FROM RESISTANCE TO RENEWAL

A 12-Step Program For Innovation and Inclusion in the California Economy

October 2018
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With Arpita Sharma, Edward Muñá, Stina Rosenquist, and Vanessa Carter
The Program for Environmental and Regional Equity (PERE) is a research unit situated within the USC Dornsife College of Letters, Arts & Sciences. PERE conducts research and facilitates discussions on issues of environmental justice, regional inclusion, and social movement building. PERE's work is rooted in the new three R's: rigor, relevance, and reach. We conduct high-quality research in our focus areas that is relevant to public policy concerns and that reaches directly affected communities that most need to be engaged in the discussion. PERE's main project areas are: Environmental Justice, Regional Equity, Social Movements, Immigrant Integration, and Rapid Response.

The Santa Cruz Institute for Social Transformation builds on the cutting-edge work at UC Santa Cruz addressing critical issues: economic inequality, environmental threats, political and educational stratification that is jeopardizing our very democracy. The institute conducts rigorous research that is complemented by hands-on engagement of our students and strong partnerships beyond the academic world, serving as an incubator for new ideas and an accelerator for pathbreaking scholarship in the public interest.
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— Manuel Pastor, Los Angeles
— Chris Benner, Santa Cruz
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Executive Summary

For better or worse, California often leads the nation. In the past, we developed policies which stripped fiscal finance, ignored working poverty, and perpetuated racial inequalities—and we often exported our bad practices to others. But the Golden State is now experiencing a progressive political comeback—based in key structural reforms and inspiring movement organizing—that has transformed the state into a leader on supporting immigrant integration, addressing climate change, promoting decriminalization, and more.

Yet political resistance has not translated to economic renewal. Despite boasting the world’s fifth largest economy, California also ranks fourth among U.S. states in terms of income inequality. Worker productivity has soared by over 90 percent since 1980, while real median wages—what the average worker makes—have flatlined. Communities of color may be optimistic about their political futures, but the ratio of Black to white household income is even lower today than it was in the early 1990s and the ratio of Latino to white household income has barely budged.

The reasons behind the growing economic gaps are often rooted in national dynamics: the skyrocketing wealth of those in the top 1 percent, the steadily widening divides in the wages of those with and without educational credentials, the slippage in union power and worker voice, and the failure of America to fully address structural racism in education and labor markets. The underlying trends seem slated to worsen in the face of increasing globalization and rising automation, trends that are straining wages, driving uncertainty, and further reducing the influence of everyday Americans on economic policy.

We need a national debate about how to promote innovation and inclusion. Globalization and automation may bring a new economic dynamism, but for workers, this is often experienced as job churning and economic insecurity. Our 20th-century institutions—with employer-based benefits and scant social protection against economic disruptions—seem ill-suited for a 21st-century economy. But the current administration in Washington seems hell-bent on blaming “the others”—for example, immigrants—for the uncertainty rather than engaging in essential discussions about how to adjust to the pressures of global trade, technological change, and shifting employment.

California has been there before. In the 1990s, we reacted to big economic transformations that devastated our industrial base by bashing immigrants, banning affirmative action, eliminating bilingual education, and criminalizing youth of color. Having wracked ourselves over those coals, we wised up: Even before the 2016 elections that helped to position California as a “state of resistance,” the Golden State had adopted a $15 an hour minimum wage; steadily expanded immigrant access to state services; and reoriented its education spending to more effectively focus on English learners, low-income students, and foster youth.

It is now time for California to once again take the lead, in this case on establishing a forward-looking vision and framework for the state’s economy that reduces our current economic, political, and social polarization. With Congress stripping away deductibility for state and local taxes, the Justice Department threatening California for shielding undocumented residents, and the Environmental Protection Agency seeking to overrule the State’s climate policies, California is, in effect, being told to go its own way if it wishes to continue standing for progressive values. So perhaps it should, remembering that California has long dragged the nation—often kicking and screaming—to a better future.

To provide leadership not just in lawsuits but in economic policy, we need to understand five new trends in the economy and in economic thinking. The first is that current levels of inequality are actually derailing prosperity, as equity is key to achieving sustainable growth. The second is that racism must be rooted out of our economic and social systems; this will help us make full use of all our talents and ensure that we are not distracted from seeking economic common ground.

A third is that we need to make protecting the planet central to policy-making; we can drive innovation and...
development by addressing climate change. A fourth is that the current crossroads have created a new opportunity for partnerships with business. While progressives have been rightly wary of corporate intentions and eager to support alternative forms of enterprise (such as worker cooperatives), there are few alternatives to job creation at a large scale and some businesses have lined up to support immigrants, diversity, and a green economy.

A fifth big trend is that the new economy is not just about technology but also about demography. In that light, the biggest change facing the state is not the growth of its ethnic population; after decades of rapid shifts, that has actually stabilized. The truly important impending dynamic is the aging of the population, a phenomenon that requires the cultivation of a “caring economy” in which both workers are supported to care for family members and those workers who support our elders and young are cared for with decent working conditions and wages.

So how do we develop a new economy that values and promotes social solidarity? To get there, we need to realize that economic institutions and policies need to do three things: grow employment and the economy, strengthen connections between people and places, and provide security for families and communities. That, after all, was the real secret of the New Deal: a Keynesian willingness to pump the economy when it sank in recession; to invest in those parts of the country, like Appalachia, that would otherwise have been left behind; and to expand security, including creating unemployment insurance and expanding retirement systems and eventually health insurance.

In thinking about how to adjust those basic principles of sustaining growth, deepening connections, and reducing fear in our time and our state, we think that a 12-step program—always handy for recovery from the inequality and racism that has plagued us—is in order. While we are aware that these steps do not exhaust the full set of possibilities, and while we see our effort less as a blueprint and more as an invitation to a conversation about the state’s future, we see the following as key steps to promote innovation and inclusion in the Golden State.
First, we need to promote innovation and secure public returns from public investments in innovation. If you take apart an iPhone—conceptually, so do not do this at home—you find a wealth of public investments in technology development and educational institutions that have made innovation possible. We need to expand this kind of investment in key areas of new technology with significant impact, such as advanced manufacturing, renewable energy and energy efficiency, and socially beneficial applications of artificial intelligence. We also need to develop mechanisms to capture a public return on that investment and use it to both fund further innovation and support residents with a “technology dividend” parallel to the Alaska Permanent Fund. The State could also use spur innovation and inclusion with a stronger commitment to renewable energy, green technologies, and the promotion of advanced manufacturing.

Second, we must care for the caring economy. The state should lead in recognizing that one key aspect of the new economy involves a particular sort of demographic change: the aging of California. In 2010, 11 percent of Californians were at least 65 years old; by 2060, that number will be 26 percent. Because of this, we are likely to have a larger caring economy in terms of increased elder care, but the question is whether it will also be a more caring economy in terms of the treatment of those domestic workers and those family members providing support. This calls for policies like expanded family leave, caregiver tax benefits, and caregiver support programs, including both enhanced training and improved wages as well as full implementation of the California Domestic Workers Bill of Rights.

Third, we should empower and equip workers for change. Workers rightly complain about the new level of job insecurity, but even with interventions to limit artificial “independent contracting” and create a minimum wage floor for the “gig economy,” the level of job churn is probably not going away. What can counter the pressures is enhanced worker voice in setting wages and working conditions, something that could be furthered by making unionization easier and creating industry wage boards. Also key is encouraging easier adjustment with on-the-job training, apprenticeship programs, and other forms of workforce development.

Fourth, we should encourage lifelong learning. If job churn is part of the “new normal,” California can help support continual reskilling by expanding access to higher education (particularly community college) and increasing investments in early childhood education. The state should also focus on disrupting the school-to-prison pipeline by making more progress on altering school suspension policies and creating a more relationship-centered education environment. Education spending should rise, teacher pay should be improved, and local residents and current paraprofessional staff should be encouraged to become instructors.

Fifth, we must promote financial security. If Californians are to embrace change, families and individuals need a cushion. This could include expanding universal savings funds (including “baby bonds”), expanding the State’s EITC, and exploring universal basic income (UBI) programs (in the form of the “technology dividend” we describe above). We also need portable benefits, including universal health insurance and new vehicles for retirement investments, as well as a reworking of unemployment insurance and the development of wage insurance for those who experience transitions in the labor market.

Sixth, we need to support all of California’s regions and communities. The state has sharp divides between a prosperous coast, which hosts high-tech, bio-tech, and entertainment industries, and an inland California marked by a low-wage agricultural sector and a high-pollution logistics industry. State development dollars should be driven to central California to close the gap, particularly as this is where young families are on the rise as high housing costs drive people further away from Los Angeles and the Bay Area. Special efforts should also be made to bring resources to distressed communities within metropolitan areas.

Seventh, we must ensure successful de-incarceration and reentry. The racial disparities in our criminal justice system have finally spurred large-scale action, such as the decision to de-felonize drug use and the more recent elimination of money bail. While we need to reverse the criminalization of Black and Brown communities, a pattern that has contributed to an explosive growth in state prisons, we also need to turn our attention to supporting
those who are departing the system and seeking to gain employment. We can improve upon the “Ban the Box” legislation that was signed in late 2017, provide more bundled and complete reentry services, and eliminate the fees and fines that sometimes trap individuals in the system.

8 Eighth, we should embrace and integrate immigrant California. Over a quarter of Californians are immigrants and roughly half of California’s children have at least one immigrant parent; how the current generation of arrivals does will determine the future of their kids and of the state. Workforce development and other systems should be reworked to provide assistance and training for immigrants, regardless of status, and policies that promote entrepreneurship by immigrants (such as removing status requirements for certifications) should be furthered. The State could help by encouraging naturalization and coordinating its own services through an Office of Immigrant Affairs.

9 Ninth, we must ensure affordable housing for all. The state faces an acute crisis for both renters and those seeking to buy into a set of markets in which prices have run away from the average person’s reach. The state needs to dramatically increase the supply of affordable housing, using both dollars and rule changes to do so. Interim measures, like rent stabilization, will likely be necessary to promote neighborhood stability. Other policies will be needed to constrain gentrification and displacement. The state could also consider new forms of social housing based on a vision of housing as a human right.

10 Tenth, we should seek to improve the movement of people, goods, and services. A state that once embraced our cars and our sprawl is now choking our environment and forcing many into brutal commutes. The state is ready to invest: In Los Angeles County alone, taxpayers have agreed to raise and spend roughly $160 billion on transit improvements, with a significant emphasis on new rail systems and buses. This is also a key area for job generation, not only in construction but in the advanced manufacturing of railcars and buses and maintenance of the new systems. Goods movement is a major job generator but often with low pay and high pollution; efforts should be made to drive up labor and environmental standards.

11 Eleventh, we must secure our environmental future. The state should acknowledge that economic security will be short-lived if the environment is wrecked in the process. Continued action on addressing climate change is necessary, particularly when it can also yield new jobs in the green and clean energy economies. Some naysayers have given up on climate denial and instead argue that there will be disemployment in striving communities of color; aside from the dubiousness of that economic claim, it is notable that African Americans, Latinos, and Asians in California are more likely to recognize the seriousness of climate change and to suffer directly from pollution, making people of color more likely supporters than whites for action on climate.

12 Twelfth, we should align fiscal and governance systems for an inclusive economy. Some of what California needs to do in this arena is controversial. For example, taxing services would stabilize revenues but the regressive nature of that shift would need to be addressed through exemptions and tweaks in an already progressive income tax. Proposition 13 should be changed to require that property taxes be leveled on the current market value and not the historical value of commercial property; this would yield revenues, promote fairness, and lead to the more efficient use of land. The state should also consider lowering the threshold to raise revenues and experiment with participatory budgets and other ways to devolve more power to communities.
Can all this be done? California has certainly experienced the kinds of broad political and cultural shifts that now make realizing this ambitious 12-step program not just a dream, but a real possibility for making concrete improvements in Californians’ daily lives. The policy center of gravity has certainly moved to favor addressing economic and racial inequity—and even a business community that once was wary of addressing inequality and structural discrimination has recognized that poverty is an Achilles’ heel and that diversity and openness are assets for the economy.

But we should also be clear that achieving a different economy is fundamentally about power. After all, we have noted that worker productivity in California soared in the last 35 years even as the real median wage stagnated. This was not just a function of shifting returns to technology—that helps to explain why skill-based wage gaps have grown but not why the middle has been stuck. The widening gap has been less about uninformed economic policies and more about an imbalance of influence due to weaker unions and stronger corporations. Rebalancing forces is now key to a new economic strategy.
Fortunately, California finds itself blessed not just with some wise political leaders but also with a dynamic collection of labor unions, immigrant rights groups, environmental justice advocates, education reformers, anti-incarceration activists, and others who have sought to align and ally for a more just and welcoming economy. They assessed the political landscape, reframed issues to broaden support, and fought strategic battles to raise the minimum wage, begin the process of de-incarceration, and rework cap and trade to deliver more benefits to overexposed and socially vulnerable communities.

California now has an opportunity to lead boldly in economic as well as environmental and social policy, to be first in inclusion as well as innovation. While there remain significant limits to what California can do on its own about our economic challenges, it is important to remember that the New Deal—the national social compact that dealt with the insecurities and fears of an earlier economy—was actually developed by state-level experimentation that later became the basis for federal policy. California’s progressive advocates, community-based organizations, and labor and other allies now have an opportunity to offer not just a new vision but a new program for the state and for the nation.

We are hopeful that the state can indeed move from resistance to renewal. One of us is a fifth-generation Californian, while the other arrived as a child of immigrant parents. But both of us grew up in a time when the state was investing in the next generation, and both of us were forged politically by decades of struggles by labor and community groups to expand those investments to achieve a more just California. We have seen the state move from crisis to community, from despair to hope—and we are optimistic that it can now move from an economy of exclusion to one where all Californians find themselves able to live, work, and dream in the Golden State.
Introduction

In many ways, California has turned out to be America in fast-forward.

Our state became “majority-minority” at the turn of the last century, roughly fifty years before the U.S. will make its own turn past the color line. Our economy shed old manufacturing industries sooner than many places in the struggling Midwest, while our newest and most dynamic sectors, including information technology and biotech, attract over half of the nation’s venture capital. And while other parts of the nation wonder what their future will be if coal is no longer mined, California has understood the reality of climate change and is charging ahead with pioneering policies to reduce greenhouse gases and grow green businesses.

Yet the state is also haunted by shortfalls that seem to threaten our future. Adjusted for housing prices, poverty rates in California are the highest of any state in the nation. Once squarely in the middle of the states in terms of income inequality, California has trended downward and is now the fourth most unequal state in the nation. Racial differentials in education, income, and even environmental health are stubborn and continue to challenge policymakers and civic leaders. And even as the bottom seems to have fallen out for many in the labor market, businesses complain that they are not able to attract and retain the workers they need.

While California can boast of making progress on many social fronts—immigrants are more broadly accepted and protected, minimum wages are slated for an upward trajectory, and the state’s long-standing infatuation with incarceration seems to have waned—the state must tackle its underlying economic challenges for it to truly provide an opportunity for Californians to live, work, and dream in the Golden State. Pivotal moments, such as the state’s 2018 gubernatorial campaign, present opportunities for serious discussions but too often what emerges in the electoral season is more heat than light, more noise than wisdom.

Part of the reason, of course, is that elections often hinge more on personalities than policy, leaving precious little time for a full-throated but reasoned debate about the future. There is also a particular dynamic at work in 2018: Having drawn a Trump supporter as an opponent in a deep-blue state, it can seem like the Democratic frontrunner has to do little more than point to his opponent’s Trump connection. But there may be another more substantial reason behind the stymied discussion: Faced with the challenges of a 21st-century economy in which competition is global, job security is scarce, and perpetual change is the norm, political and civic leaders often harken back to 20th century (and, in some cases, 19th century) ideas and institutions.

Conservatives, for example, argue that a free market typical of the rough-and-tumble capitalism of the late 19th century will produce something other than the monopolies and power abuses of that era. The new economic nationalists—stirred up by the Trump candidacy and presidency—want to put the global genie back in the bottle, a highly unlikely turn of events. Liberals and progressives counter by recalling how New Deal institutions—such as an interventionist federal government, powerful industrial unions, and relative insulation from global forces—once produced a comfortable, albeit racially ordered “Golden Era” for the American economy.

But the economy and society have changed—and will continue to change—in fundamental ways. We do need to hold on to long-standing values of promoting opportunity and securing stability for families and communities, but realizing those goals in the current era will require a different approach. To get there, we must offer a fundamentally different vision of the economy, one that recognizes that inequality is actually an Achilles’ heel for economic growth; that insists that government, community, and business can co-exist and partner for prosperity; and that ensures that the
constant churn of innovation that drives progress is accompanied by a social compact that both supports dynamism and tempers uncertainty.

And what better place to take a crack at this than California? Always on the edge of change, with business leaders pushing for market disruption, social movement organizations pushing for economic and social justice, and political leaders resisting federal overreach on immigration and the environment, there may be no better locale to offer new ideas for a new economy. With Congress stripping away deductibility for state and local taxes, the Department of Justice threatening California for shielding undocumented residents, and the Environmental Protection Agency seeking to overrule the State’s climate policies, California is, in effect, being told to go its own way if it wishes to continue standing for progressive values. So perhaps it should, remembering that California has long dragged the nation—often kicking and screaming—to its future.

This report is our attempt to help contribute to that state and national conversation. We start by reviewing how California moved from being a platform for success for many to a springboard to wealth for a few. We suggest that the state’s rise in inequality is not simply the result of rapid economic change but also due to an imbalance of power between business, labor, and community, and to demographic anxiety that led the state to pull up the educational and economic drawbridges. As such, addressing dynamics of class and race—rather than seeing these as separate and competing areas of political work—is key.

Of course, over the last few decades, progressives in California have fought for, and often won, policy shifts to address economic and community damage, but what has been less clear is a broader economic vision that redefines growth; connects people to economic opportunity and to each other; and provides security to families, individuals, and communities in turbulent times. We offer up such a vision for the state and then seek to concretize it with a 12-step program that we think can help the state—and maybe the nation—move past its addiction to inequality and racism and pave the way to an economy that is more innovative and more inclusive.

Getting there will require not just bright ideas but the hard work of persuasion and organizing; for that reason, we close by stressing the key role of civic actors—including business leaders, political figures, and movement organizers—in pushing this agenda along. We argue that California is the right place and this is the right time to try something new. With the fifth largest economy in the world, one of the nation’s most diverse populations, and the political calculus lined up for change, it may be uniquely possible to craft a vision and policy package that will resonate with residents of the Golden State and provide a path to the American future.
The California of the 1950s and 1960s is often remembered as a sort of glory period in terms of economic opportunity: jobs were abundant, the population was booming, and housing stock was growing. Rampant racial segregation in the housing and labor markets kept many from enjoying the full fruits of the boom but a series of social movements tried—often successfully—to challenge exclusion and force open the doors to a more abundant life (Pastor 2018).

One of the key factors driving the underlying economic growth was a set of key infrastructure investments: The State had redirected water, created ports, and even built key roadways and bridges (including the Golden Gate and Bay Bridges) in the heart of the Great Depression. The post-war period brought more investments in mobility—in this case, a move away from pre-existing mass transit and toward highways that, in effect, promoted individual car ownership and so helped to drive that sector of the economy.

Housing was also provided in abundance through a combination of private developers and massive government subsidies, including federal loan guarantees and a tax structure that guaranteed mortgage interest write-offs. Suburbia expanded—with the resulting sprawl reinforcing racial separation and damaging the environment—but it was the sort of commitment to housing that California seems to be lacking in the current era.

The human capital piece of the equation was crucial. Aside from building out a K-12 system and keeping State spending per student comfortably in the top 10 of all U.S. states, California made a promise to provide postsecondary training in the form of a "Master Plan for Higher Education" (Pastor 2018). With the rise of research universities, teaching institutions, and community colleges, the state’s share of working-age adults (aged 25-64) with at least a two-year degree rose by nearly 20 percentage points between 1950 and 1970, the fourth biggest gain of all U.S. states.

This series of investments was held together by an unspoken but well-recognized social compact: California was ready to house, educate, and transport both those who would be born in the state and those who were willing to come. California’s share of the national population accordingly rose from around 5 percent in 1940 to nearly 10 percent by 1970, a phenomenal uptick driven almost entirely by domestic migrants and new births.

One reason California was the place to be was the robust economy. Wartime spending may have stirred the economic engines but the long post-war boom—partly because of continued defense largess but also because of strong manufacturing and the housing expansion—meant that well-paying jobs were relatively easy to come by. And with industrial production strong in sectors like aviation and automobiles, unions were able to negotiate between workers and businesses in ways that were more feasible and more successful than in today’s disintegrated workplaces.
California Slipping

So how did we go from a state comfortably in the middle of the pack in terms of income inequality in 1969 to a state nearly at the top of the inequality pile in 2016? How did we transform from a state making slow progress on closing racial income gaps to one where the ratio of Black to white household income is now sharply lower than it was in 1990 while the ratio of Latino to white household income has barely budged?

Many factors drove the fall from economic grace, including a loss of “good jobs” in the manufacturing sector. While deindustrialization wracked many parts of the U.S. in the 1980s, California was mostly spared; manufacturing employment was ticking up slowly through the decade, with those reporting jobs in the higher-paying durable goods sector actually up by nearly 10 percent (Rhode 2001). However, the Golden State quickly gave up its gains in the aerospace-driven recession of the early 1990s, with nearly half of the country’s net job losses occurring in California and employment in higher-wage manufacturing slipping by nearly 20 percent.

But it isn’t just economic dislocation that is to blame for our current disparities. After all, average worker productivity in California actually rose by 89.1 percent between 1979 and 2013, outpacing productivity growth in the nation as a whole by 13.5 percentage points. Yet median compensation to workers increased by only 2.9 percent in that same time period. An important factor in the failure to capture the fruits of the state’s labor was a slippage in workers’ bargaining power: In the mid-1960s, about a third of non-agricultural workers in California belonged to a union; today, that figure is less than 16 percent.

Beneath those broad unionization trends was another key dimension affecting bargaining strength: who exactly was unionized. Between 1983 and 2017, the rate of private sector unionization was sliced by more than half (from about 18 percent to just above 8 percent), while public sector unionization rose from 43 percent to 55 percent. The pattern made it easy for some to portray unions as a strain on public finance rather than as a rearguard supporting workers’ rights—and many voters began to look at their situation as taxpayers rather than as allies in forging a fair economy.

Another factor getting in the way of prompt policy action to right the economy was the uneasy reaction of many Californians to ongoing demographic change. Between 1980 and 2000, the state went from being about two-thirds white to majority people of color, a shift initially driven by a growing immigrant presence. With the economy slipping, many blamed ethnic minorities in general and the new immigrant population in particular; as a result, the 1990s were filled with a series of “racial propositions” that sought to strip services from undocumented immigrants, eliminate affirmative action, and criminalize young men of color (HoSang 2010).

This racialized distraction from the need to address economic change was accompanied by limited room for maneuvering on the part of the public sector. A California state government that had helped its residents dream big with investments in infrastructure and education was increasingly held back by Proposition 13, the 1978 property tax measure that shielded incumbent homeowners from increasing assessments on their homes. The policy locked in generational advantage in two ways: Newer and more diverse homeowners were forced to carry more of the tax burden and the state was starved of resources needed to educate and empower their children to be as productive and nimble as possible in a changing economy.
The retreat from education—the state fell from being among the top 10 in terms of spending on K-12 support per student to being consistently in the bottom 10—came just as education was becoming ever more important for earnings. Figure 1 reveals why many parents have told their children to stay in school: more education means higher earnings.

But the figure also reveals that such an admonition should be even more strongly voiced given the shift in educational premiums over the last 40 years: Those with less than a high school degree earn less now than they did in 1978 while those with a B.A. or post-graduate degree earn considerably more.

**Figure 1**

Real Hourly Wage by Education Levels in California, 1978-2016

Source: USC PERE analysis of data from various years of the March Supplement of the Current Population Survey; average wages calculated by dividing annual earnings by weeks and hours worked in the previous year.
**Widening Divides**

Given the relationship between education and wages, investing more heavily in education would have helped individual and social adjustment to a shifting California economy but it would not have been a magic elixir: The data also show that there are significant racial disparities at each and every level of education, suggesting the persistence of racial discrimination and structural disadvantage in the labor market. Meanwhile, the elevated lifestyles of the rich and famous were being raised even further: Between 1994 and 2013, the average adjusted gross income for the top 1 percent rose by more than 80 percent while a parallel income measure for the bottom fifth fell by around 8 percent (Miller 2016). By the early 2010s, the average family in the top 1 percent of California’s income distribution made in one week what the average Californian family made in one year.\(^\text{11}\)

And it’s not just that the top has run away from the rest; as noted above, the bottom was falling out, as well. That slippage at the low end is distinctly racialized: About 27 percent of all Californians live below 150 percent of the federal poverty level but that same rate is 35 percent for Black Californians and 39 percent for Latinos, as compared to 16.5 and 19.5 percent for whites and Asian Pacific Islanders, respectively.\(^\text{12}\) While higher rates of unemployment, particularly for African Americans, play a role in poverty outcomes, another important factor is the sort of low-paying work being offered. Among full-time workers, more than one-third of people of color (37 percent) make less than $15 per hour—contrasting sharply with 16 percent of whites.\(^\text{13}\) Women of color are also more likely to feel pinched: 38 percent of women of color make less than $15 an hour, far above the 18 percent rate for white women (see the detailed breakdown in Figure 2).\(^\text{14}\)

![Figure 2]

**Share of Workers Making Less Than $15/hour by Race/Ethnicity and Gender, California, 2015**

<table>
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<th>Race/Ethnicity</th>
<th>Male</th>
<th>Female</th>
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<tbody>
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<td>32%</td>
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<tr>
<td>Male</td>
<td>21%</td>
<td>24%</td>
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<tr>
<td>Asian/Pacific Islander</td>
<td>45%</td>
<td>49%</td>
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<tr>
<td>Female</td>
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Another dimension of inequality is geographic. Figure 3 looks at real household income across various regions of California, comparing one post-recession era (1994 to 1998) to the most recent recovery (2012 to 2016). What is evident is that inland California generally lags behind the coasts and the disparities have widened, with Fresno, Bakersfield, and the Inland Empire metro regions slipping behind, even as the Bay Area has surged and Orange County and San Diego have sharply improved their standing. While the state is celebrated as a center of high-tech, other industries—logistics and warehousing in the Inland Empire and agriculture in the Central Valley—are not known for providing quality jobs.

Figure 3

Real Median Household Income in Various California Regions, 1994-98 & 2012-16 (inflation-adjusted to 2016 dollars)

Source: Data are from various years of the March Supplement of the Current Population Survey as processed by the authors.
Indeed, part of the reason the Bay has risen so dramatically has been the shift in the structure of employment in California. Figure 4 shows the changing labor market, including the long-term decline of jobs in durable goods manufacturing, the volatile nature of construction employment, and the steady long-term uptick of jobs in high-tech services. Unfortunately, not all that glitters like Silicon Valley gold also generates a significant amount of steady work. For example, Google’s revenue was over $100 billion in 2017 but it has only about 80,000 full-time employees; Walmart, by contrast, has just under five times the revenue but more than 20 times the number of workers. Growing the economy has become increasingly disconnected from growing employment.

**Figure 4**

**California Employment in Key Sectors of the Economy 1990-2018**

Source: USC PERE analysis of data from the Labor Market Information Division (LMID) of the Employment Development Department of the State of California; see [data.edd.ca.gov](http://data.edd.ca.gov/).
Insecurity and Its Discontents

Jobs have also become less secure in their conditions and character. Figure 4 shows the rise over this decade of temporary employment; not as easily portrayed (given the way we currently collect data) is the rise of outsourcing and contract workforces, ranging from janitors, security guards, and cafeteria workers in the Silicon Valley (Benner and Neering 2016) to warehouse workers in the Inland Empire (De Lara 2018). Apart from this phenomenon of employees of firms providing contracting service to client firms—something that allows the client firms to escape full responsibility for working conditions—is the growing number of people in independent contracting work and the so-called gig economy, including people who piece together lives as drivers for Uber or Lyft or errand-runners for TaskRabbit. The media attention here is sometimes more sensation than substance; for example, on-demand platform jobs constitute only about 0.5 percent of the workforce. Still, some 9 percent of California’s workforce does independent contracting as their primary job, more than the nationwide rate (Bernhardt and Thomason 2017).

The general rise of inequality and insecurity has created a sense that the future will not be as promising for the current and next generation of workers as it was for earlier generations. In a cross-sectional attempt to look at wage trajectories over time, we compare household incomes by age of householder for 1989, 1999, and the most recent period. As can be seen in Figure 4, the 1989 cohort saw its income peak at about age 47, while the 1999 cohort had a flatter run up the income trajectory and peaked at a lower level and an older age of 53 (a pattern that suggests the high earners themselves just aged up over that decade). For 2012-2016, each and every age group made substantially less, the trajectory was even flatter, and the middle-age peaks were 15 to 18 percent lower than in 1989.

Figure 5

Median Household Income in California by Age of Householder, 1989-2016

The sense of an economic future that is likely less secure and less rewarding is exacerbated by the uncertainties of housing in the state. In 2015, the California Housing Partnership Corporation estimated “a shortfall of 956,461 homes affordable and available to California’s lower-income households” (California Housing Partnership 2014:2). California is the second most householder burdened state, with 35 percent of home-owning households spending more than 30 percent of their household income on housing costs. The state is also ranked number two for renter burden, with racial dynamics clear here as well: Working from 2011-2015 pooled Census data (to smooth out the effects of current cycles), we find that 63 percent of Black households and 61 percent of Latino households are rent-burdened (meaning that they pay more than 30 percent of their income on rent) versus 52 percent and 50 percent of white and Asian-American households, respectively. 19

With rents on the rise, particularly in the coastal hot spots, “gentrification”—a word which implies displacement but also cultural loss—has become a growing community concern. A recent report looking at housing in the Bay Area found that “a family of two minimum-wage workers earning $62,400 per year can afford market rents in just 5 percent of Bay Area neighborhoods,” with none of those on the San Francisco to San Jose axis that is the heart of Silicon Valley (Treuhaft et al. 2018:14). A recent study conducted by Beacon Economics for Next 10, a nonprofit based in the Silicon Valley, has found that California is seeing low-income households leave the state even as high-income households move in, a pattern that suggests that it’s not the state’s high taxes scaring away high-earners but rather the state’s high rents pushing out its long-time residents and workforce (Khourl 2018).

It’s enough to trigger a deep pessimism about what can be done—but the state also has tremendous assets. California remains a hub of innovation, pioneering new products and developing new markets. After a long period in the fiscal wilderness, state voters have finally righted the budget by passing tax hikes, particularly on those who gained from growing inequality. The State’s climate policies have sometimes been (incorrectly) portrayed as job-killers but they are giving California businesses first-mover advantages in emerging industries like alternative energy and electric vehicles. The trick now is to wed innovation with inclusion, to couple dynamic sectors with those left behind, and to finally address long-standing inequalities by race and place.
Visioning California

Repairing the Damage

California’s widening divides and uncertain futures have not escaped the attention of neither business leaders often primarily concerned about “prosperity” nor the organizing efforts of community and labor advocates often primarily concerned about “economic justice.” For example, the 1990s brought a wave of regional business collaborations that sought to address the shifting economy and focused at least some attention on equity as well as prosperity (Henton and Melville 1997; Innes and Rongerude 2005). One contemporary descendant of that early effort is the California Economic Summit, an annual event that promotes a sort of “straight up the middle” bipartisan package of enhanced training, more housing, and better government.

On the community and labor side of the equation, equity has often been a main focus. Campaigns to raise the minimum wage—first at a local and then state level—have been fought and won. A series of innovative strategies from organizations like the Los Angeles Alliance for a New Economy and San Jose-based Working Partnerships USA—mostly about leveraging public investments in real estate, business subsidies, and environmental protection—have offered glimpses of what might be possible. Labor unions have sought to limit losses by organizing in sectors where pay is low and needs are high, such as janitorial services, security guards, and home care. Even domestic workers—among the least organized and most vulnerable in the workforce—managed to persuade the California State Legislature to pass a bill of rights that permanently extended overtime protection and other labor standards to domestic workers.

And equity work hasn’t just been fought by those usually explicitly associated with an economic agenda. Immigrant rights advocates have sought to restrict State cooperation with federal immigration authorities and worked to open up professions through reworking licensing, ensuring college will be accessible to immigrant youth, and extending healthcare to undocumented Californians.

Environmental justice advocates have pushed to clean up overburdened neighborhoods and to adopt policies that support job generation in a new green economy. Community activists have struggled to reduce over-policing and mass incarceration and to ensure that those who were caught up in the nation’s ill-considered drug war find a way back to gainful employment.

The government has provided some leadership as well. The Local Control Funding Formula, which was passed in 2013 and was pushed along by education advocates as well as sympathetic officials, has reworked K-12 school funding to provide supplemental funding for districts serving English-learners, low-income children, and foster youth. Community colleges—an essential labor market and higher education entry point for many low-income, immigrant, and working-class students—are now required to develop equity plans to close achievement gaps. For some new sources of funding, such as the income from cap and trade, legislators have put in explicit requirements for investment in communities that have been left behind economically, environmentally, and socially.

There is, in short, much to celebrate and build on—but it is not clear that all this adds up to a new vision or a new program for California. Fundamental questions about how to address globalization, flexible work structures, increasing economic inequality, worrisome climate change, and persistent racial gaps need to be front and center in our thinking. Beyond specific policies for specific issues, we also need a more compelling understanding of the purpose of the economy, the role of business, and how we might better build both economic vitality and social solidarity into every structure, norm, and policy going forward. We should not shy away from specific recommendations, but we need a vision rather than a laundry list.
In his landmark book *Freedom from Fear*, Stanford historian David Kennedy (1999) discusses an era in which a new economic vision was at least partially articulated and achieved. Looking at the outcomes of the Great Depression in the 1930s, he examines the fundamental reworking of the nation’s economic and social institutions. Against the backdrop of financial crisis, high unemployment, and widespread social unrest, various aspects of the New Deal—Social Security, unemployment compensation, labor rights and union protections, federally insured home loans, and a government willingness to spend its way out of a downturn—were designed and adopted to simultaneously generate growth, connect Americans’ fates, and promote stability and security.

The nation is once again gripped by fear. Consider the Trump voter who bought the promise that time—and demography—could be turned back. Talk to the college student who finds hope in the calls of Bernie Sanders and Elizabeth Warren to make college free. Take the mid-career professional who is staying in a job that’s wrong for her but promises a pension (and bites her nails hoping that that pension fund will remain solvent). Listen to the undocumented immigrant without car insurance who fears a car crash that might bankrupt him or get him expelled from the nation. Pay attention to the senior who cannot tell the difference between telephone scammers and the IRS.

The common denominator among them all is a lack of confidence and sense of security about what’s happening now and what’s ahead for the state and the nation. While it’s not a matter of making either America or California “great again”—the problems with the past are clear and the past has also, well, passed—it is useful to remember how the New Deal institutions worked and helped to usher in the most sustained and widely shared economic growth in the 20th century. Essentially, they worked to temper capitalist power, redistribute income through wages and taxes, and provide the necessary platforms of education, housing, and infrastructure to support a growing middle class. California perfected this with its own version of the American Dream, replete with solid jobs, booming housing, and a commitment to physical and human capital.

While the success of the New Deal provides a general policy direction for the future—reduce the role of wealth in public policy, support progressive taxation and wage floors, and build an infrastructure...
that suits our times—we need to keep in mind several new realities. For one thing, the New Deal was racially exclusive in a way that was never desirable and is no longer possible, both because of effects on communities of color and the ways in which the lack of solidarity eventually eroded the social contract. California’s own abandonment of its world-class education system just as a new and more diverse generation arrived is a warning case in point; to stay on economic course, we need institutions that work to eradicate rather than sustain racial inequality.

It’s also important to acknowledge that the post-war institutions were designed for an economy in which stable employment was the basis for delivering benefits. Regardless of our preferences, the globalization and technological change genies are out of the bottle; while we certainly need to prevent contracting abuses and resurrect worker bargaining power, stable life-long employment is increasingly hard to come by. An alternative way of securing a social wage—that is, health, retirement, and other benefits—is necessary. California seems to have gotten this message; for example, it was one of the most aggressive states in terms of its roll-out and implementation of the Affordable Care Act.

Another key shift is that the “class compromise” embodied by the New Deal reflected a heavy hand of government; while regulation remains important today, business behavior—as with the corporate rejection of anti-transgender or anti-immigrant policies in certain retrograde states—is also shaped by consumer demand, labor and community activism, and a generalized pressure to be socially responsible. While progressives are rightfully wary of business claims to be acting in the interests of all, many in California’s business community have come to realize they must be responsible stewards for the state and its people.

Finally, climate realities suggest that the economic model that drove post-war economic growth must be modified. We cannot simply house families through sprawl or create jobs through resource depletion; we must instead promote compact development and a new green economy to protect the planet. California’s long-standing commitment to lead on the environment and the eagerness of some sectors of business to lead in the global “green rush” offers a rationale and support for steering our infrastructure investments and public policies to promote climate resilience.
So we need a shift in our institutions—but also in our ideology. It's clear that outdated notions that the market will correct all problems are just that: outdated. But too many progressive or liberal thinkers and advocates can be portrayed as wistfully hoping for an era that was, rather than a reality that is. We think that is not the case—the creative thinking and work of California organizers convinces us otherwise—but it is true that we are all often working on old views of how the economy does and should work.

But we face important new realities. When the center of profits is no longer in mass manufacturing but mass data, how do you take the benefits that are made possible by the broad social infrastructure—it is, after all, your information riding on an electronic superhighway made possible by early public investments—and ensure that they are broadly shared? When the nature of work has changed so much that constant lifelong learning is not just a nice tagline but an absolute necessity, how do you make sure that workforce development is reconfigured and community colleges (at least) are free for all? When health innovations have lengthened life beyond earlier expectations, how do we develop an economy of care that treats service workers with as much dignity as those they serve?

Our own answers to these questions are undergirded by a sober recognition of six big truths about our contemporary economic world:

1. **Economic growth is now driven by innovation and disruption.** Economic dynamism in the past may have been associated with steadily improving efficiencies and slowly increasing production; it is now associated with innovations, the radical remaking of industries, and the seemingly sudden emergence of new business players, particularly in high-tech. Of course, one person’s celebrated “disruption” (say, ride-sharing) can be another person’s (say, a cab driver’s) ruin. Protection against such change is a natural human and social impulse but slowing down the pace is both unlikely and out of step with the new nature of economic growth. Where the State can be helpful here is in reworking its learning systems, encouraging portable benefits, and developing other ways of supporting those who are vulnerable to inevitable transitions.

   Just as important is to recognize that the public deserves a return (or a “dividend”) from the ongoing shifts and innovation. After all, while some posit that government acts as a barrier to invention and dispersion of new technologies, in fact, much of the recent innovation in telecommunications, energy, and other sectors has benefited from significant public investments in scientific and other infrastructure. California needs to work to maintain public support for market disruptions by better managing community and labor market disruption but we also need to recognize the synergies between public and private innovation processes, step up public spending to support innovation, and insist (particularly given our unique role in the global high-tech infrastructure) that public benefits—perhaps in the form of a program for granting universal basic income—be returned for these public investments.

2. **Inequality and insecurity negatively impact our ability to sustain prosperity.** Both the traditional right and the conventional left seem to implicitly agree that inequality and insecurity are essential for growth. The right celebrates this as a sort of “tough love” for those at the bottom, the better to prod them into employment; the left bemoans the unfairness but seems to grudgingly accept that disparities are probably good for boosting profits and propelling private investment. Given this odd convergence across the political divide, the battle over distribution and redistribution can then be seen as a sort of sideshow to a main stage debate about how to keep aggregate income and employment on the rise.

   But what this misses is a recent revision in economic thinking: While certainly leveling out all income divergence could reduce incentives, savings, and growth, the current excessive patterns of inequality are actually constraining economic vitality (Benner and Pastor 2015; Stiglitz 2012). The new consensus has some unlikely allies, including
researchers at the International Monetary Fund and the Federal Reserve, with the logic being that wide disparities by class and race foster underinvestment in public goods, aggravate social tensions, and constrain both innovation and sustained growth (Berg, Ostry, and Zettelmeyer 2012; Eberts, Erickcek, and Kleinhenz 2006). The key takeaway here is that equity is actually fundamental to recovery and it should be baked into any economic plan rather than sprinkled on as an afterthought.

3 Racism and other forms of social disconnection derail economic vitality.

In our own work looking at how best to wed equity and growth, we have found that the real culprit behind the growth-dampening impact of inequality is social disconnection by class, race, and geography; when regions and states cannot figure out how to grow together, they often go nowhere at all (Benner and Pastor 2015). Race plays a particularly important role: For example, those states and counties with the largest “racial generation gap”—the demographic divergence between seniors and youth—exhibit the least willingness to spend on public schooling (Pastor, Scoggins, and Treuhaft 2017). And it is telling that California lost its long-held commitment to investments in infrastructure, housing, and education as its demography changed and an older and whiter generation failed to see itself in a younger and more diverse generation.

This is why addressing race and other forms of disconnection, including the ways in which coastal California seems too content about its growing distance from the state’s inland regions, is so crucial. Confronting a racist system of over-incarceration, addressing disparities in school finance, and offering a secure platform of opportunity for all immigrants is not just a matter of doing the right thing; it’s a way to both ensure all talents are contributing to the economy as fully as possible and to forge a contemporary social compact that will lead us to address our problems with solidarity rather than finger-pointing. The post-Trump debate some liberals and progressives have had about whether to stress class or race can be easily resolved: stress both.

4 The aging of our population will require a commitment to a “caring economy.” While significant attention has been paid to automation, artificial intelligence, and globalization as drivers of our economic future, economists have long-recognized that demographic change is a major determinant of long-term growth. When discussed by the public and politicians, the demographic focus tends to be on the “browning” of both California and America. However, the most important dynamic is actually the aging of the population and what will be required to support it. One sign of the challenge is that there are currently about 28 Californian seniors (65 years old or over) for every 100 Californians that are of prime working-age (25 to 64 years old); by 2060, that ratio will rise to 56 seniors for every 100 prime working-age adults.20

The improvements in medicine that make extra longevity possible may be a happy turn of events for those of us who are older but it also means that everyone else needs to prepare for the growth of the “caring economy.” More workers will be
juggling family responsibilities and more seniors will require assistance. More, not less, immigrants will be needed to fill in as prime-age workers and the state will need to attract and integrate newcomers. Meanwhile, today's younger generation will need the educational investments that will allow them to raise their productivity in line with what demographers call the rising “dependency ratio.” Finally, we will need to set new and higher labor standards for domestic labor: Caring will need to extend to the way we train and treat workers as well as the way we treat elders.

There are important new opportunities to build bridges to the business sector. Progressives have traditionally been wary of business and markets—and with good reason. After all, the recent corporate willingness to sacrifice federal finances for an unnecessary corporate tax cut suggests that any alliance (or dalliance) with business needs to be approached with open eyes and clear goals. But it is also noteworthy that the metropolitan areas in the U.S. that supported Trump are also the least economically vibrant (Muro and Liu 2016) and that dynamic businesses in places like California have recognized the power of non-Trump virtues such as diversity and inclusion to creativity and innovation. And while Silicon Valley tech elites are wary of unions and government, they are also overwhelmingly supportive of higher taxes and more social services, including universal healthcare (Manjoo 2018).

Part of the reason to build bridges to business is pragmatic: While cooperatives and other such formations should be encouraged, they will take a long time to scale and there are few viable medium-term alternatives to employment generation. Part of the reason is ideological: Younger workers (particularly “creatives”) value the sense of individual initiative that can flourish in markets, and unlike an older generation, they see little conflict between supporting a robust safety net and encouraging entrepreneurship. Figuring out the optimal roles for business and entrepreneurship in a way that does not lead to dilution of a progressive commitment to justice will require new skills and new frames—but peeling away sectors of business from regressive national trends is crucial. Particularly in California, there are multiple possibilities for business-community alliances to build a green economy, implement more humane immigration policies, expand the housing stock, and make progress on a slew of other issues.

Protecting the commons will require shifts in our economy and our metropolitan form. After a summer of wildfires gone, well, wild in California, perhaps the debate about whether climate change is real is finally settled. It’s certainly true that the Golden State’s historic leadership in attempting to protect our forests, coastlines, and air has morphed into a desire to lead on climate policy, as well. Addressing greenhouse gas emissions will require new technologies, especially those that facilitate the shift away from fossil fuels and toward renewables, representing opportunities for new and more sustainable employment. What is also clear is that older methods of generating economic growth failed to fully consider environmental damage, while newer modes must embrace the opportunity to get right with the planet.

One of the most challenging parts of addressing climate change involves reworking public transit and dramatically expanding infill housing. For a state long devoted to sprawl and car culture, this will represent a dramatic departure; we need major reform in the fragmented way in which we create and implement land use, housing, and transportation policies in our metropolitan regions. Some of the will is there—voters in Los Angeles, for example, are raising roughly $160 billion in increased sales taxes in order to expand transit—and there will be significant opportunities for investment and job generation. At the same time, California needs to break through on the housing front in a way that minimizes the gentrification and displacement pressures that worry long-standing communities in the heart of our urban areas.
What We Want

In the current era of resistance, much of the attention is on short-term defense and much of the rhetoric draws on deep critique. Certainly, any glance at the statistics offered in our review of the California context—the growing inequality, the persistent racial differentials, and the flattened trajectory of income over the age profile—would seem to feed into cynicism about what’s possible. Add to that the uneasy sense that this generation’s future will not be as bright as the generation before, and you have a recipe for hand-wringing and mud-slinging rather than hope and change.

But if we are to pursue renewal of the state by creating an economy that weds innovation and inclusion, we need to combine a clear-eyed understanding of the problems and the trends with a positive vision that can inform our next steps. For us, that means understanding that what we want is a California where the economy is growing; people and places are connected; and communities, families, and individuals feel secure even in the face of change.

These three dimensions are profoundly linked. As we noted above, growth requires connectivity: Inequality and social separation are a drag on prosperity, not a boost to it. Meanwhile, connections are better forged when communities and people feel more secure about their present and more optimistic about their future. If people are assured that their interests will be protected—that the introduction of labor-saving technology is not a scheme for impoverishment but a strategy for liberation from repetitive work—they will be more open to change. If they feel that the system and their representatives have their backs, they will be more likely to have faith that economic innovation will bring benefits and not just threats.

Getting to that sense of common ground requires government action, as someone has to set the rules to protect the planet, encourage housing, and regulate against abuses in the labor market. An important part of that, which we explore below, is redesigning the State’s fiscal system, which is currently inadequate to meet collective needs, is volatile in its collection of revenues, and is often inefficient and inequitable, particularly in its treatment of property taxes. Another role for government is in developing new planning strategies and mechanisms that can encourage infill without displacement, provide transit choices that suit contemporary needs, and strengthen climate resilience in the most impacted communities.

An inclusive and prosperous California economy would value innovation and invention, security and solidarity, connection and community. It would promote innovation to support growth, deepen ties between people and places, and offer security and stability for communities and the planet. It would place equity at the center, expanding opportunities for more broadly shared prosperity and put those facing the greatest barriers first.
The public sector must also lead on reworking education, designing portable benefits, and shoring up wages. It needs to ensure that attention is paid first to those who have often been left last, redirect development opportunities to inland California, guarantee opportunities for immigrants, and create reentry and job training programs that will make the promise of de-incarceration into the reality of economic empowerment. And it is exactly the State’s mandates on protecting the environment that are both crucial to long-term sustainability and key to gaining economic advantages in rapidly developing markets.

But the idea that government alone can either chart the path forward or restrain us from our own worst impulses is not enough; we also need a broader revolution in social norms and a collective commitment to participatory governance. In his 2016 book, *The Moral Economy*, economist Sam Bowles writes about an Israeli daycare center that decided to fine parents who were late in picking up their children, mostly to limit the overtime of the daycare workers. Once parents figured out they could simply pay for lateness—which they previously avoided out of consideration of the workers—even more of them were tardy.

The lesson Bowles draws is that when you reduce interaction to monetary exchanges, it erodes sympathy and understanding. We then think that people are selfish and lack solidarity, but it’s mostly because we’ve set up systems that sap those connective impulses right out of them. The challenge for a 21st century economy is setting up systems that reinforce rather than erode norms of solidarity and reciprocity. This is exactly why designing the sort of “caring economy” Ai-Jen Poo talks about in her pioneering 2015 volume, *The Age of Dignity*, is important not just as a response to our aging population but also as an antidote to our uncaring treatment of service and other workers.

In the California we want, business, government, and communities are responsive to each other. Business pursues its interests, to be sure, but in a way that is tempered not just by regulation but also by a sense of stewardship and responsibility. Government plays the many roles outlined above but always with an eye to seeking the fullest possible participation of Californians in the decisions that affect their lives. Communities work to make sure their voices are heard but they also listen to and connect with other groups, geographies, and generations in common purpose.

In this California we want, there is a social compact—one that harks back to the seeming glory days in its commitment to growth and security but one which this time includes and invests in everyone. In this California, we collectively embrace some key realities: that we are and will be a diverse state, that caring for each other (and quite literally for our elderly) is increasingly important, that decency should be reinforced not just through regulations but through social norms, that tackling the legacies and realities of racial exclusion is crucial, and that economic inequality is not an unfortunate byproduct of a market economy but an impediment to prosperity. In this California, we are admired not just for our innovations in technology but also for our fierce and fearless experiments in enhancing inclusion and sustainability.
So what is the right set of policies that fit this moment of transformation and change in the state and can help lead us forward? Can we offer a sort of 12-step program for the California economy—one in which we admit our prior addictions to economic inequality and racist public policy, make amends to the many communities that have been injured, and build a sense of common purpose to do better in the future?

Below, we try to do exactly that, starting with a set of issue areas that are useful for navigating the next economy: promoting innovation and growth, preparing for the caring economy, empowering and equipping workers for change, sustaining a world-class education system, and offering financial and family security to Californians experiencing the dramatic ongoing shifts in jobs and income. We then turn to specific efforts to center equity, particularly closing gaps between California’s regions and neighborhoods, supporting the economic reentry of the formerly incarcerated, integrating immigrants regardless of status, and securing housing for all. We close by addressing issues of infrastructure and governance, touching on expanding transit choices, shoring up climate resilience, and aligning fiscal and governmental decision-making to support innovation and inclusion.

We do not intend this as a final program for the state but rather as an invitation to a continuing conversation. After all, there has already been some inspiring thinking about better economic policy from our colleagues and friends at NextGen California (who convened the Fair Shake Commission), PolicyLink, the California Budget and Policy Center, the California affiliates of the Partnership for Working Families, California Forward and the California Stewardship Network (who jointly host an annual California Economic Summit and have produced a “Roadmap to Shared Prosperity”),

21 the California Immigrant Policy Center, the Haas Institute for a Fair and Inclusive Society, the UCLA and UC Berkeley Labor Centers, Faith in Action (formerly PICO), Californians for Safety and Justice, and so many others. We build and borrow on what these allies have contributed, seeking to provide a new organizational frame and logic for an economic strategy, and hope that this intervention spurs more innovation in our collective thinking and policy development.
We are also well aware that there is more that is needed, particularly on a national level, but we are focused here on what the state can do for itself and how it can model change for the country. While that puts some clear boundaries on our recommendations—we don’t tackle federal tax policy, for example—we know that there are also other policies that are left out of this set of ideas. While we have culled the policies we list from our own research and discussions with thinkers and doers in the state, we have surely not covered the full gamut. We also know that there are places where we could perhaps be bolder but we are trying here to both push the envelope and think about what is actionable in the medium term and how it can be built upon going forward.

Finally, we are not unaware about the way change takes place. No report, no matter how well-researched or well-crafted, leads directly to change. That requires organizing and movement mobilization, a topic to which we turn in the conclusion. But both our research and our experience collaborating with a range of labor, community, Civil Rights, immigrant rights, environmental justice, and even business organizations has led us to believe that what change has been accomplished in the state has come through a combination of patience, power, and programs: the patience to think long-term about how to tip the political scales in a more progressive direction; a hard-headed analysis of power and the willingness to contest for influence in electoral, legislative, administrative, and even cultural arenas; and a program (in this case, a 12-step program) that helps participants see the possibilities of working together for a better future.
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<tr>
<th>Policy Area</th>
<th>Sample Policies</th>
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| **1** Promote innovation and secure public benefits | • Expand research and development funding, especially for critical general-purpose technologies  
• Promote more open markets in highly concentrated sectors and local labor markets  
• Develop systems to secure public sector rewards from innovation investments |
| **2** Care for the caring economy | • Improve and expand paid family leave and sick days  
• Expand access to taxpayer-supported childcare  
• Implement the Domestic Workers’ Bill of Rights |
| **3** Empower and equip workers for change | • Promote union membership by lowering barriers  
• Expand apprenticeship programs  
• Develop wage boards through a revived Industrial Welfare Commission |
| **4** Encourage lifelong learning | • Expand support for early childhood education  
• Disrupt the school-to-prison pipeline  
• Work toward the provision of free college |
| **5** Promote lifelong security | • Fund and expand access to universal savings accounts, especially for young people  
• Expand options for increasing portable retirement benefits and fund outreach to boost participation  
• Move health insurance coverage towards a universal system. |
| **6** Support all of California’s regions and communities | • Invest in diversifying the economic base  
• Improve the State’s climate policies that benefit rural California  
• Ensure the equitable implementation of opportunity zones |
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| **7** Ensure successful de-incarceration and reentry | • De-escalate law enforcement in communities  
• Support workers trying to work  
• End the privatization of criminal justice |
| **8** Embrace and integrate immigrant California | • Continue to protect immigrant communities from ICE  
• Expand CalEITC to be more inclusive to immigrants  
• Ensure Health for All |
| **9** Ensure affordable housing for all | • Prevent displacement through rent stabilization and tenant protection  
• Invest in California’s Housing First programs to serve the homeless  
• Accelerate construction of affordable housing |
| **10** Improve the movement of people, goods, and services | • Create first and last mile connectivity  
• Fund mass transit and leverage investments for job creation  
• Prepare for future growth in driverless trucking and autonomous vehicles |
| **11** Secure our environmental future | • Promote a just transition to a California free of fossil fuel  
• Expand funding mechanisms to ensure safe drinking water for all  
• Rework cap-and-trade |
| **12** Align fiscal and governance systems for an inclusive economy | • Reform commercial property tax  
• Expand participatory budgeting  
• Reinstate a California inheritance tax |
STEP 1: Promote Innovation and Secure Public Benefits

Innovation has always been a key contributor to economic growth. From the steam engine to the assembly line to the microchip, new inventions powered by investors and sprung into eager markets have helped to drive prosperity. California has often been at the cutting edge in innovation and technological change—and it remains so, with more than half of all U.S. venture capital making its way to firms based in the state (Massaro 2018).

Progressives have often stressed some of the downsides of these dynamics, rightly pointing to employment displacement and the sort of super-profits (and super-power) that early entrants into new markets can accrue and wield (think U.S. Steel in an earlier epoch and Google and Facebook today). These warnings are appropriate and promoting innovation to raise productivity and propel the economy forward is not ground that should be ceded to those who celebrate the market. After all, while private investment is key, it is often public investment that paves the way to improved efficiencies and business opportunities (Mazzucato 2013). And for those concerned with equity, it is important to remember that buoyant economies, which are driven by leading sectors that can then support local-serving industries, can create opportunities for more fairly sharing the gains from growth (provided workers and communities have the power to bargain for their share).

Unfortunately, there are numerous signs that we are underinvesting in fundamental research and development and that U.S. business dynamism has been slowing down. Nationally, the percent of total research and development (R&D) expenditure from government sources has declined by 8.1 percent between 1996 and 2016. The rate of birth of new firms (as a percentage of all firms) fell from 13.1 percent in 1984 to 8.1 percent in 2015, while in California, the rate fell from 14.7 percent in 1984 to 9 percent in 2014. (State data for 2015 has not been released yet.) The share of employment in young firms less than five years old has declined by 8.4 percent between 1981 and 2015. In California, the rate fell by about half between 1981 and 2014, from 21.7 to 10.5 percent. Since 1992, the entrepreneurship rate has fallen by almost half for workers with a bachelor’s degree.

Simultaneously, markets have become more concentrated, and possibly less competitive, than a few decades ago. For example, from 1997 to 2012, the average revenues of the top four firms in their industry rose from 24 percent to 33 percent. Firm profits have also become more concentrated: Investment returns for the 90th percentile of nonfinancial, publicly traded firms grew 160 percent from 1997 to 2014, while the 25th percentile grew only 2 percent over that same period (Shambaugh et al. 2018). Market concentration can be particularly high in local labor markets. For example, in 1990, 65 percent of hospitals in metropolitan areas were highly concentrated, but by 2016, 90 percent were (Wessel 2018).

The California we envision is one where innovation is acknowledged as the driving force behind economic growth and the state government seeks to steer this in a way that benefits rather than disrupts more Californians. Recognizing the role of public investments in promoting technological change, the state also seeks to invest its share of the “technology dividend” in furthering future innovation, supporting worker transitions, and growing jobs in energy and advanced manufacturing that can expand the middle of the labor market.
network dynamics and the rise of a few platform-based gatekeepers can make it especially hard, if not impossible, for new market entrants to compete (Frank and Cook 1995; Shapiro and Varian 1998). And while most observers tend to point to the negative impact of monopoly power on pricing and market control, a new wave of research is suggesting that this can also impact wages and work in negative ways. For example, as new “superstar” firms, enjoying higher profits derived from being on the leading edge of technological change, gobble up larger portions of sales and revenues, they tend to drive down labor’s share of returns in the industry as a whole (Autor et al. 2017). Moreover, “innovations” such as the introduction of “ride-sharing” services can erode rather than enhance incomes and working conditions. This is exactly why we argue in Step 3 for enhancing worker bargaining power through facilitating unionization, establishing industry wage boards, and other mechanisms. If we are to support innovation—and we should—we must also guard against the imbalance of power that can result.

In terms of promoting innovation, research over the past couple of decades has also clearly demonstrated that successful economies are rooted in systems of innovation, in which there is both substantial investment in research and development, but also institutional support for ensuring the general circulation of knowledge and the diffusion of new innovations throughout the economy (Cooke 2001; Edquist 1997; Narula 2014). And while private investment is critical, the debates about public versus private approaches to innovation and growth miss the important fact that both the public and private sector are critical in building and sustaining effective systems of innovation (Mazzucato 2013).

One key area where public and private sectors should be working together is in promoting advanced manufacturing technologies and systems (which frequently pay higher wages). However, advanced manufacturing is at a crossroads as it transitions to automation and data exchange in manufacturing technologies (Renjen 2018). This new movement will increase factory automation and will require industries to realign hiring to focus on organizational change management and human experience. These jobs will require employees to focus on skills such as communication, empathy, personal service, persuasion, problem-solving, and strategic decision-making (Schwartz et al. 2017). Unfortunately, around 25 percent of advanced manufacturing employers say they do not have the right talent pool to accommodate this transition (Renjen 2018). To prepare for and fulfill the needs of this new smart factory economy, government and business must work together to promote effective workforce development.

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Cleantech for California

The Los Angeles Cleantech Incubator (LACI) “is the business equivalent of baseball’s farm system: it identifies local talent, nurtures it, and helps it get to market, resulting in more jobs and a bigger green economy in Los Angeles.” It currently incubates companies like California Lithium Battery, Homeboy Electronics Recycling, Local Roots, and many more.

Funded by CRA/LA, LA Department of Water and Power (DWP), and the City of Los Angeles, it partners with UCLA, USC, Caltech and the Jet Propulsion Laboratory as well as the Los Angeles County Economic Development Corporation, the Los Angeles Business Council, and the Los Angeles Area Chamber of Commerce.

LACI’s “diversity and inclusion initiative” helps it to keep equity as a goal. Its programing focuses on outreach, mentorship, and cultural-specific programming, and, more specifically, includes recruiting women and minority small business owners and engaging communities of color in ideation and deployment, among other efforts. Between 2015 and 2016, LACI companies increased female employment by 117 percent and minority or previously excluded workers by 195 percent. LACI notes that it is currently outperforming other U.S. incubators when it comes to these metrics.

The role of government is key in many other ways. For example, in her book *The Entrepreneurial State*, Mariana Mazzucato (2013) notes that the public sector has been critical in investing in major new technological developments, ranging from the internet to key pharmaceutical breakthroughs to most of the key technologies in the Apple iPhone (including the lithium-ion batteries, liquid-crystal display, signal compression, multi-touch screen, cellular technology, GPS system, and even SIRI voice recognition system). Her basic and well-taken point is that it is the government that often absorbs high levels of risk in the uncertain and very early stages of development of new technologies.

But her other key point—and one that deserves emphasis here—is that the eventual returns from what is a public and private system of innovation are largely captured by a relatively small number of private sector entities. The solution, she argues, is to more directly link returns to the risk the public sector absorbs in these new innovations, such as the government extracting royalty payments from new intellectual property created by public investments to support a national innovation fund. Such a “technology dividend” could support a universal basic income (UBI) fund, which would mitigate risk for those working through the vagaries of employment shifts engendered by innovation and technological change. While proposals for a UBI are often presented in the context of a social safety net—and, indeed, we discuss this in more detail under the category of promoting lifelong security—it is useful to think of this as a return to society for promoting and sustaining systems of innovation.

Given this discussion, what is crucial from a public policy perspective is that the public sector invests adequately in smart ways and that the benefits generated by public investment are broadly shared. The public sector also needs to discourage excess market concentration and more aggressively enforce anti-trust laws, a task that should fall to the federal government but that could use the help of State officials. Finally, innovation should not be limited to new technologies, energy sources, and types of manufacturing: California should also innovate in terms of business forms, encouraging worker cooperatives, community investment funds, and new types of outreach to those less well-positioned in current labor markets.

Specific policies to promote smart innovation and ensure broad public benefit could include:

### Promote Innovation

- **Expand research and development funding, especially for critical general-purpose technologies.** General-purpose technologies are those technologies—like the steam engine, electric motor, and the internet—that when developed become pervasive throughout the economy. Truly general-purpose technologies are rare, but the state should emphasize investment in technologies with wide application around the economy and different sectors. Valuable technologies deserving of greater investment today include low- or no-carbon energy sources (especially distributed energy sources), insulation and energy-efficient building materials, improved lighting systems, a variety of advanced manufacturing technologies (e.g. new materials, 3-D printing, and advanced robotics), and beneficial applications of artificial intelligence (such as helping to develop new metal alloys for 3D printing, discover new lifesaving drugs, and improve energy- and resource-efficient agricultural production).

- **Use public policy to accelerate the development of the renewable energy and energy efficiency sectors.** This is already an area of strength for California. According to Next 10, an innovation-focused nonprofit, California is number one among all U.S. states in clean energy patents, and our share of energy coming from renewables is, at about 22 percent, three times the level in the rest of the U.S. There are also employment benefits from renewable energies: Wind and solar power already account for nearly nine times more employment than fossil fuel generation in California, triple the alternative to traditional fuels.
Universal Dividend or Universal Basic Income?

There has also been a growing interest in recent years, from a range of constituencies, in exploring models of a universal basic income (UBI). The concept has an appeal to people from a wide range of ideologies and perspectives. Many prominent technology leaders, including Elon Musk and Mark Zuckerberg, see it as a potential solution to predicted technologically-linked automation and job loss. Libertarian supporters see it as a way of streamlining bureaucratically and reducing at least some social welfare expenditures. Many anti-poverty activists see it as a direct way of ending poverty and removing the stigma of public assistance, while humanists argue that a caring society of our level of affluence should ensure everyone has a basic livelihood out of respect for our common humanity. Feminist supporters see it as a way of acknowledging and supporting the unpaid caring work of children, families, and the elderly that is so essential to our social and economic well-being and that is disproportionately carried out by women. Arguments for a universal basic income have also been made on the basis of reparations for racist economic legacies and structures, especially since African Americans could disproportionately benefit from a universal program.

Of course there are also critics of UBI who argue that the cost would be too large (though this depends entirely on how large the benefit is and how much is recovered from higher income recipients through income taxes), or that it is untargeted and thus ineffective in addressing poverty (though again, much of the benefit to higher income recipients would be recaptured through income taxes, and there are other benefits to universal programs, as the popularity of Social Security demonstrates). There is also a suggestion that it might somehow undermine a work ethic, though this is an argument that we think is particularly ungrounded and discriminatory for two reasons. First, real research on UBI trial experiments around the globe show little or no loss in hours worked. Second, evidence overwhelmingly suggests that people already earning more than a minimum basic income clearly have plenty of motivation for improving their economic circumstances even more—so why should the vast majority of those in poverty be any different?

What distinguishes the notion of a universal dividend is that it is based on the principle that all people should receive regular payments from revenue generated from common property—a way, for example, of distributing the benefits from the centuries of collectively inherited scientific knowledge and more recent public sector investments in major new technologies. A universal dividend wouldn't necessarily be a basic income, in that it could be valuable in providing substantial supplemental income even if it isn't enough to cover all basic living expenses. Neither a UBI nor a universal technology dividend would be a substitute for work: Those who think that UBI can be a solution for large-scale job loss and unemployment ignore that the scale of a UBI is small enough that it could never be a substitute for income from employment. But a universal dividend, as a supplement to other existing social welfare programs, could provide some additional income security and help cushion labor market shocks. A universal dividend program, especially if it was funded largely from economic returns to technological development, also has the benefits of directly redressing some of the unjust returns technology companies are currently getting from the quasi-monopoly rents they receive in winner-take-all markets.

Sources: Barnes 2014; Bruenig 2018; and Alperovitz and Daly 2008.
Develop systems to secure public sector rewards from innovation investments. Investments in new technologies are risky but can have tremendous returns if successful. At the moment, the rewards for technological investment are almost entirely captured by the private sector. For example, the National Science Foundation funded the grant that resulted in the algorithm that led to Google’s search engine and nearly all technologies in the iPhone can trace their origins to major public sector investments. Yet the public sector has seen no direct return from the immense wealth generated. The State could develop a system of public royalty payments for commercialized technologies that the State has helped finance or support.

- **Use public policy to promote advanced manufacturing and grow a stronger middle of the labor market.** Advanced manufacturing is a broad term that covers a range of innovations in the use of digital and physical technologies to improve the quality and efficiency of production processes (Renjen 2018). From a worker view, this can run the risk of labor replacement, but it also requires labor upskilling that can bring higher wages. To make these new “smart factories” and higher-wage jobs possible, more research, development, and education must go into emerging areas such as augmented reality, cognitive computing, 3-D printing, and cloud computing. Government and business need to work together to grow a workforce for this new economy, and build out new public infrastructure to support higher transmission speeds and the dissemination of 5G as well as agree on and standardize rules and legalities in data management (Deloitte 2017; Renjen 2018). The State could use a number of direct tools to promote advanced manufacturing by, for example, encouraging local production and assembly of rail cars, buses, and other parts of our emerging investments in mass transit (a topic we discuss more below); the key point here is to keep the focus on promoting advanced manufacturing that actually grows the middle of the labor market.

### Secure Public Benefits

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- **Deploy that “technology dividend” to support future innovation and a more inclusive and secure safety net.** Creating mechanisms to ensure public financial rewards of technological investment can both incentivize greater investments in innovation and address inequality. We see two basic roles for these monies. The first is a State innovation fund that could be used to promote further research and replication. The second is support for the development of a universal dividend program which would help workers adjust to the changes in employment caused by innovation and change. We think this should be conceptualized not as a universal basic income—an idea getting some consideration in recent years—but rather as a dividend provided to all as an earned right from the wealth produced from the technological commons (see box on page 35).

- **Proactively connect growing sectors (like energy-efficiency) to unemployed and discouraged workers.** Over 40 percent of employers in the energy-efficiency sector report that it is very difficult to find employees. Partnerships between publicly-funded colleges and industries can train workers into growing fields, providing them with a high degree of job security and certainty about their decision to train into a new field. One current example is the Build Efficiency for a Sustainable Tomorrow (BEST) Center at Laney College in Oakland, funded by the National Science Foundation (Mosley 2018). There are also numerous opportunities to connect with and train up workers to labor in the growing solar installation industry, a sector likely to continue its upward trajectory in light of the State’s adoption of a 100 percent renewal standard (Auer et al. 2014).
Promote More Open Competition, Small Business Development, and New Forms of Enterprise

• **Promote more open markets in highly concentrated sectors and local labor markets.** This must include more aggressively enforcing California’s own antitrust laws (including the Cartwright Act, the Unfair Practices Act, and the Unfair Competition Act), investigating potential violations of federal antitrust laws, and pursuing litigation where necessary. As noted earlier, market concentration can be a particular problem in major new “digital platform” companies which act as intermediaries between service providers and users. The state should consider new regulations on digital platforms to regulate major digital platform companies in specific areas, such as searching, connecting, matching, and digital infrastructure, where their services are comparable to those of utilities.

• **Develop new financing mechanisms to increase small business capital access.** Across California and the nation, government leaders are already testing crowdfunding, alternative underwriting, microloan, venture capital, and tax credit programs to advance small business capital access, create jobs, and promote community development for entrepreneurs in underserved markets. Examples of emerging practices include the City of Oakland partnership with Kiva, a nonprofit microfinance company, to facilitate local residents in providing zero percent interest crowdfunded loans to hundreds of local small businesses with social missions and with business owners who historically have been excluded from mainstream lending. State and city government leaders could replicate or scale successful financial models that increase capital access for residents.

• **Develop public-private partnerships to increase equity opportunities for underrepresented entrepreneurs.** Residents in struggling regions often lack access to capital to start their businesses. Some cities have been providing equity solutions to invest in small business development. For example, Prosper Portland partnered with Elevate Capital, a Pacific Northwest-based venture firm that invests in early-stage underrepresented entrepreneurs, including women, communities of color, and veterans. Prosper Portland and Multnomah County each individually committed $500,000 and the State of Oregon committed $250,000 to the Elevate Inclusive Fund to encourage investors to participate. Together they created a fund for startups that fills a critical gap in funding for growing companies. By doing so, they increased the job creation prospects for startup firms and the pipeline of viable companies for later-stage investors. Thus far, the fund has invested in its first cohort of six women- and minority-led startups. Similarly, the State and cities can develop public-private partnerships to create unique equity solutions that increase the available capital for minority-owned and women-owned businesses, and businesses in underserved markets (Norwood 2016).

• **Invest in facilitating worker cooperatives.** Innovation should not only be pursued in the way products are developed but also in the very form of business itself. Baby boomers own 2.34 million businesses in the United States, nearly 290,000 of which are located in California. We can expect to lose significant business tax revenue and jobs as small business owners retire in years to come. Yet this also presents a significant opportunity for business owners to transform their small businesses into worker-owned cooperatives, which are owned and operated by workers. Several cities, including Madison, WI; Boston, MA; and New York, NY, have Worker Cooperative Business Development Initiatives, which help residents start a worker cooperative or convert an existing business into one. California State and city leaders can similarly encourage worker cooperatives by building public-private partnerships to share information about worker-owned businesses with prospective entrepreneurs, support existing worker cooperatives, spur the creation of new worker cooperatives, and help small businesses transition into the worker generative model.
STEP 2: Care for the Caring Economy

When people think of the new economy, they often focus only on innovation and technology, areas that we acknowledge are important. But another factor that always impacts economic restructuring is our demography. The key issue here is the aging of California’s population: In 2010, for example, only 11 percent of the state’s population was 65 years or older; by 2060, this is projected to be 26 percent, as previously mentioned.32

But while this spectacular demographic change should lift up the importance of caring for seniors, the “caring economy” is also comprised of nannies, childcare providers, healthcare workers, and the many others who make it possible for tech workers and other employees to stay focused on their work and rest assured that their homes are cared for and their loved ones are living fully. Some might even expand the notion of care to include the service workers who grow, prepare, and serve our food daily—and even to those who provide janitorial services that make workplaces clean and safe.

Even with a more limited definition, the growing caring economy actually employs far more people than California’s vaunted high-tech sector. For example, in Figure 6 we compare the growth of employment in nursing, elder care, family services, home healthcare, and childcare between 1990 and July 2018 to the pattern for high-tech services such as software development, telecommunications and internet provision, data processing, and business support.33 As can be seen, these parts of the caring economy do indeed employ more than high-tech and have been on a rapid rise. Meanwhile, healthcare in general (excluding home healthcare as it is already counted in the chart) has an employment level nearly five times that of high-tech services. And with Californians living longer, all these sectors are predicted to see a dramatic upswing in future years.

The size and impact of care work is likely larger than the numbers can show. In a broad sense, the caring economy also includes the perhaps millions of Californians who are taking care of children, aging parents, or disabled family members, often having to leave their own jobs to take care of others even for short periods of time; these are people who are not counted because they do not receive wages and thus are not considered to be adding value to our GDP. But it is clear that they are adding value to our lives and our sense of community.

At the moment, however, the caring economy is a major source of stress, poverty, and income insecurity to those who labor within it. Care providers are disproportionately women and people of color, and they are often immigrants. Poverty wages are widespread: In 2018, the median annual wage for home health aides in California was $27,947 and the annual wage for maids and housekeeping cleaners was $26,363 (California Employment Development Department 2018a, 2018b). By contrast, the 2018 self-sufficiency standard for a single adult was $31,767 in Los Angeles County and $41,858 in Alameda County. For a single adult supporting two school-age children, the self-sufficiency standard was $63,220 in Los Angeles and $85,319 in Alameda.34 Furthermore, employment in this sector is often insecure and lacks benefits.

The California we envision is one where we take caring seriously, recognizing that a key part of the future economy is the aging of our population and so we will need to expand care for both those who have left the workforce and those still too young to labor. To do this, we need to commit to a caring economy that treats care workers with respect; affords them adequate training, decent wages, and comfortable working conditions; and creates opportunities for families to care for their loved ones.
A truly caring economy should provide a living wage for care providers and provide support for people caring for family members. This should include recognizing the ways that the intersections of race, gender, immigration status, and caretaking status make care workers especially susceptible to discrimination, poverty, and sexual and other forms of harassment (Yeung 2018).

Figure 6

**Employment in High-Tech Services, Nursing, Elder, Family, and Child Care Services, California, 1990-2018**

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<th>Year</th>
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Source: USC PERE analysis of Labor Market Information Division (LMID) of the Employment Development Department of the State of California; see data.edd.ca.gov/

Policies that could help support family care providers and improve working conditions for paid care providers include:

**Support Family-Based Care**

- **Improve and expand paid family leave.** Research has shown that paid family leave improves public health, health equity, and general well-being, with little harm to employers (Change Lab Solutions 2017). California’s family leave benefits are better than in many states—the benefits offer wage replacement of 60-70 percent for eligible workers for 6 weeks in a 12-month period, in a program that covers over 90 percent of California workers—but more can be done to ensure widespread uptake, specifically among low-income workers, and to expand the existing program. State surveys have shown that the program is limited by a lack of awareness amongst the general public; improving on this could be a first step for reform (Andrew Chang & Co, LLC 2015). However, the state could go further by expanding the duration of leave and the family members who are eligible to access this benefit (Change Lab Solutions 2017). The state could build on the model set by San Francisco, which requires employers with more than 20 employees to make up the wage percentage not covered by the State for qualified workers (City and County of San Francisco, Office of Labor Standards Enforcement 2018).
• **Expand protections from discrimination.** Though California law protects many categories of workers from employment discrimination, many care providers (particularly mothers) still face explicit and implicit discrimination based on their caregiving responsibilities. Legal claims have been increasing, with parental discrimination suits being filed under gender discrimination (Campbell 2017). However, California policymakers could go further and amend the Fair Employment and Housing Act to fight this specific discrimination in the workplace. While past efforts such as AB 1938 (employment discrimination: familial status) either stalled or failed, legislators can benefit from continuing the discussion (Burke 2018).

• **Expand paid sick days.** Under current California State law, most employers are required to provide three days of paid sick leave to full-time employees, to be used for themselves or a family member, but some jurisdictions have gone much further. San Francisco, for example, requires employers of more than 10 workers to provide 72 hours (nine days) of paid sick leave. In order to better support workers, the State should consider expanding its mandated sick leave.

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**Support Subsidized Care**

• **Track demand for subsidized care.** According to the California Child Care Resources and Referral Network (2017), only 23 percent of working parents with children up to the age of 12 had a licensed childcare slot available for their child in 2017. Restoring Centralized Eligibility Lists would allow the State to track the demand for subsidized care and may offer the data necessary to make funding decision attentive to the ongoing fluctuations in the needs of families. Demand for senior care will also change as the state’s 65 years old and over population increases by four million people by 2030 (Beck and Johnson 2015). The state should analyze this upcoming shift and possible additional resources for State-supported care.

• **Expand access to taxpayer-supported childcare.** In 2015, the average annual cost of childcare for an infant in a licensed center was more than a year of tuition in the University of California system (California Department of Education 2017; Office of the President, Budget Analysis and Planning 2015; for more on the costs of childcare, see Schumacher 2017). The state can make safe places for children available while parents work by expanding access to year-round school, summer activities offered on school grounds, and before- and after-school care. Additionally, the government can support lower-and middle-income families work and keep children safe by increasing subsidies for childcare. San Francisco passed Proposition C in June which will authorize an additional tax on the lease of commercial property for landlords with annual gross receipts over $1 million (City of San Francisco 2018). The measure is designed to levy a new tax in the amount of 1 percent of gross receipts for warehouse space and 3.5 percent of gross receipts for other commercial properties to fund childcare and early education programs (City of San Francisco 2018). Alameda, Santa Cruz, and San Joaquin counties and other cities in northern California, including Richmond and Oakland, are considering their own ballot measures to pursue similar policies—policies which, if effective, could serve as a model for the state (C. Jones 2018).
Support Care Workers

- **Raise professional standards and wages to increase the quality of care and livelihoods of care providers.** One example of where this could make a difference is in residential care facilities for the elderly (RCFE), often called assisted living facilities. Such homes are licensed by the California Department of Social Services. There is mounting evidence that RCFEs are accepting residents that necessitate ongoing medical monitoring, similar to residents of more highly regulated skilled nursing facilities, which are often the (more expensive) alternative. The state has almost six times more RCFEs than skilled nursing facilities. While there are also concerns that the regulations for quality of care in skilled nursing facilities are inadequate, there are absolutely no requirements for skilled staffing in RCFEs and only minimal staff-to-resident ratio requirements. Low wages and inadequate training exacerbate the problems of chronic understaffing. This not only hurts caring services but also creates potentially unsafe living conditions, placing individuals at risk of unnecessary falls, illness, and injury (Shah 2017). But the essential problem across the board is that such care work is undervalued, both in terms of wages paid and in the popular perception that this care work is not particularly skilled and thus may not require extensive training and preparation. The field of early childhood education (ECE) has faced similar issues. ECE workers face low wages and little professional support in their daily planning or in their pursuit of further education (Melnick et al. 2018). This creates high turnover, ultimately hurting not only teachers but the students and communities they serve. Expectations need to be raised, along with additional financial support for further education and higher wages after training.

- **Implement the Domestic Workers’ Bill of Rights.** The California Domestic Workers Coalition is building power to pass AB 2314 (Ting), which would establish a program within the California Department of Labor Standards Enforcement to implement the already passed Domestic Workers Bill of Rights. AB 2314 would ensure resources, education, and training to help both employers and domestic workers implement the Bill of Rights, which ensures overtime protections for workers; as we write, it is waiting for the governor’s signature to become law. Other states, like Illinois, have Bill of Rights legislation that is more robust than California, so we could take note and expand our protections (Escobar 2018).

- **Protect care workers from sexual harassment.** Federal sexual harassment laws only apply to companies with more than 14 workers, meaning that domestic workers are especially vulnerable. Sexual violence is “an open secret within the industry” and despite the #MeToo movement, many do not speak up for fear of losing their jobs or having their immigration status turned against them. Ultimately, with or without federal action, California can make sexual violence illegal in every workplace, ease the process of filing a complaint, protect workers from retaliation, and provide culturally appropriate resources for those who make complaints.

- **Pass fair workweek legislation.** Without a predictable work schedule with consistent hours, families have difficulty arranging childcare and balancing their budgets. Unpredictable work schedules also limit economic mobility by making it hard for parents to go back to school or engage in job training. Local jurisdictions, including Santa Clara and San Francisco counties and the cities of Emeryville and San Jose, have passed legislation that supports fair workweek policies (Wolfe, Jones, and Cooper 2018). State and local leaders could pass similar comprehensive fair workweek legislation that gives employees predictable schedules with stable hours.
STEP 3: Empower and Equip Workers for Change

We have noted the ways in which worker fortunes have worsened in the Golden State. Figure 7 for example, shows the path of real hourly wages at key points in the wage distribution. The widening divide in economic fortunes is apparent: Real wages for those at the 90th percentile of the hourly wage distribution have gone up by 31 percent since 1976 while wages for those at the 10th and 20th percentile of the wage distribution have fallen by 5 and 9 percent, respectively. Perhaps most striking is that the median real hourly wage actually fell by 3 percent between 1976 and 2016. More telling is that even as worker productivity, measured as the ratio of real GDP to employment, rose by over 50 percent between 1987 and 2016 (the sub-period for which we could calculate this California-specific measure), median wages were actually completely flat.38

Figure 7

Change in Real Hourly Wages in California at Key Deciles of the State Wage Distribution, 1976-2016

Workers, in short, are working harder and producing more but not earning any more than three decades in the past. This is not just a matter of education interacting with shifts in technology; while differing levels of education help to explain the windfall for those at the 80th and 90th percentiles of the wage distribution, this does not explain why aggregate productivity gains have not trickled down to those workers in the middle of the wage range. This really is a matter of power: Typically, it has been the domain of the labor movement to ensure that workers capture their fair share in terms of wages and benefits, but private sector unionization has been on a long-term decline.

For example, in California private sectors, unions fell from 17.7 percent membership (of the non-agricultural non-public workforce) in 1983 to 8.3 percent membership in 2017. While public sector unionization has helped cushion the overall fall by actually rising over that same period—from 43.4 percent to 55 percent—that public sector cushion is at risk. In June 2018, the Supreme Court dealt another blow to unions in Janus v. American Federation of State, County, and Municipal Employees: No longer will those benefiting from collective bargaining be required to help pay for it (Liptak 2018). This followed on the heels of a prior decision prohibiting workers from joining together in class-action lawsuits against their employers (Wolf 2018).

Another trend likely to weaken labor’s bargaining power is automation. The most careful research in this area focuses on tasks, rather than on occupations as a whole, and finds that although less than 5 percent of occupations can be completely automated, about 60 percent have at least 30 percent of activities that can be automated (Manyika et al. 2017:5). This study suggests that such automation could replace up to 23 percent of work hours by the year 2030 (Manyika et al. 2017). While new jobs will also be created, the disruption to work activities will increase worker insecurity; one of the reasons for the growing interest in a system of universal basic income has been to provide a cushion against this technological change. But it is also the case that when employees are more replaceable, their ability to demand decent treatment is limited. The state should help rebalance the power equation by making organizing and worker representation easier, not more difficult.

In short, government can help by thinking of and acting on all the ways that it can improve worker standing and worker power. The state can also make a direct difference in terms of wage-setting. While those at the 10th percentile of the wage distribution slipped over the long haul, they actually made higher wage gains between 2013 and 2016 as the first in a series of minimum wage hikes took effect. Wage standards work—and carrying this through to ideas like industry wage boards, in which the State coordinates between employers and an increasingly less organized and less powerful workforce—might be a logical next step.

The state should also focus on combatting patterns of racial inequality in employment and wages. Even in a relatively strong economy, there are racialized differences in unemployment. For example, while July 2018 data shows that 4.4 percent of white Californians are unemployed, that share is 6.6 percent for Black workers and 5.3 percent for Latino workers. When it comes to strengthening the workforce, understanding racialized dynamics is key: For African-American workers, unemployment is often more paramount while for Latinos, the most pressing issue is generally working poverty (Pastor and Carter 2009). The state needs to support workforce development with policy tools that address the unique circumstances of different communities—and it also needs to address racialized pay gaps that exist across the spectrum, even for year-round, full-time workers (see Figure 8).
Specific policies we should pursue to enhance worker power and improve worker preparation include:

**Empower Worker Organizations**

- **Leverage State regulatory and market powers to promote high labor standards.** The State government can use its power as a regulator and as a consumer to promote workers’ well-being and worker organizations. The State can choose to only permit, license, or hire those firms and organizations that comply to certain standards: prevailing or living wages, apprenticeship programs, and/or a strong track record of treating workers well. Doing so will keep up labor standards and support labor organizations (Madland and Rowell 2017; Rolf 2018).

- **Promote union membership by lowering barriers.** While the Supreme Court has created more barriers to unionization across the country, California can actually go the opposite direction. In particular, the state can encourage workers not covered by the National Labor Relations Act (NLRA) to unionize and collectively bargain. The state can also enable worker organizations to do outreach at job and training sites as well as to collect dues for nonunion organizations through voluntary payroll deductions (Madland and Rowell 2017).

- **Develop wage boards through a revived Industrial Welfare Commission.** Industry-level bargaining, or wage boards, are structures in which employers, workers, and the government negotiate on
wages and other worker benefits by industry, rather than firm by firm. Such structures tend to tip more power in the direction of workers and wage boards can also promote sectoral bargaining in fields not covered by the National Labor Relations Act (NLRA). California’s Industrial Welfare Commission (IWC) set and regulated 17 wage orders until it was de-funded by the California Legislature in 2004. The Division of Labor Standards and Enforcement now enforces the wage orders. California should revive the IWC and strengthen it to ensure the same work and the same pay structure across companies, promote increased efficacy and cooperation, and set minimum standards for all players across industries (Madland 2018; Madland and Rowell 2017; Rolf 2018).

• **Explore how the State can require worker representation on corporate boards and promote worker ownership.** Requiring shared corporate governance to include workers on par with shareholders could help to create a labor voice in corporate decision-making (Madland 2018).

The State may be able to leverage its own retirement and other investments to encourage corporations to adopt this practice. The State could also incentivize conversion to worker-owned businesses by providing assistance at no cost (Rolf 2018).

• **Work with labor organizations to improve the use of available State benefits.** Worker organizations are often most informed about what State services are available to workers, such as unemployment insurance, disability pay, and sick pay, as well as what services workers need. These organizations can help improve these financial supports, as well as help potential clients learn about and access these services. Some have suggested that the State government could mandate that worker organizations are responsible for the provision of worker benefits (Madland and Rowell 2017; Rolf 2018). This would also help workers see labor unions as providing multiple resources and so help to build ties to worker organizations.

**Improve Conditions at Work**

• **Close the gender pay gap.** In 2016, the Bureau of Labor Statistics reported that California women who were full-time wage and salary workers had 88 percent of the $925 median usual weekly earnings of their male counterparts (Bureau of Labor Statistics 2017). The gender pay gap in California was highest in 2001, and although it has decreased somewhat since then, the gap has been stagnant since 2005. In an effort to address the stagnating pay gap, California passed AB 46, which allows women on the State’s payroll to sue for equal pay (Ashton 2017), and AB 168, which banned prospective employers from asking for salary history (Kendall 2017). While California has some of the strongest equal pay laws, there is still room to improve (Khan and Schumacher 2018). The State should continue exploring which state job classifications may be underpaid and adjust accordingly (Ashton 2018).

• **Address racial inequality in pay.** Looking at the raw differences in median pay by race and ethnicity, some observers might suspect that these arise because of differences in education (a topic we address in the next step). But there are gaps even when we control for education. For example, of California’s full-time, year-round workers between the ages of 25 and 64, African Americans with a B.A. make about 21 percent less than whites with a B.A., while Latinos make about 28 percent less. For those with a high school degree only, African Americans make 17 percent less than whites and Latinos make 28 percent less. While Asian Pacific Islanders with a B.A. earn about what white B.A. holders make, APIs with only a high school degree make 28 percent less than whites with that credential. The State should collect and monitor this sort of data and pursue aggressive actions against racial bias in pay setting and benefits.

• **Require benefits for contract and part-time workers.** The growing prevalence of contingent and contract workers is becoming problematic for many Californians who are often working
part-time for employers such as Uber, Lyft, or even in more traditional manufacturing settings, but who are not extended full benefits such as healthcare, sick time, and retirement contributions because they are not considered full-time employees. California should make it necessary for such organizations to provide quality work and benefits to their employees by using State leverage, such as government contracting and business licensing (Madland and Rowell 2017).

- **Promote responsible contracting policies:** Many companies have domestic outsourcing practices, contracting for various services (e.g., cleaning, security, landscaping, food services, etc.), rather than employing janitors, security guards, landscapers, or cafeteria workers directly. The result is lower wages for these workers with typically worse benefits and less access to other company benefits (Benner and Neering 2016). The negative impacts of outsourcing can be reduced by encouraging or requiring firms to adopt responsible contracting policies that set higher standards for all workers, regardless of their employment structure.43

- **Ensure that work hours are predictable or that workers are compensated for unpredictable hours.** Irregular and unpredictable scheduling makes life challenging for workers who care for others, who are also students, or who hold multiple jobs. The State could support workers by ensuring that they are able to make schedule requests, that they receive their schedules with advance notice, and that they be additionally compensated for difficult scheduling (McNicholas, Sanders, and Shierholz 2018).

- **Ensure the safety of our farmworkers.** California’s farmworkers face harsh working conditions to provide produce for consumers throughout the state and country. As climate change has intensified so has the risk of heat stress in the fields. California instituted heat laws after a string of farmworkers died in 2005, but it was not until 2008 that California’s Division of Occupational Safety and Health strengthened inspections, regulations, and training efforts, ultimately reducing deaths from heat stress (Nelson 2017). We must ensure that this monitoring continues and is effective in protecting the state’s farmworkers as our fields continue to warm. We must also remain vigilant in fighting for further regulation of pesticide exposure which contributes to chronic health issues for farmworkers and their families. One particular chemical, chlorpyrifos, has been linked to intelligence deficits and attention, memory, and motor problems among exposed children (Environmental Protection Agency 2016). Despite the acknowledged health effects, there has been no movement at the federal level to reduce or ban the usage of these harmful chemicals on our state’s farms (Chen 2018). In order to safeguard our state’s workers, we must step in to regulate workplace conditions and ban the usage of harmful pesticides in the production of our food.

- **Involve worker organizations in enforcement efforts.** No one is closer to wage theft and labor standard violations than workers themselves—and the federal Department of Labor is spread too thin to investigate all reports, much less fully enforce the law in all cases. Instead, the State could provide grants to worker organizations who know about violations, can inform workers of their rights, and can act as a trusted broker by bringing them into conversation with the government. Another proposal is to have a third party “wage-checker” to ensure that workers are receiving their due pay. Such systems are not without precedent (Finkin 2015; Madland and Rowell 2017; Rolf 2018).
Develop a Dynamic and Prepared Workforce

- **Invest in education and job training.** Education plays a vital role in ensuring that California continues its strong job growth. Additionally, promoting education is a key strategy for reducing income inequality and ensuring every person has access to economic opportunities. State leaders must invest to ensure more Californians earn college degrees and career and technical credentials that lead to good paying, in-demand jobs (Bohn 2018).

- **Eliminate barriers and expand supports for traditionally underserved populations to invest in their careers.** Specific initiatives here include increasing the size of Cal Grant awards, targeting those with greatest financial need; improving navigational assistance to adult education; providing students with additional supports—such as childcare, mental health services, and other integrated support programs—to help improve access to high-quality training programs; expanding job-focused basic skills training, including English as a Second Language (ESL) programs in the workplace; and investing in more workplace-based programs for incumbent workers, including reforming Employment Training Panel (ETP) funds to better serve low-wage workers (Bernstein and Vilter 2018; Taylor 2012; The Institute for College Access & Success 2016).

- **Expand apprenticeship programs.** Apprenticeship programs can be an excellent way of linking learning, paid employment, and on-the-job training. California leads the nation in apprenticeships: In 2016, there were 74,441 apprentices registered in over 640 programs in agriculture, the automotive industry, civil services, construction, healthcare, manufacturing, services, and transportation and utilities (California Department of Industrial Relations 2016). The State can participate by using its power to promote partnerships between labor and industry groups. For example, one requirement of having State funding could be a set share of apprentices working on the job site. The State can mandate participation in worker organization programs and invest in employer-created apprenticeship programs, including with Workforce Innovation and Opportunity Act funds (Madland 2018; Madland and Rowell 2017; Rolf 2018).

- **Invest in regional workforce partnerships to build prosperous communities and competitive industries.** This should include creating strong partnerships between regional businesses, education and workforce training providers, unions, and community partners, especially those community organizations representing disconnected and underserved populations. Through research and partner engagement, these regional partnerships can better understand and respond to current and future skill needs. Research has shown that these collaborative efforts can help regional partners to surpass jurisdictional barriers and work on complex problems that are out of the scope of individual cities or towns, such as growing industrial clusters, assisting declining suburban areas, and addressing urban sprawl. It must be noted, however, that these coalitions are not without their challenges; often, fragmented governance, competition over resources, and high initial costs can derail the success of such efforts, but if these collaborations are well-managed with an anchor organization and strong leadership, they can fulfill their promise to increase the efficacy of workforce development (Melendez et al. 2015).
STEP 4: 
Encourage Lifelong Learning

Education and lifelong learning are more important than ever for our economic prosperity and for racial justice. The previous data has revealed the growing gaps by levels of education, and even as we strive to lift the bottom with increased minimum wages and shore up the middle with wage boards, it is likely that large pay gaps by education will persist. This is a recipe for increased racial inequality in the future: As can be seen in Figure 9, recent projections indicate that 44 percent of jobs in California will require at least an A.A. degree in 2020 (adding together the jobs that will require a B.A. with those that will necessitate only an A.A.) but currently only 34 percent of Black Californians, 27 percent of U.S.-born Latinos, and 10 percent of Latino immigrants have an A.A. degree or higher. By contrast, over 50 percent of non-Hispanic whites and over 60 percent of Asian Pacific Islanders in California had an A.A. degree or higher; the likely sorting into high- and low-quality employment is obvious.44

The California we envision is one where education is seen as both an individual right and a collective investment in our economic future. It is a place where lifelong learning is celebrated and supported with sufficient funding for and equitable access to pre-school, higher education, and everything in-between.

Figure 9

Job Requirements and Educational Attainment for Adults, 25-64, California, 2012-2016

Education is important not just for individual opportunity and closing racial gaps—it is also critical for the economy as a whole. Research continues to show a consistent and strong relationship between investments in education and overall economic growth. A recent study looking at the relationship between state education policy and economic growth, for example, found that if California schools could match the quality of education in the top-performing state, this would lift annual growth by one percentage point—equivalent to an annual $25 billion dividend (Hanushek, Ruhose, and Woessmann 2017). Unfortunately, California ranks 40th of all states in total K-12 educational spending as a share of personal income, and while some argue that spending is not the main determinant of education quality, few of those making that case choose to send their children to schools that spend as little as possible. In a rapidly changing economy, adult education and lifelong learning also become more important, and we need to very substantially increase our investment in our workforce development system. As just one indication of our under-investment, as a percentage of GDP, we spend as a country the lowest on adult workforce education out of all but two OECD countries—Mexico and Chile. Most European countries spend two to five times as much as we do and Denmark spends nearly ten times as much (Farrell 2015).

California needs to substantially increase our investment in education at all levels, from early childhood education through higher education and our workforce development system. We must also close our achievement gap to provide educational opportunities for all residents, regardless of race, immigration status, wealth, or other characteristics. This will require different approaches for early childhood education, K-12, and higher education.

Specific policies we should pursue include:

Strengthen Early Childhood and K-12 Education Systems

- **Expand support for early childhood education.** Research has shown that investment in early childhood education has one of the best returns in long-term educational outcomes. Still, California is woefully underinvested in early childhood programs. In fact, as of 2014, of the state’s three and four-year-olds who were eligible for state-funded programs, 42 percent or more did not actually receive services (Edley and Kimner 2018). The State should increase the availability of high-quality, full-day early childhood education by investing in programs such as General Child Care and Development and Early Head Start, and by expanding access to transitional kindergartens. The State should also pursue creating a more unified administration (such as a formal interagency team or a single administrative agency) to help create a strong system perspective in place of what is now a highly fragmented system with at least five State agencies (including the Departments of Social Services, Education, Public Health, and Developmental Services and First 5 California) which also interact with multiple disconnected local agencies (Melnick et. al. 2017).

- **Reform the Local Control Funding Formula (LCFF) to better support high-needs schools and students and work to close the achievement gap.** Local advocates, such as the Equity Alliance for LA’s Kids, have pushed for accountability from their school boards, seeking to ensure that the progressive impulses in the LCFF—which seeks to provide more funding to students who are low-income, English learners, and foster youth—actually translate down to the school level. The alliance developed the “Student Need Index” as a tool for the Los Angeles Unified School District to better determine the schools with the most need, with the most recent version including measures of absenteeism along with neighborhood indicators like asthma and gun violence rates. The school board has adopted many elements of this tool, but advocates emphasize that they will watch closely to ensure that budget allocations match the promise. Adoption of a similar index across
the state would need to be paired with greater transparency to ensure that communities can hold their districts accountable (Kohli 2018).

- **Invest in biliteracy to better serve students, teachers, and schools.** While the 2016 ballot initiative reversed the State’s former “English First” policy focus, biliteracy does not have the attention or budget it deserves. More state investment in bilingual school programs and teacher training and recruiting would enable the state to better prepare its students for a globalized world and workforce (California Department of Education 2018).

- **Disrupt the school-to-prison pipeline.** The school-to-prison pipeline has become a defining education policy issue in recent years. Children of color and children with disabilities throughout the state are being denied educational opportunities and are instead often diverted into a system of corrections and incarceration. There are many necessary points of intervention. For example, youth justice advocates have worked to reduce the use of suspensions as a disciplinary tool. In 2015, advocates secured a ban on “willful defiance” suspensions for young children in Kindergarten to third-grade (Washburn 2018). Suspensions during the 2016-2017 school year dropped by 46 percent compared to the 2011-2012 school year, and expulsions also dropped by 42 percent during the same period (CA DOE 2017). However, despite the decrease in suspensions, there are still significant racial disparities in California schools. For example, state data shows that Black students make up 5.8 percent of total students, but 15.5 percent of suspended students (Jones 2017). As a next step, the State should consider extending the current Kindergarten to third-grade state ban on “willful defiance” suspensions to encompass all K-12 grades and should look at other methods of discipline. And legislators must consider other intervention points when developing new policies by listening to the experiences of youth themselves.

- **Provide more funding for creating relationship-centered schools.** Research has long shown us what discipline looks like in safe, inclusive schools, but it was only recently that shifts began in actual schools in California. Californians for Justice has advocated for the model of a relationship-centered school, which values staff and students, makes space for relationship-building, and makes social-emotional learning part of school. Through their advocacy, models of this type of school can be seen in districts such as Oakland, San Jose, Fresno, and Long Beach. School districts in the state have also worked to implement school-wide positive behavior interventions and supports, restorative justice, and social-emotional learning, which have all been shown to help students and schools succeed, including by increasing attendance and decreasing suspensions. These interventions must provide appropriate resources to train teachers, staff, and administrators on implicit bias and the supports offered by these programs. They must also ensure adequate levels of mental health professionals to work with students who are struggling (Public Counsel 2017).

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Develop School Programming and Policies that Center Equity and Community

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• **Enhance programs to recruit and train current staff and local residents to teach in their own community.** There is currently programming that allows certain classified staff to receive up to five years of limited support to obtain a B.A. and a teaching credential. This is a smart idea that takes advantage of staff who are already dedicated to education and their communities. Indeed, the evidence suggests that there is currently a far greater demand for teachers than there is capacity (Sutcher et al. 2018). Expanding these programs would be of benefit to not only the students but to the broader community.

• **Promote accountability across all public schools and consider a ban on for-profit charters.** Policymakers have presented legislation to push for greater accountability from often opaque charter schools. Legislation on non-discrimination in admissions, accountability, transparency, and local control would help ensure that students are being served by these non-traditional schools (Sutcher et al. 2018). Meanwhile, despite lackluster results and prominent scandals, for-profit charters continue to exist in California. A ban on for-profit charters was previously vetoed by Governor Brown, but pressure is building to eliminate this profit motive in education and Gavin Newsom, the 2018 Democratic gubernatorial candidate, has voiced his support for such a measure (Posnick-Goodwin 2018).

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**Expand Access to and Reduce the Costs of Postsecondary Education**

• **Increase preparation and enrollment opportunities for four-year institutions.** Community colleges have historically struggled to move students from non-credit bearing remedial classes, to transfer classes, and ultimately to a four-year institution (Rodriguez, Cuellar Mejia, and Johnson 2018). Recent legislation (AB 705) has helped bring about reform which will place far fewer students in traditional remedial classes in the hopes of improving students’ ultimate outcomes. However for this to happen, the State will need to ensure that community colleges are complying with the new legislation and have the necessary supports in place to guarantee student success and reduce gaps in achievement. Furthermore, California needs to work with its state schools to ensure they have room for this increase of students and should strengthen efforts to increase the “Associate Degree for Transfer” pathways which move students from community colleges to the UC or CSU campuses. Policymakers must find ways to re-engage adults who started but never completed certificates or degrees (The Campaign for College Opportunity 2018).
• **Embrace diversity to work towards educational equity.** Proposition 209 disallowed consideration of race for state universities, which had a particularly negative impact on Black students (Kaplan 2017). There is already a push from the Black and Latino Legislative Caucus to reinstitute some form of affirmative action and the public largely supports the move. Now is the time to move on the issue to ensure our campuses resemble our state. This extends to a need for far greater diversity in the faculty and leadership of our state’s schools; students should be able to see themselves in their educational leaders. In order to accomplish this, policymakers could mandate campus-specific diversity goals and reporting, in addition to broader statewide goals (Bustillos and Siqueiros 2018).

• **Support tuition and living expenses for California’s students.** To encourage students to pursue higher education and complete a degree, the state should better address the financial strain of being a student. One potential solution includes promoting the Free Application for Federal Student Aid (FAFSA) to help with tuition costs. The State should also assist students with expenses incurred beyond their direct educational expenses through Cal Grant B, increases as demand currently far exceeds supply (Rose 2018). Students need more help in covering their living expenses in order to succeed academically. Universities could also consider expanding or supporting the creation of student housing cooperatives, which are organizations run by and for students, in order to help provide affordable housing to students, drawing from the successful partnerships between universities and student cooperatives at UC Berkeley and UC Davis; we take up this topic in more detail under our recommendations on housing.

• **Reduce Cal Grant payments at colleges with a history of low graduation rates.** Thousands of low-income students are attending low-quality and costly institutions on the fabricated promise of guaranteed wealth. The Center for Responsible Lending shows that California for-profit colleges particularly harm low-income families, women, and communities of color. Students at for-profit colleges are less likely to graduate and more likely to take out student loans, and thus they leave school more indebted and more likely to default (Center for Responsible Lending 2017). As the State reforms its financial aid system, policymakers should track the education quality at for-profit institutions. Further, it should ban Cal Grants at colleges with a history of low graduation rates and high default rates.

• **Work toward the provision of free college.** One year of free community college is not enough, and even this program has not been made permanent. There was a broader push to make the College for All Act a ballot initiative in the November election and though it failed, the discussion is on the minds of Californians as tuition costs rise. The most recent version of the initiative proposed reinstating the estate tax to fund both community colleges and four-year institutions, along with Cal Grant expansions. It remains a valuable goal which policymakers should strive towards.
STEP 5: Promote Lifelong Security

Financial insecurity is one of the most striking problems facing many American families today. The latest Federal Reserve report on the economic well-being of U.S. households found that 41 percent of households, if faced with an unexpected expense of $400, would not be able to cover it with available assets. Even without an unexpected expense, 22 percent of households forgo payments on some of their bills each month (Larrimore et al. 2018). Perhaps it is no surprise, then, that when asked to decide whether it was more important to them to have financial stability or to move up the income ladder, 92 percent of Americans chose security (The Pew Charitable Trusts 2015).

The emphasis on security is easily understood through a look at the data. Of non-retired adults, less than two-fifths think they are on track with their retirement savings—including less than half of those over 50 years old—and one-quarter of non-retired adults have no retirement savings or pension whatsoever (Federal Reserve 2018). Half of California workers are projected to have serious economic hardship when they retire because they don’t have sufficient savings, and 55 percent of private sector workers—7.5 million people—do not have access to a pension or 401(k) plan at work (UC Berkeley Labor Center 2017). Healthcare expenses are another critical area of insecurity, with one-fifth of adults in 2017 reporting they had major, unexpected medical bills to pay with a median expense of $1,200, and 27 percent of adults report going without some form of medical care due to an inability to pay (Larrimore et al. 2018).

The racial differences in access to financial assets are also particularly striking. In 2016, the median net worth of white-headed households in the U.S. was $171,000, nearly 10 times the median net worth of Black-headed households and about 8 times the median net worth of Latino-headed households (Tracy 2017). Looked at another way, white families own roughly 90 percent of all net household assets in the country, compared to only 2.4 percent owned by African Americans and 3.5 percent by Latinos.47 Though similar figures from the same source at a state level were not available to us, a recent detailed survey in Los Angeles showed even greater disparities: White households in Los Angeles have a median net worth of $355,000, compared to $4,000 for African Americans and $3,500 for householders of Mexican heritage, including both U.S.- and foreign-born individuals (De La Cruz-Viesca et al. 2016).

Since homeownership is the largest and most common form of assets for American families, the difference in homeownership rates is striking as well, with homeownership rates of 72 percent for non-Hispanic white households, as compared to 41 percent for African-American households and 46 percent for Latino households in 2016. In California, homeownership is generally lower and the gaps remain pronounced: White homeownership stands at 62 percent, while the rates are 58 percent for Asian Pacific Islanders, 42 percent for Latinos, and only 33 percent for African Americans.48

We should be building a California in which all residents of the state have the ability to live healthy and stable lives. This should include helping families accumulate the assets that are such important buffers in times of unexpected financial stress. Efforts should be made to ensure that people have access to key health and retirement benefits that are portable—a critical feature in today’s rapidly changing labor market. Finally, California should explore ways to help stabilize income.
Specific policies to promote financial security over the life course include:

Increase Asset Building

- **Expand access to homeownership.** In Step 8 below, we cover how to protect current homeowners from foreclosures but here it is important to acknowledge that the current rates of homeownership, particularly for people of color, are too low. Increasing access to homeownership for low-income populations is a valuable step in asset building and can help bridge racial wealth divides. The State should consider increasing funding for down payment assistance and homeownership counseling programs. The following recommendations on increasing access to savings and building credit will also support this goal.

- **Fund and expand access to universal savings accounts, especially for young people.** Encouraging saving at a young age is critical for asset building. There are a couple of valuable programs around the state that help set up and provide seed funding for savings accounts for children, including the San Francisco Kindergarten to College program,\textsuperscript{49} which seed funds (with $50) a college savings account for every child entering kindergarten in the city, and the state’s Every Kid Counts College Savings Matching Grant program, which matches up to $200 for low-income eligible residents who establish an account with ScholarShare, the California 529 College Savings program. State policymakers could extend and expand funding for the ScholarShare program.

- **Explore a state-level baby bonds proposal.** An idea developed and promoted by economists Darrick Hamilton and William “Sandy” Darity, Jr., “baby bonds” are child trust accounts intended to offer a chance for parents and family members to grow assets for newborns regardless of their financial position. In contrast to college savings programs, they would not be limited to being used for higher education expenses, but could also be used for other asset-building opportunities, including buying a home or starting a business.\textsuperscript{50}

- **Protect consumers from predatory lending and promote alternatives.** Being able to borrow money under reasonable terms is an important component of financial security—it can help promote long-term household savings and facilitate purchases to contribute to wealth building. California should pursue more comprehensive limits on interest rates and other regulations to help limit the influence of predatory lending institutions. This needs to be linked, however, with expanding alternatives for underserved populations, since check-cashing and pay-day lending outlets are often the only options actively serving poor communities. One alternative is to require credit score companies to include alternative data, particularly payments for rent, utilities, and mobile phone bills, in their calculations of credit scores. Studies show that this could significantly increase credit scores for many with subprime scores, who are disproportionately households of color and low-income families. This could also actually create credit scores for people currently invisible in the credit rating system (Newville and Chopra 2017). In addition, the State can offer alternatives by providing capital to community banks and community-development financial institutions. By marketing the effectiveness of public pension funds, such as CalPERS and CalSTRS, which invest more directly in community-based institutions, the State can influence best banking practices and encourage others to do the same (CalPERS 2017; CalSTRS 2016).

- **Implement new financing tools to ensure community investment opportunities and returns.** A Seattle-based nonprofit Mercy Corps North West has created a financial inclusion tool called the Community Investment Trust (CIT) to empower residents and strengthen communities. The CIT provides a low-dollar investment opportunity in a commercial property to local residents. Investors learn how to create budgets, set financial goals, and understand investment basics and they can then subscribe to invest a small portion a month to buy shares in the CIT. Investors profit from an annual dividend that is paid from the profits of the building from when tenants pay rent, when expenses are paid, when the shares change...
value as the value of the property appreciates, and when the loan on the property is paid down. Government and businesses can work together to implement new financing tools similar to this that allow community investment in businesses to build community wealth and reduce displacement from gentrification (Mercy Corps Northwest 2018).

• **Develop a public banking model.** Addressing ethical and accountability issues within banks as well as banking discrimination and predatory lending has been a major challenge for cities and states. Across the nation, government officials are looking to create public banks as an alternative to private financial institutions (Sullivan 2018). Public banks are owned by public entities (Tso 2018). By partnering with existing community banks, financial institutions, and development agencies, public banks can provide inexpensive credit to help create jobs and develop local economies (Beitel 2016). An example of a successful public bank model is the Bank of North Dakota which has helped expand the lending capacity of North Dakota’s community banks since 1919. In 2017, it originated and supported 23,563 loans worth about $1.72 billion with the largest growth in loans to businesses and students (Bank of North Dakota 2017). Oakland and Berkeley have recently joined together to fund a feasibility study of how they might establish a regional public bank. The state could benefit from creating new banking models similar to the Bank of North Dakota and providing financial support to newly conceptualized regional public banks.

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**Expand Portable Benefits**

• **Move health insurance coverage towards a universal system.** Progressive advocates agree that healthcare is a human right which should be protected at the federal level—but for now, the state level will have to suffice. Potential state-level policies to move to a universal system include premium subsidies, the expansion of eligibility for ACA cost-sharing subsidies, as well as a reinsurance program (Lucia and Jacobs 2018). The State did a remarkable job at improving health insurance coverage through an aggressive promotion of the ACA, with the uninsured rate for all Californians falling from nearly 18 percent in 2012 to 7.5 percent in 2016. The larger goal is that of universal healthcare that protects those that are most vulnerable—such as those with preexisting conditions, the undocumented, and the homeless—in a way that relieves cost pressures on public entities. Health Access, a health consumer advocacy coalition for Californians, advocates for universal coverage and moving towards a more unified single-payer system that is progressively financed, cost-effective, comprehensive, efficient, and prevention oriented.54

• **Expand options for increasing portable retirement benefits and fund outreach to boost participation.** California went some ways towards addressing the retirement crisis in 2016 when the State passed SB 1234, authorizing the implementation of the California Secure Choice Retirement Savings program, which creates mandatory automatic payroll deduction retirement savings programs for all employers with five or more employees who do not sponsor their own retirement plans. But it does not have a mechanism for mandating employer contributions, meaning that the program, in essence, simply lowers barriers to investing in individual retirement accounts (IRAs) and creates an opt-out system, rather than the current system where individuals have to find and start an IRA themselves. The State can fund outreach to boost participation in the program, which will launch in 2019. Long-term, one option policymakers might consider is mandating employer contributions.

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Health Access rallying for universal healthcare coverage in California. Courtesy of Health Access
Stabilize Incomes

- **Reform unemployment insurance.** Unemployment insurance (UI) is primarily targeted at short-term unemployment, not long-term unemployment, and yet even for short-term unemployment, only approximately 44 percent of recently unemployed Californians receive UI benefits (McHugh and Kimball 2015). We need to expand the eligibility requirements. We also need to increase the maximum UI weekly benefit level, which currently stands at $450 and has not been increased since 2005. This maximum benefit ranks 26th nationwide, and as a percentage of the average wage in the state, we rank 46th in the nation (Hiltzik 2018). California’s employer tax for UI benefits is also among the lowest in the country, and the low base wage for calculating tax means that the burden of the program falls primarily on employers with low or moderate average wages. Re-employment services associated with UI benefits should also be strengthened. Currently, people who are in approved training programs are able to retain their UI benefits and are also eligible for an extension of UI benefits, but these programs remain underutilized because of complicated and restrictive eligibility criteria (Wentworth 2017).

- **Develop a wage insurance program.** This proposed insurance system would provide workers with compensation if they end up moving to a job with a lower salary. It is often considered part of trying to build a reemployment insurance system, rather than an unemployment insurance system, that would emphasize job training and work searching assistance, rather than simply making payments to the unemployed. Wage insurance would provide an incentive for people to return to work sooner after being laid off, reducing search time as people would be willing to accept job offers sooner, even if the pay is lower than their previous job (Ghilarducci 2016; Kletzer 2004; Kletzer and Litan 2001; LaLonde 2007).

- **Expand and Reform CalEITC.** California’s earned income tax credit (EITC) is a valuable program that provides low-wage workers with a post-wage income boost. It supplements the Federal EITC. In 2017, the benefit was expanded to include a higher maximum income qualification level. Additional modest expansions that would be valuable include permanently linking the new maximum income level to a full-time minimum wage salary, increasing the overall size of the credit, and allowing a monthly payment option as an alternative to the existing lump-sum payment. We should also expand eligibility for workers filing taxes with Individual Taxpayer Identification Numbers. Additionally, we should consider restructuring eligibility and credit amounts to include caregivers and students without paid employment, providing a form of a basic income guarantee for people providing unpaid care work or investing in their education. Finally, we can help to increase the number of eligible Californians who claim the CalEITC by providing funds to expand and promote free tax preparation services to reduce the number of families losing some of their tax refunds to tax filing fees.

- **Update CalWORKS to better match the cost of living.** In 2009, under financial stress, California removed the cost of living adjustment previously provided for CalWORKs recipients (California Budget and Policy Center 2018). This means that CalWORKs will continue to fail to truly provide for the needs of children and their families. While the 2018-2019 budget described a plan to reinstate this adjustment, with a starting point as 2022, the budget for this is not yet guaranteed (California Budget and Policy Center 2018). Lawmakers could move to make this a higher priority to benefit today’s children and their families.
• **Restore funding and the statutory cost-of-living adjustment for SSI/SSP.** In 2009, California also dramatically reduced annual State spending for Supplemental Security Payment (SSP), which, with State Supplemental Income (SSI), grants help to over one million low-income seniors and people with disabilities. Cost-of-living adjustments for the program were made optional in 2009. Since then there has only been one relatively small (2.76 percent) increase in 2017 that still left the maximum individual grant below the federal poverty line, and State funding for SSI/SSP remains at recession-era levels. While the recent budget set the stage for future cost-of-living adjustments, it failed to implement an immediate increase and ultimately instituted a weaker version of the adjustment which necessitates an annual negotiation. Pre-recession SSI/SSP levels need to be restored, as does the statutory COLA in order to provide critical support for vulnerable Californians. (California Budget and Policy Center 2018; Graves 2018)

• **Develop a universal dividend program with different streams of inflows.** As we noted in our section on innovation, there has been a growing interest in universal basic income (UBI) in California, including from prominent high-tech executives who believe technology is likely to replace many workers, which would lead to many social and economic consequences. As we have stressed, we prefer to think of a universal income not as a sort of side payment for displacement but rather as a dividend that each resident deserves as a return for unpaid labor that contributes to economic value (including the value of our digital data) and a return on the public investments and supportive policy environment that has helped generate high-tech wealth. As in Alaska, in which every resident gets a dividend funded by the collective claim on the state’s natural resources, every resident of California should get a dividend funded by our collectively produced technology, science, and data resources. While we think this should be conceived of as a return to collective investment (which is why we discussed this at length in our step on innovation), we recognize that it would provide significant stability and financial security. And another way to move such a program forward is to conceive of it as a return for other forms of common property, such as the environment; one such concept is cap-and-dividend, a topic we explore in the accompanying box.
Another Source of Universal Dividends: Tapping into Carbon

As noted in our section on promoting innovation and securing public benefits, there has also been growing interest in the idea of a universal basic income (UBI). We noted that another way to conceptualize such a program is to see it as a dividend on public investments in innovation or the collective provision of social data. Of course, figuring out how to tap into those returns—in which private companies make profits from either generalized science or from our own data (as with Google and Facebook)—requires developing new systems of fiscal capture.

One area where this is already an established revenue flow is from the cap-and-trade system being used to regulate some share of greenhouse gas emissions in the state. Revenues from cap-and-trade are being used for a wide range of projects, including high-speed rail, affordable housing, conservation of agricultural lands, clean energy programs, and a so-called “Transformative Climate Communities” set of investments. Thanks to organizing by equity proponents, 35 percent of the funds generated must benefit communities that are environmentally overexposed and socially vulnerable.

But there has long been a set of proposals to develop a fee-and-dividend program in which proceeds from carbon taxes would be put into a fund that then generates an equal payment to all residents in the jurisdiction utilizing the fee mechanism. While some have been concerned that a fee system would not generate as much innovation as cap-and-trade, one could also imagine taking the current system, accelerating the caps, and distributing the increased revenue as payments to residents.

The advantage of this dividend system is that it would be highly progressive and would also allow low-income consumers to recoup any direct losses suffered as energy and fuel costs rise to curb emissions. There would also be obvious environmental gains from picking up the pace on reducing greenhouse gas emissions but the more general point here is that there are many forms of common property—the environment being one—and returns from their use should be common as well. One of the key problems facing so many Californians is the insecurity we all face from rapidly changing markets and technologies—and using our common returns to address our common issues is highly appropriate.

Source: Boyce (2014)
STEP 6: Support All of California’s Regions and Communities

We envision a California in which we recognize the value of and invest in less-resourced regions and communities. We should strive to recognize the interconnectivity of rural and urban regions through energy networks, food supply chains, and the movement of goods and people. And we should reduce geographic disparities both between and within regions to provide opportunity to all Californians.

As we grow a 21st-century economy, it is important to pay particular attention to the places that have been left behind or been excluded from centers of dynamism. While the urban centers of the Bay Area, Los Angeles, and San Diego struggle with the challenges of managing dynamic high-wage growth—skyrocketing housing prices, gentrification, displacement, homelessness, and congested freeways—major parts of California suffer from the challenges of trying to transition from low-wage economies and the vulnerabilities of dependence on natural resource-based industries.

The contrast in economic fortunes is striking. San Francisco and Marin counties had median household incomes in 2016 of nearly $104,000 while in San Mateo and Santa Clara counties, the heart of the Silicon Valley, median household incomes hovered around $110,000. In comparison, median household incomes in Fresno and Kern counties are far less than half those levels and parts of rural northern California are also struggling. Los Angeles, which once rivaled the Bay Area in its income levels, is also challenged, with a median household income of just over $61,000 while its proximate neighbor, Orange County, clocks in with an income level of nearly $82,000. And the experience at the bottom of the income distribution is quite distinct as well: Poverty rates are 6.8 percent in the San Jose Area (Congressional District 17), but 30.8 percent in the San Joaquin Valley (District 16) (Anderson 2017).

As Berkeley professor Richard Walker reflects, “Geography is both cause and consequence” (Walker 2016). California’s coastal cities have benefited from agglomeration effects, inherited knowledge, and growing monopolistic industries, such as high-tech, with low marginal costs. These areas tend to outpace rural areas with economies largely reliant on natural resources or on vast swaths of land that can be used for logistics. This differential makes local government more or less able to maintain infrastructure, schools, and other public services, which can, in turn, attract or keep away new residents and businesses. The long-term effects on each new generation of human capital—skilled workers to navigate the new economy—then play out in a continuing cycle of regional inequality.

Geographic differences even show up in something we often believe is ubiquitous: access to high-speed internet. As of 2016, a full 20 percent of households in California lacked meaningful access to the Internet (measured as broadband at home with a computing device). More significant for this part of our analysis is that there was a wide geographic divergence in internet access: Only about 11 percent of households were, by those standards, digitally shut out in San Mateo and Santa Clara counties but nearly a third were in Fresno and Kern counties.

Race was also a dynamic: About 30 percent of California’s Latino and Native-American households and about a quarter of African-American households lacked such access, while the figure was 16 and 14 percent for white and Asian-headed households, respectively. The lack of high-speed access makes economic development for regions,
communities, and families more challenging, again contributing to a disequalizing cycle.

To pull it all together, California must invest in all its regions and neighborhoods. For example, regions in inland California face a unique set of challenges, including disproportionately high concentrations of poverty and unemployment; a concentration of low-wage and seasonal industries, such as agriculture and tourism, which often employ a high proportion of immigrants; and a particular vulnerability to natural disasters, such as destructive fires, droughts, or floods. Yet these regions also have a unique set of strengths, including a demonstrated resilience in the face of economic downturns and natural disasters, lower costs of living, a spirit of independence and self-sufficiency, and strong connections with the state’s world-class environmental resources and amenities.

Strategies for investing in these places need to take these particular characteristics into account.

Similarly, there are huge gaps—and huge opportunities—within our regions, with some communities prospering and others struggling. Within Los Angeles County, for example, the median household income is above $90,000 in Santa Monica and below $50,000 in Compton; in the Bay Area, the median household income is nearly $115,000 in San Mateo and just under $62,000 in Richmond. There are also sharp disparities in fortunes as we drill down to the neighborhood level, a pattern that has also created opportunities for gentrification and displacement as nearby economic activity in our thriving regions threatens to drive up housing prices beyond the reach of long-time residents.

Strategies for investing in our rising regions and neighborhoods should include:

**Improve Regional Opportunities and Outcomes**

- **Invest in diversifying the economic base.** Many rural regions are already identifying key opportunities that take advantage of their particular assets and capacities. These assets include the health sector; renewable energy, particularly solar and wind power; value-added agriculture and new agricultural technologies; advanced manufacturing; diverse recreational opportunities; and new niches in tourism, hospitality, and the arts. The State should direct dollars to support the research, planning, and development of economic capacities, business attraction, and business generation.

- **Improve the State’s climate policies that benefit rural parts of the state.** A recent study by NEXT 10 and researchers at UC Berkeley looked at the impact of California’s various climate policies on the economy of the Central Valley and the results were striking. The authors estimated that the State’s Renewable Portfolio Standard (RPS) has lead to a total economic impact of $11.6 billion in the Central Valley, which supplies 24 percent of the state’s solar power and 54 percent of wind power. The Valley’s energy efficiency projects have had another net benefit of $1.18 billion, including a total of 17,400 jobs (mostly in the construction sector), lower electricity costs, and consumer savings from reduced energy use. Projects that have been funded or approved for funding from the state’s cap and trade system are estimated to add another $1.5 billion in economic impact and result in 10,500 new direct and indirect jobs (Jones, Duncan, Elkind, et al. 2017). Policies to improve and accelerate these benefits could include: increasing targets in our RPS; expanding energy efficiency incentives, particularly in places like the San Joaquin Valley, Inland Empire, and Imperial Valley, where per capita energy use is higher than state averages; and developing robust transition programs for workers and communities affected by the decline of the San Joaquin Valley’s greenhouse gas-emitting industries.

- **Expand and strengthen broadband access programs.** Recent research has tried to quantify the economic benefits of broadband. A panel study of 23 OECD countries found that a 1 percent increase in broadband penetration led to a $1,681-$4,192 increase in per capita GDP (Castaldo, Fiorini, and Maggi 2018). For rural areas, broadband could accelerate agricultural
industry technology advancements (such as Internet of Things applications); economic development; and the more efficient delivery of social services, healthcare, workforce training, and distance learning. In October 2017, California’s Internet for All Now Act became law, with new funding and plans for connecting at least 98 percent of Californians to broadband by 2022. Building the fiber infrastructure, though, is only part of the process, as many low-income individuals and rural businesses still face barriers to using broadband, including a lack of awareness of options, high costs of subscriptions and equipment, and a need for digital literacy training. California should consider expanding its Lifeline program (which provides discounted phone services to eligible households) to include broadband access, matching a 2016 change in the federal Lifeline program.

- **Improve and secure water resources for both agriculture and human consumption.** An estimated 1.5 million Californians live in communities that do not have reliable access to safe drinking water, and another two million privately-owned wells are not regulated or routinely tested for toxins, with the largest concentration of unsafe water systems in the San Joaquin Valley (London et al. 2018). Our recent experience of multi-year drought has also underscored the unsustainability of our current water infrastructure and usage, with inadequate storage, over-drafting of underground aquifers, and wasteful water usage depleting our supply, even as many growers abandoned fields for lack of access to water. Solutions to the state’s water challenges are complex and often spark conflict, but water needn’t be a fighting word. Solutions will include a mix of: building new water storage systems, including aquifer recharge reservoirs for better runoff capture; increased water recycling and wastewater treatment; increased investment in infrastructure to provide safe drinking water to low-income communities and communities of color; and increased support for and enforcement of new groundwater sustainability plans under the new Sustainable Groundwater Management Act, with a top priority being State support for building transparent water accounting systems (Hanak et al. 2018).

- **Invest in participatory regional workforce strategies to attract jobs.** As struggling regions develop forward-thinking strategies, it is helpful for leaders to reframe regional cooperation and participation as well as what community and economic development mean. While some regions have historically been fixated on local growth such as retail, and residential development—the future must focus on regional solutions. By working with regional partners and community residents, emerging regions can better ensure that there is a coherent strategy and that companies and talent across the state and nation understand the region’s advantages and targeted industries.

**Reach Everyone with Investments**

- **Expand funding for industry-wide workforce training.** Education plays a crucial role in helping California remain economically competitive. In the Central Valley, 25 percent of people 25 years of age or older have a bachelor’s degree, as compared to 40 percent in the Bay Area (Global Cities Initiative 2017). Workforce and economic development officials are aligning regionally to identify and address targeted training courses in response to employers’ needs. Discussed in Step 3, but particularly important for this section, the State can direct funding to increase navigational assistance to adult education; provide students with additional supports to help improve access to high-quality training programs, including childcare, mental health services, and other integrated support programs; and expand job-focused basic skills training in the workplace, including ESL programs.

- **Ensure the equitable implementation of Opportunity Zones.** Created in the 2017 Tax Cuts and Jobs Act, Opportunity Zones are designed to drive long-term capital into low-income communities across the nation, using tax incentives to encourage private investment...
into designated census tracts through privately- or publicly-managed investment funds (Brady 2017). The State of California has designated 879 census tracts out of 3,516 total census tracts in the state to qualify for investment.\textsuperscript{59} City and county leaders have an important role to play in working with communities to create a framework of policies and programs that will attract investments that lead to inclusive economic growth by aligning with local priorities and meeting the needs of current residents and businesses. They should prioritize attracting investments that align with local priorities and the needs of the community, and ensure the transparency and monitoring of investments.

- **Require companies to invest a portion of their private capital into underserved communities.** The State can require organizations in the insurance, technology, and cannabis industries to invest a portion of their private capital into investments that benefit California’s environment and underserved communities. The California Organized Investment Network (COIN) was a voluntary state program between 1997 and 2016 which administratively facilitated this type of investment between the insurance industry and California’s underserved markets (California Department of Insurance 2016). The program used $57 million in state tax credits to leverage more than $285 million of private investments in community development financial institutions (Pacific Community Ventures 2016). The program’s renewal was vetoed by Governor Brown in 2016, due to concerns over the impact of the tax credit programs on the state budget and changes in reporting that would have reduced transparency (California Reinvestment Coalition 2016; Office of Governor Edmund G. Brown Jr. 2016). By making a requirement that organizations invest a small portion of their private capital into investments that benefit California’s environment and underserved communities, the State can ensure that investments from the richest industries in California will help to uplift all parts of the economy.

- **Develop cannabis equity programs to support entrepreneurs from historically disadvantaged communities.** Many cities in California, including Oakland, San Francisco, Sacramento, and Los Angeles, have adopted equity programs to support investment in growing the cannabis industry and concurrently addressing the disproportionate impacts of cannabis law enforcement in disadvantaged communities. In 2017, the City of Oakland created the nation’s first cannabis Equity Permit Program to minimize the barriers to cannabis licensing for Oakland residents who have been the most victimized by the war on drugs. The city’s cannabis regulations offer prioritized permitting as a reward for general applicants that “incubate” equity applicants by providing a minimum of 1,000 square feet of free space for three years and extra security measures.\textsuperscript{60} As of June 2018, Oakland had 185 equity applicants in incubation and was in the midst of developing a zero interest revolving loan fund for equity applicants using the first $3 million it has collected in business tax from non-dispensary cannabis businesses to date.\textsuperscript{61} States and localities can replicate and expand these programs in geographic regions that have been disproportionately impacted by cannabis law enforcement efforts to build a more equitable economy.
STEP 7: Ensure Successful De-Incarceration and Reentry

California likes to lead in many areas—and in technology, innovation, and diversity, this is generally a good thing. Unfortunately, California is also a frontrunner when it comes to mass incarceration. Between 1982 and 2008 (the peak of the state’s incarceration zeal), our prison population swelled by just over four-fold while the total state prison population in the rest of the U.S. increased by a lesser two and a half times (see Figure 10). Since then, our prison population has begun to decline, in part due to prison alignment in 2011 to address overcrowding—although our jail population has increased over that period (Lofstrom and Martin 2018). Despite some progress, in 2015, California spent more on corrections as a share of total state expenditures than any other state (Lofstrom and Martin 2018). Our corrections budget surpassed that of Texas, New York, and Florida combined by more than one billion dollars (Lofstrom and Martin 2018).

We envision a California that supports Black and Brown communities rather than criminalizing them. This means changing law enforcement practices to reduce crime and build healthy communities, as well as prioritizing rehabilitation and reentry of the formerly incarcerated.

**Figure 10**


California has also been an unfortunate leader in terms of racial disparity in the criminal justice system. For example, in 2016, African-American men made up only 6 percent of the state’s adult male population but constituted 29 percent of the state’s male prison population (Goss and Hayes 2018b, 2018a). Indeed, California is one of the top 10 states in the U.S. in terms of the difference between the incarceration of Black and white people (Nellis 2016). Latino men are also overrepresented, reaching 43 percent of male prison inmates while constituting only 36 percent of the state’s adult male population. There is also disparity in perceptions of this stark contrast: In a 2017 survey, 29 percent of Californians felt that whites and non-whites were treated equally in the criminal justice system, compared to only 6 percent of African-American respondents (Lofstrom and Martin 2018).

In reality, mass incarceration is a reflection of the criminalization of Black and Brown Californians, largely men, who are targeted from a young age. In 2016, the felony arrest rate for juveniles between the ages of 10 and 17 was nearly eight times higher for Black Californians than for white Californians. Between 2005 and 2013, African Americans made up 6 percent of the state’s population, but 17 percent of those arrested. In 2014, despite improvements in state drug policy, 24 percent of Californians arrested for marijuana-only offenses were African-American residents. African-American and Latino Californians are even disproportionately arrested for driving with a suspended license (Back on the Road California 2016). And encounters with the police can be deadly: 22 Black people were killed by the police in California in 2017, all of whom were men. That is 13 percent of all police-related shooting deaths, more than twice the share that African Americans constitute of the California population.

Another challenge has been a money bail system in which many people pay for pretrial release with the promise that the outlay will be refunded if the person charged with a crime shows up for court proceedings. However, most cannot afford to pay the total sum up front, so they either stay in jail or contract with a bail bond agent (Rabuy and Kopf 2016). Based on data from three California counties, roughly 97 percent of the people who pay money bail use a bail bond agent (Pretrial Detention Reform Workgroup 2017:31). To get a sense of scale, in 2017, those in Los Angeles Police Department (LAPD) custody had $3.6 billion in money bail levied against them (Bryan, Allen, and Lytle-Hernández 2018).

In August 2018, the State decided to address this issue with a bill outlawing money bail. While this is a tentative victory, there is concern that the system being developed to replace money bail—a series of algorithms that attempt to predict whether an accused individual should be held based on certain risk factors—could replicate biased policing if, for example, previous arrest records are given a high weight (Raphling and White 2018). State policymakers need to ensure that this does not become another form of discrimination.

While money bail will soon be set aside, administrative fees that are charged for probation, reports, and other costs associated with the reentry of the formerly incarcerated also constitute an impediment to successful integration back into the community. In San Francisco, for example, the city estimated that $15 million of debt had accrued to predominately very low-income people that, if collected, would only result in $1 million a year in revenue (The Financial Justice Project 2018). So rather than making people pay for their own supervision—a financial challenge that actually increases their chances of recidivism—San Francisco decided in June 2018 to eliminate fees and cancel the accrued debt from fines (Stuhldreher 2018). It is too early to tell how great the impact of this policy may be, but such innovative practices need to be monitored and replicated if successful.

Finally, for progress to truly occur, California must place more emphasis on the goals of rehabilitation and reentry of individuals in its criminal justice system. While employment has historically been a part of doing time in California, it does not necessarily mean that prisoners are creating savings or gaining translatable skills, but more often that they are being exploited as cheap labor. Recent news reports have shown prisoners who have been working around the state to fight forest fires. They earn only one dollar an hour for the risky job, and are generally barred from pursuing the profession after their release, due to their criminal record (Hess 2018); this is surely nonsensical and shortchanges the state of needed talent.
There are countless other examples of the failure to create paths for reentry, which critically handicaps earning potential and social connectedness, and creates financial and emotional stress on families of incarcerated individuals. Sadly, this financial strain is a problem for everyone: Continuing to punish people upon release in ways that make it more difficult to get ahead economically is also a waste of talent that could be better devoted to growing a more prosperous and inclusive economy. Similarly, the money spent on incarcerating Californians would be better spent on education, infrastructure, and community development. For all these reasons, addressing reentry is a key part of any economic program seeking to support both equity and growth.

Strategies to shrink the incarceration complex and promote the rehabilitation and reentry of formerly incarcerated individuals should include:

End Criminalization and Promote Rehabilitation

• **De-escalate law enforcement in communities.** Practices of mass surveillance like drones, predictive software, and more target non-white communities and must be stopped. Additionally, we need to have a conversation about and accountability for the use of military grade weapons by police. To decriminalize Black and Brown youth, students should not be suspended, expelled, or arrested to address in school behavioral issues; instead, restorative justice practices should be used. State law is needed to set the terms of engagement for local jurisdictions.

• **Stop the privatization of criminal justice.** The privatization of prisons has been and continues to be counterproductive to creating a people-centered economy. There has been an ongoing debate about whether private prisons produce effective outcomes in recidivism and rehabilitation and whether a public-run system is more or less cost-effective than privately-run systems. Yet it is important to stress a structural feature of the system: Private prisons have a stake in promoting mass incarceration and not creating long-term solutions to keep people out of jails. As of 2018, 23 states do not employ for-profit prisons. In 2016, the Justice Department banned the use of certain private prison contracts, a decision that Jeff Sessions reversed during the beginning of the Trump administration. California should be a leader, not a laggard, in challenging the privatization of prisons.

• **End capital punishment.** As of July 2017, California had 746 people on death row, with 36 percent of those people being African American. Yet, as of January 2018, California had not had an execution in 12 years, with part of the reason being a federal moratorium in place since late 2006 over concerns about the State’s use of lethal injections. There are many reasons to support the elimination of capital punishment, including the fact that research is showing that the death penalty does not deter murder. Expensive, ineffective, and inefficient: ending capital punishment would move the state closer to racial and economic equity.

• **Support in-system programming.** Community colleges and other institutions should teach in prisons, make credits transferable, and incentivize access to college counseling. The amount saved on Proposition 47 is likely to go toward evidence-based programming to reduce recidivism and overall incarceration. Additionally, inmate need assessments should be conducted to redirect funds effectively. Mental health and substance abuse services, cognitive behavioral treatments,
and employment and housing programs have been introduced or expanded in various counties (Lofstrom and Martin 2018). But for-profit corporations are expanding their industries towards alternatives to incarceration and detention, coined as the Treatment Industrial Complex, including electronic monitoring, day reporting centers, residential reentry centers, and more (Issacs 2016). Under the pretense of criminal justice reform, these industries are taking advantage to continue their profiteering.

Expand Reentry Services for Formerly Incarcerated People

- **Support workers trying to work.** California passed “Ban the Box” (AB 218) in 2014, which allows formerly incarcerated people to not disclose their criminal record early in the hiring process. However, the State should study its impacts to ensure success, as some studies indicate that it could promote racial discrimination (Agan and Starr 2016). California should thoroughly review its occupational licensing criteria to remove any unnecessary barriers to employment and to make licensing requirements consistent throughout the state, make criteria transparent to enable former offenders some certainty in developing their career, and heed other recommendations offered by the Little Hoover Commission (2016). Finally, the State should bundle services, including probation check-ins, job services, and training, at day reporting centers (Ngyuen, Grattet, and Bird 2017).

- **Create wash-out periods.** As mentioned above, “Ban the Box” may have unintended impacts that must be investigated. To either accompany or replace this policy, the State can create “washout periods.” This would mean that employers and licensing entities could only consider an applicant’s recent record of conviction within the relevant time period (likely seven to ten years, with variation depending on the job itself) (Burgess et al. 2017). Such a policy could effectively ensure access to employment opportunities while keeping public safety in mind.

- **Promote sealing and expunging records.** While many recent laws (SB 504 and AB 666) allow for juveniles’ criminal records to be sealed at no cost, those older than 26 years old are expected to pay the charges. The Movement for Black Lives advocates for “the retroactive decriminalization, immediate release and record expungement of all drug related offenses and prostitution,” recognizing how these infractions have often resulted from a racially-biased and ineffective “war on drugs.”

- **Ensure housing for the formerly incarcerated.** Formerly incarcerated people are nearly 10 times more likely to be homeless than the general population, with especially high rates among those incarcerated more than once, those recently released, people of color, and women. The State should coordinate across agencies to ensure housing for the formerly incarcerated as part of reentry services, since rebuilding a life is difficult without shelter (Couloute 2018).

- **Promote voter education and registration.** In California, once finished with parole, a formerly incarcerated person who has been convicted of a felony can once again vote. To ensure that such people know their rights and are prepared to participate, outreach and registration efforts are needed. And for many in county jails with misdemeanors, probation violations, and other low-level offenses, voting is one option for continuing to participate in public life in California (Livingston 2018).
Establish Financial Justice

- **Ensure equitable implementation of our pretrial release system.** As noted earlier, in August of 2018, a new law passed in California that will overhaul the pretrial release system, making California the first state to end bail. Judges will now determine who will be allowed pretrial release in consultation with risk assessments done by county agencies or existing probation departments. The long history of racism in the criminal justice system rightly has some social justice advocates skeptical about the new approach. Ensuring due processes and preventing racial bias will be key to the new system. The State should support the development of data systems and approaches that can eliminate the replication of bias (Bollag 2018).

- **Reform the fines and fees system.** Fines and fees have a regressive structure pushing low-income people and families further into debt. For example, in Alameda County, “40% of people booked into jail on a 40508(a) violation [failure to appear to pay a traffic fine] were African-American, even though they represented only approximately 10% of the total population for the county” (LCCR 2007:16). Managing this debt burden is more costly for the State than simply forgiving the debt. This system also creates a dangerous and unsustainable precedent wherein certain jurisdictions are reliant on fees collected from communities of color to sustain themselves (Bastien 2017). By placing caps on revenues from fees, considering individuals’ abilities to pay fines and levies, and offering community service options in lieu of money, the State can create less financially punitive pathways for those in the system and end the cycle of debt.
STEP 8: Embrace and Integrate Immigrant California

Just over one-quarter of Californians are immigrants (28 percent). Of these 10.9 million residents, 5.1 million are citizens and 3.1 million are lawful permanent residents, 2.3 million of whom are eligible to naturalize. There are also about 2.7 million undocumented Californians, two-thirds of whom have lived in the U.S. for longer than a decade. Perhaps just as important: Nearly half of our children have at least one immigrant parent, making immigrant integration key to the state’s future.

While our proximity to Mexico may lead those outside the state to have a singular view of who is an immigrant, California’s foreign-born residents actually hail from a diverse set of places: Mexico (41 percent), Asia (36 percent), Central America (8 percent), Europe (7 percent), South America and the Caribbean (3 percent), Africa (2 percent), and other places (2 percent). And while there is also a tendency to think of immigrants as less-educated, 44 percent of California’s working age adults (25-64) with a Ph.D. are foreign-born and are thus likely contributing to the most innovative sectors of our economy.

Whatever their country of origin or educational level, immigrants are key to the current economy. According to estimates, immigrants contribute about one-third of the state’s annual GDP and own one in three of California’s small businesses (Kallick 2012:4). With high rates of labor force participation, immigrant Californians make up more than one-third (35 percent) of the state’s workforce. Immigrants are especially important in certain sectors. For example, over two-thirds of all agricultural workers are immigrants; they make up half of all workers in the manufacturing industry; and in the wholesale trade, construction, and several service sectors they compose over 40 percent of all workers. Undocumented immigrants are an important part of those totals, comprising 45 percent of workers in agriculture, 21 percent of those in construction, and 10 percent of the state’s overall workforce (Rodney, Scoggins, and Sanchez 2017).

Despite the diversity and economic boost that our immigrants give to the state economy, many are facing challenges. Immigrant-headed households have a median household income of about $53,374—significantly below the $68,006 income recorded for households headed by the U.S.-born. Interestingly, the figure for households headed by naturalized citizens is relatively close to that of the U.S.-born, but it is much lower for those who are lawful permanent residents ($47,398), and it is even lower, at about $37,006, for households headed by undocumented Californians. This suggests the importance of both status and citizenship—the State should encourage its large eligible population to pursue citizenship.

Status issues also bring significant insecurity on a daily level, partly because of the recent federal upsurge in immigration law enforcement. For example, during Fiscal Year 2017, ICE removed 7,970 Californians from the Los Angeles area and 6,292 Californians from the San Francisco area. With over 19 percent of California children having at least one parent who is undocumented, these deportations tear at the very fabric of our state.
But the insecurity goes beyond immigration enforcement to challenges like securing health insurance. As can be seen in Figure 11 all Californians have seen significant improvement in insurance coverage since Obamacare implementation began in 2013, with the rates for U.S.-born citizens and naturalized immigrants now virtually identical. There have also been significant gains for non-citizen immigrants, partly because of State actions and partly because of spillover effects as private employers offered more insurance. However, one remaining key challenge is the share of undocumented immigrants who lack health insurance—the rate is seven times that of U.S. citizens, be they U.S.-born or naturalized. And given the predominance of mixed-status families, there are likely many lawful permanent residents who are reluctant to tap into the systems of care to which they are entitled.

Of course, these challenges around immigration are not a new phenomenon in the state. While many of the state’s immigrants arrived in the 1970s through the 1990s—in the 1970s and 1980s, California was receiving roughly half of all new immigrants to the U.S.—immigrant California has a longer and deeper history. This includes shameful periods of excluding Asian immigrants and engaging in the mass deportation of Mexican immigrants. But after a spectacular backlash against a growing foreign-born presence in the early 1990s, when the state’s voters passed Proposition 187, a ballot measure stripping undocumented immigrants of access to nearly all social services, California has seemingly turned a page in its attitude toward immigrants.
Along with a new attitude has come a new stability: The share of the foreign-born in California has hovered around a stable 27 percent since 2002.\textsuperscript{78} Partly because of this, policy attention has shifted from accommodating flows of the newly arrived to promoting successful “immigrant integration” of those who now have deep roots. This means the State needs to be open to new forms of civic engagement, including encouraging naturalization and developing ways for those who are either undocumented or lawful permanent residents to participate in local and State decision-making. It also means protecting immigrant families from an overreaching federal government and, as for all others in the Golden State, making it possible for immigrant Californians to achieve economic mobility.

Specific policies to pursue in this arena of immigrant integration include:

**Fight Mass Detention and Deportation**

- *Continue to protect immigrant communities from ICE.* California has made important steps in this direction, especially in passing the California Values Act (SB 54), the TRUTH Act (AB 2792), and the TRUST Act (AB 4). Moving forward, the State will need to continue learning how immigrants are being put at risk of detention and deportation and what interventions will be needed as the federal government works to remove our residents from the nation. It must continue to separate immigration enforcement from criminal justice by, for example, prohibiting ICE in jails, implementing a civilian oversight committee for SB 54 implementation, or removing the public information exception from provisions of SB 54 (Pavlovic and Ma 2018). Local sanctuary laws are one way to make a city or county welcoming of our immigrants. The State should also ensure that local school districts across the state comply with the Attorney General’s recently released guidelines on immigration issues in our public schools, which include how student information should be gathered and handled, and how to respond to immigration enforcement access requests (Becerra 2018).

- *Shield immigrants, especially Black immigrants, from the interaction between the criminal justice system with immigration systems.* While all immigrants need to be protected from interactions between the criminal justice system with immigration authorities, Black immigrants are likely to live in Black neighborhoods which are subject to over-policing and criminalization. As a result, they might have a criminal history on their record which could expedite detention and deportation. One step is to pass legislation that allows adults to find out if they are on the CalGang database and work towards removing their name.\textsuperscript{79} Immigration cases are civil, not criminal, proceedings so they do not ensure that defendants have attorneys. The Movement for Black Lives calls for lawyers for all defendants (along with several federal actions beyond the scope of this paper).\textsuperscript{80}

- *Protect the dignity of those who are detained.* The California Immigrant Policy Center (CIPC) has noted, “Too often, immigrants get ‘lost in detention’ for long periods of time, without even the ability to see an immigration judge. Serious human rights violations occur with zero accountability and zero transparency.”\textsuperscript{81} CIPC has also lifted up the importance of legislative changes to ensure that visitations to jails and juvenile facilities can be done in person (SB 1157 2016). California must use its power to hold the federal government accountable.

- *Improve Data Privacy.* California helped promote social and economic mobility by creating a program under which undocumented residents could obtain driver’s licenses; now, there is some concern that the data provided could be used by those seeking to deport Californians deeply enmeshed in our communities. SB 244 (2018) would ensure that a subpoena or court order would be needed to procure information about AB 60 driver’s licenses from the DMV. Further, it would ensure that personal data collected, used, and retained to assess eligibility for programs is only used for that purpose.\textsuperscript{82}
Support Economic Mobility

- **Ensure that workforce investment bodies develop plans that specifically include immigrant workers.** Workforce Investment Boards and their parallel institutions in counties and the State should support immigrants and English language learners by identifying the challenges they face and offering cutting-edge solutions. In some cases this will mean convening the right set of civic partners to support this work; in others it will mean providing adequate funding for services and workforce development staff.

- **Promote worksite education.** California can work with employers to promote worksite education, including English language classes and occupational training that is sensitive to language needs and (sometimes) lower education levels. The State can help to provide funding for such activities, provide incentives to businesses that prioritize immigrant integration, and recognize their emerging strategies in public fora (Enchautegui 2015).

- **Ease professional licensing and the acceptance of appropriate credentials from other countries.** In some jurisdictions, business licenses can only be acquired with a Social Security number (SSN). AB 2184 (2018) would allow for California driver’s licenses or identification numbers, ITINs, or municipal identification numbers to be sufficient. California has already made it possible for professional licenses to be acquired with ITINs, in addition to SSNs (National Conference of State Legislatures 2017). The state should also work to ensure that appropriate credentials are accepted for skilled workers from other countries; having “over-skilled” workers laboring in jobs that do not fully utilize their talents and training is a waste for those workers and the economy (Pastor, Ortiz, and de Graauw 2015).

- **Expand CalEITC to be more inclusive of immigrants.** California needs to make work pay by encouraging employment while increasing income. Expanding the California Earned Income Tax (CalEITC) credit to immigrants is one option, as it provides a credit to low-income people for necessities. AB 2066 (2018) would expand CalEITC to include young workers, working seniors, and immigrants using either Individual Taxpayer Identification Numbers (ITINs) or Social Security numbers (SSN).

- **Protect workers’ rights. Immigrants, especially if they are undocumented, are especially prone to workplace exploitation.** Domestic workers and day laborers are two groups with a high likelihood of experiencing exploitation and wage theft. California has a Domestic Workers’ Bill of Rights but the current version reflects extensive negotiation that watered down some of the needed measures, and so it needs to be strengthened. The Labor Commissioner and California’s Division of Labor Standards Enforcement (DLSE) should be empowered to rigorously address wage theft. Workers also need to be able to assert their labor rights without fear of reprisal, detention, or deportation.

- **End human trafficking.** The National Domestic Workers Alliance (NDWA) suggests “policies that prioritize trafficking prevention, access to legal protections and services, and accountability for traffickers.” The suggestions NDWA offers were developed in conjunction with survivors and the state could play a leading role in this work.
Promote Immigrant Integration

- **Institutionalize a statewide Office of Immigrant Affairs.** The State should institutionalize its commitment to immigrants through a funded office in the state government with professional staff that is not purely dependent upon the governor (Pastor, Ortiz, and de Graauw 2015). This would allow many of the other parts of this agenda to be implemented.

- **Ensure that One California funding continues to meet needs.** One California funding has provided community education and outreach services, naturalization and affirmative legal services, defensive legal representation and services, and legal training and technical assistance. Administered through the California Department of Social Services, immigrant rights and immigrant-serving organizations should continue to be front and center in prioritizing needs and delivering services (Gina Da Silva 2017).

- **Advocate for immigration reform.** As noted above, California is estimated to be home to about 2.7 million undocumented immigrants, two-thirds of whom have lived here for more than a decade. Many of these individuals are holding jobs and doing work upon which employers and the economy depend. Businesses can be important allies as California continues to look for ways to fully integrate these workers into our economy. These individuals have also developed roots in this country and have many reasons, including families, to want to make their lives here. California has an important stake in getting immigration reform right. State leaders should continue to stand in direct opposition to anti-immigration policies pursued by the Trump administration and push for a more progressive stand at the federal level. (Hill and Hayes 2013)

- **Facilitate participation by all Californians in local civic decisions.** Key to inclusion in the economy is the ability to participate in rulemaking. While many immigrants cannot participate in federal elections, there are other avenues for participation, including working at the polls and community engagement. There may even be some rulemaking in which immigrants could participate (e.g., within school boards). The state should explore and encourage immigrant participation in local rulemaking as a way of adding to constituencies’ support for an immigrant integration agenda.

Medi-Cal because of federal funding, although undocumented children are now covered. SB 974 (2018) and AB 2965 (2018) would extend comprehensive full-scope Medi-Cal to low-income people, undocumented seniors, and young adults. While there has been a noted improvement in the coverage of undocumented Californians, likely because of spillovers as employers improved packages, many low-income working age undocumented adults are still in need of a medical insurance coverage option.

- **Encourage naturalization of those who are eligible.** Previous research suggests that becoming a U.S. citizen is associated with a wage gain of 8 to 11 percent—and this is above and beyond any increase in skills (such as learning English) that happens along the way (Pastor and Scoggins 2012). The reasons for the increase are likely due to more U.S.-specific human capital, favorable employer attitudes, and other factors, but the key takeaway is that the “citizen gain” is there for both immigrants and society. The state should be encouraging every institution (such as schools and libraries) and every business to make aggressive efforts to provide information and create time and space for immigrants to take citizenship classes and prepare for the naturalization exam. The economic and civic benefits—and the extra security for immigrant families—would be significant.
Faith in the Valley’s community leaders and staff at a rally. Faith in the Valley is a grassroots organization representing 120 congregations in the Central Valley. Courtesy of Faith in the Valley
STEP 9: Ensure Affordable Housing for All

We envision a California where housing is seen as a right and a basis for family and individual security, and not simply as another commodity to be purchased in the marketplace. Given the constraints of federal policy, California will need to combine the expansion of affordable housing, the strengthening of rent stabilization programs, and the development of new programs for social housing in order to meet the needs of all Californians.

Housing affordability in California has become a crisis. Of California's close to 6 million renter households, 53.4 percent are considered rent burdened, meaning that they are paying over 30 percent of their income on rent, while above 1.7 million households pay more than half their income on rent (CA Dept. of Housing and Community Development 2018b). The California Association of Realtors estimates that it would require a minimum household income of nearly $130,000 to qualify for a loan to purchase a median-priced home in California, an income level less than a quarter of California households currently reach. In San Mateo County, where the median home price is $1.65 million, a household would need to earn nearly $350,000 to qualify (California Association of Realtors 2018). It’s no wonder that homeownership levels in the state are at their lowest point since the 1940s (CA Dept. of Housing and Community Development 2018b). Meanwhile, homelessness has also increased to epic levels. According to 2016 estimates, California is home to 12 percent of the US population but accounts for just over one-fifth of the county’s homeless population—about 118,000 people (CA Dept. of Housing and Community Development 2018b).

Housing cost burdens are disproportionately experienced by people of color. According to the State's analysis of the 2009-2013 period, a full 59 percent of African-American and 57 percent of Latino renter households are rent burdened, compared to 48 percent of non-Hispanic white and 44 percent of Asian renter households (CA Dept. of Housing and Community Development 2018b:20). For the 2011-2015 period, the homeownership rate for African Americans was only 35 percent, as compared to 64 percent of non-Hispanic whites (CA Dept. of Housing and Community Development 2018b:28). Since owning a home is the primary way most Californians accumulate any financial assets, this disparity is deeply tied to the racial wealth gaps discussed in Step 4.

The most proximate cause of the housing crisis is a severe underproduction of new housing units. California lacks more than one million rental homes for extremely and very low-income households, and to keep up with estimated household growth, the state needs an additional 1.8 million homes by 2025 (CA Dept. of Housing and Community Development 2018b). On average, California has created less than 80,000 new homes per year over the last ten years, far less than the 180,000 that will be needed annually through 2025 just to keep up with projected population and household growth (CA Dept. of Housing and Community Development 2018b). But high costs are also driven by the demand side of the housing market. The general economic boom, particularly in the Bay Area, along with shifting preferences towards living in more urban (rather than suburban) locations have...
fueled price increases. High levels of inequality, along with excess capital and credit, including from overseas buyers, has further fueled price increases and distorted production towards higher income segments (Walker 2018).

While the primary cause of these housing problems lies in the housing market, federal housing policy has also worked against the affordable housing the state needs. For example, federal housing expenditures for homeownership totaled over $130 billion in 2015, primarily directed at middle- and upper-income Americans through the various tax deductions associated with homeownership, including mortgage interest and property tax payments, and exemptions for capital gains (Fischer and Sard 2017). In contrast, less than $60 billion was provided in federal assistance to renters, leaving three out of four low-income at-risk renters with no federal assistance whatsoever. The majority of the assistance the federal government does provide to low-income households is in the form of housing choice (Section 8) vouchers and tax credits for housing developers (Fischer and Sard 2017). Only a small portion of assistance is through direct supply-side production in the form of public housing, which has a bad reputation in the United States in part due to misleading stereotypes, public housing stigma, and a reaction to the problems of some public housing programs in the past which concentrated poverty in low-opportunity neighborhoods.

Ultimately, our efforts to promote more affordable housing in the U.S. stem from an over-reliance on the market sector such that there is only a tiny portion of “social housing” permanently protected from rising prices. The result—in a context of increasing urbanization and a fixed supply of land—is an upward drift in market prices. Government subsidies thus have to be bigger to keep rents attainable for low-income households, so fewer and fewer people get any amount of help (Dreier 2018). This flies in the face of international experience. Most countries in Western Europe have significantly larger programs for public housing. For example, in Vienna, Austria, 60 percent of the city’s 1.8 million people live in apartment buildings that are government subsidized (Dreier 2018). Meanwhile, 45 percent of Hong Kong residents and 82 percent of Singapore residents live in publicly subsidized housing insulated from market pressures, which is seen as a significant contributor to their rapid economic growth (Castells, Goh, and Kwok 1990; Hong Kong Transport & Housing Bureau 2018; Phang and Helble 2016).

In the context of a federal bias against low-income and public housing, California has historically used a “fair share” approach by mandating that jurisdictions have an affordable housing element in their general plan (California Legislature 1980). This must show that they have the land to accommodate the “housing needs of all economic segments of the community” (California Legislature 1980). Critics argue that there has been little in the way of consequences for those that do not build to match their needs, and point to research that shows an overall large increase in market-rate housing but very little production of affordable housing (Ramsey-Musolf 2016). SB 35, passed in 2017, may provide more teeth to the policy, and is expected to force many areas to build more affordable housing, though it is too soon to evaluate progress towards this goal or the indirect consequences related to the circumventing of local control and the California Environmental Quality Act (CEQA) (Dillon 2017).

More recently, Senate Bill 827 (planning and zoning: transit-rich housing bonus) brought debates on local control onto the public stage with a policy designed to limit the ability of localities to resist multi-story developments near transit centers (Dillon 2018). The media sometimes framed the issue as one of old-school liberals with anti-development views versus newer, younger progressives pushing for a solution to an escalating crisis (Rainey 2018). However, social justice advocates also criticized the bill’s sponsors for failing to bring affordable housing advocates into the conversation, resulting in a bill which appeared to propose a “trickle-down” approach, with a lack of protections for low-income households and
existing affordable housing, as well as little in the way of a plan for new affordable housing (Augusta, Buckley, and Lawler 2018). They also feared it would quicken the pace of gentrification and displacement (Augusta et al. 2018). Furthermore, the bill could have hurt similar efforts being made at the local level to increase density by transit, trampled over many community plans, and worked against the leverage community and labor groups had been able to exercise to pursue social justice aims (The Times Editorial Board 2018b). Amendments were made to address some of these concerns, but ultimately, the bill failed.

We need to have a broader conversation about housing—one that goes beyond any one particular bill. A new approach should address historical and systemic racial disparities in our housing markets and policies, ensure an adequate supply of permanently affordable housing, and address concerns about the insecurity of displacement.

Specific policies to pursue in the housing arena include:

**Dramatically Expand the Supply of Affordable Housing**

- **Accelerate construction of affordable housing.** In its Housing Action Plan, the State has identified a number of actions that could help remove barriers to housing construction (CA Dept. of Housing and Community Development 2018b). This includes things like permit streamlining for multifamily housing projects with affordable components and providing incentives to local governments to accelerate housing production. Part of this could include an equity-centered conversation about how to reform, adapt, and strengthen CEQA. These policies should be targeted to maximize units for low-income and very low income residents. Other mechanisms can include reducing barriers to the construction of accessory dwelling units (ADUs), reforming regulations (such as reducing parking requirements or providing density bonuses) that can reduce the per-unit cost of new units, and providing incentives to jurisdictions that meet or exceed affordable housing goals.

- **Support the expansion and development of student housing cooperatives.** Student housing cooperatives, run by and for students, provide affordable and democratically-run housing to students. The Berkeley Student Cooperative, founded in 1933, is the largest student cooperative in the nation with almost 1,300 members and is one of the most affordable—if not the most affordable—housing option for students attending UC Berkeley. With waitlists in Berkeley regularly exceeding hundreds of people, there is clear demand for democratic and student-run affordable housing at UC campuses. University and cooperative partnerships have been successful at UC Berkeley and UC Davis, and several other cooperative organizations operate independently at other UC campuses, including at UC Santa Barbara. Taking these in-demand models as examples of successful and cost-effective affordable student housing, the CSU and UC campuses can support low-income students by providing funding and assistance to housing cooperatives for further development.

- **Tap into funding available for affordable housing construction.** Governor Brown in 2017 signed Senate Bill 2, the Building Homes and Jobs Act, which was written by Sen. Toni Atkins (D-San Diego) and created a permanent source of affordable housing funding through a fee on the recording of certain types of real-estate documents (Atkins 2017). It is estimated that the bill will generate roughly $250 million each year and create 57,000 jobs over five years (Senator Toni G. Atkins 2017). Of the revenue generated from January to December of 2018, half will go toward reducing homelessness throughout California and half will go directly to local governments to update community plans in order to improve neighborhood quality of life and spur housing growth. After the first year, 70 percent of the revenue will go directly to communities to create affordable housing and 30 percent will fund existing state housing programs (Atkins 2017).
• **Increase State funding for affordable housing.** As previously noted, the real estate transactions fee passed in 2017 is expected to raise $250 million a year and is a good step toward creating a reliable and permanent source of funding for affordable home construction. But this is nowhere near the scale of the crisis and other sources of funding will need to be found. In November, voters will decide on Proposition 1, which would allow the State to sell $4 billion in general obligation bonds to fund a variety of affordable housing programs as well as home loans specifically for veterans. State and local administrators could benefit from building partnerships with philanthropy, businesses, and banking institutions to invest in housing trust funds in order to create more permanent funding sources for affordable housing construction.

• **Support community land trusts.** One way cities can diversify their approaches to increasing affordable housing production is community land trusts (CLTs). In existence since 1968, CLTs are nonprofit organizations created to oversee the acquisition of land and provision of affordable housing for current and future generations (Louie 2016). Many cities see CLTs as a way to supplement inclusionary housing programs by providing affordable housing units in perpetuity (Zonta 2016). They can be a useful tool to stabilize neighborhoods in major cities like Los Angeles and San Francisco where growing rents and property values have pushed out many residents. State lawmakers can support the growth of CLTs across the state by supporting policies like SB 1056, a bill aiming to bolster affordable housing opportunities by providing CLTs with a property tax exemption from the point of acquisition of land to the point of sale of affordable homes.

• **Link affordable housing development to job opportunities.** Another way to improve housing affordability is to raise incomes. It is important to ensure that affordable housing developments are often in job-rich areas. This can be achieved through incentive-based programs that reward jurisdictions for affordable housing production in job-rich areas, and by requiring cities and metropolitan planning organizations to take jobs-housing fit into account in their regional housing allocations (Benner and Karner 2016; Palm and Niemeier 2017). Inclusionary zoning ordinances can also be a useful tool for ensuring opportunity-rich affordable housing.

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Protect Those Already in Affordable Housing

• **Prevent displacement through rent stabilization and tenant protection.** There are a range of short-term anti-displacement policies that can be passed at a state level and encouraged at a local level. Recent research has shown that moderate rent stabilization measures can be effective in promoting resident stability without significantly harming new unit production (Abood, Carter, and Pastor 2018). Repealing or amending the Costa-Hawkins Rental Housing Act—which stands in the way of locally tailored solutions in the form of rent stabilization—would help, as would “just cause” ordinances and other tenant protections, including tenant “opportunity to purchase” laws.

• **Protect all Californians, but especially communities of color, from subprime lending and foreclosure.** Over 10 years ago, the subprime mortgage and foreclosure crisis ravaged California, particularly in low-income communities of color, many of which are still recovering. Today, lenders have foregone subprime loans for “non-prime” loans, which they claim are safer and within the lines of tighter regulations, but critics say these loans could lead us down a similar path to financial collapse (McLannahan 2017).
Despite a rollback of regulations on the federal level and the reemergence of this category of loans, there has not been a prominent public discussion in the state. The exception is SB 818, which as we write is awaiting the governor’s signature and would reestablish some mortgage and foreclosure protections that expired from the California Homeowner Bill of Rights on January 1, 2018 (Beall 2018).

• **Help secure community stability by reforming local planning processes to be more participatory and inclusive.** While community plans exist throughout California, they are largely outdated documents that have failed to represent the voices of all community members. Development of the South LA People’s Plan provides a model of a true community planning process, engaging those that were previously excluded (UNIDAD 2017). To create equitable communities throughout California, there must be investment in and overhaul of the planning process, enabling communities to gather, discuss, and recommend solutions that meet their needs. The State could commission research to start the process of assessing community planning and engagement in order to recommend a new process.

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**Shift Towards Treating Housing as a Human Right and Social Good**

• **Invest in California’s Housing First programs to help reduce homelessness.** Housing First models and similar programs have been shown to be effective in providing long-term housing and treatment for people experiencing chronic homelessness and with high psychiatric service needs (Brown et al. 2016; Gilmer et al. 2014). These programs recognize that a homeless person must first be able to access a decent, safe place to live before stabilizing, improving their health, reducing harmful behaviors, or increasing their income. Senate Bill 1380, passed in 2016, requires all state programs targeted to end homelessness to include the core components of the Housing First approach, but the scale of our homeless crisis makes clear the need for greater investment in these programs (Mitchell 2016).

• **Expand the supply of social housing.** As noted above, social housing—in which the government or a nonprofit organization holds title to the land and so rents need not be driven by market forces—has been tried with great success throughout the world, including in countries like Singapore and Austria that otherwise embrace market forces for the provision of other commodities. Whether the commitment to social housing stems from a belief that housing is a human right or simply the recognition that housing stability has positive economic spillovers, the implication is clear: The time may be ripe to reverse the decades-long aversion to investments in public housing. Ultimately, only the government has the resources to create large amounts of public housing. Funding for public housing has come primarily from the federal government, and there are currently 219 public housing developments in California with more than 37,000 units. California receives federal funding to help operate these developments, but there has been no funding allocated to build additional public housing since the mid-1990s (CA Dept. of Housing and Community Development 2018a). The State should consider building on the California Surplus Land Act, coupling that with new financing, and developing our own system of social or public housing (see the box).
State-Sponsored Public Housing?

While it may seem a stretch to consider a substantial expansion of public housing in California, consider the model that the University of California, a public entity, has developed to provide affordable housing to university employees. First, these homes are on publicly-held land, so the original price of land is taken out of the market. Second, employees purchase the homes with the right to re-sell (to other UC employees) but with a covenant that limits the resale value to a modest cost of living increase, so the market dynamics of supply and demand on housing are also removed. Third, the university provides financing assistance for reduced rate mortgages through a fund financed through its short-term investment pool, which generates a return to the university (like any mortgage provider). This return is more or less equivalent to what might be expected from a bank savings account, rather than a financial investment.

This model has many features that are actually quite similar to the Singapore model that has resulted in an almost 90 percent homeownership rate, with close to 85 percent living in public housing. In Singapore’s case, land was taken out of the market through large-scale public ownership combined with laws preventing land speculation, while mortgage financing was provided through their Central Provident Fund (the country’s retirement savings system). In both the UC and Singapore systems, there is no stigma around publicly subsidized housing, residents accumulate assets in affordable units, and the mixed-income and middle-income character of the developments avoids problems of concentrated poverty.

What are the broader lessons of these other efforts for how to increase state public housing in California? We have substantial amounts of public land—think of military base conversions or unused city or state-owned land—that could be utilized for housing. The California Surplus Land Act already requires that when cities, counties, and transit agencies sell or lease their land, they must prioritize it for affordable housing development, which is another mechanism for potentially making land available for public housing and keeping land out of the market. Moving towards a model of publicly subsidized homeownership would require developing a financing system for low-rate mortgages, but if this can be done at the scale of the University of California system, it can certainly be identified at the scale of the state government as a whole. Barriers to home purchasing could be alleviated by allowing screened applicants to have low or even no down payment mortgages, helping renters to move into homeownership and the wealth-building benefits it provides. While the details of such a proposal remain to be worked out, the scale of our current housing crisis requires bold ideas.

Sources: Castells et al. 1990; Phang and Helble 2016; https://www.ucop.edu/academic-personnel-programs/programs-and-initiatives/faculty-resources-advancement/faculty-handbook-sections/faculty-housing-assistance-programs.html
STEP 10: Improve the Movement of People, Goods, and Services

We envision a California that supports all residents to increase their mobility, decrease reliance on personal vehicles, and improve the state’s environmental sustainability. Equally important is that our transportation systems support the movement of goods and support commerce in a manner that is sustainable for workers, communities, and the environment.

Our 20th-century transportation system is holding back Californians. An urban mobility scorecard found that in the state’s six largest urban areas, Californians wasted 1.1 billion hours in traffic and 379 million gallons of fuel in 2014 (Schrank et al. 2015). Our current system is making poor use of the precious resources of our state and its residents. Moreover, when that data is disaggregated, average commute times are the shortest for white Californians (27.1 minutes in 2015) and longest for Black Californians (31.0 minutes in 2015). In places with dense public transportation networks, primarily our metropolitan centers, transit is heavily used by people of color and lower-income people: 70 percent of California’s public transit users are people of color.

Innovations in transportation choices are needed. Unfortunately, many worry that the newest options being developed—new rail lines, bike share programs, electric scooters, and more—are disproportionately benefiting those wealthier individuals who already enjoy a full range of choices. And while transportation metrics usually look at commute trips, for many transit-dependent people, non-commute trips (e.g., to the grocery store, to daycare, or to the doctor) matter just as much, if not more. There is also a valid concern that this is an arena where one size does not fit all; while urban California is dealing with congestion, rural transportation concerns are generally related to access (Lockwood 2004).

Another major concern is in our goods movement and logistics industry. The Ports of Oakland, Long Beach, and Los Angeles are major economic hubs, while smaller ports in Stockton, San Diego, Richmond, and West Sacramento are important regional economic assets. Inland distribution centers, in places like Tracy and San Bernardino, can provide valuable employment opportunities, but warehousing also suffers from low wages and high levels of temporary employment (De Lara...
2018). For example, between 2005 and 2015, trade, ports, and logistics employment rose by nearly 10 percent in Southern California, with much of that driven by a 55 percent increase in jobs in logistics and warehousing. While overall real wage growth for the larger sector was modestly positive over that period, real wages actually fell in the warehousing and logistics sectors by 9 percent (Cooper, Sedgwick, and Mitra 2017). Improving conditions for those workers—both in terms of pay and working conditions—is key to ensuring that logistics can live up to its promise as an economic generator.

The sector, particularly given its reliance on diesel truck moving containers, also raises serious issues of environmental and public health. According to the California Air Resources Board, “diesel engine emissions are...responsible for about seventy percent of California’s estimated known cancer risk attributable to toxic air contaminants,” and, annually, 1,400 premature deaths result from diesel particulate exposure. And the risks are not an equal opportunity affair: In the state, research has noted that “nonwhite children in California are about three to four times more likely to live in areas with high-density traffic than white children and that low-income children had higher potential exposures to vehicle emissions” (Houston, Krudysz, and Winer 2008; with reference to Gunier et al. 2003).

We should be building a transportation system that supports all residents—Black, Latino, Asian, Native American, and white; wealthy, middle-class, and low-income; urban and rural—to increase mobility, decrease reliance on personal vehicles, and improve the state’s environmental sustainability. This will mean lifting up the differing circumstances of communities and industry; of urban, suburban, and rural communities; and adapting to new transportation technologies. Equally important is building transportation systems that support commerce, but in a way that is sustainable for workers, communities, and the environment.

Specific policies to pursue in the transportation arena include:

**Promote Equitable Access**

- **Ensure access for the transit dependent.** People of color remain those most likely to not own cars—a characteristic which is now lauded as a contribution to the planet but which may have been made out of a lack of options. Seventeen percent of Black Californian households do not have access to cars, more than household averages of 9.1 percent for people of color more generally and 6.4 percent for white residents. Improving transit access for the transit dependent must be a priority for those who are working, those who may not be able to drive (including seniors and differently-abled Californians), and those who are not yet old enough to drive. Millennials, who are less likely to own cars than the prior generation, can help add to the demand for transit. While there is evidence that we could step up transit use by tapping into those who currently rarely use transit, the focus should be on those who often have little choice but to use transit systems (Manville, Taylor, and Blumenberg 2018; Wharton 2017).

- **Create first- and last-mile connectivity.** Transit systems must be made complete by considering first- and last-mile connectivity—that is, how someone gets to their transit stop from their home and place of work. Currently, unregulated scooters are one innovation to fill this gap, but more long-standing solutions include neighborhood circulators, which are now being piloted with autonomous vehicles, or short-term bike and e-bike rentals. Such bike share programs need to be priced to make them available to lower-income people and should have instructions in multiple languages. The state can support this infrastructure by developing equitable regulation and allocating transit dollars to first and last mile programs in order to develop public services that mimic the most recent private innovations.

- **Adequately fund mass transit.** Transportation financing is made up of an intricate network of federal, state, and local dollars. Historically, it has been biased towards highways (Bullard 2003; Sanchez, Stolz, and Ma 2003). To make
up for the lack of financing for mass transit, regions have taxed themselves, like Los Angeles’ Measure M (2016) and the Bay Area’s Regional Measure 3 (2018). Recently, the State increased its gas tax, which will provide significant funding towards light rail extensions, Amtrak commuter improvements, express bus routes, and more (McGreevy and Nelson 2018). The future of California requires a commitment to resources that can fund mass transit, particularly in our urban areas.

• **Focus on public transportation, but when private transportation is inevitable, ensure that it is inclusive.** When private transportation like ride sharing, company shuttles (e.g., the Google bus), or even university campus shuttles give rides, they take those individuals out of the pool of public transit users. Public transit is dependent on many riders in order to keep fares low. So while it is better to have a robust public, rather than private, transportation system, when private transportation systems are present, they need to be accessible for all people and, in particular, be ADA compliant (People for Mobility Justice 2018).

• **Provide transit access to rural Californians.** Whereas the main issue of concern for urban transportation may be congestion, for rural residents, it may be access and connectivity (Lockwood 2004). Rural travel times are high, private vehicles dominate, congestion is worsening, and serving special needs is challenging as population density is low (Lockwood 2004). On a national level, only 0.5% of rural Americans utilize public transportation to commute to work (Mattson 2017); in California, the figure is about 1 percent for Kern and Merced Counties and 1.4 percent for Fresno County while the figures for Alameda, San Mateo, and San Francisco Counties are 14, 10, and 34 percent respectively.101 Promoting transportation in rural California first means understanding its needs, increasing accessibility and connectivity, and supporting the goods movement industry (namely, freight) that is central to rural economies.

**Share the Benefits and Burdens of Transit Systems and Goods Movement**

• **Safeguard health as we expand transit and engage in goods movement.** Automobile-centric development has led to dangerous pollution levels (Los Angeles Collaborative for Environmental Health and Justice 2010), collisions (California Office of Traffic Safety 2017), and sedentary lifestyles which threaten public health and our environment (Maizlish 2016), and research demonstrates that low-income communities suffer the most. Addressing this means implementing policies that limit further pollution in overburdened places (e.g., railyards and goods-movement routes), allocating dollars towards active transportation, reducing transportation-based criminalization (e.g., truancy tickets for students), and more. The Moving Forward Network is pushing for a global trade system without negative impacts on communities and the Mayors of Los Angeles and Long Beach have “established targets for zero-emission cargo-handling equipment by 2030 and zero-emission trucks by 2035” (Barboza 2017).102 The State should consider similar actions, especially as the home to several of the busiest ports in the nation.

• **Improve conditions for logistics and warehousing workers.** Logistics and warehouse workers have long suffered from poor working conditions throughout California, with recent labor abuses recorded in factories and trucking companies that hold contracts with industry giants like Walmart and Amazon (De Lara 2018; Ghosh 2018).103 Employer responsibility is muddled by the fact that this already contracted work is often staffed by temp agencies, whose workers hold low wages, minimal job security, and little recourse in the face of mistreatment (De Lara 2018). We previously discussed policies to address the plight of such contract workers
long-term, but workplace regulations specifically targeting these industries are also needed more immediately. Some recent progress has been made. After a number of reported incidents, the California Division of Occupational Safety and Health (OSHA) began developing new standards for heat in indoor workplaces to be proposed by January 1, 2019.104 Moving forward, the State must ensure that both new and historical workplace safety standards are effectively monitored and enforced in all corners of the increasingly complex logistics and warehouse network. Unionization and other forms of worker representation should also be encouraged.

• **Use transportation dollars to support local job creation.** Transportation investments have the potential to bring well-paying, green jobs to the region, with employment options in fields such as construction, manufacturing, and operations. The opportunities for employment are not to be lost—particularly as African-American unemployment in California remains higher than that of other groups (J. Jones 2018). The LA Black Worker Center (BWC) has offered specific workforce development recommendations to Metro as it implements its transportation dollars from Measure M (Kofman and Smallwood Cuevas 2016). Jobs to Move America has also been creating U.S. jobs and upgrading workforce standards in transportation-related manufacturing by changing the procurement policy used by public agencies (Greenhouse 2018).

• **Ensure safety for all users, especially pedestrians and cyclists.** Between 2015 and 2016, pedestrian and bicycle fatalities, as well as overall traffic fatalities, increased statewide (California Office of Traffic Safety 2016). Between 2010 and 2015, California was home to the nation’s deadliest city: Los Angeles.105 Sacramento, San Francisco, Fremont, San Jose, San Luis Obispo, Los Angeles, and San Diego have now all become “Vision Zero Cities” committed to ending traffic deaths and serious injuries (Vision Zero Network 2018). Strategies may include speed management, road diets, reworking city planning processes, multilingual outreach and community organizing, and related activities.106

• **Evaluate costs and benefits of the high-speed rail project with a stronger equity lens.** One of the State’s mega-investments in transportation has been the commitment to high-speed rail (HSR). This project has been plagued with an ever-increasing budget, lengthening timelines, and growing controversy. The equity dimensions are challenging. On the one hand, HSR could reduce energy consumption and pollution as well as congestion on the state’s highways and in its airports, potentially to the benefit of communities now most burdened by the environmental externalities of the state’s car culture. On the other hand, in one analysis using past data on long distance travel, the author concluded that this large investment would be of the most benefit to a select few, since long-distance travelers tend to be whiter and wealthier than much of the state, and this travel is focused on major metropolitan areas. However, HSR’s implementation could affect the ultimate outcomes, as ticket discounts and other interventions could be implemented. For example, providing commuter and low-income discounts could allow more low-income commuters to the Bay Area from San Joaquin Valley communities, thus alleviating pressure on high Bay Area housing prices, while helping to drive income and stimulate development in San Joaquin Valley communities. A conversation about HSR more clearly focused on the equity aspects of its development and implementation could help clarify whether and how to complete the project. (Nuworsoo 2017)
Partner in the Planning Process

• **Responsibly steward land near transit.** Transit-oriented communities (TOCs) are commercial and housing developments near and around transit. By locating housing and jobs closer to bus stops and train stations, TOCs can incentivize transit use. However, they can also increase real estate values, which has the potential to displace low-income residents and small business owners. We can help existing residents by constructing and preserving affordable housing near TOCs by implementing anti-displacement policies and leveraging transit-oriented development investments (Carter, Pastor, and Wander 2013).

• **Engage in an equity-centered conversation on congestion pricing.** A proven method for reducing urban congestion and improving mobility, safety, and the environment, congestion pricing is controversial because of its potential to exacerbate inequality. However, congestion pricing can be implemented in a variety of ways and a hard-nosed conversation with equity at its heart is needed to determine how congestion pricing can be used to improve transportation in the state while closing equity gaps (Ecola and Light 2009).

• **Prepare for future growth in driverless trucking and autonomous vehicles.** While driverless trucking will not happen overnight, now is the time to prepare for it in order to ensure an equitable and sustainable future for the industry, workers, and California’s communities. One option is to create a Trucking Innovation and Jobs Council to work with stakeholders to support workers as they transition out of trucking; to ensure that remaining workers have rights, living wages, and benefits; and to shape the evolving industry to deliver on equity. There are similar challenges with regard to taxi and ride-share drivers as autonomous vehicles spread; while determining who should be involved in that conversation is likely more complex, determining a plan forward is important.

• **Define equity metrics to guide public transportation investments.** There is often a tension between distributing transportation investments in a geographically equal way and distributing them where they are needed most. This unspoken tension often stops productive implementation processes in their tracks (Carter, Pastor, and Wander 2018). In our view, transportation policy should prioritize those places most needing investments, much as Los Angeles Metro’s Equity Platform is directing the agency to do (Linton 2018). In any case, public agencies need to work with stakeholders to define equity, with the voices of those who are most transit-dependent—generally lower-income people of color—centered in the process. From this definition, metrics need to be developed in order to track progress. Both of these activities could be led by advisory boards of equity stakeholders, who could weigh in beyond crafting definitions and metrics (Carter et al. 2018).
STEP 11: Secure Our Environmental Future

We envision a California that is committed to protecting the planet and that leads in technological and social innovations that support sustainability. We should also lead on environmental justice, ensuring that the benefits and burdens of environmental protection accrue to all communities, with an eye toward prioritizing relief and job development for those who have been the most overexposed and socially vulnerable.

California is often praised—and rightfully so—for its strong environmental policies. California’s climate-related policies lead the nation, with strong and coordinated efforts to reduce greenhouse gas emissions, to promote renewable energy sources and installation of energy efficiency measures, and to stimulate vehicle fuel efficiency and the use of clean vehicles. The State has pursued strong pollution control measures, including being the first state in 1965 to regulate vehicle exhaust and to set air quality standards for total suspended particulates, photochemical oxidants, sulfur dioxide, nitrogen dioxide, and other pollutants. Environmental conservation efforts, embodied in such laws as the California Endangered Species Act and the California Environmental Quality Act (CEQA) and in our large system of state parks and public lands, have helped preserve California’s natural beauty and high quality of life. We’ve been a leader in promoting green industries and technologies, and in demonstrating that it is possible to have strong environmental policies and rapid economic growth at the same time.

Despite these efforts, we are still a long way from securing our environmental future, much less ensuring access to a clean and healthy environment for all, including the state’s most vulnerable populations. Eight of the ten most particle-polluted (annual PM2.5) counties in the country are in California, and 17 out of the top 20 most ozone-polluted counties, including all of the top 14, are in California (American Lung Association 2018). However, the issue is not evenly distributed: Recent research indicates that neighborhoods that saw an increase in greenhouse gases and co-pollutant emissions after the enactment of cap and trade were more likely to be high-poverty communities, largely populated by people of color (Cushing et al. 2018). As mentioned in step 6, an estimated 1.5 million Californians live in communities that do not have reliable access to safe drinking water, and another two million privately owned wells are not regulated or routinely tested for toxins (London et al. 2018). In 2016, Californians dumped 42.7 million tons of waste material—more than one ton of solid waste for every person, or six pounds per person per day—in landfills and other waste disposal sites. We actually produced more than 76 million tons of waste in 2016, but our current rate of recycling (44 percent) is the lowest it has been since 2011. Furthermore, our rate has been declining for each of the past four years, suggesting it will be nearly impossible to reach the State’s goal of 75 percent recycling by 2020 (CalRecycle 2017).
Meanwhile, our cities continue to sprawl, resulting in lost farmland and natural areas. From 2001 to 2011, an estimated 811 square miles of natural areas were lost to urban sprawl in California, as the size of our urban footprint grew by 13.1 percent (Center for American Progress 2016). The average person in the state drives over 8,500 miles a year, and total vehicle miles of travel on the state highway system now tops 200 billion miles a year. Silicon Valley high-tech industries, a point of state pride as leaders in global innovation, are also the source of at least two dozen toxic superfund sites and continue to design products with toxic materials and short life-spans that sadly end up in toxic e-waste sites (United States Environmental Protection Agency 2015). Imagine if all of our state’s engineering expertise was devoted to designing fully recyclable, clean, and waste-free products with modular components that could be upgraded incrementally rather than throwing out the entire product!

As a state, we should address these environmental challenges, building on what has been strong about our record on environmental protection and accelerating progress where that is necessary. To protect our climate and fully secure our environmental future, we need to build towards a truly “circular economy” (see box)—an economy rooted in a full life-cycle that accounts for materials and energy and that can restore and regenerate the environment, rather than deplete and pollute it.

And we should also strengthen our growing commitment to environmental equity, ensuring that everyone in the state has access to clean air, safe water, and a healthy environment regardless of income, race, or location. After all, the health effects of pollution are well documented, and the related healthcare costs should provide further motivation for the state (Romley, Hackbarth, and Goldman 2010). And there is a long history of environmental inequality in exposures, particularly to various forms of air pollution, that has been well-documented in a series of research studies (Cushing et al. 2016; Pastor, Sadd, and Morello-Frosch 2004).

Not only is environmental justice a moral and public health imperative, it is also to the political advantage of those seeking to address climate change. As it turns out, people of color in the state are actually more concerned about the need to address climate change than white Californians. In a recent Public Policy Institute of California poll, about 50 percent of white Californians consider global warming a “very serious” threat to the state’s economy and quality of life, while the figure is 57 percent for Asian Americans, 60 percent for African Americans, and 64 percent for Latinos. The more pro-environmental stance on the part of people of color compared to whites is even stronger if we focus on likely voters, which demonstrates a ready constituency for furthering our climate leadership (Baldassare et al. 2018).
What is a Circular Economy?

The circular economy concept has deep-rooted origins in a range of fields of study, including regenerative design (Lyle 1996), industrial ecology and sustainable engineering (Graedel and Allenby 2010), biomimicry (Benyus 2002), and natural capitalism (Hawken, Lovins, and Lovins 2013), and has gained increased traction since the 1970s (Webster 2017). It requires a systems approach that attempts to understand the full flow of materials in any production system, and moves from the traditional linear approach of extraction, production, and disposal to circular approaches that minimize negative externalities.

The specifics of how to do this are complex and vary by industry and product. In the consumer electronics sector, for example, one key strategy is to design products so that they stay in use longer. It can also be done by designing devices that make greater use of cloud computing, rather than individual processors. By transferring capabilities from consumer hardware to the cloud, the pace of hardware obsolescence can be reduced (Ellen MacArthur Foundation 2018). In the plastic packaging sector—a major source of environmental pollution that has helped contribute to the 150 million tons of plastics in the ocean today—it is important to prioritize an effective after-use plastics economy by increasing the quality of recycling programs, promoting greater business adoption of reusable packing, and scaling up the adoption of compostable packaging (De Smet 2016).

The Ellen MacArthur Foundation, one of the leading institutions in the world today developing circular economy ideas and solutions, has developed a methodology for policymakers to identify specific interventions and policy options and catalyze actions. This includes efforts to:

- identify and engage stakeholders, particularly in the business community, and identify sector opportunities;
- assess and prioritize sector-specific opportunities, economic impacts, barriers limiting circular economy practices, and policy options to overcome those barriers; and
- aggregate sector-specific findings to assess more overarching whole economy impacts, develop economy-wide policy options, and prioritize and assemble coherent policy packages.

The foundation’s work suggests the economic benefits of moving to a circular economy. In the case of Denmark, modeling 10 achievable measures towards a circular economy by 2035 in just manufacturing and hospitals (25 percent of the Danish economy) led to an estimated increased GDP growth of 0.8 percent to 1.4 percent, even from Denmark’s already advanced starting position. A study looking at the EU as a whole estimated a 6.7 percent increase in GDP and a 25 percent reduction in CO2 emissions by 2030.
Specific policies to promote inclusive sustainability include

**Grow Employment in a Green Economy**

- **Promote a just transition to a California free of fossil fuels.** The recently passed SB 100 has articulated a path to 100 percent renewable energy by 2045 (California Environmental Justice Alliance 2018). To truly lead the way on climate, California needs to work towards this transition, ensuring that the process involves workforce transition programs and other protections for all Californians (Jones et al. 2017). There are significant employment impacts of both renewable energy and energy efficiency projects. To ensure that these jobs are well-paying and high-quality, the State should develop labor standards that could apply to public and ratepayer investments in renewable energy, energy efficiency, and other low-carbon construction projects. Additionally, job training programs should be targeted at disadvantaged populations (Luke et al. 2017; Zabin et al. 2016).

- **Improve fuel efficiency standards and accelerate the expansion of zero-emissions vehicles.** As the single greatest contributor to greenhouse gas emissions in the state, reducing motor vehicle emissions should remain a high priority (California Air Resources Board 2018a). The State should not just defend its strong fuel efficiency standards from the Trump administration’s efforts to undermine them but should continue to expand them over time. The Clean Vehicle Rebate program currently makes incentives available to a broad range of zero-emissions and partial zero-emissions vehicles, but these incentives should be increased (California Air Resources Board 2018b). Emission regulations for transit agency fleet vehicles and public agencies and utilities’ fleets should also be strengthened, accelerating the move to cleaner fuel sources (California Air Resources Board 2018d, 2018c). The State should provide regulatory incentives to utilities to deploy electric vehicle charging infrastructure to help achieve the greater electrification of transportation.

- **Expand energy efficiency incentives and programs.** Energy efficiency is already a priority in the State’s energy plan and is essential for minimizing the expense of moving to a cleaner energy system. The State has a variety of energy efficiency programs, including incentives and regulatory standards for buildings and appliances. Improving the energy efficiency of existing buildings is one of the key challenges in this portfolio and is an area in significant need of reform. Needed efforts include strengthening utility-based targets for performance, linking these targets to greater penalties and incentives, and making mandatory certain retrofit improvements that were proposed as voluntary efforts in AB 758, the Comprehensive Energy Efficiency Program for Existing Buildings Act of 2009 (Orvis et al. 2015).

A panel organized by STAND L.A., an environmental justice coalition seeking to end neighborhood drilling. Courtesy of Communities for a Better Environment
Improve Environmental Planning

- **Strengthen sustainable communities programs.** The Sustainable Communities and Climate Protection Act (SB 375, 2008) was an important piece of legislation linking climate change goals with urban development. It provided mechanisms for aligning land use and transportation planning in order to push development in transit-accessible places and reduce car dependency and associated vehicle emissions. It also provided a mechanism for aligning housing needs with regional Sustainable Communities Strategies (SCS). These mechanisms have been valuable, both in the formal connections being made between urban development and climate change and in the strengthening of collaborations between public, private, and community organizations that have engaged in these processes. But SB 375 included little in the way of enforcement mechanisms, and there are limited funds for implementing SCS-compliant projects. Additional enforcement mechanisms and greater incentives are needed to help implement sustainable communities (Mawhorter, Martin, and Galante 2018).

- **Develop a statewide “circular economy” strategic plan.** The notion of a circular economy entails gradually disconnecting economic activity from the use of finite resources and ultimately designing waste out of the system.111 Built on a transition to renewable energy sources, there are at least three critical principles to a circular economy approach: “1) design out waste and pollution; 2) keep products and materials in use; and 3) regenerate natural systems.” Research suggests that there can be positive impacts on GDP: If California were to embrace this circular economy framework in the same way it has led the country on climate change policies, it could both benefit economically and serve as a model for other states and countries to follow (Ellen MacArthur Foundation 2013).

- **Prepare for drought and improve groundwater management.** In order to prepare for upcoming droughts the state has to find improved solutions on difficult questions of water rights and transfers, ecosystems, and interagency coordination. Implementation of the 2014 Sustainable Groundwater Management Act is essential, but onerous, as the state’s agriculture industry has survived on groundwater withdrawals that are ultimately unsustainable. To make progress the State must focus on the creation of water user sustainability plans and water accounting systems that are transparent. They must also work to encourage groundwater recharge through, for example, targeted incentives and an improved permitting process. (Hanak et al. 2018)

- **Expand funding mechanisms to ensure safe drinking water for all.** With the passage of AB 685 in 2012, California became the first state to recognize the human right to water, stating that “every human has the right to safe, clean, affordable and accessible water adequate for human consumption, cooking and sanitary purposes” (California State Water Quality Control Board 2018). Ensuring that this right is realized, however, will require additional action and investment at both state and local levels. This includes developing and improving consolidation and service extension mandates and incentives to ensure the provision of clean water to disadvantaged communities; creating stability, coordination, and equity in funding sources to under resourced water systems; and improving community access to data and planning instruments, especially to help address racial and ethnic inequality in access to safe drinking water (London et al. 2018).
Make Equity Central to Environmental Policy

• **Enact targeted air quality regulations and oil extraction restrictions in heavily impacted areas.** Much of the state has poor air quality, but certain pockets are more directly impacted. California’s San Joaquin Valley has some of the worst air quality in the country. The surrounding mountains trap emissions largely created by industry and transportation in the area but also by pollutants blown in from nearby urban centers; the valley needs special attention in promoting cleaner air for residents. Meanwhile, those living in South Los Angeles and other similarly situated neighborhoods have long suffered from exposure to nearby freeway pollution as well as oil drilling, with health effects documented by the LA County Department of Health in a recent report (Los Angeles County Department of Public Health 2018). Advocates like STAND-L.A. are pushing for a wider buffer between area oil wells and sensitive land uses (STAND-L.A. 2018). Expanded buffers would benefit residents throughout the state, as would more consistent air quality monitoring and increased local oversight, ensuring that polluters are in line with federal, state, and local regulations (Los Angeles County Department of Public Health 2018).

• **Develop and strengthen green zone programs in toxic hotspots.** Making environmental improvements in California’s most polluted communities can improve conditions for all Californians. Community-led green zone programs can be a valuable solution to transition neighborhood toxic hotspots to thriving green zones by linking communities, government, and businesses in targeted solutions to these challenging areas. This requires identifying overburdened communities and directing a range of benefits and programs to those communities to clean up toxic exposure and promote green businesses and environmental amenities. (California Environmental Justice Alliance 2010; Cuajunco and Vanderwarker 2015)

• **Better target cap and trade funds to communities that are most affected.** Despite their general opposition to cap and trade as a means to regulate greenhouse gases, environmental justice advocates are working hard to at least ensure that our least advantaged communities benefit from California’s Greenhouse Gas Reduction Fund (GGRF) (generated from the auction of tradable permits). AB 1550 (Gomez 2016), which modified the requirements first specified in SB 535 (De León 2012), now requires that at least 25 percent of the proceeds benefit and go to projects within legally-defined disadvantaged communities that are disproportionately burdened by and vulnerable to multiple sources of pollution, and an additional 10 percent must go to low-income households or communities (Eng, Vanderwarker, and Nzegwu 2018). In addition to considering an increase in these percentages, the existing funds should also be more directly based on the severity of need. Currently, any community scoring in the highest 25 percent of census tracts in a tool called the CalEnviroScreen 3.0 is eligible for these funds, but those scoring in the top 10 percent could get additional prioritization.

• **Work to address environmental justice concerns about cap-and-trade.** As previously mentioned, environmental justice advocates have long been concerned about the cap-and-trade system, with one argument being that such market trading could lead to the concentration of co-pollutants in high-poverty communities of color. Recent research suggests that this has indeed been the case, at least in the early years of the system (Cushing et al. 2018). Recent legislation like AB 617 (“Nonvehicular air pollution: Criteria air pollutants and toxic air contaminants”) has been applauded by some for mandating a regulatory plan and increasing penalties in highly polluted neighborhoods, but activists say that implementation is unclear and the outcomes will not be enough to correct current inequities (Johnson 2017). To insure equitable progress, the State should consider no-trading zones and more sharply curtail offsets and credits; a first step would be providing more consistent and accessible data on the localized results of the program. In general, environmental justice should be threaded through all environmental policies.
While it is widely recognized that California's tax and fiscal management systems have not kept pace with shifts in the state’s economy and demographics, there are wildly different views on what changes are needed. In general, there is agreement that the system should be fair and equitable and generate a sufficient level of revenue—but exactly what all those terms mean in action is up for sharp debate.

Equally up for debate is how much popular perceptions align with reality. California is often thought of having a progressive tax structure—and it does have one of the nation’s most progressive income taxes. However, when considering all state and local income, property, and sales and excise taxes, low- and middle-income families still pay a greater portion of their income in taxes than upper-income families. In 2015, for example, the lowest 20 percent of non-elderly taxpayers in the state—those making less than $23,000 a year—paid 10.5 percent of their income on state and local taxes while the bulk of those in the top 20 percent paid as little as 7.4 percent of their income on state and local taxes, with the top 1 percent paying only 8.7 percent of their income (ITEP 2015).

Fortunately, the state’s tax inequality index, which is essentially a measure of how much the tax system worsens underlying income inequality, is one of the least negative in the country (ITEP 2015). But the fact that our tax system worsens the distribution of income less than other places is cold comfort when we take into account that California has the fourth highest level of inequality among all U.S. states. We can and should do better.

Low-income Californians pay the largest portion of their taxes in the form of sales taxes, which highlights another problematic feature of California’s tax code: Proposition 13. Since the passage of Proposition 13 in 1978, cities and counties have come to rely more on sales taxes, as their property tax revenue has been reduced. California currently has a base state sales tax rate of 6.0 percent and adds a mandatory local rate of 1.25 percent, but most local jurisdictions have added additional sales taxes, lifting real sales tax rates to as high as 10.25 percent in many cities. In the 1970s, when Proposition 13 was passed, the state base rate was only 4.75 percent.

Proposition 13 also disproportionately benefits wealthier Californians, since the tax benefit built into the policy is proportional to home wealth and is determined by incumbency or length of time of home ownership. Researchers at the Legislative Analyst’s Office have estimated that close to two-thirds of the tax benefits have gone to homeowners earning more than $120,000, with little if any discernible benefits going to renters (Taylor 2016).

Proposition 13 is particularly problematic in the way it treats commercial property exactly the same as residential property. This has led to a considerable under-assessment of commercial property values—a substantial tax loophole benefitting older large commercial landholders in the state. The under-assessment of commercial and industrial property is estimated to currently cost the State some $11.4 billion in lost revenue, almost 80 percent of which comes from the 8 percent of properties that are valued at more than $5 million each (Ito, Scoggins, and Pastor 2017). Meanwhile, the share of all state property taxes borne by residential homeowners rose from 32 percent in the mid-1980s to 37 percent in 2015-2016 (Taylor 2016). And schools and local public services suffer while major property owners, many of them large, out-of-state commercial real estate companies, are taxed at less than market rates.

Proposition 13—originally billed as a way to provide relief so that low-income seniors could stay in their homes—has also had negative economic effects. Particularly on the commercial side, properties that should be put to higher economic use are allowed to remain idle as low taxes reduce the incentive to step up investments (Benner and Giusta 2018).
the residential side, Proposition 13 likely contributes to the underbuilding of housing as local jurisdictions seek other ways to increase the tax base, such as retail sales. And while the decline of manufacturing has many drivers, the fact that cities can generate more revenue from a mall than a factory does not help matters.

Another way in which our tax system is out of step with economic realities is that current California law restricts the application of sales tax to tangible personal property. But as our economy has expanded, more and more sales in the economy are of services, not tangible property. If sales tax revenues resembled those of 1966-67 as a share of the state economy, revenues would be an estimated $30 billion higher (California Budget Project 2011). Why should purchasing a toaster be taxed while attending a Beyoncé concert is not?

Some argue that applying a sales tax to a broader range of purchases could both increase revenue and stabilize the tax (California Budget Project 2011; Mason 2018). The problem is that this could add to the current regressivity of the overall tax structure in California. One way to deal with this would be to limit such services taxes to business-to-business purchases or to provide rebates of some form in income tax payments, but this is an area for serious discussion.

Another area of concern is that our system of local government funding leads to dramatic inequalities in local revenues. Wealthy cities like Beverly Hills and Carmel have total per capita tax revenues of over $4,000 per resident, while many poor San Joaquin Valley cities like Parlier, Tehama, and Mendota have per capita tax revenues of less than $200 per resident, 1/20th the amount.115 Even within a single metro area, interdependent communities can have dramatically different tax bases and public services. Palo Alto has 2.3 times the per capita tax revenue as neighboring East Palo Alto. Similarly, Pasadena has 2.4 times the per capita tax revenue as nearby Alhambra.116 These local differences in revenue lead to similarly dramatic differences in the quality of public services and infrastructure, reinforcing racial and income segregation. And the difference in revenue base allows regional and geographic inequalities to persist.

The State legislature has the ability to address many of these issues, and others could be addressed through the State proposition system, but the increasing role of money in politics has made elected officials more beholden to wealthy donors and eroded much of the original populist character of California’s proposition system. The problematic role of money in politics is most evident at the federal level, while the influence of money at the state and local levels hasn’t gotten quite as corrupting as in our federal government. A recent detailed study of nearly 1,800 proposed policy changes in Congress over a 21-year period found that, controlling for the preferences of affluent Americans and lobbying groups, the preferences of average citizens had almost no influence on policy decisions (Gilens and Page 2014; Page and Gilens 2017).

California has not been immune from this problem. For example, nearly $500 million was spent on California ballot measures in 2016, far exceeding ballot measure disbursements in any previous statewide election, and voters sided with the campaign that raised the most money on the majority of these measures (Luna 2016; Myers 2017). Governor Brown attempted to address this influence by signing SB 1107 in 2016, which allowed for public financing pilot programs under specific conditions (Allen 2016a). But it was turned over in 2017 by the Superior Court because it violated Proposition 73, an initiative approved by voters in 1988 stating that local governments and the State of California could not create public financing systems for public campaigns (with the exception of charter cities) (Superior Court of California County of Sacramento 2017).
While taxes and money in politics are key, there are many other ways in which we need to revamp our state’s governance. For example, achieving better jobs and housing, in addition to simply providing more housing, requires better coordination in our metropolitan regions. Strengthening democracy means creating vehicles for civic engagement that go beyond voting; participatory budgeting is one such avenue. And beyond government, we need broad civic conversations among leaders from different sectors that can better establish agreements on a roadmap for more local- or metro-level investments in innovation, infrastructure, and inclusion (Katz and Nowak 2018).

Part of those civic discussions will need to focus on what we mean by economic success. Though statewide economic indicators are a useful gauge of overall performance, economic policy should reflect the breadth and diversity of the state’s economy, which features a mix of industries and a wide range of occupations and workers. Strong job growth and low unemployment statewide are positive signals, but long-term economic vitality depends on the quality of jobs created and the competitiveness of all regions of the state (Bohn 2018). The Rockefeller Foundation has developed a framework that describes five broad characteristics of an inclusive economy: equitable, participatory, growing, sustainable, and stable. Their framework calls for expanded opportunities for more broadly shared prosperity, especially for those facing the greatest barriers to advancing their well-being (Benner and Pastor 2016).

To build a better economy, we need a fiscal system that is progressive, equitable, and predictable. Our governance systems should be efficient and responsive to the broad public, and especially to low-income and marginalized communities. The government should serve as the vanguard of public trust, which needs to be built regionally and over the long term. Public debate should be a place of building public consensus and serve as a foundation for decision-making that is both equitable and generative of innovative solutions.

Specific policies we should pursue by way of fiscal and governance reform include:

### Pursue Fiscal Reform

- **Reform commercial property taxes.** In order to reform Proposition 13 without affecting homeowners and residential property taxes, we should implement proposals to assess commercial and industrial property at market value. This idea is known as split roll, which would close corporate property tax loopholes and generate revenue for California’s local government and schools. A proposed proposition called the California Schools and Local Communities Funding Act has received enough signatures to qualify for the November 2020 ballot, the first to do so since Proposition 13 passed more than 40 years ago. The proposal would assess only commercial and industrial parcels, with protections for small businesses. If successful, California could see an increase in revenue by as much as $6 billion to $10 billion, 60 percent which would go to funding necessary public services at the city, county, and district levels with the remaining 40 percent funding schools and community colleges (Taylor and Cohen 2018). This new system would lead to a more secure fiscal base for California’s local government and schools, since property taxes are economically inelastic compared to income taxes. Reforming commercial property taxes would also likely have some positive economic outcomes by incentivizing denser development and the development of vacant land (Benner and Giusta 2018).

- **Promote regional tax base sharing.** Regional tax base sharing is a way of redistributing pooled revenue from participating municipalities or counties. This spreads the fiscal benefits of commercial-industrial growth no matter where it occurs within a metropolitan region and helps reduce fiscal disparities. It also avoids unproductive race-to-the-bottom tax incentives and can help concentrate development near regional infrastructure and services. Minneapolis-St. Paul has a regional tax sharing system that provides a useful model. Since 1971, local taxing
jurisdictions have put 40 percent of the increase in the commercial, industrial, and public utility property tax base into a communal pool, which is then redistributed based on population and property values, with wealthy jurisdictions getting proportionately less and poorer jurisdictions more. A study looking at implementing a similar tax base sharing proposal in the San Francisco Bay Area found that 66 percent of the region’s population lived in jurisdictions that would see a net increase in the tax base, with significant reductions in fiscal disparities (Urban Habitat Program 1998); that study needs to be updated and its implications for policy need to be drawn out.

- **Reinstate a California inheritance tax.** California had an inheritance tax until 1982, at which time it was repealed by voters. When President Bush signed the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA), it also eliminated the related estate tax and the “pick-up tax” credit which allowed states to collect revenue from the federal estate tax that belonged in their states. But by 2005, under provisions of EGTRRA, the estate tax was phased out and states were left to follow suit or create their own estate tax. California conformed to the federal tax code and has not collected estate tax since. The new federal tax code signed by President Trump in 2017 changed the estate tax threshold from $5.49 million to $11.18 million, providing further benefits to large estate holders. Today, a total of 17 states and the District of Colombia have an inheritance or estate tax. A ballot proposition would be needed to reinstate the inheritance tax.

- **Implement an employer tax to fund affordable housing and homeless services.** Housing prices and the cost of living are soaring in our urban centers, driven in large part by growing high-tech industries. This is leading to large-scale displacement and an increase in homelessness. One way to confront this issue is to implement a “head” (per-employee) tax on major employers that would be used to fund affordable housing production and homeless services. Seattle passed such a tax in May 2018 at a rate of $275 per employee for businesses with more than $20 million in revenue, with the hope of raising roughly $50 million a year (Seattle City Council 2018). When the tax was initially proposed, it was unanimously approved by the city council, but tech industries and their supporters fought back, leading the city council to repeal the tax a month later. Still, a number of Silicon Valley cities are considering similar measures. Mountain View voters will decide in November on their own per-employee tax, though revenue would be used to fund transportation projects, which they hope will blunt any high-tech opposition. While opponents often call a head tax a tax on jobs, the truth is that state and local taxes do not significantly affect the cost of doing business: All state and local taxes on businesses combined, including income, sales, and property taxes, represent only about 1.9 percent of total business costs (Fisher 2013). Businesses paying a small amount to help address the serious social problems of homelessness and unaffordable housing that are driven in part by their activity would be a sign of businesses wanting to be good community members.

- **Reform state tax expenditures.** The California Department of Finance estimates that state tax revenues are reduced every year by more than $60 billion through a wide variety of tax expenditures, including deductions from personal income taxes, corporate taxes, and other taxes. Tax expenditures are justified as providing an incentive for a particular type of behavior or to provide tax relief for taxpayers facing a particular economic hardship. But they are problematic as a means of public policy because they operate very much like spending programs yet are hidden in the tax code, and thus are not regularly reviewed and approved by democratically elected decision-makers. We should simplify California’s tax code and get rid of problematic tax expenditures that are not clearly justified. One clear example is the “Water’s Edge Election” that gives unitary multinational corporations a choice about how they count the portion of their global income that should be
taxable in California. Some corporations would pay more in one reporting method over the other, but the fact that they can choose means that corporations typically choose whichever method reduces their tax liability—a loophole that the Franchise Tax Board classifies as a tax expenditure and estimates cost the State more than $2.1 billion in 2014 (State of California Franchise Tax Board 2014).

- **Consider expanding sales tax to services with progressive safeguards in place.** As noted above, California sales taxes are only applied to transfers of tangible personal property. This is out of step with the evolution of the economy toward more services. In addition, it leads to less reliability in the tax base as our state’s income tax is subject to fluctuations in the stock market and changes in business cycles. State Controller Betty Yee has been queuing up a conversation about tax reform, including a possible coverage of services, with an influential contextual report issued in 2016 (California State Controller 2016). Another revenue possibility—one favored by environmentalists—is an oil extraction fee. Such a levy would discourage fossil fuel use but would also require efforts to address possible regressive impacts on those for whom fuel costs constitute a higher share of their limited budgets (Mason 2018; Skelton 2015). The discussion of various alternatives needs to continue, but there need to be clear safeguards to ensure that the burden of a shift to taxing services (or any other reform) does not fall on low-income taxpayers in the state.

## Democratize Governance

- **Lower the two-thirds threshold for new taxes at both the local and state level.** Under current California law, local tax increases that contribute to general funding can win with a simple majority vote, while special taxes earmarked for a specific purpose require a two-thirds vote. New state taxes passed by the legislature also need a two-thirds vote. These requirements have often left the state and localities tied up in fiscal knots, and consideration should be given to requiring a simple majority vote.

- **Expand participatory budgeting.** Participatory budgeting allows community members to collaboratively develop recommendations for their local governments on how to spend a portion of the public budget. First developed in Brazil in the 1980s, 1,500 cities around the world now use participatory budgeting. Vallejo was the first jurisdiction in the United States to create a city-wide participatory budgeting process in 2012. Since then, the City of Vallejo has allocated over $8.3 million to a total of 47 projects through this process, directly engaging over 20,000 residents. Long Beach City District 9 is also empowering its community through participatory budgeting. In its first cycle, Long Beach allocated $295,000 to three different projects that were voted on by its community members. Oakland City Districts 1 and 2 have also launched a participatory budgeting process, with 1,200 community members directly voting on how to spend $784,678 over two years. At least 13 cities in the U.S. engage in some form of participatory budgeting, including Chicago, New York, Cambridge, Seattle, and Buffalo, and there is a growing network of cities interested in the process throughout North America. Research has shown that participatory budgeting is not only an effective and fair way of directing public funds to meet residents’ needs, but it also helps build leadership, resiliency, and social connections, all of which are beneficial for democracy and the economy (Cabannes 2004; Leighninger 2016). Policymakers should consider implementing participatory budgeting methods in other cities throughout the state (Gordon, Jeffery L. Osgood, and Boden 2016).

- **Reform metropolitan planning organizations to be more democratic and to strengthen enforcement.** Regional cooperation and decision-making is important not just for transportation planning, but also for regional land use planning that is critical for housing markets and economic development. A framework for regional governance already exists in much of the state in the form of metropolitan planning organizations (MPOs),
Develop Data and Assessment Platforms to Govern with Equity in Mind

- **Improve regional data collection and sharing.** Accurate and up-to-date data on a range of social, economic, fiscal, and environmental issues is important for local and regional decision-making. Sharing this information can be an important part of building diverse and knowledgeable communities that can improve regional governance, promote greater equity, and accelerate economic growth (Benner and Pastor 2015). There are currently a number of regionally-based collaboratives trying to facilitate consensus on strategies to attain prosperity and inclusion; these should be encouraged by the State government.

- **Amend regulations for donor-advised funds to grow opportunity.** DAFs provide a tax benefit to charitable donors who can then advocate for grants distributed by the fund. As noted by the Fair Shake Commission, these are both increasingly popular and controversial as they are not subject to the same annual donation rules as foundations. Some argue that this allows DAFs to be used more as tax havens than as the intended philanthropic endeavors. The State could increase transparency and raise the annual investment threshold to ensure that more of this money is utilized for charitable purposes in communities throughout the state. (Burgess et al. 2017)

- **Facilitate voter registration and voting.** California has already begun to make the process of voter registration more convenient by, for example, expanding deadlines and locations for registration. Additionally, in 2016 Governor Jerry Brown signed SB 450 to allow counties to send ballots to every voter in their jurisdiction (Allen 2016b). We should monitor the success of this new law in increasing voter participation while also investigating other methods to ease the voting process and grow turnout across the state. (Burgess et al. 2017)

- **Develop clearer economic indicators and measurements.** Although statewide measurements can be useful, these indicators do not always capture the economic diversity of California. Evaluation must extend beyond the indicators of statewide unemployment and job growth to also look at job quality and economic health on a regional level (Bohn 2018). In prior work, we suggested five dimensions of an equitable economy, which include being equitable, participatory, growing, sustainable, and stable (Benner et al. 2018; Benner and Pastor 2016). The State should consider developing an annual “inclusive economy scorecard” in consultation with equity and economic stakeholders, among others.
Empowering California

After the elections of November 2016, many in the nation found themselves shell-shocked by a presidency they never thought was possible. Meanwhile, in California, there was a sense of déjà vu. After all, only a quarter-century earlier, Golden State voters had let themselves be led astray by an attack on immigrants in the form of Proposition 187, rollbacks of affirmative action and bilingual education, and upticks in criminalization and incarceration. Stirring the pot rather than resolving our problems, politicians kept distracting the state's voters and policymakers from tackling the economic realities of inequality and insecurity that were wracking the state.

With the benefit of our experience, we in California may now look a bit askance at the madness going on at the federal level: efforts to stop rather than encourage immigration, tax cuts that offer too little to the middle and far too much to the rich and corporate interests, and environmental policies that ignore the scientific consensus on climate change in order to favor voters and businesses in fading sectors of the economy. We often pat ourselves on the back, proud that we are a state of resistance and eager to either turn the national tide or at least go our own and more progressive way.

But while California's politics have drifted left, the economy has continued to underperform for working families: California may attract half of the country's venture capital and enjoy the globe's fifth largest economy, but it has the fourth most unequal distribution of income among all states in the nation; racial and ethnic gaps have persisted and, in some dimensions, grown; and the expected trajectory of income over the life cycle for the next generation is far flatter than it was for generations in the past. It's time to couple our progressive achievements in Civil Rights and the environment with a new economic vision that provides a material basis for a more equitable future.

In our view, that economic vision should be based on a set of guiding principles that have undergirded this report.

First, we need to acknowledge that addressing today's problems cannot rely on yesterday's solutions; neither the market fundamentalism of the right nor a sort of return to New Deal institutions of the 20th century will be enough to confront the dynamics and shifts of the contemporary economy. We need to wed a commitment to growth and innovation with attention to social connection and individual and family security.

Second, we need to insist that while the new economy may celebrate technological “disruption,” much of the innovation driving that technology has emerged from underlying public and collective investments. Private entrepreneurs are cashing in, but communities also deserve a return in the form of a technology and information dividend as well as in policies, such as commitments to lifelong
learning, transition income supports, and wealth-building for low-income families, that can promote security and ease adjustments.

Third, we must stress that the new economy will be driven not just by technology but also by demography, in particular, the aging of California. Because of this, we need to pay attention to the caring economy, as we will be judged by how we treat our elders and also by how well we prepare and pay a workforce to do exactly that. Providing current workers with options to take care of their families is also important, but most fundamentally, those who take care of others should find themselves cared for in terms of wages and working conditions.

Fourth, we should recognize that the current level of inequality is toxic not just to our politics but also to the economy. Just like the new source of growth is innovation and not replication, the old relationship between inequality and prosperity has been turned upside down. Those seeking to promote prosperity must lead with equity, partly because reproducing racial disparities into the future is a recipe for stagnation, and partly because equity itself has positive spillover effects. Economic programs and investments should be continually assessed with fairness in mind, and our metrics of success should take this into account.

Fifth, we must insist that addressing racial inequality is a critical component in the equity agenda. That means reversing criminalization and over-incarceration, fully supporting the reentry of those who have gotten caught up in the system, combatting labor market discrimination in all its forms, developing and aggressively implementing an immigrant integration agenda, and tackling long-standing environmental injustices. It also means challenging those who think that “identity” is a distraction from class; the California experience (and now the national turmoil) suggests instead that allowing racism to simmer is the real distraction from class and the economy.

Sixth, we should embrace the idea that not everything is a commodity to be delivered by markets. In particular, the right to secure housing is a goal that should be achieved by a variety of methods, some of which involve market-based efforts to expand affordable housing but may also include strategies to secure social housing, limit rent increases, and combat the forces of gentrification and displacement that are disrupting long-established communities. Reducing the share of income spent on housing will both generate security and allow for new demand in the economy.

Seventh, we should be conscious of including all of California’s regions and neighborhoods. The gaps between coastal and inland California have grown and the resulting divisions can undercut effective policy-making (and encourage various efforts to split a state that does better together). Similarly, pockets of poverty in even prosperous regions can work against collaborations for achieving growth. The State needs to drive policy to ensure that the benefits of growth reach more broadly in terms of both geography and demography.

Eighth, we should continue to move forward on addressing climate change, steering innovation in ways that will give the state a first-leader advantage in new markets. Given the other dynamics of inequality in the state, these sorts of efforts in shifting to renewables, improving energy efficiency, retrofitting our buildings, and reworking our transit systems should build on programs that try to steer jobs and revenues to communities that are the most exposed and in need of employment opportunities. We should also ensure that the new embrace of more compact development does not force out those who have long lived in our central cities.

Ninth, we should align our tax and governance systems to better promote an inclusive economy. Favoring incumbent homeowners and larger corporations with our property tax system is hardly forward-looking, equitable, or efficient. Reworking Proposition 13, maintaining progressivity in any new tax schemes to address revenue volatility, and supporting participatory budgeting processes
and other forms of engagement is critical. Better regional planning is also necessary to promote mobility, achieve a balance between jobs and housing, and coordinate rules.

Finally, any economic program will involve another sort of governance: new agreements between labor, business, and community sectors. As we noted earlier, many progressives have been wary of business—and with good reason. But while new forms of enterprises should be encouraged, there are few viable medium-term alternatives to mass employment generation except through the business sector. There are also new possibilities for business alliances in the pursuit of a green economy, more humane immigration policies, enhanced housing, and a wide range of other issues. Building bridges in a way that continues to insist on the centrality of equity will be challenging—but it is both possible and necessary.

To do all this, we will need to inspire a broad revolution not just in policy alliances but in economic thinking itself—a topic we plan to write about in the book we hope will emerge from this project. After all, traditional theory has long assumed that self-interested actors and unregulated markets are a recipe for success. Yet the evidence is mounting that higher minimum wages can grow markets, environmental goals can develop new industries, and a stronger fiscal base can generate the workforce a modern economy needs. We need to strike new balances in both theory and policy between equity and growth, private initiative and social solidarity.

Of course, achieving the sort of economic vision that we have presented is a profoundly political project—not in the sense of a party but in the sense of the polity. The inequality that has plagued California and the nation is not just a market outcome but a symptom of an imbalance of power. The processes of globalization and technological change that are shaping our lives are often presented as inevitable, a kind of natural historical evolution of our economy from our agricultural origins, through the industrial revolution and development of manufacturing, to our information-driven economy of today. But this ignores the fact that there is nothing inevitable about the way the economy has evolved.

Powerful interests in business, government, financial markets, the media, the military, and beyond shape technological development, trade agreements, intellectual property laws, industry regulation, labor and environmental protections, and a host of other processes that determine winners and losers in the new economy. No community would voluntarily allow worse outcomes for themselves; such misfortune occurs because a community’s or group’s ability to affect policy or get ahead in the economy has been stymied. The winners from such a system, as short-term and small as the gains might be, are not likely to volunteer to give up their relative position—and when inequality is sharp and baked into a system, we can expect that disruption and conflict will be necessary to get issues of equity on the decision-making table.

So while we have emphasized how the state as a whole has much to gain from tackling inequality and connecting communities, and while we are optimistic about alliances with parts of the business sector in these efforts, we are not naïve that this will be done through a “kumbaya” epiphany that we really are all in it together. California has been blessed by some wise political leaders but change in the state was really won by the hard work of labor unions, immigrant rights groups, environmental justice advocates, education reformers, anti-incarceration activists, and others who have sought to align and ally for a more just and welcoming economy. They assessed the political landscape, reframed issues to broaden support, and fought strategic battles to raise the minimum wage, begin the process of de-incarceration, and rework cap and trade to deliver more benefits to overexposed and socially vulnerable communities.

Tackling the whole state economy might seem like a step too far. After all, much of what is needed to forge a more inclusive economy should really occur at a national level. Adjusting to the dynamics of global trade in a way that provides security to workers requires negotiating trade deals to include significant labor protections—and that’s the job of the federal government. Truly stabilizing the situation of undocumented immigrants, including roughly 2.7 million Californians, means revamping and reforming our national immigration system—and that’s a task for Congress. Effectively addressing the threat of greenhouse gases will
necessitate coordinated action with other nations—and that’s clearly the role of the executive branch.

But the reality is that the current national political winds are crosswinds at best, while those decades of innovative organizing mean that there are helpful winds at our back in California. Labor and community efforts have provided a blueprint for change with landmark community benefits agreements, sectoral job programs, and efforts to recruit and retain less advantaged workers. The state has pointed the way to the future, betting against the national retreat to fossil fuels and encouraging businesses to invest in solar power, electric vehicles, and more compact development. And community-led electoral organizing has transformed politics, helping to shift ballot propositions from being sticks of racial punishment to vehicles for raising taxes on the wealthy, shrinking the prison population, and raising spending on education for the next generation.

California now has an opportunity to lead boldly in economic as well as environmental and social policy, to be first in inclusion as well as innovation, and to move from resistance to renewal. While there remain significant limits to what California can do on its own about our economic challenges, it is important to remember that the New Deal—the national social compact that dealt with the insecurities and fears of an earlier economy—was actually developed by state-level experimentation that later became the basis for federal policy. Having pushed along the broader tilt to the left, progressive advocates, community-based organizations, and labor and other allies have an opportunity to offer not just a new vision but a new program for the state and for the nation.

We are hopeful that this report will be seen in that light—not as a full prescription (alas, there is so much more we could and should have included) but rather as an invitation to a broader discussion about how to weave together a more inclusive economic future. One of us is a fifth-generation Californian, while the other arrived as a child of immigrant parents. But both of us grew up in a time when the state was investing in the next generation, and both of us were forged politically by decades of struggles by labor and community groups to expand those investments to achieve a more just California. We have seen the state move from crisis to community, from despair to hope—and we are optimistic that it can now move from an economy of exclusion to one where all Californians find themselves able to live, work, and dream in the Golden State.
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Appendix

Participants in focus groups to conceptualize, test, and refine the idea in this report included individuals from:

- Advancement Project California
- Alliance of Californians for Community Empowerment
- California Budget & Policy Center
- California Calls
- Central California Legal Services
- Central Coast Alliance United for a Sustainable Economy
- Communities for a Better Environment
- Economic Policy Institute, Economic Analysis and Research Network
- Faith in the Valley
- Fresno Metro Ministry
- Fresno State Office of Community and Economic Development
- Grassroots Policy Project
- Insight Center for Community Economic Development
- LA AFL-CIO
- Leadership for Urban Renewal Network
- Leap Forward Project, Haas Institute
- Los Angeles Alliance for a New Economy
- Los Angeles Trade-Technical College
- National Employment Law Project
- Occidental College
- PICO California (now, Faith in Action)
- San Francisco Bay Area Planning and Urban Research
- SEIU Local 2015
- The Fund for Santa Barbara
- UC Berkeley Labor Center
- UC Davis Center for Regional Change
- UCLA Institute for Research on Labor and Employment
- UNITE HERE
- United Farm Workers
- Working Partnership USA
Notes


3 This is measured using the Gini coefficient with data available from the 2016 American Community Survey, as collected from American FactFinder at: factfinder.census.gov/faces/nav/jsf/pages/index.xhtml. Again, D.C. is not considered as it is not a state.

4 The figures come from author calculations using the IPUMS online Survey Documentation and Analysis (SDA) system for the 1950 and 1970 censuses, with, as noted, the calculations constrained to adults between the ages of 25 and 64. On IPUMS, see (Ruggles et al. 2017).

5 Data was retrieved from en.wikipedia.org/wiki/List_of_U.S._states_by_historical_population and was originally from the U.S. Census.

6 Data are from various years of the March Supplement of the Current Population Survey; we use three-year moving averages to smooth out variation due to sample size fluctuation. If we start from the benchmark year of 1980 instead, the relative decline of Black household income is less severe and there was also a fall in relative Latino household income. We consider 1990 as perhaps a more reasonable comparison year, however, because the Latino population became significantly more immigrant in the 1980s—rising from about 36 percent of the California Latino population in 1980 to about 45 percent of the California Latino population in 1990 and stabilizing at 44 percent in 2000—and new arrivals generally make less. The current foreign-born share of California Latinos is back down to about 35 percent—basically the 1980 level—making the steadiness of relative household income worrisome. The foreign-born share was calculated using the IPUMS SDA (Ruggles et al. 2017).

7 The durable goods breakdown—which is also higher-wage manufacturing—is calculated by the authors using Census microdata available from IPUMS-US; see Ruggles et al. 2017.


9 Data are from unionstats.gsu.edu/MonthlyLaborReviewArticle.htm based on methods explained in Hirsch, Macpherson, and Worman (2001).

10 The numbers refer to membership; the number of workers covered by a union contract is slightly higher but consistency with the earlier series directs a focus on members.

11 See “On Average, the Top 1 Percent Earns in Just Over One Week What Middle-Income Residents Earn in One Year,” California Budget & Policy Center, calbudgetcenter.org/resources/on-average-the-top-1-percent-earns-in-just-over-one-week-what-middle-income-residents-earn-in-one-year/.


15 We pool the years to smooth out fluctuations due to yearly variations in the raw sample size for each of the regions.

16 As noted below the figure, data for the figure comes from the Labor Market Information Division (LMID) of the Employment Development Department of the State of California; see data.edd.ca.gov/. Data are monthly for California from 1990 on. High-tech services consist of software publishing, data processing and hosting, computer systems and scientific management, business support services, and “all other information” (with over 90 percent of that sector’s employment being internet content provision between 2010 and 2016). Temporary employment is from the employment services series and likely understates the size of that sector.


18 The data come from the 1990 and 2000 Census (both 5 percent samples) and from a pooled version of the 2012-2016 American Community Surveys; since each of the latter are a 1 percent sample, combining five years is needed for comparability.

19 Data are from the National Equity Atlas; see nationalequityatlas.org/.

20 Calculations by authors using data on demographic projections from the California Department of Finance. See www.dof.ca.gov/Forecasting/Demographics/Projections/.

21 For more, see California Economic Summit (2018).


24 See Kiva Los Angeles at www.kiva.org/losangeles.

25 See City of Long Beach City Loans Program at longbeach.gov/economicdevelopment/business-development/city-loan-programs/.

26 Ibid.


29 See Kiva Oakland at www.kiva.org/oakland.

30 Data is from the 2012 U.S Census Bureau Survey of Business Owners and Self-Employed Persons. Available at: www.census.gov/programs-surveys/sbo.html.

31 New York City worked with 19 partner organizations to help start 36 worker cooperatives in fiscal year 2017 (City of New York 2018). The city council has also increased funding from the program from $1.2 million in fiscal year 2015, when it first started, to $3 million for fiscal
Data is from the California Department of Finance Demographic Projections, Total Population by Age 2010-2016. Available at: www.dof.ca.gov/Forecasting/Demographics/Projections/.

Data are monthly for California from 1990 onwards. High-tech services were defined in a previous footnote; our series on the delineated services is mostly contained in the title, with family services including employment in social assistance. We also include rehabilitation services for disabilities.


See “Unstoppable Unity, Dignity, Power,” National Domestic Workers Alliance, unstoppable.domesticworkers.org/.

The ratio of GDP to employment is calculated using the state-level GDP series from the Bureau of Economic Analysis and total nonfarm employment from the Bureau of Labor Statistics. There is a discontinuity in the GDP series at 1997 due to a shift in the industrial classification system. So, we splice the series with care and report only a general sense of the increase but our figure is in line with estimates of California productivity available from the Economic Policy Institute for the 1979 to 2013 period (Burgess et al. 2017:24)

Data from Unionstats.com.


See the California Department of Industrial Relations at www.dir.ca.gov/IWC/IWC_Defunded.html.

Calculations by authors using a 2012-2016 pooled version of the American Community Survey (Ruggles et al. 2017).


See College for All Act, collegeforallca.com/college-for-all-act/.


evidence-from-the-survey-of-consumer-finances-20170927.htm; this is combined with data on household ethnicity calculated from the 2016 ACS (Ruggles et al. 2017).

Author tabulations of the 2016 American Community Survey data, using IPUMS USA SDA, Steven J. Ruggles et al., Integrated Public Use Microdata Series: Version 7.0 [Dataset] (Minneapolis, MN: University of Minnesota, 2017), doi.org/10.18128/D010.V7.0.

See “Office of Financial Empowerment,” City and County of San Francisco, sfgov.org/ofe/k2c.

One proposal calls for a national program of significant scope, with an average contribution of $20,000 per child, but funded progressively, so that babies from families with substantial assets would receive a small amount, while the benefit would max out at $60,000 for households with the lowest wealth. They estimate this would cost about three percent of total federal expenditures. See Tippett et al. (2014).

See more about the Bank of North Dakota at bnd.nd.gov/.

For more on Oakland City Council Resolution 86905, see “Legislation,” City of Oakland, California, oakland.legistar.com/LegislationDetail.aspx?ID=3023903&GUID=99BE1C30-E3D3-4C07-A908-042B5C90CADS&Options=&Search=.

Rates from USC PERE analysis of various years of the American Community Survey (Ruggles et al. 2017).


Figures calculated by authors from the 2016 American Community Survey (Ruggles et al. 2017). Household ethnicity determined by household head; figures do not include group quarters. ACS figures roughly square with data from the California Emerging Technology Fund, available at www.ctefund.org, but are based on a larger sample.

For more, see “Toxic Taps,” toxictaps.newsdeeply.com/.

All data from the State of California Department of Finance, “CA Opportunity Zones,” dof.ca.gov/Forecasting/Demographics/opportunity_zones/.

See City of Oakland, Cannabis Equity Program, www2.oaklandnet.com/government/o/CityAdministration/cannabis-permits/OAK068455.

Ibid.

Author tabulations of 2012-2016 IPUMS American Community Survey (ACS) (Ruggles et al. 2017).

The data is from 2016 as taken from the California Sentencing Conference 2017).


See College for All Act, collegeforallca.com/college-for-all-act/.

All estimates on the undocumented reported in this section are calculated using the IPUMS SDA tool utilizing the 2016 American Community Survey data unless otherwise noted.

Also see “Community Reinvestment,” Millionhoodies Movement for Justice, www.millionhoodies.net/community-reinvestment/.

See “Invest-Divest,” Movement for Black Lives, policy.m4bl.org/invest-divest/#decriminalization.


2012-2016 American Community Survey data unless otherwise noted.

All estimates on the undocumented reported in this section are derived following a slightly modified version of CSII’s estimation procedure described here: dornsife.usc.edu/assets/sites/731/docs/CSII_Elig_Naturalize_Methodology_Final.pdf.

Calculated using the IPUMS SDA tool utilizing the 2016 American Community Survey.

The calculation on the share of California GDP attributed to immigrant is from an analysis of 2010-2014 data from the American Community Survey as reported in Rodney, Scoggins, and Sanchez (2017).


Calculated using the 2001-2016 samples of the American Community Survey available at IPUMS-USA.


Movement for Black Lives, “End the War on Black Immigrants…,” policy.m4bl.org/end-war-on-black-people/


For example, see Los Angeles Economic & Workforce Development Department Year Nineteen Annual Plan for Program Year 2018-2019. Available at: ewdflability.com/index.php/workforce-development-board-year-nineteen-annual-plan. While around 41 percent of the Los Angeles County workforce is foreign-born, the word “immigrant” only shows up 5 times in the plan, excluding the appendices. The share of the workforce that is immigrant was tabulated by the authors using 2016 ACS data via IPUMS SDA.


Ibid.

Author tabulations based on 2012-2016 ACS (Ruggles et al. 2017): as noted earlier, the underlying estimates on the undocumented in the microdata from which we make these calculations is a slightly modified version of CSII’s estimation procedure described here: dornsife.usc.edu/assets/sites/731/docs/CSII_Elig_Naturalize_Methodology_Final.pdf.


Author tabulations of 2012-2016 ACS data (Ruggles et al. 2017) unless otherwise noted.


See “SB-1167 Employment safety: indoor workers: heat regulations,”
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