August 12, 2014

Andrew Sturmfels  
Governor’s Office of Business and Economic Development  
1325 J. Street, Suite 1800  
Sacramento, CA 95814  

Dear Andrew:

Thank you for submitting the standardized regulatory impact assessment (SRIA) and SRIA summary (Form DF-131) for the California Competes Tax Credit (CCTC) Regulations as required by the California Code of Regulations, title 1, section 2002(a)(1).

It is our understanding that the maximum credit amount is $150 million for Fiscal Year 2014-2015 and $200 million for each of the next three fiscal years, or $750 million total. The competitive application process is designed to identify the projects that have the highest benefits to the California economy. The SRIA estimates that the four-year credit program would lead to investments of roughly three times the total credit amount, which would support 353,000 jobs, generate $9.7 billion in additional production, and increase personal income by $23.8 billion. Based on the evidence presented in the SRIA, the Governor’s Office of Business and Economic Development (Go-Biz) concluded that the CCTC would help businesses in California grow and expand.

Finance broadly agrees with the methodologies outlined in the assessment of CCTC, and the magnitude of the estimated impacts is appropriate. The SRIA is written in clear language, which allows the general public to understand the tradeoffs in the regulation. The discussion of the various benefits and costs are presented in a transparent manner, and allow the reader to see the resulting impacts. It may be helpful to also include a short discussion of the broad sectors to which the funding in 2013-14 was allocated, and how that differs from the sectors that were assumed to receive funds for the IMPLAN calculations. However, this is entirely optional.

The SRIA, a summary of our comments, and your responses to them must be included in the submission of your regulatory package to the Office of Administrative Law. Please let us know if you have any questions regarding our comments.

Sincerely,

Irena Asmundson  
Chief Economist  

cc: Ms. Panorea Avdis, Governor’s Office of Business and Economic Development  
Ms. Debra Cornez, Office of Administrative Law  
Mr. William Koch, Governor’s Office of Business and Economic Development