

Date of Hearing: April 22, 2025

ASSEMBLY COMMITTEE ON ECONOMIC DEVELOPMENT, GROWTH, AND
HOUSEHOLD IMPACT

José Solache, Chair

AB 1477 (Sharp-Collins) – As Amended March 24, 2025

SUBJECT: Governor's Office of Business and Economic Development: California Competes Grant Program

SUMMARY: The bill extends the California Competes Grant Program, which allows the Governor's Office of Business and Economic Development to offer grants to businesses that meet specific criteria, such as creating jobs or making investments in California. The bill proposes to continue these provisions until January 1, 2031.

Specifically, **this bill**:

- a) Extends the operation of these provisions until January 1, 2031.

EXISTING LAW:

- a) Until January 1, 2030, and upon appropriation by the Legislature, creates the California Competes Grant Program, which, among other things, authorizes the Governor's Office of Business and Economic Development (GO-Biz) to provide grants to an applicant that meets specified criteria relating to the creation of jobs or investments in the state.

FISCAL EFFECT: Unknown

COMMENTS: The California Competes Tax Credit (CCTC) is an income tax credit available to businesses that want to locate in California or stay and grow in California. Businesses of any industry, size, or location compete for over \$180 million available in tax credits by applying in one of the three application periods each year. Applicants are analyzed based on fourteen different factors of evaluation, including number of full-time jobs being created, amount of investment, and strategic importance to the state or region.

California adopted the CCTC in 2013, replacing the enterprise zone program. The CCTC parallels other economic development programs around the country aiming to attract and retain businesses in the state, and in providing incentives for proposed job creation and investment in distressed communities.

Benefits of the Program

1. **Tax Credits** – Businesses can receive tax credits that reduce their state income tax liability. These credits are awarded based on the number of jobs created, the amount of investment and the overall economic impact of the business.
2. **Grants** – In addition to tax credits, the program also offers grants to businesses that meet certain criteria. These grants can be used for a variety of purposes, including infrastructure development, employee training and other business-related expenses.

3. **Job Creation** – One of the primary goals of the program is to create jobs in California. Businesses that participate in the program are required to meet specific job creation targets, which helps to boost employment in the state.
4. **Economic Growth** – By attracting and retaining businesses, the program helps to stimulate economic growth in California. This, in turn, leads to increased tax revenues, improved infrastructure, and a higher standard of living for residents.

The application process for the California Competes Tax Credit and Grant Program is competitive and involves several steps:

1. **Pre-Application** – Businesses must first submit a pre-application to determine their eligibility for the program. This includes providing information about the business, its plans for expansion or relocation, and the expected economic impact.
2. **Full Application** – If the pre-application is approved, businesses are invited to submit a full application. This includes detailed information about the business, its financials, and its plans for job creation and investment.
3. **Evaluation** – Applications are evaluated based on a variety of factors, including the number of jobs created, the amount of investment, and the overall economic impact of the business.
4. **Award** – Successful applicants are awarded tax credits or grants based on their performance and the overall impact of their business on the state's economy.

The CCTC had originally been set to end in July 2018, but the California State Legislature extended the program through 2028. Per the Legislative Analyst's Office (LAO), the legislature has made several changes intended to improve targeting of the incentives toward firms that would otherwise locate outside of California and added job training opportunities as a factor GO-Biz can consider in awarding credits.

According to the Public Policy Institute of California (PPIC), “the CCTC is a well-targeted and well-designed hiring incentive subsidy that has proven effective in promoting local business expansions. Moreover, the costs per job created are low relative to other job creation incentive programs, suggesting that the benefits of the CCTC considerably outweigh the costs. Our evidence also suggests that the recent short-term expansion of the CCTC in 2021–22, as well as the creation of a related grants program, could lead to additional job creation at relatively low cost. However, more research would be necessary to determine if these changes are as effective as the smaller-scale, credit-based program.”

Author's Statement: “AB 1477 is a common sense bill that extends by a year the life of the California Competes Grant Program that provides grants to companies making a big impact on the California economy, specifically creating over 500 jobs or providing an investment of at least \$10 million. This extension ensures that all funds are spent during the life of the program”.

REGISTERED SUPPORT / OPPOSITION:

Support

None on file.

Opposition

None on file.

Analysis Prepared by: Carla Castilla / E.D., G., & H.I. / (916) 319-2090