

MILKEN INSTITUTE



CALIFORNIA  
SUMMIT

March 2016

# CALIFORNIA SUMMIT REVIEW

An Action Plan for Growth and Innovation



**CALIFORNIA CENTER**  
MILKEN INSTITUTE



**CALIFORNIA**  
S U M M I T

# **CALIFORNIA SUMMIT REVIEW**

An Action Plan for Growth and Innovation

Kevin Klowden  
Jason Barrett  
Carlo De La Cruz  
Matt Horton  
Brian Knight  
Sindhu Kubendran  
Donald Markwardt  
Jakob Wilhemus



**CALIFORNIA CENTER**  
MILKEN INSTITUTE



## 2015 CALIFORNIA SUMMIT SESSIONS

---



**Powering California's Economy: A Conversation with John S. Watson** This session opened the Summit, with Chevron CEO John S. Watson and CNBC anchor Brian Sullivan discussing the state economy, its regulatory environment, and the need to strike a balance between new and traditional energy.



**Honing California's Edge in Technology and Entertainment** With California at the intersection of the technology and entertainment businesses, industry leaders converged to examine regional differences between Silicon Valley and Silicon Beach, broader shifts around the state and the digital revolution in film and television.



**Notice to Proceed: Clearing a Path for Infrastructure Financing** Identifying new opportunities and areas for collaboration, this session focused on the financing of infrastructure projects, including more cost-effective methods such as public-private partnerships.



**Building Better People Movers: The Future of Transportation in California** How Californians get around in the next century will depend on the infrastructure and investments we make for the next decade. This session addressed how the state can best prepare for innovations in consumer travel, transit efficiency, and the inevitability of driverless cars.



**Fostering Innovation to Improve Health Care** This session looked at ways health-care providers could offer more efficient, cost-effective care that frees up money to provide better access and quality of care to vulnerable populations.



**Water: Protecting California's Lifeline** Two major events in 2015—the continuing drought and the El Niño forecasts—set the tone and direction of California's ongoing debate about how best to handle its most precious resource. This session focused on the nexus of water, energy, policy, and sustainable resource management.



**Opening the Golden Gate: Strategies to Attract Foreign Direct Investment** Among U.S. states, California is the largest recipient of foreign direct investment (FDI), particularly from Canada, Japan, China, and the UK. Participants examined how California can enhance its FDI prospects and spur greater economic activity and job creation.



**Rescuing the California Dream: Policies for an Affordable Future** The rising costs of housing and education are leaving many workers, students, and renters to face the painful prospect of being priced out of the state. Session participants explored feasible and common-sense strategies to make the Golden State affordable for all Californians.



**Perception vs. Reality: Is California Business Friendly?** Despite its many strengths, California suffers from a perception of being overly bureaucratic, complex, and costly for new and small-business opportunities. In this session, participants worked on identifying a comprehensive, forward-thinking strategy that would usher the state into a new era of economic development and job creation.



**Regulating Virtual Currency: Balancing Innovation and Risk** The emerging world of virtual currency continues to raise questions about how it might change the way we conduct financial transactions at the same time as it presents opportunities. Experts provided insight on the potential paths for regulation and standardization of the currency.



**Liberating Public Data for Nonprofits** Interest in open data is growing and access to government data sets could help nonprofits more effectively target their efforts. This session discussed how open-data advocates could help nonprofits identify high-value data sets relevant to their mission statements.



**Removing Barriers to Small-Business Lending** This session focused on policies that seek to remove barriers for small-business lending, specifically to assess the regulatory aspects—such as the risk-assessment hurdle—that inhibit lending activity.



**Growing Globally: Leveraging Trade Finance to Assist SMEs** Participants discussed efforts to encourage trade investment in California, including initiatives aimed at increased awareness of incentive programs to benefit small and medium-sized enterprises.



**Senior Regional Leaders Meeting** Leaders from multiple sectors shared insights on issues affecting their industries and communities. They identified priorities for the next decade, most notably for collaboration between large employers and higher-education institutions to develop better workforce pathways.



## INTRODUCTION

---

The Milken Institute's fourth annual California Summit provided an opportunity to assemble prominent state leaders in business, policy, philanthropy, and academia to address the issues facing the world's seventh-largest economy and one of the most diverse populations on the globe. Held December 8, 2015, at the Ritz-Carlton in Marina del Rey, the Summit focused on four key areas that define many of the challenges facing the state: the business climate; the need for opportunities in finance and access to capital, including financial technology; investment in the state's infrastructure, particularly involving water; and the need to maintain and grow the culture of innovation.

The Summit's program addressed the challenge of spurring innovation that is socially, economically, and politically sustainable while planning for growth. (For list of sessions, see previous pages.) Along with identifying the most crucial steps that California's leadership can take to ensure continued growth, the Summit provided the California Center with a to-do list as our speakers and attendees debated and ultimately defined actionable recommendations. As part of the California Center's engagement with stakeholders and public officials, we have focused on developing a more thorough understanding of the issues discussed at the Summit and on creating a plan for implementing many of the recommendations over the coming year. We aim to facilitate change in areas we have the capacity to address and, in other cases, raise awareness of proposed solutions on a broader scope.

### Business Climate

The Summit opened with an in-depth conversation between Chevron CEO John S. Watson and CNBC's Brian Sullivan. In terms of revenue, Chevron is the Golden State's largest company and private employer, as well as one of the world's largest oil producers. Watson and Sullivan discussed the state's growing economy and the role of the energy sector in supporting future growth. It was noted that California residents and businesses today pay among the highest prices for energy (from electricity to gas and oil) in the country and, as a result, are among those who can least withstand further jumps in energy costs. At the same time, California is leading the nation—and the world—in climate change policies to help curb greenhouse-gas emissions, transforming where and how the state gets its energy and power.

### Finance and Capital

With rapid shifts in how money changes hands in California, the state must adapt to evolving technologies and business strategies. The Summit convened some of the state's leading minds in finance to discuss pressing monetary issues. "Growing Globally: Leveraging Trade Finance to Assist SMEs" examined efforts to encourage foreign direct investment (FDI) in California, including initiatives aimed at raising awareness of incentive programs. "Removing Barriers to Small-Business Lending" focused on expanding access to capital for small businesses, with an emphasis on increasing their ability to obtain credit ratings. "Regulating Virtual Currency: Balancing Innovation and Risk" discussed the way forward for regulating bitcoin and other forms of digital currency to ensure a level playing field.

## Infrastructure

State infrastructure has the ability to affect nearly every facet of California living. “Water: Protecting California’s Lifeline” addressed the latest technological solutions, such as the new desalination plant in San Diego. “Powering California’s Economy: A Conversation with John S. Watson” touched on many business and energy concerns in the state, including a need for balance between supporting new, green energy initiatives and allowing traditional energy companies to continue to create jobs. With the state leading the evolution of private transportation in the nation, “Building Better People Movers: The Future of Transportation in California” convened some of the state’s most forward-thinking industry leaders to discuss how the state can prepare for innovations in consumer travel, including the inevitability of driverless cars. “Notice to Proceed: Clearing a Path for Infrastructure Financing” discussed the financing of infrastructure projects, including more cost-effective methods such as public-private partnerships.

## Innovation

By leveraging the innovation for which California is famous, the state continues to move into new and exciting territory in technology. “Fostering Innovation to Improve Health Care” discussed groundbreaking realities that are on the horizon such as the accessibility of patients’ entire health-care history, regardless of which doctor they visit. To address a growing interest in open data in the state, “Liberating Public Data for Nonprofits” explored the applicability of such data to the nonprofit world. “Honing California’s Edge in Technology and Entertainment” focused on the film and television industries. Entertainment leaders discussed the streaming revolution and the widening availability of digital entertainment.

## BACKGROUND AND RECOMMENDATIONS

Panelists and participants made numerous important recommendations, many of which the Milken Institute California Center has integrated into its strategic plan for 2016. Below are issues central to California's future and actions to be taken both by the Institute and by leaders in the state.

### ➔ INFRASTRUCTURE INVESTMENTS AND DEVELOPMENT

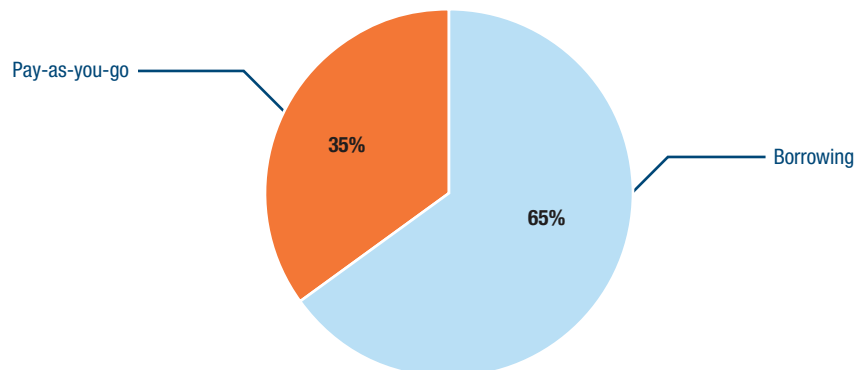
Experts noted that California's current infrastructure (water, transportation, and energy) was designed and built many decades ago for a population a fraction of the size it serves today. Further, it suffers from years of inadequate funding, resulting in inconsistent maintenance that threatens long-term growth and economic stability. Over the last 20 years, the entire system has been deteriorating as leaders created a patchwork of debt-financing measures in response to a lack of long-term federal support for infrastructure. As a result, \$1 of every \$2 spent on state infrastructure now goes to servicing this growing debt obligation. The state's annual expenditures on debt service are expected to reach \$7.8 billion in 2015.



*Panelists for "Honing California's Edge in Technology and Entertainment."*

Given the lack of a cohesive strategy on how to accommodate future growth and address maintenance for new building projects, Summit panelists pointed to the need to resolve the challenge of finding new revenue sources amid legislative hurdles and an overburdened state taxpayer base.

**FIGURE 1**  
**How Does the State Pay for Infrastructure? (2000-2010)**



Source: California Legislative Analyst's Office.



Panelists noted that the stymied 2015 legislative special session on infrastructure reinforced the challenges associated not only with maintenance but also expansion. A legislative pathway for considering new revenue sources for infrastructure remains tenuous, due to the two-thirds supermajority requirements needed to pass funding measures. Bonds remain the only ongoing funding source to address infrastructure shortfalls. As it stands, the governor's 2015 five-year infrastructure plan would cover ongoing maintenance of the current transportation system at a proposed cost of over \$10 billion (or 7 percent of the state budget), representing only 0.5 percent of the state's GDP. Panel experts contended that a much healthier investment strategy is needed—at 2.5 percent of the state's GDP—in order to keep pace with infrastructure investments from around the globe.

Experts called for creative policy solutions and investment models that include public-private partnerships, technology, and innovation to address ongoing deficiencies in state infrastructure. They recommended the following actions:

- **Create a statewide public-private partnership (P3) entity.** California does not have a one-stop shop for approvals and completion of regulatory requirements. Each infrastructure development project is required to go through numerous stages and points of contact. Having a statewide entity would not only streamline the process, but it would also create a viable and cohesive platform to leverage technology solutions. From this platform, a state P3 entity could also provide the sustained political will necessary to see a project proposal through approval while providing the resources necessary from the public sector. From the private-sector perspective, forming public relationships in this effort has proved key: Collaboration with the public agency has resulted in raising debt financing and assisting in the technical development and operation beyond just fulfilling the traditional purchasing role on the back end.
- **Unlock private investment in public infrastructure.** Public messaging around P3 projects should focus on the value proposition to taxpayers. Attaching private finance to projects is designed to be attractive on the public side because of the expedited project delivery schedule and accountability it motivates. This dynamic of accountability is not present in the tax-exempt financing scheme, while incorporating private finance would motivate more discipline and accountability by giving government a means to enforce performance standards and realize larger cost savings. In a wider marketing sense, cities and municipal governments should take the lead in articulating this value proposition around risk transfer while working with the private sector to build support for a new class of private-activity bonds for public buildings. This would allow schools, municipalities, or regional or state level entities to apply tax-exempt financing alongside private financing in advancing public infrastructure projects.
- **Revise governance and accountability models to align with performance-based project structuring.** Recent capital improvement projects have seen a transfer of oversight from elected leaders on boards and commissions to agency staff (e.g., regional government level). Massive cost overruns on projects such as the San Francisco-Oakland Bay Bridge are a good example of drawbacks to inconsistent accountability among elected leaders on big infrastructure projects. A legislative fix might be necessary to institute direct elections on regional boards and commissions. Governance structures may need to be revamped so as to build trust with the public and subsequently yield access to greater infrastructure funding. Further refinement to P3 structuring should be directed toward giving some financial security to the entities that are bringing capital to the projects in a shared-risk scenario rather than focused on structuring all differing risk models.

On the public side, the California Infrastructure and Economic Development Bank (IBank) has made efforts recently to cultivate and structure performance-based projects by working with stakeholders and borrowers to perform a comprehensive assessment of the hurdles impeding lending and project support. By restructuring the infrastructure revolving fund to make it more nimble and the financing process more transparent, IBank has been able to institute an expedited, service-based project decision process (tightening project approval to a 90-day window). This process has contributed to an atmosphere that is more conducive to nontraditional creative financing measures that assess and price risk in collaboration with municipalities.

- **Resolve the cost-vs.-efficiency tension to create a better balance among energy management, demand, and the built infrastructure.** For example, desalination is very expensive from an energy and transportation perspective, whereas storm-capture improvements are more effective and could see an increase of a half-million acre-feet just from captured runoff water. Moving to more local delivery solutions when feasible (e.g., storm water, reclamations, and recycling) are opportunities to reduce the energy intensity of the water supply and supporting infrastructure while alleviating associated development and transportation costs. Additional conservation efforts and efficiencies can further reduce urban demand and ease the energy costs. On the public side, by structuring better market incentives and allowing for a market transfer system, private-sector money can be better leveraged to develop projects with some assurances to the market on the gained system efficiencies. Panel experts stressed that an untapped opportunity exists for business and labor to collaborate and consider policy development in terms of what is good for the state and economy while ensuring that the state remains resilient and able to meet demand.

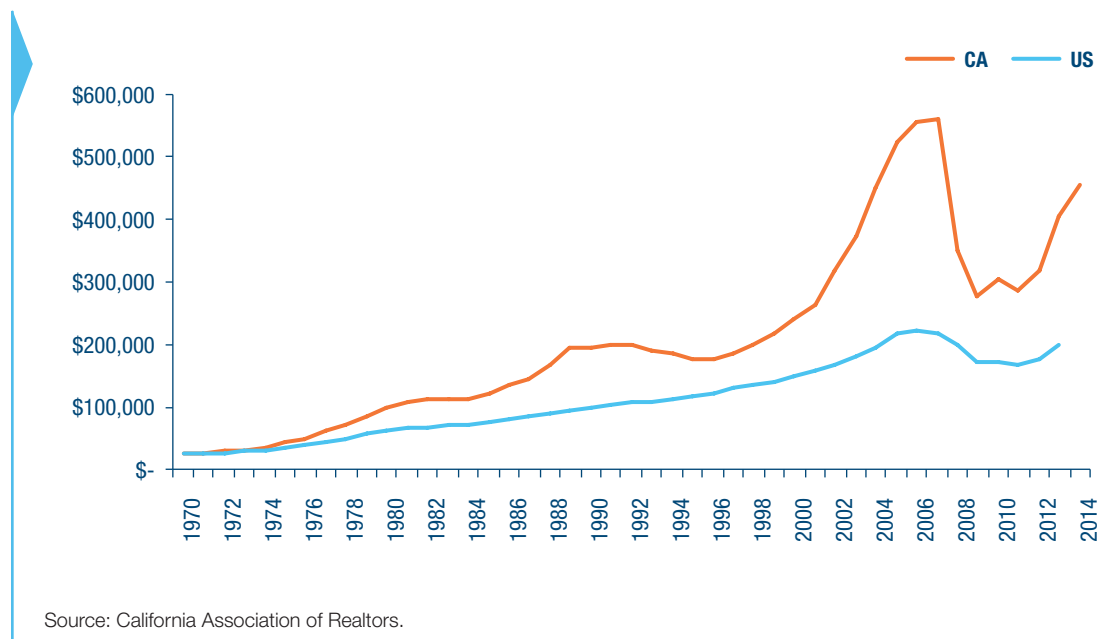
## Proposed Next Steps

The Milken Institute plans to address several aspects of the state's infrastructure needs from a research standpoint over the next strategic planning cycle, with an emphasis on private investment, trade, and transportation. On a broader scale, the California Center intends to explore the benefits of extending legislative support of P3s while engaging key state leaders on infrastructure financing and working with public officials, unions, contractors, and investors to establish an actionable framework for a sustained solution that supports long-term growth. These events will include discussion of bond financing, requirements for private capital, improved governance, attracting foreign investment, and mechanisms for expediting project approvals while satisfying key constituencies. In addition, the Institute will continue to pursue discussions on incentives for improving water-delivery infrastructure at the state and local levels.

## THE HUMAN CAPITAL AND TRANSPORTATION CONVERGENCE

Thirty years of modest income growth, rising education costs, and a dwindling base of high-paying jobs have forced thousands of Californians to face the painful prospect of being priced out of the state. As the state continues to enjoy a strong recovery in job growth and home purchases, California's workers, students, and renters are in the midst of a growing crisis of affordability. Addressing the crisis will require a multisector approach from the housing, labor, and workforce perspectives.

**FIGURE 2**  
California vs. U.S.  
Median Home Prices



California's affordability crisis isn't a direct result of the recent financial recession—it has been building up for decades. Over the years, local and regional policies have limited overall development while creating a dearth of affordable housing. This is especially the case in the most expensive metro areas.



Panelists for "Rescuing the California Dream: Policies for an Affordable Future."

For workers, high housing costs dig into salaries, leading to quality-of-life trade-offs. Workers and households must either spend more on housing or live farther and farther away from work, resulting in longer commute times, greater carbon emissions, and lower productivity. For California's businesses and workers, the lack of affordable housing for all levels of the income ladder leads to reduced productivity. It also results in more congestion and sprawl for local communities as more vehicles are on the roads.

As affordability issues drive workers and their families from neighborhoods and the state, government must do more to connect residential areas with employment hubs through the expansion of the transportation and transit mobility infrastructure. Drastic alternatives like the Hyperloop are still a few decades away, and accommodating nearer-term options, such as automated vehicles and high-speed rail, requires fundamental changes in how our government views transportation in California. Alternative forms of transportation will not only reduce costs for families, but they will also reduce greenhouse-gas emissions, to which nearly half of all modes of transportation used in the state contribute.

**TABLE 1**  
**Three California**  
**Metros Rank in**  
**the Top 5 for Worst**  
**Traffic in the U.S.**  
**(2014)**

Urban area	Hours of delays per commuter	Population (thousands)	Hours of delay (thousands)	Cost of congestion (\$ millions)
Washington, DC	82	4,920	204,375	4,560
Los Angeles	80	12,635	622,509	13,318
San Francisco/Oakland	78	3,480	146,013	3,143
New York	74	19,040	628,241	14,712
San Jose	67	1,950	104,559	2,230

Source: U.S. Department of Transportation.

Current automotive regulations are focused on the person driving the car and do not reflect the burgeoning technologies that may eventually render the driver obsolete. As it has been for so many technological innovations, California will be the laboratory to discover what works and what doesn't for new transportation regulations.

## Proposed Next Steps

- Explore the use of market incentives at the local and state level, such as density bonuses and tax credits, to increase the amount of housing stock entering the market and/or increase the level of affordability within market rate projects.
- Explore policy measures to provide an expedited entitlement process (such as streamlining the permitting process) for developers that must pay developer or impact fees.
- Decouple parking requirements from high-density urban areas that increase the cost of building new housing and commercial space. Enable parking requirements to be lowered for greater inclusion of affordable units, or other community benefits.
- California's government must encourage and incentivize the state's drivers to explore transportation options other than combustion-engine cars and work with the private sector to make those alternatives viable.

## → ADDRESSING CALIFORNIA'S BUSINESS CLIMATE



*Panelists for "Perception vs. Reality: Is California Business Friendly?"*

Despite its many strengths, California suffers from a perception of being unfriendly to new and small businesses. This perception stems from what many see as an overly bureaucratic permitting system, a high cost of doing business, and a complex regulatory environment. California continues to work to replace jobs lost during the Great Recession, particularly those in the manufacturing and aerospace industries. A comprehensive, forward-thinking strategy is required to combat the negative perception of California's business climate and bring the state into the modern era of economic development and job creation.

Central to the discussion is recognizing the critical roles small-business growth, technology innovation, and foreign direct investment (FDI) play in underpinning a healthy California economy. Foreign firms employ more than 600,000 workers in the state in their U.S. affiliate operations, contributing nearly 200,000 jobs in manufacturing alone. Roughly a third of FDI projects in the last decade have been in the technology sector, promoting a prosperous Silicon Valley and a vibrant Silicon Beach.

Despite California's success in attracting investment from around the globe, experts were quick to note that the state could not afford to rest on its laurels. A key factor in the state's success has been its ability to attract the best and brightest talent. One expert noted that rising housing costs and the difficult environment for newcomers to establish themselves (even something as simple as obtaining a bank account or credit card can stymie them) have eroded California's competitive advantage in attracting the same level of talent. Improvements such as investing in infrastructure, it was suggested, could go a long way toward improving the quality of life in the state and keeping the brightest minds in California.

In addition, Summit participants emphasized the importance of promoting the California experience to foreigners. Visitors spend more than \$100 billion statewide annually. Roughly a fifth of that is spent in Los Angeles, which is increasingly becoming a gateway city for Chinese visitors, whose appetite for travel continues to grow. Encouraging tourism and boosting California's image globally can create positive spillovers (such as attracting real estate investment) and enhance FDI prospects throughout the state.

One of the Summit participants, a foreign investor developing properties in Los Angeles, noted that while the region is attractive given the influx of visitors, navigating the city's approval process for building development has been a particular challenge and has contributed to the perception that California is not always business-friendly. One suggestion was to illustrate the importance of FDI by creating entrepreneurial zones that provide incentives for economic development.

Panelists noted the disparity in FDI flows between the U.S. and a key trading partner to the south: U.S. investments in Mexico are substantially greater than Mexican investments in the U.S. Strategies to encourage more FDI from Mexico in the U.S. include increasing strategic memorandums of understanding (or MOUs) and export promotion through the State Trade and Export Promotion (STEP) program.

## Proposed Next Steps

- Enhance the business consumer experience with government agencies through permitting reform and improved efficiency measures. By expediting permitting processes through the implementation of a “one-stop-shop”—that is, a single process through which all permit applications may be obtained, submitted, and audited—the state can drastically improve the relationship between government and entrepreneur. Providing applicants with as much accurate information as possible will empower them to submit more complete applications, reducing costs and delays.
- The state should continually self-audit to identify and eliminate redundant and complex processes. This can be achieved through enhanced cooperation with local and county level counterparts where permit work is already being done on the ground level.
- Re-examine the state’s tax code; a confusing and complicated process encourages tax maneuvers such as declaring business income as personal income.

## THE FUTURE OF COVERING CALIFORNIANS

Over \$3 trillion is spent annually on health care in the U.S., and some say up to 30 percent of this amount is misdirected and could be more efficiently spent. Providing more efficient, cost-effective care may free up money to provide better access and quality of care to vulnerable populations.

In contrast to the high levels of national health-care spending, the National Institutes of Health spent just \$30 billion in 2014 on medical research. That means only 1 percent of total health-care costs is spent on research aimed at finding solutions to current medical problems. Relative to the large burden of health care on our population and economy, we do not invest much into researching how to alleviate it, either through finding treatments to diseases or through seeking ways to improve how care is delivered.

California providers are leading the effort to change the delivery-efficiency dynamic in the health-care system. The HMO was pioneered in California; the state has been an early adopter of Medicaid expansion and now has the most Accountable Care Organizations (ACOs) of any state. Covered California is the largest state health-care exchange. While California has seen wide acceptance of capitation and managed care in general, the exchange is still dominated by PPO health plans. However, as the exchange becomes better understood, state administrators anticipate that insurers will be willing to offer more integrated health plans through Covered California.

The overarching theme of the discussion was health care’s transformation from a fee-for-services structure to a value-based, whole-person care model. This trend is altering the regulatory and operational structure of the health-care system. While such models of delivery have slowly been emerging, especially in California, the shift toward value-based care has been catalyzed by the passage of the Affordable Care Act and can be bolstered further through broader state support and integration of the Summit panel recommendations.

## Proposed Next Steps

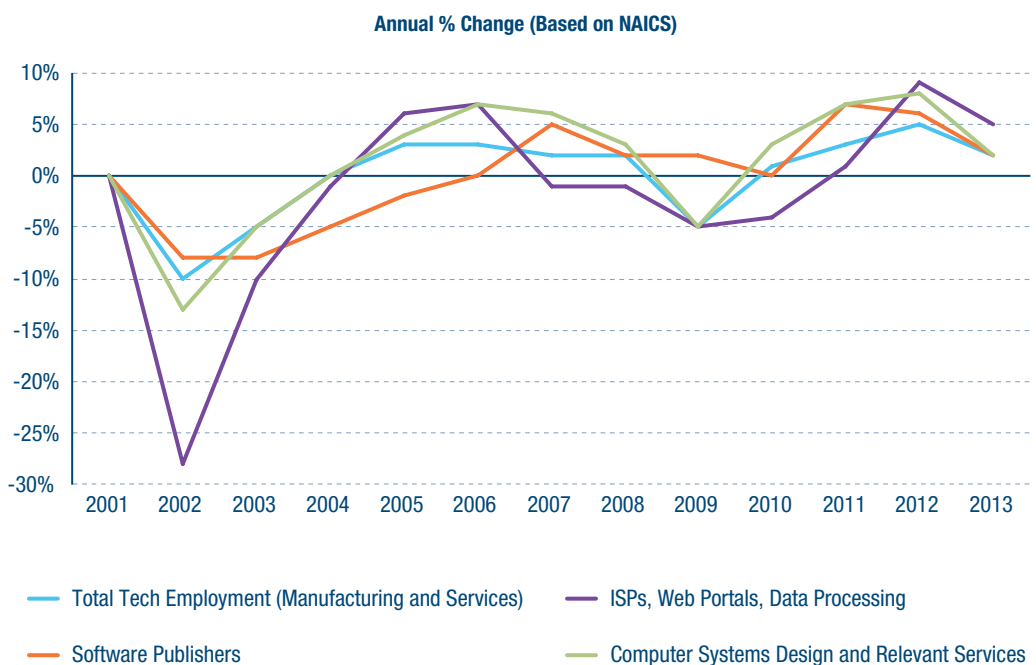
- Determine who is affected by changes in delivery and payment, specifically the disparate positive and negative impact for different types of organizations.
- Create a “glide path” for organizations to easily transition to new models of care.



- Accelerate consolidation within the health-care market to identify whether it leads to increased costs for consumers.
- Create a more sophisticated system for data management, including the sharing of information among different health-care organizations and using predictive modeling to better manage patient care.
- Examine methods to increase access to care in underserved areas, such as raising the Medicaid reimbursement rate or increasing the number of primary-care physicians and nurses.

## ➔ INNOVATION AND THE ECONOMY

**FIGURE 3**  
California Technology  
Employment  
(2001-2013)



Sources: California Employment Development Department Labor Market Information Division, Los Angeles County Economic Development Corp., U.S. Census North American Industry Classification System.

The panel on “Honing California’s Edge in Technology and Entertainment” explored the differences between Silicon Beach and Silicon Valley. Among the observations: “In Silicon Valley, the coder is the star; in Los Angeles, they’re just the extra.” This observation of regional dissimilarities associated with emerging innovation economies underscores technology’s role as a driving economic force not only in Hollywood but also in Southern California and throughout the state. As new clusters of tech and entertainment companies mature from startups to household names, the pace of innovation and collaboration will only increase exponentially. At the Summit, industry leaders across the technology and entertainment sector discussed changes taking place in the region, state, and industry.

The session highlighted the importance of sustained engagement with both content producers and consumers/users of the new digital media platforms. Older ways of engaging audiences are becoming more tailored and refined to meet the needs and tastes of a diverse demographic, signaling a trend toward more nuanced and user-specific content. Moreover, industry leaders reflected on the ongoing link between Silicon Valley and Silicon Beach. Moving beyond a cluster of satellite tech offices in Southern California, Silicon Beach is now developing its own distinct tech and innovation culture.

During the financial technology session, the government panelists discussed what new regulations would be necessary to protect virtual currency users while maintaining California's position as the hub of innovation. Industry panelists provided insight on the costs and impacts that various regulatory options might have, and how regulation should harmonize the needs of industry and the public while not inhibiting legitimate financial activity.

The rise of virtual currencies such as bitcoin, as both a means of value exchange and a way to create distributed ledgers to track transactions, has strained existing state laws. While some states believe they can adapt their existing money-transmitter laws to adequately cover virtual currencies, others, including New York and California, have decided that new, more specific regulation is needed. Critics are concerned that the regulations sweep too broadly and include redundant provisions such as state-specific anti-money-laundering (AML) requirements.

## Proposed Next Steps

In discussing potential legislation and regulations governing financial technologies, panelists representing the virtual-currency industry made these suggestions for policymakers and regulators:

- Ensure that there is an “on-ramp” for startups and smaller companies to be able to comply without facing the same burdens as large financial institutions.
- Avoid redundant requirements such as state-specific AML rules and avoid ensnaring companies that use virtual currency but don't hold customer value.
- Continue to engage with industry and other technical experts as legislation and rule-making progress.

## CONCLUSIONS AND ACTIONS FOR 2016

---

The purpose of the Milken Institute California Summit is to provide guidance not only for policymakers in California, but also for leaders in the private sector and in education, as well as for the Institute itself. The feedback from the California Summit's public and private sessions focused on the need for specific ways to improve high-quality job growth and the quality of life for Californians. In the coming year, the Milken Institute California Center will focus on key areas in which it has clear pathways to take actionable steps. We will then reflect on these actions and findings at the 2016 California Summit. These areas of focus and actions are:

- **Transportation infrastructure:** The Milken Institute will concentrate on both short- and long-term efforts to address structural funding issues in the state's transportation infrastructure. This will involve direct engagement of state legislative leaders on mechanisms to establish consistent levels of funding from year to year for improvements in the state's transportation systems. In addition, the Institute will look at best practices in public-private partnerships at the regional and local levels and examine how they can help reshape state policy.
- **Water:** As the 2015-2016 El Niño is expected to provide just enough rain and snowfall to mitigate the drought, but not eliminate its effects, it is essential that the state implement effective strategies at both the state and local level to become more efficient in its water use and retention. Throughout 2016, the California Center will continue to examine key state regulations, including those on water pricing, as well as best practices in local water retention, storage, and recycling.
- **Housing:** One of the issues raised both at the California Summit and in the Institute's work in 2015 is the significant shortage of reasonably priced housing near the state's main job centers. In addition to producing a white paper addressing several key issues on housing availability, the Institute will work with state and local policymakers on regulatory changes, investments, and innovations.
- **Permitting and regulation:** One of the most significant factors affecting California's business climate is the time-consuming and costly regulatory system. The Institute will build on prior work and examine effective mechanisms to streamline the permitting process—for key areas such as water, transportation infrastructure, and housing, as well as other sectors such as health care, where both job creation and the quality of people's lives can benefit from a more efficient statewide system. In addition, the Milken Institute's Center for Financial Markets will continue to examine mechanisms for more effective regulation at both the national and the state level that fosters system integrity without impeding the prospects for long-term growth.
- **Innovation:** The Milken Institute will host and present forums and engagements with state and local policy leaders advocating ways to preserve California's lead in technology-based development and innovation, including those delineated in the report "California's Innovation-Based Economy: Policies to Maintain and Enhance It." Further, the Institute will work with policymakers on recognizing and facilitating the important role that well-trained workers and strong human capital play at the heart of innovation—and on broadening the participation of state residents in that process.



## MILKEN INSTITUTE

1250 Fourth Street  
Santa Monica, CA 90401  
Phone: 310-570-4600

1101 New York Avenue NW, Suite 620  
Washington, DC 20005  
Phone: 202-336-8930

137 Market Street #10-02  
Singapore 048943  
Phone: 65-9457-0212

E-mail: [info@milkeninstitute.org](mailto:info@milkeninstitute.org) • [www.milkeninstitute.org](http://www.milkeninstitute.org)