31 million the final five years. According to the Los Angeles Business Journal, the bill was developed to enhance the ability of California-based aerospace companies to compete for United States Department of Defense contracts.

On October 27, 2015, the United States Air Force awarded a \$55 billion contract to Northrup Grumman Corporation to design and construct a new stealth aircraft that replaces the B-52 bomber. The majority of the work associated with design and construction is expected to be completed at Plant 42 in Palmdale, which is a 5,800 acre industrial park owned by the military but leased to aerospace companies.

#### University of California

The University of California (UC) is governed by a 26-member Board of Regents (UC Regents). The UC provides public education instruction to students at ten campuses located in Berkeley, Davis, Irvine, Los Angeles, Merced, Riverside, San Diego, San Francisco, Santa Barbara, and Santa Cruz. As of March 2016, the UC enrolls a total of 238,000 students comprised of 198,866 undergraduate students and 52,600 graduate students.

The UC also engages in research in various disciplines at its campuses, national laboratories, medical centers, and other research facilities. The total operating budget is \$28.5 billion, of which \$3 billion is comprised of State general funds and \$3.2 billion is comprised of tuition and fees. The remainder of the operating budget consists of medical centers (\$8.2 billion), sales/services (\$6.3 billion), government contracts/grants (\$4 billion), private support (\$2.1 billion), and UC general funds (\$1.1 billion).

Economic & Planning Systems Inc., an urban economics consulting firm, states that the UC generates \$46.3 billion in annual economic activity for the State and contributes \$32.8 billion to the Gross State Product. The Center for Strategic Economic Research states that that University of California, Los Angeles (UCLA) generates \$12.7 billion in economic output, 95,000 jobs, and \$1.8 billion in federal, state, and local tax revenues for the Southern California region.

#### AB 2600

AB 2600 (Lackey), introduced on February 19, 2016, would request the UC Regents to establish the California Institute for Aerospace. The bill would also request the regents to locate the Institute at a satellite campus within 20 miles of Edwards Air Force Base or United States Air Force Plan 42 so that it will be in close proximity to a large part of the State's aerospace research and development. According to the bill's author, the enactment of a State Aerospace Tax Credit in 2014 will allow the State to benefit from jobs researching, designing, building, and testing the Long Range Strike Bomber. The bill will be implemented only to the extent that the UC Regents determine that adequate funding for its purposes has been provided to the UC.

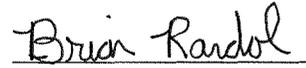
Support for AB 2600 is consistent with existing City policies and programs which foster economic growth, job growth, and workforce development.

DEPARTMENT NOTIFIED

Economic and Workforce Development

BILL STATUS

2/19/16 Introduced.  
3/10/16 Referred to Committee on Higher Education  
3/16/16 From committee chair, with author's amendments: Amend, and re-refer  
to Committee on Higher Education. Read second time and amended  
3/17/16 Re-referred to Committee on Higher Education.



Brian Randol  
Analyst

Attachments: 1. Resolution  
2. Text of AB 2600

RESOLUTION

RULES, ELECTIONS & INTERGOVERNMENTAL RELATIONS

WHEREAS, any official position of the City of Los Angeles with respect to legislation, rules, regulations or policies proposed to or pending before a local, state or federal governmental body or agency must first have been adopted in the form of a Resolution by the City Council with the concurrence of the Mayor; and

WHEREAS, the University of California (UC) is a key component of the California higher education system and is widely known for enrolling large numbers of high-performing students of all economic backgrounds and providing these students with rigorous preparation for the workforce and further studies; and

WHEREAS, UC also engages in innovative scientific research which has generated billions of tax dollars and economic growth through the creation of jobs, technologies, new products, new industries, new companies, and advances in medicine; and

WHEREAS, the enactment of a State Aerospace Tax Credit in 2014 and a contract award from the United States Air Force in 2015 has positioned California to benefit from thousands of new jobs designing and building the Long Range Strike Bomber; and

WHEREAS, pending before the Legislature is AB 2600 (Lackey) which would request that the UC Regents establish the California Institute for Aerospace within twenty miles of Edwards Air Force Base or United States Air Force Plant 42 in order to leverage the State's existing aerospace industry infrastructure and to function as an incubator for technological innovation, education, and research; and

WHEREAS, in partnership with UC, the institute will generate economic growth in the region and will strengthen Southern California's position as a global leader in the aerospace industry; and

WHEREAS, the model provided by the Collaborative Center for Aerospace Sciences, a joint research venture of the United States Air Force Research Laboratory and UCLA, is an example of the possible partnerships the institute could foster with other organizations; and

WHEREAS, support for AB 2600 is consistent with existing City policies and programs which foster job growth, economic growth, and workforce development;

NOW, THEREFORE, BE IT RESOLVED, with the concurrence of the Mayor, that by adoption of this Resolution, the City of Los Angeles hereby includes in its 2015-16 State Legislative Program SUPPORT for AB 2600 (Lackey), which would request the Regents of the University of California to establish the California Institute for Aerospace within twenty miles of Edwards Air Force Base or United States Air Force Plant 42.

PRESENTED BY:   
MITCHELL ENGLANDER  
Councilmember, 12th District

SECONDED BY: 

ORIGINAL

BMR

MAR 16 2016



AMENDED IN ASSEMBLY MARCH 16, 2016

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

**ASSEMBLY BILL**

**No. 2600**

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**Introduced by Assembly Member Lackey**  
**(Principal coauthor: Assembly Member coauthors: Assembly**  
**Members Waldron and Wilk)**  
(Principal coauthors: Senators Fuller and Runner)

February 19, 2016

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An act to add Article 7 (commencing with Section 92665) to Chapter 6 of Part 57 of Division 9 of Title 3 of the Education Code, relating to the University of California, and making an appropriation therefor. *California.*

LEGISLATIVE COUNSEL'S DIGEST

AB 2600, as amended, Lackey. University of California: California Institute for Aerospace.

Existing law establishes the University of California, under the administration of the Regents of the University of California, as one of the segments of public postsecondary education in this state. The University of California provides instruction and performs research at the 10 campuses it operates and maintains in Berkeley, Davis, Irvine, Los Angeles, Merced, Riverside, San Diego, San Francisco, Santa Barbara, and Santa Cruz.

This bill would express legislative findings and declarations relating to the aerospace industry in this state. The bill would request the regents to establish the California Institute for Aerospace to achieve specified goals relating to the development of the aerospace industry in the state. The bill would also request the regents to locate the California Institute for Aerospace at a satellite campus within 20 miles of Edwards Air

Force Base or United States Air Force Plant 42 so that it will be in close proximity to a large part of California’s current aerospace research and development. The bill would provide that it would be implemented only to the extent that the regents determine that adequate funding for its purposes has been ~~appropriated~~ *provided* to the University of California. ~~The bill would appropriate \$6,000,000 from the General Fund to the regents for the implementation of the bill.~~ *California, as specified.*

Vote:  $\frac{2}{3}$ -majority. Appropriation: ~~yes-no~~. Fiscal committee: yes. State-mandated local program: no.

*The people of the State of California do enact as follows:*

1 SECTION 1. The Legislature hereby finds and declares all of  
2 the following:

3 (a) California’s aerospace industry is a world leader and a  
4 powerful, reliable source of employment, innovation, and export  
5 income, directly employing ~~more than~~ several hundred thousand  
6 California workers.

7 (b) The enactment of a state aerospace tax credit in 2014 has  
8 positioned California to receive thousands of new jobs researching,  
9 designing, ~~and building~~ *building, and testing* the Long Range  
10 Strike Bomber following the awarding of the contract by the United  
11 States Air Force in 2015.

12 (c) In order to maximize the state’s potential for creating new  
13 ~~research and design~~ *research, design, and manufacturing jobs both*  
14 as a result of this ~~contract~~ *contract, NASA’s recently announced*  
15 *New Aviation Horizons initiative for aeronautics research and*  
16 *development,* and the numerous ~~aerospace-related~~  
17 *aerospace-related* companies already operating in the state, the  
18 creation of the California Institute for Aerospace by the University  
19 of California would greatly amplify the state’s role in the industry  
20 and improve public-private partnerships for innovative research.

21 (d) The model provided by the Collaborative Center for  
22 Aerospace Sciences, a joint research venture of the United States  
23 Air Force Research Laboratory and the University of California,  
24 Los Angeles, is an example of the partnerships the California  
25 Institute for Aerospace could form and expand.

26 (e) Throughout the history of the University of California, many  
27 industries have grown in partnership utilizing innovative research  
28 conducted by the university.

1 SEC. 2. Article 7 (commencing with Section 92665) is added  
2 to Chapter 6 of Part 57 of Division 9 of Title 3 of the Education  
3 Code, to read:

4  
5 Article 7. California Institute for Aerospace

6  
7 92665. (a) The Regents of the University of California are  
8 requested to establish the California Institute for Aerospace in  
9 order to achieve all of the following goals:

10 (1) Grow California's economy and the aerospace industry by  
11 creating new opportunities for jobs in aerospace research and  
12 design.

13 (2) Utilize public-private partnerships to perform innovative  
14 research in aerospace technology.

15 (3) Strengthen California's position as a global leader in the  
16 aerospace industry by increasing the amount of research,  
17 development, and design taking place in the state.

18 (4) Maximize California's role in designing and building the  
19 Long Range Strike Bomber.

20 (5) *Develop California's next generation of engineers and*  
21 *technicians through expanded career technical education*  
22 *opportunities within the aerospace industry.*

23 (6) *Act as an incubator for aerospace-focused small businesses*  
24 *and technology companies.*

25 (b) The regents are requested to locate the California Institute  
26 for Aerospace at a satellite campus within 20 miles of Edwards  
27 Air Force Base or United States Air Force Plant 42 so that it will  
28 be in close proximity to a large part of California's current  
29 aerospace research and development.

30 92665.5. ~~(a)~~ This article shall be implemented only to the  
31 extent that the regents determine that adequate funding for its  
32 purposes *has been provided from federal, local, or private sector*  
33 *sources*, has been appropriated to the University of California in  
34 the annual Budget Act or in another ~~statute~~ *statute*, or has been  
35 *provided from a combination of these sources.*

36 ~~(b) The sum of six million dollars (\$6,000,000) is hereby~~  
37 ~~appropriated, without regard to fiscal years, from the General Fund~~

- 1 ~~to the Regents of the University of California for the~~
- 2 ~~implementation of this article.~~

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