

Date of Hearing: March 14, 2017

ASSEMBLY COMMITTEE ON HIGHER EDUCATION
Jose Medina, Chair
AB 240 (Lackey) – As Amended March 6, 2017

SUBJECT: University of California: California Institute for Aerospace.

SUMMARY: Requests the University of California (UC) Regents establish the California Institute for Aerospace. Specifically, **this bill:**

- 1) Finds and declares all of the following:
 - a) California’s aerospace industry is a world leader and a powerful, reliable source of employment, innovation, and export income, directly employing several hundred thousand California workers;
 - b) The enactment of a state aerospace tax credit in 2014 has positioned California to receive thousands of new jobs researching, designing, building, and testing the Long Range Strike Bomber following the awarding of the contract by the United States Air Force in 2015;
 - c) In order to maximize the state’s potential for creating new research, design, and manufacturing jobs as a result of this contract, NASA’s recently announced New Aviation Horizons initiative for aeronautics research and development, and the numerous aerospace-related companies already operating in the state, the creation of the California Institute for Aerospace by the University of California would greatly amplify the state’s role in the industry and improve public-private partnerships for innovative research;
 - d) The model provided by the Collaborative Center for Aerospace Sciences, a joint research venture of the United States Air Force Research Laboratory and the University of California, Los Angeles, is an example of the partnerships the California Institute for Aerospace could form and expand; and,
 - e) Throughout the history of the UC, many industries have grown in partnership utilizing innovative research conducted by the university.
- 2) Requests the UC Regents establish the California Institute for Aerospace in order to achieve all of the following goals:
 - a) Grow California’s economy and the aerospace industry by creating new opportunities for jobs in aerospace research and design;
 - b) Utilize public-private partnerships to perform innovative research in aerospace technology;
 - c) Strengthen California’s position as a global leader in the aerospace industry by increasing the amount of research, development, and design taking place in the state; and,
 - d) Develop California’s next generation of engineers and technicians through expanded research opportunities within the aerospace industry.

- 3) Requests the UC Regents locate the California Institute for Aerospace at a satellite campus within 20 miles of Edwards Air Force Base or United States Air Force Plant 42 so that it will be in close proximity to a large part of California's current aerospace research and development.
- 4) Provides that this bill shall only be implemented to the extent that the UC Regents determine that adequate funding for its purposes has been provided from federal, local, or private sector sources, has been appropriated in the annual Budget Act or in another statute, or has been provided from a combination of these sources.

EXISTING LAW:

- 1) Establishes the UC as a public trust and confers the full powers of the UC upon the UC Regents. The Constitution establishes that the UC is subject to legislative control only to the degree necessary to ensure the security of its funds and compliance with the terms of its endowments. Judicial decisions have held that there are three additional areas in which there may be limited legislative intrusion into university operations: authority over the appropriation of state moneys; exercise of the general police power to provide for the public health, safety and welfare; and, legislation on matters of general statewide concern not involving internal university affairs (Constitution of California, Article IX, Section 9).
- 2) Establishes the Donahoe Higher Education Act, setting forth the mission of the UC (Education Code (EC) Section 66010, et seq.).
- 3) Grants the UC Regents regulatory authority over the UC (EC Section 92440, et seq.).

FISCAL EFFECT: Unknown.

COMMENTS: *Background.* The Legislature, in 2014, debated a series of bills relative to the aerospace industry, a brief history of the industry was included in those bill analyses:

The aerospace industry began in California with a few aircraft builders around World War I, and then vastly expanded in the mobilization for World War II. The industry steadily grew during the Cold War encompassing a wide range of activities, including military and civilian aircraft, reconnaissance and communications satellites, strategic missiles, and space exploration. By the 1980s, about 40% of the aerospace business resided in southern California, and the industry employed close to a half-million people. One of the region's strongest selling points for aerospace was its environment: the clear blue skies and ample open spaces were ideal for testing new aircraft. California also was home to a variety of related industries, particularly petroleum, as well as top-notch research universities and a large labor pool.

Defense spending peaked at \$557 billion in 1985 (in constant fiscal 2009 dollars) and then began a downward trend. The collapse of the Soviet Union and the end the Cold War led to more than 50 major defense companies consolidating into only six. According to the Employment Development Department's Labor Market Information Division, employment in the Aerospace Production and Manufacturing sector declined from 139,300 in 1993 to 70,800 in 2013. Most of the decline occurred before 2004.

However, further job decline is likely because defense spending is expected to fall due to the implementation of federal budget cuts.

Purpose of this measure. According to the author, "California's aerospace companies in 2012 contributed \$62 billion in tax revenues, equivalent to more than a third of the state budget. Employing a highly skilled and specialized workforce of more than half a million people in commercial, military and civil capacities, the aerospace industry's statewide economic impact in 2012 exceeded \$100 billion, with average annual aerospace industry wages among the nation's highest." The author contends that, "California institutes have been tremendous resources for research in various industries. They have successfully addressed critical issues facing the globe in the fields of biology, physics, chemistry, economics, and medicine."

Additionally, the author argues, "We have already seen aerospace industry companies and programs lured away, if industry outmigration continues, California risks losing global aerospace market share; to help the industry attract and retain the talent it needs to propel it forward, California should continue to invest in the aerospace industry."

Committee consideration. Chaptered in 2016, AB 2664 (Irwin), required the UC to expand or accelerate economic development in the state in ways that support innovation and entrepreneurship; the Committee may wish to consider if the passage of AB 240, as outlined in this bill, will divert UC from its existing focus as stipulated in AB 2664.

Related legislation. AB 427 (Muratsuchi), which is pending a hearing in the Assembly Arts, Entertainment, Sports, Tourism, and Internet Media Committee, would, among others, establish the California Aerospace Commission to foster the development of activities in California related to aerospace, including, but not limited to, aviation, commercial and governmental space travel, unmanned aerial vehicles, aerospace education and job training, infrastructure and research launches, manufacturing, academic research, applied research, economic diversification, business development, tourism, and education.

AB 2600 (Lackey) of 2016, which was held on suspense in the Assembly Appropriations Committee, was virtually identical to this measure.

AB 2664 (Irwin), Chapter 862, Statutes of 2016, required the UC, among others, to make one-time expenditures on activities, using the \$22 million General Fund provided in the Budget Act of 2016, to expand or accelerate economic development in the state in ways that support innovation and entrepreneurship.

REGISTERED SUPPORT / OPPOSITION:

Support

Board of Trustees of the Antelope Valley Community College District
California Institute for Aerospace

Opposition

None on file.

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