

Title 10, Chapter 13, New Article 4, Sections 9000 - 9080

Notice published August 26, 2016

NOTICE OF PROPOSED RULEMAKING

The Governor's Office of Business and Economic Development (GO-Biz) proposes to adopt the proposed regulations described below after considering all comments, objections, and recommendations regarding the proposed action.

PUBLIC HEARING

GO-Biz has not scheduled a public hearing for this proposed action. However, if GO-Biz receives a written request for a public hearing from any interested person or his or her authorized representative no later than 15 days before the close of the written comment period, the office will conduct a public hearing on this proposed action and will notify all interested parties of the date, time, and location of the hearing.

WRITTEN COMMENT PERIOD

Any interested person, or his or her authorized representative, may submit written comments relevant to the proposed regulatory action to GO-Biz at the address below. Comments may also be submitted by email to grace.arupo-rodriguez@gov.ca.gov. The written comment period closes at **5:00 p.m. on October 10, 2016**. GO-Biz will only consider comments received at the GO-Biz office by that time. Submit comments to:

Governor's Office of Business and Economic Development
Attn: Grace Arupo Rodriguez
1325 J Street
18th Floor
Sacramento, CA 95814

AUTHORITY AND REFERENCE

Government Code Sections 12099, 12099.1, and 12099.2 created the California Innovation Hub (iHub) Program (collectively, Program) within the Governor's Office of Business and Economic Development (GO-Biz). In order to effectively administer the Program, GO-Biz is required to promulgate regulations because it is not exempt from the rule making process under the Administrative Procedure Act. The proposed regulations implement, interpret, and make specific Government Code Sections 12099, 12099.1, and 12099.2.

INFORMATIVE DIGEST/POLICY STATEMENT OVERVIEW

In 2013 Governor Edmund G. Brown Jr. signed Assembly Bill 250 (Holden, Chapter 530, Statutes of 2013), which created the Program within GO-Biz. GO-Biz is responsible for implementing and managing the Program.

The purpose of the Program is to foster innovation and trade. Job creation through rapid technology commercialization is a vital part of the state's economic well-being as identified in a January 2012 symposium held by the Brookings Institute. (Gov't Section 12099(a)).

Potential iHubs apply for a state designation as an iHub. The state designates what type of partnership arrangement may be called an iHub. Each potential iHub applicant includes partners from local government, venture capitalists, research institutions, etc. If designated as an iHub, the operation of each iHub is governed by a cooperative agreement between GO-Biz and the geographically distinct regions within California that form that specific iHub.

Each iHub represents an independent partnership between local government entities, public universities, research institutions, venture capitalist networks, and economic development organizations in a particular region of the state with a particular focus (e.g. manufacturing).

The iHub regulations provide a framework for GO-Biz to solicit applications from potential entities interested in becoming an iHub, designating the iHubs, creating a framework to allow for the success of iHubs and a mechanism in which to terminate an iHub designation, if necessary.

Businesses and potential investors can utilize these regionally-based iHubs to gain greater access to funding opportunities, technology transfers, research relationships, incubators, and the local workforce programs.

Each iHub operates on a "triple helix" model of economic development, in which industry, academia and government collaborate to stimulate and support innovation.

To effectively manage the application process and the overall Program, GO-Biz is proposing to adopt eight distinct regulatory sections under Title 10, Chapter 13 Sections 9000 et seq. to provide the framework of how to administer the Program. Specifically, GO-Biz is proposing to adopt the following sections: (1) the definitions; (2) the application process; (3) applicant evaluation; (4) grounds for rejection; (5) requirements of designated iHubs; (6) iHub innovation accelerator account; (7) reporting requirements; (8) changes or modifications; and (9) the revocation process. The rationale for each of these sections, its benefits, the alternatives considered, and the reliance on any other third-party data or empirical study, if any, are addressed below, unless explicitly excluded because the regulations are essential self-explanatory on their face.

Anticipated Benefits of the Proposed Regulation:

The proposed regulation will foster innovation in technology, as well as potentially boost California's business and overall economy because of the collaboration between and within each designated iHub. The collaborative processes of the iHub program encourage greater alignment between different economic development assets, organizations, and programs in California. Collaborative partnerships like the iHub program can help California reinforce its national leadership role in innovation, entrepreneurship as well as workforce development.

Determination of Inconsistency/Incompatibility with Existing State Regulations:

During the process of developing these regulations and amendments, GO-Biz has conducted a search of any similar regulations on this topic and has concluded that these regulations are neither inconsistent nor incompatible with existing state regulations. No other currently existing state agency has issued any regulations related to the proposed regulations; therefore there are no inconsistencies or incompatibilities with existing state regulations.

DISCLOSURES REGARDING PROPOSED ACTION

GO-Biz has made the following initial determinations:

Mandate on local agencies and school districts: None.

Cost or savings to any state agency: None.

Cost to any local agency or school district which must be reimbursed in accordance with Government Code sections 17500 through 17630: None.

Other nondiscretionary cost or savings imposed on local agencies: None.

Cost or savings in federal funding to the state: None.

Cost impacts on a representative private person or business: GO-Biz is not aware of any cost impacts that a presentative private person or business would necessarily incur in reasonable compliance with the proposed action.

Significant statewide adverse economic impact directly affecting business including the ability of California business to compete with businesses in other states. None.

Significant effect on housing costs: None.

Results of the Economic Impact Analysis/Assessment

The Program could contribute to California's economy by assisting with the collaboration between businesses, venture capitalists, academics, government and investors in fostering new innovative products to deliver to the consumer.

GO-Biz concludes that:

- It is likely that the proposed changes will not negatively affect the creation/elimination of jobs within in California.
- It is likely that the proposed changes will not negatively affect the creation of new business and elimination of existing business.

- It is likely that the proposed changes may promote the expansion of businesses currently doing business within the State.

Benefits of Proposed Action: The regulations provide a framework for the Program to operate. They provide applicants with guidance on how to apply to become a designated iHub and the requirements that must be maintained if one is to continue to be an iHub. By providing this clarity in application and deliverables, the regulations could encourage participation in the Program and the Program's consequent effectiveness in fostering innovation. Therefore, the proposed regulation may create an indirect impact to the general welfare of California.

Small Business Determination: GO-Biz has determined that the proposed regulations may positively affect the small businesses who participate in iHub networks.

CONSIDERATION OF ALTERNATIVES

In accordance with Government Code section 11346.5, subdivision (a)(13), GO-Biz must determine that no reasonable alternative it considered or that has otherwise been identified and brought to the attention of the agency would be more effective in carrying out the purpose for which the action is proposed or would be as effective and less burdensome to affected private persons than the proposed action or would be more cost-effective to affected private persons and equally effective in implementing the statutory policy or other provision of law.

GO-Biz invites interested persons to present statements or arguments with respect to alternatives to the proposed regulations at the scheduled hearing or during the written comment period.

CONTACT PERSONS

Inquiries concerning the proposed administrative action may be directed to:

Governor's Office of Business and Economic Development
Attn: Grace Arupo Rodriguez
1325 J Street 18th Floor
Sacramento, CA 95814
Email: grace.arupo-rodriguez@gov.ca.gov

Back-Up Contact Person:
Attn: Louis Stewart
Email: louis.stewart@gov.ca.gov

Please direct requests for copies of the proposed text of the regulations, the initial statement of reasons, or other information upon which the rulemaking is based to Ms. Arupo Rodriguez at the above address. In her absence, please contact the designated back-up contact person.

AVAILABILITY OF STATEMENT OF REASONS, TEXT OF PROPOSED REGULATIONS, AND RULEMAKING FILE

GO-Biz will have the entire rulemaking file available for inspection and copying throughout the rulemaking process at its office at the above address. As of the date this notice is published in the Notice Register, the rulemaking file consists of this notice, the proposed text of the regulations and the Initial Statement of Reasons. Copies may be obtained by contacting Grace Arupo Rodriguez at the address above.

AVAILABILITY OF CHANGED OR MODIFIED TEXT

After considering all timely and relevant comments received, GO-Biz may adopt the proposed regulations substantially as described in this notice. If GO-Biz makes modifications which are sufficiently related to the originally proposed text, it will make the modified text (with the changes clearly indicated) available to the public for at least 15 days before GO-Biz adopts the regulations as revised. Please send requests of any modified regulations to the attention of Ms. Arupo Rodriguez at the address indicated above. GO-Biz will accept written comments on the modified regulations for 15 days after the date on which they are made available.

AVAILABILITY OF FINAL STATEMENT OF REASONS

Upon its completion, copies of the Final Statement of Reasons may be obtained by contacting Ms. Arupo Rodriguez at the address above.

AVAILABILITY OF DOCUMENTS ON THE INTERNET

Copies of the Notice of Proposed Action, the Initial Statement of Reasons, and the text of the regulations can be accessed on the website at www.business.ca.gov.