

Standardized Regulatory Impact Assessment (SRIA)

California Competes Tax Credit Program Regulations

A. Summary

1. Statement of Need of the Proposed Regulation

Governor Edmund G. Brown Jr. established the Governor's Economic Development Initiative (GEDI) by signing Assembly Bill 93 (Cmte. on Budget, Chapter 69, Statutes of 2013) and Senate Bill 90 (Galgiani, Chapter 7, Statutes of 2013) into law. GEDI is comprised of the manufacturing equipment sales & use tax exemption, new employment credit, and the California Competes tax credit. The Governor's Office of Business and Economic Development (GO-Biz) is responsible for implementation of the California Competes Tax Credit (CCTC). The CCTC is a state-wide program available to both large and small businesses, with 25% of available credit each year specifically reserved for small businesses. In addition, priority review is given to companies at risk of relocation out of state (retention candidates).

In the 2013-14 fiscal year, thirty million dollars of tax credits were available for distribution. In order to implement the program in fiscal year 2013-14, emergency regulations were implemented on February 20, 2014. Legislation requires GO-Biz to develop an application process to administer the tax credit and make determinations as to which taxpayer will be granted the tax credit based upon a competitive foundation. As required by statute, the process must be open and transparent and candidates must be provided sufficient time to allow for the negotiations between GO-Biz and the applicant. The emergency regulations are due to expire on August 20, 2014. GO-Biz is now completing the final permanent regulatory process.

GO-Biz is required to draft regulations to effectively administer the CCTC. The CCTC regulations provide a framework for ensuring that only the most competitive applicants receive the tax credit. In awarding the credit, GO-Biz is required by statute to consider the following factors:

- (1) The number of jobs created or retained in the state;
- (2) The compensation paid or proposed to be paid to employees, including wages and fringe benefits;
- (3) The amount of investment in the state;
- (4) The extent of unemployment or poverty where the business is located;
- (5) The incentives available to the business in the state;
- (6) The incentives available to the business in other states.

- (7) The duration of the business' proposed project and the duration the business commits to remain in this state;
- (8) The overall economic impact;
- (9) The strategic importance to the state, region, or locality;
- (10) The opportunity for future growth and expansion; and
- (11) The extent to which the anticipated benefit to the state exceeds the projected benefit to the business from the tax credit.

GO-Biz developed a two phase evaluation process to determine the competitiveness of each application. The first phase consists of a quantitative evaluation which uses a cost-benefit formula to determine the most competitive applicants with the lowest cost-benefit ratio.¹ Retention candidates are moved directly to the second phase of evaluation, regardless of cost-benefit ratio. The second phase consists of a qualitative evaluation which includes consideration of many factors including those described above. At the end of the two phase evaluation, GO-Biz engages in negotiation with the applicant and successful negotiations are then recommended to the California Competes Tax Credit Committee for approval of the tax credit agreements.

As part of the permanent regulation drafting process, GO-Biz is considering the following changes to the existing emergency regulations:

- Eliminating the investment one-year look back: the emergency regulations allowed for a one-year look back on applicant investments due a lack of other available tax incentives for business looking to invest between the dissolution of the Enterprise Zone program and implementation of all three GEDI programs. Now that the entire GEDI is available to businesses looking to invest in the state, this proposed change would seek to incentivize future behavior rather than reward companies for past investment.
- Requiring small business gross receipts to be greater than zero: the intention of the CCTC legislation was to allocate a significant amount of tax credits (25% minimum) to small businesses. Currently the CCTC program uses a ceiling of gross receipts less than \$2 million to define a small business. The proposed change would establish a floor of gross receipts greater than zero dollars to ensure that only small businesses within the intention of the legislation receive credits under the 25% small business allocation.

2. Major Regulation Determination

Assembly Bill 93 and Senate Bill 90 allocated a maximum credit amount over the next five fiscal years for the CCTC program. The final annual credit allocation will be determined by the Department of Finance and based upon combined use of the three incentive programs included in the

¹ Cost-Benefit Ratio Formula for Cal Competes: tax credit requested / employee compensation + investments.

GEDI. The maximum amount available for allocation each year for CCTC is as follows:

- 2013-2014 FY: \$30 million
- 2014-2015 FY: \$150 million
- 2015-2016 FY: \$200 million
- 2016-2017 FY: \$200 million
- 2017-2018 FY: \$200 million

The proposed regulation will likely exceed \$50 million in economic impacts during each fiscal year from 2013-2018.

3. Economic Baseline

Currently, only emergency regulations exist for the CCTC program. If the permanent regulatory process is not completed, there will be no means in which to operate the program. Therefore, the economic baseline represents the remaining components of the GEDI, the manufacturing equipment sales & use tax exemption and new employment credit. Both of these components have specific eligibility qualifications that are not inclusive to all California businesses. The manufacturing equipment sales & use tax exemption only applies to specific manufacturing equipment, such as food processing equipment, manufacturing research and development equipment, biotech equipment, and necessary tenant improvements.² The new employment credit only applies to businesses located in economic development areas that hire individuals with barriers to employment, such as persons unemployed for six months, veterans within one year of separation from active military duty, earned income tax credit recipients, ex-offenders, and recipients of CalWorks or general assistance.³ Without the CCTC, businesses that are not located within economic development areas or purchasing manufacturing equipment would have few, if any, other statewide incentive programs available to assist with growth or retention.

4. Public Outreach and Input

GO-Biz staff conducted a series of statewide workshops and meetings to solicit comments from affected stakeholders regarding the development of the CCTC program. These workshops received participation from local leaders, businesses and economic development practitioners. A summary of the stakeholder outreach is as follows:

Draft Emergency Regulation Workshops

- December 5, 2013, Sacramento, CA
- December 9, 2013, Fresno, CA

² http://www.boe.ca.gov/sutax/manufacturing_exemptions.htm

³ https://www.ftb.ca.gov/online/New_Employment_Credit_Reservation/index.shtml

- December 11, 2013, Hayward, CA
- December 17, 2013, San Diego
- December 19, 2013, Glendale
- December 20, 2013, Online Webinar

B. Benefits

The proposed CCTC regulations provides the following economic benefits: (1) supports high wage job creation⁴, (2) contributes to investments made in California, and (3) offers flexibility in the evaluation process to adjust for changes to the business climate.

1. Individuals

The proposed regulations will not directly affect individual consumers. However, to the extent that new jobs are created or investments are made, individuals hired by businesses as a result of the credit may benefit from additional labor income.

2. Businesses

The proposed regulations have the potential to impact all industries in California with limited exception (see Appendix 1 & 2). The proposed regulations improve the business climate by reducing the tax burden of doing business, allowing companies to invest in innovation, and boosting the states competitive advantage. The proposed regulations also support the small business community, as 25% of the funds are required to be allocated to small businesses. According to the US Small Business Association, small businesses are the main driver of the economy, and in California account for 52% of all employment and 99.2% of state employers.⁵ In addition, the regulations assist businesses that are at risk of leaving California. Retention applicants are prioritized and automatically advanced to the second phase of credit award evaluation.

C. Costs and Cost Savings

The cost of CCTC regulations is the tax revenue forgone, which could have been allocated to other government programs or given as a tax credit to individuals. Tax credit awards from the CCTC program are attributable to a reduction in potential tax revenue for the state. In theory the cost of the program is the lost opportunity of collecting those tax funds and spending them on government programs and services. Thus, the cost to the state is the revenue forgone by not collecting taxes from CCTC awardees. However, it should be noted that without this tax credit, much and in some cases all, of the hiring and investment by individual awardees would not occur and the state would lose out on potential revenue above and beyond the tax credit award amount.

⁴ In the first phase of evaluation CCTC considers employee compensation and investments to determine the top 200% of applicants that advance.

⁵ [http://www.sba.gov/sites/default/files/files/California13\(1\).pdf](http://www.sba.gov/sites/default/files/files/California13(1).pdf)

There is also a cost to implement the CCTC program each fiscal year. GO-Biz estimates the first year of the program will cost \$965,000, and future years will cost \$935,000. GO-Biz did not include the program's implementation costs in the economic impact analysis.

1. Individuals

While there is not a direct cost to consumers, if the tax revenue used to fund the CCTC was used for other government programs or services, the tax burden for consumers may have been reduced accordingly. Under this rationale, the tax credit has a cost to consumer spending for the amount of the allocated credit each year. This factor is accounted for in the model by applying the credit amount for each year as a negative change in consumer spending.⁶

2. Businesses

Businesses awarded a tax credit are able to save the money not paid in taxes and use those funds to finance new jobs and investments. Although this tax credit program does not incur any direct costs to businesses, in some cases applicants hired consultants, attorneys, and other third parties to complete their applications/credit negotiations. Approximately, 30% of the applicants in the fiscal year 2013-14 utilized these types of third-party services.

D. Macroeconomic Impacts

1. Economic Analysis Methodology

GO-Biz used IMPLAN economic modeling software to estimate the impacts of the CCTC on the state's economy. IMPLAN includes data collected by the U.S. Bureau of Economic Analysis, U.S. Bureau of Labor Statistics, and U.S. Census Bureau's Annual Survey of Manufactures. Using deflators and activity levels, IMPLAN determines a future project's value in today's dollars. IMPLAN uses its own unique sector codes to define and identify industries within a regional economy based on a consolidation of North American Industry Classification System (NAICS) code classifications. The 396 applicants from the first round of CCTC tax credit applications represented 256 different NAICS codes.

IMPLAN was selected because it satisfies the regulatory criteria found in Title 1, Division 3, Chapter 1, in section 2003(a) of the California Code of Regulation: (1) provides estimates of the total economic effects due to regulatory policies over a multi-year time period; (2) generates California economic variable estimates such as personal income, employment by economic sector, exports and imports, and gross state product, based on inter-industry relationships that are equivalent in structure to the Regional Industry Modeling System published by the Bureau of Economic Analysis; and (3) produces quantitative estimates of economic variables that address or facilitate the quantitative or qualitative estimation of total impact to the state.

⁶ Refer to Appendix V. for list of personal consumption industries used to account for impacts on individuals.

IMPLAN provides a number of results which GO-Biz used to interpret the economic impact of the CCTC on the state economy. These results include direct, indirect, and induced impacts for all employment and investment inputs in terms of the following categories: job creation, labor income, and total output.⁷ The interpretation of these results both individually and in aggregate are reflected within subsequent sections of this report.

2. Inputs and Assumptions

GO-Biz used two assumptions determined in coordination with the Department of Finance to forecast the program's impact on the state economy from 2015 to 2018. First, GO-Biz assumed that for every \$15,000 available in tax credits one direct new job will be created as a result of CCTC. This amount is consistent with the average credit per employee of other states programs. For fiscal year 2014-2015, GO-Biz assumed 10,000 direct jobs will be created. For fiscal years 2015-2016; 2016-2017; 2017-2018, GO-Biz assumed 13,333 direct jobs will be created. Second, GO-Biz assumed direct investments resulting from the CCTC would be three times the total tax credit allocation each fiscal year. For fiscal year 2014-2015, GO-Biz assumed \$450 million in direct investments and for fiscal years 2015-2016; 2016-2017; 2017-2018, GO-Biz assumed \$600 million in direct investments.

To assess future indirect and induced employment impacts, GO-Biz created a list of industries⁸ expected to apply in future rounds, which are proportionately weighted to their respective output within the state. Additionally, to assess future indirect and induced investment impacts, GO-Biz created a list of expected equipment and construction industries,⁹ proportionately weighted to its respective output within the state. Using the assumptions from above, data from these lists were extrapolated to forecast future economic impacts in IMPLAN.

This analysis further assumed that program performance remained proportionately consistent with the increase in the tax credits available per year. However, GO-Biz recognizes that future outputs may be inconsistent. In the first round of the program, employment ranged from 5 to 1550, with the average being 203. Similarly, there is a large span in investments, ranging from 0 to roughly \$526 million, with the average being approximately \$74.9 million.

3. Impact Assessment Results

i. Competitiveness

The CCTC boosts competitiveness by reducing the cost of doing business in the state. For fiscal year 2013-14, \$28,904,663 in tax credits were distributed to 29 businesses. Of

⁷ See Appendix I for list of key terms.

⁸ See Appendix II. The model will not assess impact in the following industries: government, education, film and movie, civic organizations, hotels and motels, casinos, gambling, entertainment and sport franchises.

⁹ See Appendix III. and IV. The model will not assess impact in the following industries: government, education, film and movie, civic organization, sport franchise and some retail and service industries.

those businesses, 25% were located in an area where the level of poverty and unemployment was greater than the statewide average.¹⁰ The program also gives the state a tool to combat intrastate competition by retaining businesses that are at risk of relocation because these applicants are prioritized and automatically advanced to the second phase of credit award evaluation. In the fiscal year 2013-14, 13.8% (4 out of 29 awardees) of the credits were distributed to applicants at-risk of leaving the state.

ii. California Business Impacts

California businesses have a significant role in the nation's economy. California added almost 320,000 new jobs in 2013. In addition, California is one of the top 10 states in the areas of high-wage services, fastest growing companies, initial public offerings, innovation capacity and patents. California is home to 53 of the U.S. Fortune 500 companies and maintains 3.4 million small businesses.¹¹ With the recent growth in job creation and industry sectors, California upholds an internationally competitive gross domestic product, at \$2.2 trillion.¹²

Despite these accolades, California has a higher unemployment rate, cost of living, tax rate and stricter regulatory environment compared to the rest of the nation. According to the Bureau of Labor Statistics California's unemployment rate is the 47th highest in the nation at 7.6%.¹³ CNBC recently put out a study that ranks California 47th in the nation for cost of living.¹⁴ Not only do these factors make it difficult for businesses to grow and expand, but it increases the likelihood of businesses relocating out of the state.

In order to remain competitive, the CCTC supports the continued growth of large and small businesses as well as businesses that are at risk for relocating out of state. The tax credit serves to alleviate some of the costs of doing business in California by offering opportunities to expedite future plans of investment in the state and/or the creation of new jobs. Without this program, it is possible that new jobs and investments would still occur, however the scale and magnitude would not be as significant. Furthermore, without the support of this tax credit it is likely that some businesses would choose to relocate to state's with similar programs or other tax incentives.

¹⁰ Poverty threshold data was provided by the United State Census Bureau; unemployment data was provided by the California Employment Development Department.

¹¹ <http://www.business.ca.gov/WhyCA/CaliforniaEconomybytheNumbers.aspx>

¹² Data provided by the Department of Finance, Economic Research Unit

¹³ <http://www.bls.gov/web/laus/laumstrk.htm> (May 2014)

¹⁴ <http://www.cnbc.com/id/101693398>

iii. Employment Impacts in California

GO-Biz used IMPLAN to estimate the economic impact of direct, indirect and induced employment/jobs created by future applicants.¹⁵ Based on IMPLAN modeling, CCTC awardee employment commitments from 2015-2018, will support an aggregate total of approximately 160,702 direct, 88,044 indirect, and 104,967 induced jobs in California. The total positive employment impact is 353,713 jobs.

| Direct Employment Impact | | | | | |
|--------------------------|---------------|---------------|---------------|---------------|---------------|
| Impact Type | 2015 | 2016 | 2017 | 2018 | Aggregate |
| Direct Effect | 10,000 | 13,333 | 13,333 | 13,333 | 49,999 |
| Indirect Effect | 3,958 | 5,277 | 5,277 | 5,277 | 19,789 |
| Induced Effect | 5,283 | 7,044 | 7,044 | 7,044 | 26,417 |
| Total Effect | 19,241 | 25,655 | 25,655 | 25,655 | 96,206 |

| Equipment and Construction Investment Employment Impact | | | | | |
|---|---------------|---------------|---------------|---------------|----------------|
| Impact Type | 2015 | 2016 | 2017 | 2018 | Aggregate |
| Direct Effect | 14,034 | 33,790 | 33,790 | 33,790 | 115,404 |
| Indirect Effect | 7,474 | 20,749 | 20,749 | 20,749 | 69,722 |
| Induced Effect | 9,216 | 23,831 | 23,831 | 23,831 | 80,708 |
| Total Effect | 30,724 | 78,370 | 78,370 | 78,370 | 265,834 |

| Loss in Jobs from Change in Personal Income | | | | | |
|---|--------------|--------------|--------------|--------------|--------------|
| Impact Type | 2015 | 2016 | 2017 | 2018 | Aggregate |
| Direct Effect | -976 | -1271 | -1242 | -1213 | -4702 |
| Indirect Effect | -304 | -396 | -388 | -379 | -1467 |
| Induced Effect | -448 | -583 | -570 | -557 | -2158 |
| Total Effect | -1728 | -2250 | -2200 | -2149 | -8327 |

| Aggregate Employment Impact | | | | | |
|-----------------------------|---------------|----------------|----------------|----------------|----------------|
| Impact Type | 2015 | 2016 | 2017 | 2018 | Aggregate |
| Direct Effect | 23,058 | 45,852 | 45,881 | 45,910 | 160,702 |
| Indirect Effect | 11,128 | 25,630 | 25,638 | 25,647 | 88,044 |
| Induced Effect | 14,052 | 30,292 | 30,305 | 30,318 | 104,967 |
| Total Effect | 48,238 | 101,775 | 101,825 | 101,876 | 353,713 |

iv. Investment and Incentives

GO-Biz used IMPLAN to estimate the economic impact of equipment and construction investments by future applicants. Based on IMPLAN modeling, CCTC awardee investment commitments from 2015-2018, will support an aggregate total of

¹⁵ See Appendix I. for definition of Employment.

approximately \$2.25 billion direct, \$1.16 billion indirect, and \$1.1 billion induced economic output in California. The total positive investment output is roughly \$4.5 billion.

| Investment Impact | | | | | |
|-------------------|---------------|-----------------|-----------------|-----------------|-----------------|
| Impact Type | 2015 | 2016 | 2017 | 2018 | Aggregate |
| Direct Effect | \$450,000,000 | \$600,000,000 | \$600,000,000 | \$600,000,000 | \$2,250,000,000 |
| Indirect Effect | \$233,605,904 | \$311,474,538 | \$311,474,538 | \$311,474,538 | \$1,168,029,518 |
| Induced Effect | \$220,768,129 | \$294,357,505 | \$294,357,505 | \$294,357,505 | \$1,103,840,645 |
| Total Effect | \$904,374,032 | \$1,205,832,043 | \$1,205,832,043 | \$1,205,832,043 | \$4,521,870,162 |

v. Personal Income

GO-Biz used IMPLAN to estimate the economic impact of labor income based on the expected employment, equipment and construction investment commitments of future applicants. Based on IMPLAN modeling, CCTC awardee employment and investment commitments from 2015-2018, will support an aggregate total of approximately \$11.76 billion direct, \$6.3 billion indirect, and \$5.7 billion induced personal income in California.¹⁶ The total positive personal income impact is roughly \$23.8 billion (see page 9).

| Direct Labor Income | | | | | |
|---------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Impact Type | 2015 | 2016 | 2017 | 2018 | Aggregate |
| Direct Effect | \$646,608,618 | \$862,144,825 | \$853,523,376 | \$844,988,143 | \$3,207,264,962 |
| Indirect Effect | \$284,175,809 | \$378,901,079 | \$375,112,068 | \$371,360,948 | \$1,409,549,904 |
| Induced Effect | \$291,302,205 | \$388,402,941 | \$384,518,911 | \$380,673,722 | \$1,444,897,779 |
| Total Effect | \$1,222,086,633 | \$1,629,448,844 | \$1,613,154,356 | \$1,597,022,812 | \$6,061,712,645 |

| Equipment and Construction Investment Labor Income | | | | | |
|--|-----------------|-----------------|-----------------|-----------------|------------------|
| Impact Type | 2015 | 2016 | 2017 | 2018 | Aggregate |
| Direct Effect | \$1,084,673,483 | \$2,611,524,429 | \$2,585,409,185 | \$2,559,555,093 | \$8,841,162,190 |
| Indirect Effect | \$541,190,606 | \$1,502,503,069 | \$1,487,478,039 | \$1,472,603,258 | \$5,003,774,973 |
| Induced Effect | \$508,087,610 | \$1,313,756,004 | \$1,300,618,444 | \$1,287,612,259 | \$4,410,074,317 |
| Total Effect | \$2,133,951,699 | \$5,427,783,503 | \$5,373,505,667 | \$5,319,770,611 | \$18,255,011,480 |

¹⁶ Personal income as referenced in this section denotes total compensation for an employee (i.e. aggregated pay and benefits).

| Loss in Labor Income from change in Personal Consumption | | | | | |
|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Impact Type | 2015 | 2016 | 2017 | 2018 | Aggregate |
| Direct Effect | -\$58,682,318.00 | -\$76,409,794.00 | -\$74,624,606.00 | -\$72,886,219.00 | -\$282,602,937.00 |
| Indirect Effect | -\$20,338,009.00 | -\$26,533,258.00 | -\$25,964,085.00 | -\$25,409,428.00 | -\$98,244,780.00 |
| Induced Effect | -\$24,699,644.00 | -\$32,177,614.00 | -\$31,442,057.00 | -\$30,725,654.00 | -\$119,044,969.00 |
| Total Effect | -\$103,719,971.00 | -\$135,120,666.00 | -\$132,030,748.00 | -\$129,021,301.00 | -\$499,892,686.00 |

| Aggregate Labor Income | | | | | |
|------------------------|---------------------------|---------------------------|---------------------------|---------------------------|----------------------------|
| Impact Type | 2015 | 2016 | 2017 | 2018 | Aggregate |
| Direct Effect | \$1,672,599,783.31 | \$3,397,259,459.75 | \$3,364,307,955.22 | \$3,331,657,016.60 | \$11,765,824,214.89 |
| Indirect Effect | \$805,028,406.77 | \$1,854,870,890.40 | \$1,836,626,021.91 | \$1,818,554,777.84 | \$6,315,080,096.93 |
| Induced Effect | \$774,690,171.16 | \$1,669,981,330.51 | \$1,653,695,298.06 | \$1,637,560,327.51 | \$5,735,927,127.25 |
| Total Effect | \$3,252,318,361.25 | \$6,922,111,680.66 | \$6,854,629,275.19 | \$6,787,772,121.96 | \$23,816,831,439.06 |

vi. Change in Output

GO-Biz used IMPLAN to estimate the total change in output based on expected employment, equipment and construction investment commitments of futures applicants. Based on IMPLAN modeling, CCTC awardee employment and investment commitments from 2015-2018 will support approximately \$5.68 billion direct, \$2.78 billion indirect, and \$2.58 billion induced output impacts in California. The total output impact is roughly \$11 billion.

| Change in Output | | | | | |
|---------------------|------------------------|------------------------|------------------------|------------------------|-------------------------|
| Impact Type | 2015 | 2016 | 2017 | 2018 | Output |
| Direct Effect | \$721,393,547 | \$1,669,878,439 | \$1,655,049,520 | \$1,641,606,741 | \$5,687,928,247 |
| Indirect Effect | \$352,875,778 | \$812,694,355 | \$809,519,759 | \$807,261,042 | \$2,782,350,935 |
| Induced Effect | \$347,352,858 | \$753,701,754 | \$747,086,256 | \$741,085,397 | \$2,589,226,265 |
| Total Effect | \$1,421,622,183 | \$3,236,274,549 | \$3,211,655,535 | \$3,189,953,180 | \$11,059,505,447 |

To evaluate the opportunity costs of the CCTC, GO-Biz developed a list of all personal consumption industries.¹⁷ Each industry was proportionately weighted to its respective output within the state. The total allocated amount of credits was then spread across each industry to reflect a loss in consumer spending. The impact of this opportunity cost is reflected in the total output below. Based on IMPLAN modeling, the total loss in output associated with the cost of the program is approximately \$1.28 billion.

¹⁷ See Appendix V.

| Loss in Output from Changes in Personal Consumption | | | | | |
|--|----------------|----------------|----------------|----------------|------------------|
| Impact Type | 2015 | 2016 | 2017 | 2018 | Aggregate |
| Direct Effect | -\$146,511,529 | -\$190,817,907 | -\$186,404,345 | -\$182,104,873 | -\$705,838,654 |
| Indirect Effect | -\$50,937,122 | -\$66,447,805 | -\$65,016,757 | -\$63,622,027 | -\$246,023,711 |
| Induced Effect | -\$69,738,072 | -\$90,851,669 | -\$88,774,831 | -\$86,752,077 | -\$336,116,649 |
| Total Effect | -\$267,186,723 | -\$348,117,381 | -\$340,195,933 | -\$332,478,977 | -\$1,287,979,014 |

Taking into account the impacts of the loss in personal consumption, GO-Biz calculated the total change in output of the program. CCTC awardee employment and investment commitments from 2015-2018 will support approximately \$4.9 billion direct, \$2.5 billion indirect, and \$2.2 billion induced output impacts in California. The total output impact is roughly \$9.7 billion.

| Aggregate Change in Output (with change in personal consumption) | | | | | |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| Impact Type | 2015 | 2016 | 2017 | 2018 | Output |
| Direct Effect | \$574,882,018 | \$1,479,060,532 | \$1,468,645,175 | \$1,459,501,868 | \$4,982,089,593 |
| Indirect Effect | \$301,938,656 | \$746,246,550 | \$744,503,002 | \$743,639,015 | \$2,536,327,224 |
| Induced Effect | \$277,614,786 | \$662,850,085 | \$658,311,425 | \$654,333,320 | \$2,253,109,616 |
| Total Effect | \$1,154,435,460 | \$2,888,157,168 | \$2,871,459,602 | \$2,857,474,203 | \$9,771,526,433 |

vii. Incentives for Innovation in Products, Materials, or Processes

While no additional innovations are required to receive a tax credit, the tax credit agreements allow for compliance flexibility. By permitting the applicants to spread employment and investment commitments across five tax years, there is greater potential for innovation in products, materials or processes. Without an immediate compliance requirement, applicants are able to mitigate risk with longer-term projects. Additionally, the CCTC helps California businesses remain competitive. By supporting expansion and growth, this program encourages future innovation from applicants and recipients.

4. Summary and Interpretation of Economic Impacts

The CCTC Regulations will significantly improve California's economy. The projections for job impacts and personal income are substantial. The program supports approximately 352,000 jobs and \$23.7 billion in employee compensation through 2018. Additionally, the significant increases in investment output, roughly \$4.5 billion, will have a positive impact on the economy. The total output from the program is estimated to be roughly \$9.7 billion. All of the discussed economic impacts produce a positive outcome on the California economy. This outcome supports the intention of GEDI to help California businesses grow and expand.

E. Alternatives

1. Alternative A.

This alternative would require GO-Biz to develop a software application tool that allows for a comprehensive review of all applicants based upon a weighted scoring system from all data inputs submitted by individual applicants. Weights would be assigned to all quantitative data inputs in the first phase of evaluation. Geographic Information Systems (GIS) mapping would be used to grade projects based on their location and regional unemployment level. Applicants with the highest scores would then move into the second phase of evaluation for further qualitative and quantitative assessment. Currently, in the first phase of evaluation, a cost-benefit formula is used to determine which applicants reach the second phase. This formula does not use all data inputs provided by the applicants, but only weighs the amount of tax credit requested to an applicant's proposed investments and employee compensation for new jobs.

i. Costs and Benefits

This alternative would allow GO-Biz to receive all relevant information upfront and decrease the length of the evaluation process. Additionally, the scoring system would increase transparency and decrease the likelihood of applicants manipulating the cost-benefit formula in an effort to reach the second phase of the evaluation.

ii. Reason for Rejecting

This alternative is resource intensive and would take a significant amount of time to implement. The CCTC program has limited resources and timelines in which it can allocate tax credit awards each fiscal year, making this alternative cost and time prohibitive. Finally, the scoring system as proposed removes flexibility in adjusting for changes to the California business climate.

2. Alternative B.

The second proposed alternative is to evaluate all quantitative and qualitative factors in the first phase of application evaluation. Under the emergency regulations, phase one of evaluation is based on a cost-benefit analysis formula that weighs the amount of tax credit requested to an applicant's proposed investments and employee compensation for new jobs. The top 200% of applicants move forward to the second phase of evaluation. In the second phase, qualitative factors, such as poverty and unemployment levels in the business location, strategic importance to the state, region, or locality, and opportunity for future growth and expansion, are considered.

i. Costs and Benefits

Similar to alternative A., this alternative would allow GO-Biz to receive and evaluate all relevant information upfront. This would likely improve the overall assessment of each applicant and could result in a more efficient allocation of tax credits.

ii. Reasons for Rejecting

This alternative would require additional staff, beyond what was allocated for in the Governor's 2014 budget. It would also require additional staff time to review applications that, in the majority of cases, would not end up being considered for an award.

Appendix I.

| Key Term | Definition |
|---------------------------|---|
| Direct Impact | The initial expenditures, or production, made by the industry experiencing the economic change. |
| Indirect Impact | The effects of local inter-industry spending through backwards linkages. |
| Backwards Linkages | The tracking of industry purchases backward through the supply chain. |
| Induced Impact | The results of local spending of employee's wages and salaries for both employees of the directly affected industry, and the employees of the indirectly affected industries. |
| Labor Income | The total value paid to local workers within a region. |
| Total Output | Result demonstrating the total value of an industry's production, typically viewed as the value of a change in sales or value of increased production. |
| Employment | Total annual average jobs. This includes self-employed and wage and salary employees, and all full-time, part-time and seasonal jobs, based on a count of fulltime/part-time averages over twelve months. |
| Equipment | The dollar value of capital investments. |
| Construction | The dollar value of any building, renovation and other construction related investments. |

Appendix II.

| Employment Sectors | |
|--|---|
| Food services and drinking places | Non-depository credit intermediation and related activities |
| Wholesale trade businesses | Scenic and sightseeing transportation and support activities for transportation |
| Offices of physicians, dentists, and other health practitioners | Home health care services |
| Employment services | Couriers and messengers |
| Private household operations | Retail Stores - Sporting goods, hobby, book and music |
| Private hospitals | Business support services |
| Retail Stores - Food and beverage | Warehousing and storage |
| Securities, commodity contracts, investments, and related activities | Other personal services |
| Retail Stores - General merchandise | Retail Stores - Electronics and appliances |
| Services to buildings and dwellings | Fitness and recreational sports centers |
| Nursing and residential care facilities | Transit and ground passenger transportation |
| Custom computer programming services | Funds, trusts, and other financial vehicles |
| Architectural, engineering, and related services | Dry-cleaning and laundry services |
| Support activities for agriculture and forestry | Software publishers |
| Legal services | Retail Stores - Furniture and home furnishings |
| Management of companies and enterprises | Retail Stores - Gasoline stations |

| Employment Sectors | |
|---|--|
| Individual and family services | Printing |
| Retail Stores - Clothing and clothing accessories | Other amusement and recreation industries |
| Medical and diagnostic labs and outpatient and other ambulatory care services | Semiconductor and related device manufacturing |
| Scientific research and development services | Electronic computer manufacturing |
| Transport by truck | Extraction of oil and natural gas |
| Monetary authorities and depository credit intermediation activities | Transport by air |
| Retail Stores - Motor vehicle and parts | All other miscellaneous professional, scientific, and technical services |
| Accounting, tax preparation, bookkeeping, and payroll services | Other support services |
| Retail Stores - Miscellaneous | Waste management and remediation services |
| Investigation and security services | Veterinary services |
| Retail Nonstores - Direct and electronic sales | Internet publishing and broadcasting |
| Environmental and other technical consulting services | Tree nut farming |
| Automotive repair and maintenance, except car washes | Car washes |
| Management, scientific, and technical consulting services | Commercial and industrial machinery and equipment repair and maintenance |
| Insurance agencies, brokerages, and related activities | Pharmaceutical preparation manufacturing |
| Computer systems design services | Cut and sew apparel contractors |
| Insurance carriers | Natural gas distribution |
| Retail Stores - Health and personal care | Search, detection, and navigation instruments manufacturing |
| Retail Stores - Building material and garden supply | Machine shops |
| Personal care services | Specialized design services |
| Advertising and related services | Fruit farming |
| Telecommunications | Surgical and medical instrument, laboratory and medical instrument manufacturing |
| Child day care services | Radio and television broadcasting |
| General and consumer goods rental except video tapes and discs | Electricity and signal testing instruments manufacturing |
| Wineries | Turned product and screw, nut, and bolt manufacturing |
| Automotive equipment rental and leasing | Periodical publishers |
| Electronic and precision equipment repair and maintenance | Photographic services |
| Commercial and industrial machinery and equipment rental and leasing | Transport by rail |
| Bread and bakery product manufacturing | Electromedical and electrotherapeutic apparatus manufacturing |
| Travel arrangement and reservation services | Facilities support services |
| Other aircraft parts and auxiliary equipment manufacturing | All other food manufacturing |
| Data processing, hosting, ISP, web search portals and related services | Bare printed circuit board manufacturing |
| Dairy cattle and milk production | Support activities for oil and gas operations |

| Employment Sectors | |
|--|--|
| Other computer related services, including facilities management | Computer terminals and other computer peripheral equipment manufacturing |
| Electric power generation, transmission, and distribution | All other miscellaneous manufacturing |
| Cable and other subscription programming | Dental laboratories manufacturing |
| Ornamental and architectural metal products manufacturing | Poultry processing |
| Women's and girls' cut and sew apparel manufacturing | Analytical laboratory instrument manufacturing |
| Other accommodations | Snack food manufacturing |
| Fruit and vegetable canning, pickling, and drying | Wood kitchen cabinet and countertop manufacturing |
| Vegetable and melon farming | Plate work and fabricated structural product manufacturing |
| Other plastics product manufacturing | Printed circuit assembly (electronic assembly) manufacturing |
| Guided missile and space vehicle manufacturing | Industrial process variable instruments manufacturing |
| Aircraft manufacturing | Fluid milk and butter manufacturing |
| Maintenance and repair construction of residential structures | Wood windows and doors and millwork manufacturing |
| Death care services | Semiconductor machinery manufacturing |
| Newspaper publishers | Animal production, except cattle and poultry and eggs |
| Personal and household goods repair and maintenance | Ready-mix concrete manufacturing |
| Broadcast and wireless communications equipment manufacturing | Valve and fittings other than plumbing manufacturing |
| All other crop farming | Ship building and repairing |
| Coating, engraving, heat treating and allied activities | Book publishers |
| Greenhouse, nursery, and floriculture production | Lighting fixture manufacturing |
| Cattle ranching and farming | Tortilla manufacturing |
| Paperboard container manufacturing | Audio and video equipment manufacturing |
| Other electronic component manufacturing | Plastics packaging materials and un-laminated film and sheet manufacturing |
| Grain farming | Toilet preparation manufacturing |
| Soft drink and ice manufacturing | Textile and fabric finishing mills |
| Lessors of nonfinancial intangible assets | Upholstered household furniture manufacturing |
| Animal (except poultry) slaughtering, rendering, and processing | Other fabricated metal manufacturing |
| Motor vehicle parts manufacturing | Cheese manufacturing |
| Petroleum refineries | Sign manufacturing |
| Surgical appliance and supplies manufacturing | Sporting and athletic goods manufacturing |
| Frozen food manufacturing | Wood container and pallet manufacturing |
| Transport by water | Aluminum product manufacturing from purchased aluminum |
| Telephone apparatus manufacturing | Other information services |
| Other general purpose machinery manufacturing | Farm machinery and equipment manufacturing |
| Water, sewage and other treatment and delivery systems | Musical instrument manufacturing |
| All other chemical product and preparation manufacturing | Plastics bottle manufacturing |

| Employment Sectors | |
|--|---|
| Other industrial machinery manufacturing | Mining and quarrying sand, gravel, clay, and ceramic and refractory minerals |
| Turbine and turbine generator set units manufacturing | Special tool, die, jig, and fixture manufacturing |
| All other miscellaneous electrical equipment and component manufacturing | Other cut and sew apparel manufacturing |
| Other commercial and service industry machinery manufacturing | Computer storage device manufacturing |
| Metal cutting and forming machine tool manufacturing | Nonferrous metal foundries |
| Ophthalmic goods manufacturing | Urethane and other foam product (except polystyrene) manufacturing |
| Video tape and disc rental | Jewelry and silverware manufacturing |
| Cookie, cracker, and pasta manufacturing | Commercial logging |
| In-vitro diagnostic substance manufacturing | Cotton farming |
| Sound recording industries | Propulsion units and parts for space vehicles and guided missiles manufacturing |
| Soap and cleaning compound manufacturing | All other textile product mills |
| Support activities for printing | Spring and wire product manufacturing |
| Sawmills and wood preservation | Air conditioning, refrigeration, and warm air heating equipment manufacturing |
| Crown and closure manufacturing and metal stamping | Wood television, radio, and sewing machine cabinet manufacturing |
| Bowling centers | Biological product (except diagnostic) manufacturing |
| Dental equipment and supplies manufacturing | Steel product manufacturing from purchased steel |
| Commercial Fishing | Metal can, box, and other metal container (light gauge) manufacturing |
| Fluid power process machinery manufacturing | Plastics pipe and pipe fitting manufacturing |
| Optical instrument and lens manufacturing | Curtain and linen mills |
| Other rubber product manufacturing | Other animal food manufacturing |
| Electronic connector manufacturing | Transport by pipeline |
| Other concrete product manufacturing | Metal and other household furniture (except wood) manufacturing |
| Other communications equipment manufacturing | Medicinal and botanical manufacturing |
| Watch, clock, and other measuring and controlling device manufacturing | Paint and coating manufacturing |
| Directory, mailing list, and other publishers | Relay and industrial control manufacturing |
| Men's and boys' cut and sew apparel manufacturing | Doll, toy, and game manufacturing |
| Seasoning and dressing manufacturing | Ice cream and frozen dessert manufacturing |
| Ferrous metal foundries | Magnetic and optical recording media manufacturing |
| Nonupholstered wood household furniture manufacturing | Aircraft engine and engine parts manufacturing |
| All other forging, stamping, and sintering | Other leather and allied product manufacturing |
| Glass product manufacturing made of purchased glass | Plastics material and resin manufacturing |
| Iron and steel mills and ferroalloy manufacturing | Textile bag and canvas mills |
| Breweries | Hardware manufacturing |
| Wiring device manufacturing | Glass container manufacturing |

| Employment Sectors | |
|--|---|
| Showcase, partition, shelving, and locker manufacturing | Electronic capacitor, resistor, coil, transformer, and other inductor manufacturing |
| Drilling oil and gas wells | Confectionery manufacturing from purchased chocolate |
| Software, audio, and video media for reproduction | Adhesive manufacturing |
| Industrial mold manufacturing | Travel trailer and camper manufacturing |
| Power, distribution, and specialty transformer manufacturing | Other basic organic chemical manufacturing |
| Packaging machinery manufacturing | Plastics and rubber industry machinery manufacturing |
| Motor vehicle body manufacturing | Mining gold, silver, and other metal ore |
| Motor and generator manufacturing | Carpet and rug mills |
| Hand-tool manufacturing | All other basic inorganic chemical manufacturing |
| Pump and pumping equipment manufacturing | Automobile manufacturing |
| Mattress manufacturing | Air purification and ventilation equipment manufacturing |
| Switchgear and switchboard apparatus manufacturing | Brick, tile, and other structural clay product manufacturing |
| Flour milling and malt manufacturing | Miscellaneous nonmetallic mineral product manufacturing |
| Apparel knitting mills | Automatic environmental control manufacturing |
| Blind and shade manufacturing | Vending, commercial, industrial, and office machinery manufacturing |
| Mining and oil and gas field machinery manufacturing | Storage battery manufacturing |
| Electron tube manufacturing | Cut stone and stone product manufacturing |
| Material handling equipment manufacturing | Seafood product preparation and packaging |
| Apparel accessories and other apparel manufacturing | Heating equipment (except warm air furnaces) manufacturing |
| Communication and energy wire and cable manufacturing | Cement manufacturing |
| Nonferrous metal (except copper and aluminum) rolling, drawing, extruding and alloying | Industrial gas manufacturing |
| Polystyrene foam product manufacturing | Lime and gypsum product manufacturing |
| Nonchocolate confectionery manufacturing | Footwear manufacturing |
| Engineered wood member and truss manufacturing | Flavoring syrup and concentrate manufacturing |
| Metal tank (heavy gauge) manufacturing | Pottery, ceramics, and plumbing fixture manufacturing |
| Mining and quarrying other nonmetallic minerals | Sugarcane and sugar beet farming |
| Coffee and tea manufacturing | Chocolate and confectionery manufacturing from cacao beans |
| Concrete pipe, brick, and block manufacturing | Household cooking appliance manufacturing |
| Gasket, packing, and sealing device manufacturing | Dry, condensed, and evaporated dairy product manufacturing |
| Stationery product manufacturing | All other converted paper product manufacturing |
| Mining and quarrying stone | Manufactured home (mobile home) manufacturing |
| Mineral wool manufacturing | Custom roll forming |
| Unlaminated plastics profile shape manufacturing | Irradiation apparatus manufacturing |
| Motorcycle, bicycle, and parts manufacturing | Copper rolling, drawing, extruding and alloying |
| Poultry and egg production | All other miscellaneous wood product manufacturing |
| Office furniture and custom architectural woodwork and millwork manufacturing | Truck trailer manufacturing |
| Fertilizer manufacturing | Sanitary paper product manufacturing |

| Employment Sectors | |
|---|--|
| Forestry, forest products, and timber tract production | Dog and cat food manufacturing |
| Cutting tool and machine tool accessory manufacturing | Rubber and plastics hoses and belting manufacturing |
| Fabricated pipe and pipe fitting manufacturing | Heavy duty truck manufacturing |
| Coated and laminated paper, packaging paper and plastics film manufacturing | Plumbing fixture fitting and trim manufacturing |
| Institutional furniture manufacturing | Ball and roller bearing manufacturing |
| Asphalt shingle and coating materials manufacturing | Laminated plastics plate, sheet (except packaging), and shape manufacturing |
| All other paper bag and coated and treated paper manufacturing | Office supplies (except paper) manufacturing |
| Knit fabric mills | Asphalt paving mixture and block manufacturing |
| Boat building | Primary battery manufacturing |
| Totalizing fluid meters and counting devices manufacturing | Power-driven hand-tool manufacturing |
| Railroad rolling stock manufacturing | Secondary smelting and alloying of aluminum |
| Sugar cane mills and refining | Distilleries |
| Arms, ordnance, and accessories manufacturing | Paperboard Mills |
| Industrial process furnace and oven manufacturing | Abrasive product manufacturing |
| Paper mills | Commercial hunting and trapping |
| Military armored vehicle, tank, and tank component manufacturing | Fabric coating mills |
| Fats and oils refining and blending | Ground or treated mineral and earth manufacturing |
| Mechanical power transmission equipment manufacturing | Oilseed farming |
| Petroleum lubricating oil and grease manufacturing | Wet corn milling |
| Other pressed and blown glass and glassware manufacturing | Reconstituted wood product manufacturing |
| Prefabricated wood building manufacturing | Alkalies and chlorine manufacturing |
| Light truck and utility vehicle manufacturing | Alumina refining and primary aluminum production |
| Printing ink manufacturing | Small electrical appliance manufacturing |
| Broom, brush, and mop manufacturing | Cutlery, utensil, pot, and pan manufacturing |
| Breakfast cereal manufacturing | Household refrigerator and home freezer manufacturing |
| Construction machinery manufacturing | Synthetic dye and pigment manufacturing |
| Air and gas compressor manufacturing | Leather and hide tanning and finishing |
| All other transportation equipment manufacturing | Beet sugar manufacturing |
| Carbon and graphite product manufacturing | Support activities for other mining |
| Fiber, yarn, and thread mills | Artificial and synthetic fibers and filaments manufacturing |
| Soybean and other oilseed processing | All other petroleum and coal products manufacturing |
| Other engine equipment manufacturing | Lawn and garden equipment manufacturing |
| Flat glass manufacturing | Primary smelting and refining of nonferrous metal (except copper and aluminum) |
| Veneer and plywood manufacturing | Household laundry equipment manufacturing |
| Synthetic rubber manufacturing | Motor home manufacturing |
| Broadwoven fabric mills | Pulp mills |

| Employment Sectors | |
|--|---|
| Speed changer, industrial high-speed drive, and gear manufacturing | Mining iron ore |
| Rolling mill and other metalworking machinery manufacturing | Other major household appliance manufacturing |
| Pesticide and other agricultural chemical manufacturing | Mining coal |
| Power boiler and heat exchanger manufacturing | |
| Tire manufacturing | Photographic and photocopying equipment manufacturing |
| Electric lamp bulb and part manufacturing | Office administrative services |
| Ammunition manufacturing | Nonwoven fabric mills |
| Narrow fabric mills and schiffli machine embroidery | Clay and non-clay refractory manufacturing |

Appendix III.

| Equipment Investment Sectors | |
|--|---|
| Wholesale trade businesses | Ferrous metal foundries |
| Petroleum refineries | Mining and oil and gas field machinery manufacturing |
| Electronic computer manufacturing | Ice cream and frozen dessert manufacturing |
| Monetary authorities and depository credit intermediation activities | Jewelry and silverware manufacturing |
| Securities, commodity contracts, investments, and related activities | Software, audio, and video media for reproduction |
| Telecommunications | Dry, condensed, and evaporated dairy product manufacturing |
| Pharmaceutical preparation manufacturing | Showcase, partition, shelving, and locker manufacturing |
| Semiconductor and related device manufacturing | Asphalt paving mixture and block manufacturing |
| Scientific research and development services | Chocolate and confectionery manufacturing from cacao beans |
| Custom computer programming services | Relay and industrial control manufacturing |
| Software publishers | Glass container manufacturing |
| Natural gas distribution | Glass product manufacturing made of purchased glass |
| Transport by truck | Propulsion units and parts for space vehicles and guided missiles manufacturing |
| Extraction of oil and natural gas | Confectionery manufacturing from purchased chocolate |
| Retail Stores - General merchandise | Pump and pumping equipment manufacturing |
| Electric power generation, transmission, and distribution | Power, distribution, and specialty transformer manufacturing |
| Transport by air | Sign manufacturing |
| Search, detection, and navigation instruments manufacturing | Electron tube manufacturing |
| Internet publishing and broadcasting | Sugar cane mills and refining |
| Wineries | Pesticide and other agricultural chemical manufacturing |
| Aircraft manufacturing | Hardware manufacturing |
| Surgical and medical instrument, laboratory and medical instrument manufacturing | Motor and generator manufacturing |
| Scenic and sightseeing transportation and support activities for transportation | Mattress manufacturing |
| Soft drink and ice manufacturing | Other concrete product manufacturing |

| Equipment Investment Sectors | |
|--|---|
| Fruit farming | Dental laboratories manufacturing |
| Waste management and remediation services | Non-chocolate confectionery manufacturing |
| Fluid milk and butter manufacturing | Sanitary paper product manufacturing |
| Other computer related services, including facilities management | Air conditioning, refrigeration, and warm air heating equipment manufacturing |
| Fruit and vegetable canning, pickling, and drying | Material handling equipment manufacturing |
| Support activities for agriculture and forestry | Switchgear and switchboard apparatus manufacturing |
| Couriers and messengers | Spring and wire product manufacturing |
| Other aircraft parts and auxiliary equipment manufacturing | Wood container and pallet manufacturing |
| Guided missile and space vehicle manufacturing | Nonferrous metal foundries |
| Broadcast and wireless communications equipment manufacturing | Polystyrene foam product manufacturing |
| Printing | Stationery product manufacturing |
| Soap and cleaning compound manufacturing | Wood television, radio, and sewing machine cabinet manufacturing |
| Warehousing and storage | Men's and boys' cut and sew apparel manufacturing |
| Vegetable and melon farming | Mineral wool manufacturing |
| Dairy cattle and milk production | Coated and laminated paper, packaging paper and plastics film manufacturing |
| Tree nut farming | Wet corn milling |
| Motor vehicle parts manufacturing | Motor vehicle body manufacturing |
| Cheese manufacturing | Synthetic rubber manufacturing |
| Paperboard container manufacturing | Paper mills |
| Snack food manufacturing | Packaging machinery manufacturing |
| Electronic and precision equipment repair and maintenance | Institutional furniture manufacturing |
| All other crop farming | Un-laminated plastics profile shape manufacturing |
| Commercial and industrial machinery and equipment repair and maintenance | Special tool, die, jig, and fixture manufacturing |
| Machine shops | Non-upholstered wood household furniture manufacturing |
| Electro-medical and electrotherapeutic apparatus manufacturing | Cement manufacturing |
| Other plastics product manufacturing | Support activities for printing |
| Bread and bakery product manufacturing | Irradiation apparatus manufacturing |
| Women's and girls' cut and sew apparel manufacturing | All other textile product mills |
| Electricity and signal testing instruments manufacturing | Forestry, forest products, and timber tract production |
| Computer terminals and other computer peripheral equipment manufacturing | Breakfast cereal manufacturing |
| Toilet preparation manufacturing | Lime and gypsum product manufacturing |
| Telephone apparatus manufacturing | Construction machinery manufacturing |
| Semiconductor machinery manufacturing | Vending, commercial, industrial, and office machinery manufacturing |
| Specialized design services | Electronic capacitor, resistor, coil, transformer, and other inductor manufacturing |
| Animal (except poultry) slaughtering, rendering, and processing | Metal tank (heavy gauge) manufacturing |

| Equipment Investment Sectors | |
|---|--|
| Ornamental and architectural metal products manufacturing | Miscellaneous nonmetallic mineral product manufacturing |
| Iron and steel mills and ferroalloy manufacturing | Storage battery manufacturing |
| Surgical appliance and supplies manufacturing | Concrete pipe, brick, and block manufacturing |
| Frozen food manufacturing | Other engine equipment manufacturing |
| Valve and fittings other than plumbing manufacturing | Animal production, except cattle and poultry and eggs |
| Transit and ground passenger transportation | Musical instrument manufacturing |
| Plastics material and resin manufacturing | Custom roll forming |
| Computer storage device manufacturing | Railroad rolling stock manufacturing |
| Breweries | Curtain and linen mills |
| Other electronic component manufacturing | Secondary smelting and alloying of aluminum |
| Other animal food manufacturing | Household cooking appliance manufacturing |
| Analytical laboratory instrument manufacturing | Hand-tool manufacturing |
| Poultry processing | Air purification and ventilation equipment manufacturing |
| Greenhouse, nursery, and floriculture production | Distilleries |
| Transport by rail | Seafood product preparation and packaging |
| Coating, engraving, heat treating and allied activities | Other cut and sew apparel manufacturing |
| Audio and video equipment manufacturing | Metal and other household furniture (except wood) manufacturing |
| In-vitro diagnostic substance manufacturing | Carpet and rug mills |
| All other chemical product and preparation manufacturing | Plastics and rubber industry machinery manufacturing |
| Cattle ranching and farming | Automatic environmental control manufacturing |
| All other food manufacturing | Military armored vehicle, tank, and tank component manufacturing |
| Fats and oils refining and blending | Other leather and allied product manufacturing |
| Transport by water | Totalizing fluid meters and counting devices manufacturing |
| Turbine and turbine generator set units manufacturing | Commercial Fishing |
| Turned product and screw, nut, and bolt manufacturing | Fabricated pipe and pipe fitting manufacturing |
| Other amusement and recreation industries | Commercial logging |
| Industrial process variable instruments manufacturing | Gasket, packing, and sealing device manufacturing |
| Plastics packaging materials and unlaminated film and sheet manufacturing | Travel trailer and camper manufacturing |
| Drilling oil and gas wells | Industrial mold manufacturing |
| Flour milling and malt manufacturing | All other transportation equipment manufacturing |
| Fitness and recreational sports centers | Engineered wood member and truss manufacturing |
| Automobile manufacturing | Textile bag and canvas mills |
| Other basic organic chemical manufacturing | Ball and roller bearing manufacturing |
| Seasoning and dressing manufacturing | All other converted paper product manufacturing |
| Magnetic and optical recording media manufacturing | Printing ink manufacturing |
| Fertilizer manufacturing | Heating equipment (except warm air furnaces) manufacturing |
| Printed circuit assembly (electronic assembly) manufacturing | Apparel accessories and other apparel manufacturing |
| Bare printed circuit board manufacturing | Truck trailer manufacturing |
| Plate work and fabricated structural product manufacturing | Brick, tile, and other structural clay product manufacturing |

| Equipment Investment Sectors | |
|--|--|
| Cut and sew apparel contractors | Alkalies and chlorine manufacturing |
| Other commercial and service industry machinery manufacturing | Laminated plastics plate, sheet (except packaging), and shape manufacturing |
| Aluminum product manufacturing from purchased aluminum | Rubber and plastics hoses and belting manufacturing |
| Lighting fixture manufacturing | Paperboard Mills |
| All other miscellaneous manufacturing | Plumbing fixture fitting and trim manufacturing |
| Steel product manufacturing from purchased steel | All other petroleum and coal products manufacturing |
| Cookie, cracker, and pasta manufacturing | Air and gas compressor manufacturing |
| Sporting and athletic goods manufacturing | Blind and shade manufacturing |
| Ready-mix concrete manufacturing | Office furniture and custom architectural woodwork and millwork manufacturing |
| Other communications equipment manufacturing | All other paper bag and coated and treated paper manufacturing |
| Other industrial machinery manufacturing | Cutting tool and machine tool accessory manufacturing |
| Flavoring syrup and concentrate manufacturing | Apparel knitting mills |
| Biological product (except diagnostic) manufacturing | Office supplies (except paper) manufacturing |
| Metal can, box, and other metal container (light gauge) manufacturing | Carbon and graphite product manufacturing |
| Paint and coating manufacturing | Industrial process furnace and oven manufacturing |
| Support activities for oil and gas operations | Boat building |
| Car washes | Primary battery manufacturing |
| Other fabricated metal manufacturing | Alumina refining and primary aluminum production |
| All other miscellaneous electrical equipment and component manufacturing | Primary smelting and refining of nonferrous metal (except copper and aluminum) |
| Farm machinery and equipment manufacturing | Flat glass manufacturing |
| Petroleum lubricating oil and grease manufacturing | Ground or treated mineral and earth manufacturing |
| Asphalt shingle and coating materials manufacturing | Mechanical power transmission equipment manufacturing |
| Adhesive manufacturing | Nonwoven fabric mills |
| Crown and closure manufacturing and metal stamping | Tire manufacturing |
| Doll, toy, and game manufacturing | Fiber, yarn, and thread mills |
| All other forging, stamping, and sintering | Pottery, ceramics, and plumbing fixture manufacturing |
| Ship building and repairing | All other miscellaneous wood product manufacturing |
| Other general purpose machinery manufacturing | Other pressed and blown glass and glassware manufacturing |
| Transport by pipeline | Broom, brush, and mop manufacturing |
| Medicinal and botanical manufacturing | Footwear manufacturing |
| Nonferrous metal (except copper and aluminum) rolling, drawing, extruding and alloying | Cut stone and stone product manufacturing |
| Optical instrument and lens manufacturing | Synthetic dye and pigment manufacturing |
| Fluid power process machinery manufacturing | Speed changer, industrial high-speed drive, and gear manufacturing |
| Dental equipment and supplies manufacturing | Manufactured home (mobile home) manufacturing |
| Ophthalmic goods manufacturing | Ammunition manufacturing |
| Textile and fabric finishing mills | Knit fabric mills |
| Coffee and tea manufacturing | Power-driven hand-tool manufacturing |

| Equipment Investment Sectors | |
|--|---|
| Poultry and egg production | Power boiler and heat exchanger manufacturing |
| Tortilla manufacturing | Broad-woven fabric mills |
| Watch, clock, and other measuring and controlling device manufacturing | Abrasive product manufacturing |
| Plastics bottle manufacturing | Veneer and plywood manufacturing |
| Plastics pipe and pipe fitting manufacturing | Household refrigerator and home freezer manufacturing |
| Light truck and utility vehicle manufacturing | Fabric coating mills |
| Metal cutting and forming machine tool manufacturing | Electric lamp bulb and part manufacturing |
| Water, sewage and other treatment and delivery systems | Rolling mill and other metalworking machinery manufacturing |
| Aircraft engine and engine parts manufacturing | Petrochemical manufacturing |
| Other rubber product manufacturing | Beet sugar manufacturing |
| Wood windows and doors and millwork manufacturing | Prefabricated wood building manufacturing |
| Wiring device manufacturing | Artificial and synthetic fibers and filaments manufacturing |
| Wood kitchen cabinet and countertop manufacturing | Small electrical appliance manufacturing |
| Sawmills and wood preservation | Sugarcane and sugar beet farming |
| Dog and cat food manufacturing | Clay and non-clay refractory manufacturing |
| All other basic inorganic chemical manufacturing | Narrow fabric mills and schiffli machine embroidery |
| Grain farming | Cutlery, utensil, pot, and pan manufacturing |
| Motorcycle, bicycle, and parts manufacturing | Tobacco product manufacturing |
| Copper rolling, drawing, extruding and alloying | Support activities for other mining |
| Industrial gas manufacturing | Reconstituted wood product manufacturing |
| Electronic connector manufacturing | Household laundry equipment manufacturing |
| Soybean and other oilseed processing | Lawn and garden equipment manufacturing |
| Communication and energy wire and cable manufacturing | Pulp mills |
| Urethane and other foam product (except polystyrene) manufacturing | Oilseed farming |
| Upholstered household furniture manufacturing | Motor home manufacturing |
| Heavy duty truck manufacturing | Other major household appliance manufacturing |
| Cotton farming | Photographic and photocopying equipment manufacturing |

Appendix IV.

| Construction Investment Sectors | |
|--|--|
| Construction of new nonresidential commercial and health care structures | Construction of other new nonresidential structures |
| Construction of new nonresidential manufacturing structures | Maintenance and repair construction of nonresidential maintenance and repair |

Appendix V.

| Personal Consumption Sectors | |
|---|---|
| Real estate establishments | Other personal services |
| Imputed rental activity for owner-occupied dwellings | Retail Stores - Miscellaneous |
| Food services and drinking places | Other private educational services |
| Monetary authorities and depository credit intermediation activities | Couriers and messengers |
| Offices of physicians, dentists, and other health practitioners | Private elementary and secondary schools |
| Securities, commodity contracts, investments, and related activities | Radio and television broadcasting |
| Private hospitals | Individual and family services |
| Telecommunications | Personal care services |
| Management of companies and enterprises | Commercial and industrial machinery and equipment rental and leasing |
| Motion picture and video industries | Investigation and security services |
| Scientific research and development services | Retail Stores - Gasoline stations |
| Custom computer programming services | Warehousing and storage |
| Legal services | Other support services |
| Medical and diagnostic labs and outpatient and other ambulatory care services | Automotive equipment rental and leasing |
| Software publishers | Electronic and precision equipment repair and maintenance |
| Insurance carriers | Retail Stores - Furniture and home furnishings |
| Architectural, engineering, and related services | Business support services |
| Lessors of nonfinancial intangible assets | Home health care services |
| Transport by truck | Promoters of performing arts and sports and agents for public figures |
| Retail Stores - Food and beverage | Commercial and industrial machinery and equipment repair and maintenance |
| Employment services | Travel arrangement and reservation services |
| Advertising and related services | Retail Stores - Sporting goods, hobby, book and music |
| Accounting, tax preparation, bookkeeping, and payroll services | Child day care services |
| Funds, trusts, and other financial vehicles | Specialized design services |
| Computer systems design services | Spectator sports companies |
| Retail Stores - General merchandise | Community food, housing, and other relief services, including rehabilitation services |
| Data processing, hosting, ISP, web search portals and related services | Transit and ground passenger transportation |
| Retail Nonstores - Direct and electronic sales | Sound recording industries |
| Retail Stores - Motor vehicle and parts | Transport by rail |
| Insurance agencies, brokerages, and related activities | Dry-cleaning and laundry services |
| Management, scientific, and technical consulting services | Periodical publishers |
| Services to buildings and dwellings | Transport by water |
| Nursing and residential care facilities | Performing arts companies |
| Retail Stores - Clothing and clothing accessories | Other amusement and recreation industries |

| Personal Consumption Sectors | |
|---|--|
| Non-depository credit intermediation and related activities | Veterinary services |
| Private junior colleges, colleges, universities, and professional schools | Fitness and recreational sports centers |
| Independent artists, writers, and performers | Personal and household goods repair and maintenance |
| Hotels and motels, including casino hotels | Book publishers |
| Transport by air | Newspaper publishers |
| Environmental and other technical consulting services | Facilities support services |
| Internet publishing and broadcasting | General and consumer goods rental except video tapes and discs |
| Automotive repair and maintenance, except car washes | Museums, historical sites, zoos, and parks |
| Scenic and sightseeing transportation and support activities for transportation | Death care services |
| Office administrative services | Other accommodations |
| Retail Stores - Electronics and appliances | Car washes |
| Retail Stores - Building material and garden supply | Transport by pipeline |
| Cable and other subscription programming | Directory, mailing list, and other publishers |
| All other miscellaneous professional, scientific, and technical services | Photographic services |
| Retail Stores - Health and personal care | Other information services |
| Amusement parks, arcades, and gambling industries | Video tape and disc rental |
| Waste management and remediation services | Bowling centers |
| Other computer related services, including facilities management | |