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## California Competes Tax Credit Program

### Committee Meeting

Thursday, June 18, 2020

1:00 p.m.

*In response to the Governor's Executive Order [N-29-20](#) authorizing public bodies to take necessary action to protect the public from the spread of Coronavirus (COVID-19), the California Competes Tax Credit (CCTC) Committee Meeting was live streamed and open to the public on [Zoom](#). Members of the public were encouraged to submit public comments or requests to make public comment during the meeting through email at [CalCompetes@gobiz.ca.gov](mailto:CalCompetes@gobiz.ca.gov).*

#### MEMBERS:

Chris Dombrowski, Chair  
Acting Director  
Governor's Office of Business  
and Economic Development

Fiona Ma  
State Treasurer

Keely Bosler, Director  
Department of Finance

Todd Walters, Appointee of the  
Senate Committee on Rules

Madeline Janis, Appointee of  
the Speaker of the Assembly

## MINUTES

### OPEN SESSION

#### A. Call to Order and Roll Call

Chair Dombrowski called the meeting of the California Competes Tax Credit Committee (Committee) to order at 1:00 p.m.

**Members Present:** Chair Chris Dombrowski, Matthew Saha (representing the State Treasurer), Todd Walters (representing the Senate Committee on Rules), and Madeline Janis (representing the Speaker of the Assembly)

**Members Absent:** Gayle Miller (representing the Director of the Department of Finance, absent at roll call but joined during Agenda Item D-2)

#### B. Approval of Minutes from April 23, 2020, Committee Meeting

Chair Dombrowski called for any questions or comments regarding Agenda Item B. Hearing none, he requested a motion to approve Agenda Item B.

**Action Moved/Seconded:** Members Walters/Janis

**Yes:** Members Dombrowski, Saha, Janis, Walters

**No:** None

#### C. Assistant Deputy Director's Report



- **Agenda Overview – Agreements with 22 Businesses, Total Tax Credits \$73,542,333**

CalCompetes Assistant Deputy Director Scott Dosick provided the following updates to the Committee:

Mr. Dosick reminded members of the public who were watching the meeting online that public comments could be submitted by emailing [CalCompetes@gobiz.ca.gov](mailto:CalCompetes@gobiz.ca.gov). He explained that CalCompetes staff would monitor the CalCompetes email and would forward emailed comments to the Committee. Alternatively, requests to make public comments may be submitted during the meeting using the Question and Answer (Q&A) tool through the Zoom toolbar at the bottom of the screen. He requested that individuals requesting to make a public comment include their full name, organization they are representing (if applicable), and agenda item. He explained that name and organization are optional and for identification purposes only. He instructed individuals with any technical difficulties to call the CalCompetes hotline at 916-322-4051.

Mr. Dosick updated the Committee on the state budget and GO-Biz's efforts to assist California's economic recovery. He stated that as a result of the pandemic, the state is anticipating a multi-year, multi-billion-dollar deficit and budget negotiations are still ongoing. However, Mr. Dosick stated that the budget deficit would likely adversely impact CalCompetes credit recipients. Specifically, budget trailer language would suspend net operating loss carryovers and cap the total amount of tax credits that a business could claim on its tax return to no more than \$5 million per year for the next 3 years. He stated that, as written, this would apply to all tax credits, not just CalCompetes. Although, budget trailer language would not deprive a businesses of any portion of its awarded credit, it could delay its ability to claim the full amount in the year that the tax credit was earned. As CalCompetes is a nonrefundable tax credit, awardees can carry forward unused credits for 6 additional years after the year they were earned. The changes in the budget would add an additional year to carry forward the credit for each year that the business is impacted by the \$5 million cap. For more information, Mr. Dosick recommended that interested individuals visit the GO-Biz website and sign up for the Covid-19 newsletter.

The entire office has been working tirelessly; many have not had more than a couple days off in months. He stated that GO-Biz is responding to hundreds of calls and emails weekly from businesses of all sizes from all over the state. For example, GO-Biz's Office of the Small Business Advocate is providing support to local organizations, like the small business development centers, and connecting businesses to these local resources. Mr. Dosick stated that the CalCompetes unit is more passionate than ever in doing everything it can to ensure that businesses choose California for their expansion and is looking at what it can do going forward to help businesses recover from the pandemic-induced recession and put employees back to work in quality, full-time jobs.



For today's meeting, there are two discussion items on our agenda at the request of Committee Members. The first is a presentation and discussion on the FTB compliance review process. The second is a discussion of diversity and inclusion as a component of the CalCompetes program.

Mr. Dosick stated that there are also 48 Agreements up for recapture. As stated in the April meeting, CalCompetes awardees sign an Agreement that sets forth how much credit they can claim each year if they achieve their employment, wage, and investment milestones. Most of the Agreements recommended for recapture today are for Agreements whose 5-year terms have expired. In some cases, the businesses achieved some, but not all, of their milestones – which is why there is a recommendation for a partial recapture of the credit. In other cases, the businesses failed to achieve any of their milestones over the 5-year period and thus the entire credit is recommended for recapture. As always, there are some voluntary requests from businesses to have their credit recaptured as their business plans have changed; and, as a result, they requested that the Committee recapture the credit to make it available to other businesses. In those situations where the businesses are in material breach of their agreement for failure to submit the annual reports required by the Agreement, there is a recommendation that the Committee approve recapturing the entire credit.

Lastly, GO-Biz is recommending 22 tax credit awards today totaling \$73.5 million. GO-Biz received over \$184 million in credit requests during this application period. The 22 agreements for the Committee's consideration today represent commitments for a net increase of almost 6,000 new full-time jobs and over \$400 million in investments in California in exchange for \$73.5 million in total recommended tax credits. Each of the businesses recommended for award today has certified in its application that this credit will be a significant factor in the decision to expand in California.

Mr. Dosick also thanked the CalCompetes team. He stated that for the first time in the program's 6-year history, employees worked 100% remotely without any face-to-face interaction outside of Zoom. He also thanked Committee Members, for their commitment to this program and for taking time out of their busy schedules to prepare for and attend today's meeting. Mr. Dosick turned the meeting back over to Chair Dombrowski.

Member Janis expressed her appreciation to the CalCompetes staff and thanked them for their hard work and commitment to ensuring the work of the public moves forward in these challenging times.

**D. Discussion and Approval of California Competes Tax Credit Agreements**

<b>Total Recommended Tax Credits:</b>	<b>\$72,309,000</b>
<b>Total Recommended Tax Credits after Adjusting for S-Corporation Law<sup>1</sup>:</b>	<b>\$73,542,333</b>

<sup>1</sup> One-third of the California Competes Tax Credit may be utilized by an S-Corporation to offset the tax on net income at the S-Corporation level (R&TC §23803(a)(1)). The remaining two-thirds is disregarded and may not be used as a carryover for the S-Corporation (R&TC §23803(a)(2)(A)). However, the full amount of the California Competes Tax Credit is also passed through to the S-Corporation's shareholders (R&TC §23803(a)(2)(F)).



Chair Dombrowski proposed removing Agenda Items D-2, D-5, and D-8 from consent for further discussion. He asked the Committee and the public if there were any questions or comments regarding the remaining items included in Agenda Item D. Hearing none, he called for a motion to approve all items under Agenda Item D except for items D-2, D-5, and D-8.

**Action Moved/Seconded:** Members Janis/Walters  
**Yes:** Members Dombrowski, Saha, Janis, Walters  
**No:** None

Chair Dombrowski called for agenda items to be taken out of order. Agenda Items E and F were reordered for discussion prior to the discussion of the remaining items under Agenda Item D.

**E. Discussion and Approval of Recommendations for California Competes Tax Credit Agreement Termination and Credit Recapture**

<b>Total Tax Credits Recommended to be Recaptured:</b>	<b>\$22,585,200</b>
<b>Total Tax Credits Recommended to be Recaptured after Adjusting for S-Corporation Law<sup>2</sup>:</b>	<b>\$23,499,533</b>

Chair Dombrowski called for any comments from the Committee or public regarding Agenda Item E. Hearing none, he requested a motion to approve Agenda Item E.

**Action Moved/Seconded:** Members Janis/Walters  
**Yes:** Members Dombrowski, Saha, Janis, Walters  
**No:** None

**F. Discussion and Approval of Recommendations for Modified California Competes Tax Credit Agreement Termination and Credit Recapture**

<b>Total Tax Credits Recommended to be Recaptured:</b>	<b>\$37,000</b>
<b>Total Tax Credits Recommended to be Recaptured after Adjusting for S-Corporation Law<sup>3</sup>:</b>	<b>\$37,000</b>

<sup>2</sup> One-third of the California Competes Tax Credit may be utilized by an S-Corporation to offset the tax on net income at the S-Corporation level (R&TC §23803(a)(1)). The remaining two-thirds is disregarded and may not be used as a carryover for the S-Corporation (R&TC §23803(a)(2)(A)). However, the full amount of the California Competes Tax Credit is also passed through to the S-Corporation's shareholders (R&TC §23803(a)(2)(F)).

<sup>3</sup> One-third of the California Competes Tax Credit may be utilized by an S-Corporation to offset the tax on net income at the S-Corporation level (R&TC §23803(a)(1)). The remaining two-thirds is disregarded and may not be used as a carryover for the S-Corporation (R&TC §23803(a)(2)(A)). However, the full amount of the California Competes Tax Credit is also passed through to the S-Corporation's shareholders (R&TC §23803(a)(2)(F)).



Chair Dombrowski called for any comments from the Committee or public regarding Agenda Item F. Hearing none, he requested a motion to approve Agenda Item F.

**Action Moved/Seconded:** Members Janis/Walters

**Yes:** Members Dombrowski, Saha, Janis, Walters

**No:** None

## D-2. Ateiva

At the request of Chair Dombrowski, Mr. Dosick elaborated on Item D-2. Mr. Dosick described the company and the proposed agreement to the Committee. Atieva USA, Inc. (Atieva) is an electric car manufacturer that operates under the name Lucid Motors.

In exchange for an \$18,000,000 California Competes Tax Credit, Atieva has committed to a net increase of 1,858 full-time employees and an investment of over \$46 million. The jobs Atieva is committing to create are in classifications such as marketing, sales, administrative, research and development, engineer, technician, operator, and manager.

Created in 2007, Atieva is currently developing its first car: an electric luxury sedan known as the Lucid Air. Atieva indicated in its application that it is looking to expand its headquarters in California or relocating its headquarters to Arizona. It stated that it has a manufacturing facility located near Phoenix, Arizona and is considering moving the headquarters to this location. Atieva stated that it anticipates receiving over \$18 million in tax credits for building a facility in Arizona. Additionally, Atieva estimated it could save approximately \$26 million in payroll costs over the next five years and nearly 25% on operating costs by moving to Arizona.

Mr. Dosick stated that Daniel Witt, Atieva's Senior Manager of Public Policy, Kathy Kelly, Atieva's Senior Manager of Talent Acquisition, and Alexander Haring, Atieva's Manager of Business Development, were available to address any questions the Committee had.

Chair Dombrowski welcomed the representatives from Atieva and asked if they had any opening remarks.

Mr. Witt thanked the Committee and stated he was happy to answer any questions.

Member Janis stated that she was excited to see this application because we want more electric vehicles in California and in the world. She stated this was a large credit request and a big expansion. She stated she read that Atieva currently has a production facility in Newark and asked if that was in the Silicon Valley. Mr. Witt stated Newark is just above Fremont in the East Bay.



Ms. Janis asked Mr. Witt to describe what the business currently has in California versus Arizona. Mr. Witt stated that currently a majority of their employees were based in Newark, California. The facility that is currently being constructed in Casa Grande, Arizona is the production facility for the forthcoming Lucid Air. He explained that everything being done in Newark relates to R&D, as well as general and administrative activities. He stated they have done assemblies for the alpha and beta prototype of the Lucid Air vehicle at the Newark facility and that it has the capacity to do limited manufacturing. He stated that the production version, however, would be assembled in its entirety in the Casa Grande facility once it is operational at the end of this year.

Ms. Janis asked where they were sourcing from and if any focus was being placed on domestic supply chains. She asked Mr. Witt to describe the assembly of the vehicles and if any of it would take place in California.

Mr. Witt stated that the car itself has over a hundred different suppliers associated with it. A lot of the product thus far has been sourced from California-based suppliers due to their proximity to its facility, but as the business moves closer to large scale production of the vehicles, Atieva is looking for suppliers that produce specialty parts and have a global supply chain, including suppliers based in China, Europe, Mexico, as well as the domestic U.S. Ms. Janis asked what parts would be sourced from China. Mr. Witt stated he did not have details regarding the specialty parts but stated that the current equipment being sourced from Asia was equipment used to assemble the vehicles, such as robots.

Ms. Janis asked if most of the production was going to be automated. Mr. Witt stated they use automation to assist the workers. He added that Atieva expects to hire many assembly employees. He noted that the current situation with regards to COVID-19 makes staffing assembly workers in a factory challenging; however, since the facility is still under construction the business can adapt to both the current and future working environments in order to maintain employee safety.

Ms. Janis asked for more specifics on the types of jobs proposed for the California facility. Mr. Witt stated most of the jobs are engineering, pre-production, technician, general and administrative positions. He stated that the next phase of Atieva's growth involved building out the manufacturing facility in Arizona and expanding everything else associated with Atieva's growth from general and administrative to business development in Newark, CA, pending award of the credit.

Ms. Janis stated she was trying to get a sense of the high-skilled professional level jobs versus production level jobs that ordinary Californians can access. Mr. Witt stated Atieva has over 400 current openings on its website, including those that do not require a bachelor's degree. Many only require some kind of technical skills or credentials provided by a community college. He stated that Atieva wants the focus in Arizona to be manufacturing, and everything prior to the manufacturing, such as R&D, assembly, pre-production, etc. would occur at the Newark facility. He stated the Newark facility is greater than 300,000 square feet and immensely transformative depending on the resources needed in development of the vehicle. Ms. Janis asked if the 300,000 square foot facility



already existed in California or if it was in Arizona. Mr. Witt stated the facility was in Newark, California, describing it as a blend of office operations, light manufacturing space, high-ceilings, and an open environment for equipment and logistics.

Ms. Janis asked how many of the jobs would be light manufacturing versus engineering and office. Mr. Witt stated that Mr. Haring would be better suited to answer that question. Mr. Haring requested they come back to him once he was able to access specific documentation.

Ms. Janis stated the business indicated the credit would help in its decision to locate operations in Newark versus Arizona, but noted it appeared the business had already decided to locate its headquarters in California and just needed support to do that. Mr. Witt stated that the facility can be in either location. He explained that locating the project in Arizona would require construction of a new facility alongside their manufacturing facility and would replicate the functions characterized in the application. He stated the business already has an existing facility in California, noting that the decision would be determined based on the economics of growing in California versus a location in Arizona. He stated that the value of the credit request was the exact offset of that cost difference.

Ms. Janis stated she saw articles that the business received a billion dollars from the Kingdom of Saudi Arabia and asked why it needed an \$18 million tax credit from our state tax funds if it already had a billion dollars.

Mr. Witt stated that the Public Investment Fund of Saudi Arabia (PIF) is an investor in Lucid along with other investment groups. He stated that he spent years at Tesla before joining Lucid and during his time at Tesla the company spent billions of dollars to get to the point where it could produce the Model S. He stated that Tesla is the most recent car company to reach viable status and it takes billions of dollars in order to achieve that. He stated that Atieva is looking at its investment and the capability to reach the start of production and get the Lucid Air to a steady state of production.

Mr. Haring stated that he was ready to answer Ms. Janis' previous question. He stated that about half of the proposed jobs were in the higher paying R&D/engineering functions and about half would be in a lower salary group. He stated that over 400 of the jobs would be in general and administrative functions. Ms. Janis asked for more clarification. Mr. Haring stated that about half would be R&D/engineering, over 400 general and administrative, and the bulk of the rest would be in the marketing and sales department which support some of the sales and marketing work that is done at its store network, which includes the U.S. and global markets. Ms. Janis stated she was curious about the light manufacturing jobs that Mr. Witt had mentioned. Mr. Haring stated that those manufacturing jobs would be less than a hundred.

Ms. Janis asked which positions would earn the \$41,000 starting annual salary. Mr. Haring stated it would be the manufacturing, marketing and sales, and administrative categories which comprise



roughly half of the eighteen hundred proposed California jobs. Ms. Janis asked if that was their minimum annual salary and if they were not going below that. Mr. Haring confirmed that was correct. Ms. Janis stated that she appreciated that they were not proposing to hire many people at minimum wage.

Ms. Janis referenced the current political climate regarding the protests over the killing of George Floyd. She stated that we are in a moment of acknowledgement of 400 years of systemic racism in this country and pointed out that almost all Committee Members on the call were white. She further stated it was incumbent on us to ask ourselves the tough questions about how it is thinking about and responding to systemic racism at all levels. She stated she did not see a statement by Atieva on police violence and Black Lives Matter and asked if the business had engaged at all in thinking about its internal commitment to hiring more black, brown, and women in all levels of its workforce. Mr. Witt stated that the issues the country has been tackling in recent days and weeks had been felt by Atieva at a very personal level. He stated the business has done its best to provide each employee the opportunity and space to reflect on this as individuals, but also in groups. He stated that the CEO conducts a weekly all-hands meeting with staff and directly addressed this particular issue. He stated that an overwhelming majority of the company had participated in those meetings, at which the business reassured that it is not only taking this seriously but truly values and believes in a diverse workforce. He stated that the company at this point does not necessarily reflect those goals at the corporate level or executive-level but that it has made efforts in recent weeks to highlight and to seek out ways that it can transform its processes to better enable that type of diversity at all levels of the company. Mr. Witt asked Ms. Kelly to speak more to that issue.

Ms. Janis asked Ms. Kelly to be more specific. Ms. Janis stated those who are white, like herself, are all in the same position of trying to understand their own privilege and how to radically change the way they do things. She stated that the business was requesting a large credit from taxpayers, that ultimately comes from taxpayers of all stripes given that California's population was majority people of color.

Ms. Kelly stated that in talent acquisition there is dedicated staff members who focus on these issues. She stated they are trying to find that diverse audience and are doing it intentionally and not just hoping that it happens. She stated that those intentional shifts are what's going to make a difference. She stated that one of the challenges they have regarding hiring engineers is that it is difficult to find the kind of diversity that they would like, especially when it comes to female versus male because of the population of the people in those jobs, but the business is making progress.

Ms. Janis asked Ms. Kelly to speak more on that and asked if she was saying that there are no women engineers. Ms. Kelly stated she was not saying that, just that the number of female engineers was less than male engineers. She stated that they can pull data, for example using LinkedIn Talent Insights, and based on reports across America, there is a gender disparity. She





acknowledged that the business has to do intentional things to get in front of the right audience which is what they are doing in talent acquisition.

Ms. Janis stated there has been so much written by women engineers and black and brown engineers about hostile work environments, making it less interesting or attractive to go work in places that are majority white men. She asked Ms. Kelly if that had been given any thought. Ms. Kelly stated they had and were discussing how they can make a difference. For example, the business will be hiring senior leadership within the organization and one of the items they are trying to achieve is improving their diversity at that higher levels.

Ms. Janis stated that she was triggered by Ms. Kelly's mention of improving statistics because it did not sound like it was about creating racial and gender equity. Ms. Kelly stated what she meant by that is that her world is full of metrics so her mind thinks that way, but clarified that it is about dedicating resources and time to ensure that the business is doing what it can so that there is an equal balance. She stated the business has a strong diverse team, but it also wants to maintain it, make sure that there is no turnover with that population, and make sure that they are talking about it and educating recruiters and hiring managers on how important it is.

Ms. Janis asked if the business was unionized and if it has had conversations with the United Auto Workers or any other union. Ms. Janis stated that she did not want another Tesla, where workers who stand up are fired or treated badly. Mr. Witt stated he would refrain from commenting on his previous employer. He stated Atieva was not unionized and not aware of previous attempts to undertake any formal efforts to unionize. He stated the company prizes its workforce and maintains strong communications with its workforce during a weekly all-hands meeting where there is respect and willingness to engage on any discussion. He added that the company was still in development. He stated the business has a thousand employees, most of which are based in California, but it is not reflective of the entire enterprise that is needed to make a car company be successful. He stated the business anticipates having a more robust discussion on issues regarding organization of labor and diversity of workforce in the near future.

Ms. Janis stated she was interested in their openness to have good labor relations in the State of California.

Ms. Kelly stated they aimed to provide an environment that respects the right of employees and would partner with them if employees felt they needed that support. She stated that Atieva's approach was to ensure employees are recognized, being developed, and given opportunities they can access.

Member Miller stated she wanted to build on what Ms. Janis was talking about regarding equity. She stated that given how the country has reacted and how swiftly other companies reacted to the death of George Floyd she was a bit concerned by the answers provided. She asked for permission from Chair Dombrowski to request a report from the company in six months that would be



actionable, in terms of where it is now, where it hopes to be, and a plan. Ms. Miller stated that she did not hear any concrete ideas on how it would implement any of the statements that they made. She stated that it is important to hold each other accountable and encouraged them to give it some thought and to come back with steps the company has taken. She requested to make a motion.

Ms. Janis stated she would second that motion and ask that it come to a Committee meeting if possible. Ms. Miller stated that would be her suggestion as well: that they come back to present to the Committee with that information. Mr. Witt stated they would very much appreciate that opportunity.

Chair Dombrowski asked Mr. Dosick if anything needed to be done formally. Mr. Dosick stated that the Committee can request that information, though it does not have the legal authority to require it. He added that the Committee has the ability and authority to make its wishes clear, however, it would be a non-binding request. Mr. Dosick noted that Mr. Witt mentioned they would be happy to respond and provide that information in six months.

Ms. Janis asked Mr. Dosick for the legal basis of his statement and stated that as far as she was concerned, the Committee had the ability to approve or deny agreements. She added that there is already a requirement that there be an annual report thus did not understand why the Committee could not require a report to come to the Committee on these specific issues. She further stated she did not see anything in the statute or regulations that would prohibit the Committee from doing that. Mr. Dosick stated the Committee can make its opinions known as individual members and make requests of the businesses, but the only authority the Committee has is to either approve or not approve, it does not have the authority to modify the agreements or add additional legal requirements—according to the message he received from legal counsel, Van Nguyen. Ms. Janis stated she believed it was a very narrow reading of the statute.

Ms. Miller stated that she would have preferred a different answer from the company. She asked if the motion can be a motion of approval on the condition that the business provide this report, stating that the ability to claw back would be somewhat limited, but wanted to ensure that the expectation of the board was at least clear. She stated she was willing to table this item to give counsel a moment to think of the options available. Mr. Dosick stated legal counsel was currently in the meeting as an observer.

Ms. Janis reiterated that she believed it was a narrow reading of the statute. She stated that the statute says approve or disapprove and implicit in that is the ability to approve conditionally, which she stated is typical of decision-making bodies. She stated there is no provision on adding a condition or amending the contract thus did not see why, legally, the Committee cannot approve on the condition that there is a report provided to the Committee in November 2020 on specific commitments and actions by the company to understand any potential racial inequalities and increasing diversity.



Mr. Dosick announced that Mr. Nguyen was unmuted and could provide a response.

Chair Dombrowski stated the Committee would talk more about this and the analysis that it has been doing on what kind of additions can be included in the agreements and what regulatory changes might be needed to make those changes as well. He reminded the Committee that Atieva representatives stated they were willing to bring back a report voluntarily. He stated that if the Committee was adamant on it being something more than that, it needed to be worked out on the regulatory side with legal counsel. He stated it was certainly something GO-Biz was very interested in, but the advice received today was that it could not be done. Ms. Janis stated the Committee could vote not to approve the agreement and welcome the company to come back in November with this information.

Mr. Nguyen stated that, Subsection C of the CalCompetes statute states, "For purposes of this section, GO-Biz shall do the following: negotiate with a taxpayer the terms and conditions of proposed written agreements that provide the credit allowed pursuant to this section to a taxpayer." He stated that the terms and conditions pursuant to the statute are negotiated by GO-Biz as opposed to the responsibilities of the Committee which are set forth in a different section and those responsibilities are to approve or disapprove the agreement as presented to the Committee by GO-Biz.

Ms. Janis stated that statutes were in context and that Mr. Nguyen was doing a literal, strict constructionist reading. She stated that, from her knowledge of the speaker's office, the intention in many conversations that she had with the speaker when they made the recent amendments, was to empower the Committee. She stated there was a specific amendment added the last time to empower the Committee more greatly and to participate more actively in ensuring we are getting the best for our taxpayer investment. She stated that if the authority was strictly to approve or disapprove, the Committee should not be asking questions.

Mr. Nguyen stated that the ability to ask questions was to make an informed decision on whether the contract should be approved or not approved and added that he did not believe asking questions to become informed was contrary to what the statute says. He stated that the statute explicitly sets forth the responsibilities of GO-Biz and the Committee.

Ms. Miller asked Mr. Nguyen what the options were in terms of staff amending the contract today with agreement of the parties and bringing that to the board. Mr. Nguyen stated the Committee would have to not approve the agreement today. GO-Biz would then renegotiate the terms and conditions of the contract and resubmit the revised agreement for approval at a later date, such as the next Committee meeting sometime in November.

Ms. Miller asked if that was the case even though there was a willing voluntary party who submitted that they would offer the requested report. She asked Mr. Witt to weigh in on what he was willing to do voluntarily. Mr. Witt stated his personal commitment to come back sometime in November to



provide an update on the progress of the initiatives that were currently underway. He stated that since he was not the signatory on the contract, the commitment would ultimately need to be included in an amended contract to be signed by an authorized representative from the company. He reinforced that Atieva must partner with State of California on this project. Mr. Witt stated that the company does not have any issues with being transparent with its progress.

Ms. Janis asked if it was an option to have a special meeting in July just for this item. She stated these are times that require the Committee to operationalize this for the companies it is supporting. She stated it was a small thing, and the right thing, to do when people are out on the streets protesting. She encouraged the Committee to work with Atieva and show that this can be a model: a big company, doing a big expansion in the state, making a big commitment to adopt and change its practices and make racial and gender equity a core value.

Mr. Dosick stated that the funds appropriated for California Competes are on a fiscal year basis. So, if this was an earlier committee meeting in the year, we could hold it over to a subsequent meeting. At this point in time, today is June 18<sup>th</sup>, if the decision of the Committee was to hold this over for a future meeting, we would have to agendize it tomorrow and have the meeting no later than June 30, the end of the fiscal year. He stated GO-Biz would have to post the agenda tomorrow and have the meeting no later than 10 days from now to comply with the Bagley-Keene Open Meeting Act. He further stated that if the agreement was not approved today or unable to be rescheduled 10 days from now, the only other option because of the way the funds are appropriated would be for Atieva to reapply during the next application period.

Ms. Janis proposed to agendize the item for June 30th.

Chair Dombrowski asked Mr. Nguyen if it was an option to pull this item and recess the meeting for tomorrow to bring up this item. Ms. Miller stated that from her experience being on boards, a board can recess with a time certain to meet again. She stated her intent was to approve this today, but there was work to be done as a Committee to determine if the commitment from the business would be enforceable.

Mr. Witt stated he was open to having further discussions on the phone today regarding the answers the Committee found uninspiring. He stated the company was still growing but completely understood the unrest in this country manifesting itself in many different ways. He stated what he hoped to communicate was their willingness and observations on what is occurring in society. He stated there is a lot of self-reflection that needs to be done, but if the Committee was seeking companies that were completely mature and had these programs fully built out, it probably would have fewer companies coming before it to request a credit. He stated the credit was requested at a crucial time for the company to succeed and grow and the business would gladly come back with a progress report on demographics on the 400 openings it currently has as well as the different openings associated with the application.



Ms. Janis stated Mr. Witt was not helping himself and that it sounded like he was implying that companies would be deterred from applying for the tax credit that is intended for good job creation by the legislature, if the Committee asked them to talk about the commitment for racial equity. Mr. Witt stated it was not what he intended to say at all.

Ms. Janis stated the business needed to do more work on explaining what it was going to do instead of hiring a few token or more diverse people. She asked for specifics on what the business was going to do to commit to 1,858 jobs, where Black, Latino, and women Californians feel welcome and encouraged at Atieva. Mr. Witt stated he appreciated and understood what she was requesting. He stated there was miscommunication and that he was open to providing data points at the next opportunity during the November meeting. He stated he was not attempting to be evasive, but to directly respond to her requests. He stated that the companies before the Committee today, including those that have been approved, have to go through the same self-reflection as Atieva. He stated the business was not looking to hire token representatives in minority communities to fill 400 positions; that it was a serious effort to find quality candidates to fill very strategic positions at the company. He stated the process to take into account all forms of racial and gender disparities takes time in order to accomplish. He stated he could not speak on prior initiatives or details on ongoing initiatives as part of today with metrics to demonstrate their success because of their recency but they are in the process of making those exact changes. He stated he hoped to provide those data points in November.

Ms. Janis stated there were questions from the public in the Zoom chat. Mr. Dosick encouraged members of the public who had public comments to voluntarily identify themselves and indicate on which agenda item they were commenting and to those who had questions about how the program operates to email [calcompetes@gobiz.ca.gov](mailto:calcompetes@gobiz.ca.gov) or to call 916-322-4051. He stated that public comments were an opportunity to make a public comment, not necessarily to engage in a dialogue—which he stated is the role of the Committee. Ms. Janis stated she would read the questions listed in the chat so people can hear the answers live.

Ms. Janis asked what other large investors and tax subsidies are you getting? What other tax credits does your company now have or are you seeking in California?

Mr. Witt stated that to his knowledge they were not receiving any additional tax credits in California. He stated the only credits that the business would ultimately derive some benefit from would be any that find the way to consumers buying vehicles; regarding Arizona there are tax abatements and credits associated with the job growth and construction of that production facility. Ms. Janis asked how much the abatement was for. Mr. Witt stated it was a variety of programs that depend on a variety of metrics like job growth. He stated he was unsure of the totality but there was a \$5 million dollar grant associated with hitting certain job statistics which they had not hit yet because they just started to hire at that facility, but there is an abatement associated with taxes



derived from equipment purchases. Mr. Whitt stated that Atieva has just started construction, so it has not earned these abatements yet either.

Ms. Janis asked how many years they are promising to retain the 1,858 employees.

Mr. Dosick stated that Atieva is committing to grow by 1,858 full-time employees on an annual full-time-equivalent basis. In order to be able to achieve the milestones and keep the credit, it would have to maintain those milestones for at least three subsequent years. He stated that would mean keeping existing employees on the payroll, or replacing them if they were to leave, and adding these additional 1,858 full-time positions. In order to achieve the full \$18 million, Atieva would need to not only employ 2,224 full-time employees by the end of 2024, but it would also have to maintain all of those employees through 2027 to keep the full amount of credit.

Ms. Janis stated she wanted to vote yes on this agreement but was not comfortable yet. She requested to recess this item. Chair Dombrowski asked Mr. Dosick and Mr. Nguyen if it was possible to renegotiate the contract, amend it to include a report that would be submitted in six months' time, and then bring that contract to the Committee tomorrow for a vote. Mr. Dosick stated that he would need input from Mr. Nguyen on Bagley-Keene and recessing the meeting and reconvening tomorrow versus re-agendizing for a meeting in ten days. Mr. Nguyen stated he was unsure as he had not crossed this path before. He stated he would be more comfortable with re-agendizing the item to the end of month, if possible. He stated that GO-Biz is supposed to be submitting a fully executed agreement to the Committee and there must be ten days for that, so it did not seem right to make the changes and do it tomorrow. Ms. Miller asked Mr. Witt for his input. Mr. Witt stated the business was amenable to whatever the Committee decided and added that he would be more than pleased to provide updated answers on questions the Committee had between now and the next meeting. He reiterated his commitment to return in November voluntarily. Ms. Miller recommended a short meeting before the end of the fiscal year. She stated she appreciate Mr. Witt's willingness to be mindful of this and that it was a great opportunity.

Chair Dombrowski asked if there were any more questions or comments from the Committee or the public. Mr. Dosick announced that there was a public comment: Jennifer Kelly from the United Auto Workers.

Ms. Kelly stated, "Thank you for the opportunity to make a comment. As others have said the UAW greatly supports the growth of electric vehicle production particularly in the US. It is clear that that is the way the auto industry is going. I think it's important for the United States to be a crucial part of that production, development, and supply chain as well. Within that it is our mission to ensure that jobs are quality jobs; I'm sure you have all heard the term that green jobs should be good jobs. With that I think given the conversation going on here today, unions have played an important role in providing fair and equitable workplaces and have been a big part of minimizing racial pay gaps. I think it's important for this Committee to consider what the nature of the jobs will be; will these be good jobs given that there is taxpayer investment going into this. Furthermore, I think it's important



that once there is a taxpayer investment, that we are able to hold employers accountable to the promises they make. We think that these types of job should be good middle-class jobs, with family-supporting wages, good quality low-cost health care being provided, retirement income benefits, paid time off, there should be good consideration of scheduling issues, overtime issues, use of temporary workers so we know that these are stable jobs. None of these things matter if jobs are not safe. It is something that we work very hard for in our represented workplaces and we talked to non-represented workers about their concerns around health and safety which means rigorous practices in the workplace: reporting, training, making sure that workers aren't punished for reporting incidents or practices that need to be amended and that includes ergonomics as well—it is not purely a production floor issue. If there is not a safe workplace, again if there is taxpayer investment into a business, then we should be able to address the lack of strong practices. Lastly, for employer to respect labor laws and in particular workers' rights to freedom of association and collective bargaining are important. Far too often, we see employers go right up to the edge of labor law, violating the spirit of it or violating the actual law itself; and once they do violate it, there is really no teeth in our existing laws to hold them accountable for what they've done. By then it's too late really because the workers have already suffered. Once unions are formed there is often a game of litigating the nature of the bargaining and makes it difficult for workers to exercise their rights. We think again those are important considerations when we talk about taxpayer investment and companies and employers that receive taxpayer money should be held accountable to very high standards and we should look to these companies to lead to high-road employment and not be part of what is a race to the bottom. That concludes my comment. I appreciate your time.”

Mr. Dosick stated GO-Biz would post an agenda tomorrow, for one item, for a brief committee meeting on Monday, June 29. Mr. Nguyen confirmed that provided the ten days needed to comply with Bagley-Keene. Mr. Dosick stated there was no further action required at the time and the Committee would revisit this item at 1 p.m. on Monday June 29th with the revised language in the agreement.

Chair Dombrowski recessed the meeting for an eight-minute break, to reconvene at 2:40 pm. Mr. Dosick announced the Zoom webinar would remain live and open.

The meeting resumed at 2:40 pm.

#### **D-5. CTC Global Corporation**

At the request of Chair Dombrowski, Assistant Deputy Director Dosick elaborated on Item D-5. Mr. Dosick described the company and the proposed agreement to the Committee. CTC Global Corporation (CTC) is a developer and manufacturer of high efficiency electricity conductor products for utility applications, for example, power lines. CTC has certified in its application that absent



award of the California Competes Tax Credit, it may terminate all or a portion of its employees in California or relocate all or a portion of its employees in California to another state.

In exchange for a \$5,000,000 California Competes Tax Credit, CTC Global has committed to a net increase of 149 full-time employees and an investment of over \$10.9 million. The jobs CTC Global is committing to create are in classifications such as engineer, production manager, finance, operator, and technician.

Headquartered in Irvine, CTC Global indicated in its application that it is planning to expand in order to meet product demand and is preparing for increased competition from competitors in other states and overseas. CTC Global stated that in order to remain competitive with businesses in other states, like Nevada, or foreign countries, namely China, it must lower its direct labor costs. CTC Global indicated that award of the credit will allow it to remain competitive in the global market, retain its current California workforce, and create new full-time jobs in California.

Mr. Dosick stated that CTC Global representatives J.D. Sitton, CTC's CEO, and Martijn Rijke, CTC's Director of Finance, were available to address any questions the Committee had.

Chair Dombrowski welcomed the representatives from CTC and asked if they had any opening remarks.

Mr. Sitton thanked the Committee for the opportunity to engage and consideration of their application. He stated that the business has been growing very aggressively over the last five years and much of its business was with developing countries outside of the United States. They perform the bulk of production in the United States and export it into developing countries.

Chair Dombrowski asked if members of the Committee would like to ask any questions.

Ms. Janis thanked Mr. Sitton and stated it was admirable that the business was producing here and exporting. She asked him to elaborate on the type of electricity conduction equipment being exported.

Mr. Sitton stated the company innovated a carbon composite core, high voltage power lines, and big transmission lines. Carbon fiber enables a much higher performance conductor, and these particular conductors are valuable in situations where utilities want to get more power down their existing rights of way, or they need to serve their growing markets. He stated that in developing countries, there is a high correlation between access to electricity, income rates, literacy rates and access to good healthcare, and so we export our carbon fiber core to one of 32 different manufacturing partners that we have contracted with to make finished products and they make that finished product closer to the point of consumption. As an example, we ship our carbon fiber core to India where we have three different manufacturing partners there who will then make the finished conductor and provide that to the utility company in India.





Ms. Janis asked if the business was considering moving the plant to China. Mr. Sitton stated not specifically. Over the last 12 years the company has been in commercial mode and developed a high-performance conductor market segment, a very different technology than has been used by utilities to move bulk power long distances. He stated that the intellectual property that underpins those developments is protected by patents in the United States and over a hundred other countries around the world. He stated the business is in the final three years of those patents and preparing for competition from China, such as the Chinese knock offs who it has already had to enforce its IP against. He stated China is aggressive in combining knockoff technology and state-funded vehicles to go in and attack markets in developing countries such as in India, Bangladesh, Malaysia, Indonesia, Thailand, and Vietnam. He added that Chinese competitors do not have to worry about the return on capital and price just above marginal cost, whereas CTC is at two times marginal cost, which exposes it to significant price competition. CTC wants to maintain competitiveness because it believes that the people it works with need to be treated a certain way, above-market compensation, above-market benefit packages, and much more flexibility in terms of work schedules. He stated that in order to accomplish that it must be able to maintain the economics.

Ms. Janis stated the application materials mentioned mostly entry-level positions earning around minimum wage but acknowledged that there appeared to be incremental increases. She asked him to elaborate on the majority type of positions that would be hired and what the pathway would be.

Mr. Sitton stated production level workers are often people who are starting their careers. We have a very structured development program; we expose them to other activities in the company and give them tuition reimbursement opportunities. For example, if we have a line worker who wants to be machinist, we will pay for them to do the program necessary to become a qualified machinist and then they can step up their wage dramatically as a result of that. The entry-level wage is \$2 above the California minimum wage. He stated that he added other things to the compensation package for all workers, but especially entry-level workers. We have a very attractive 401k program and a process to educate workers on why they should invest in the program. He stated that over the last four years, CTC has taken the cost burden in the increase in health benefits that it provides in order to shield its employees from that additional burden. He stated that the business does not view employees as a cost to be managed, but as human beings to be grown.

Ms. Janis stated her last question was about systemic racism. She asked Mr. Sitton to talk about how the company is thinking about its own practices and what kind of thoughts it has on real programs to hire more brown and black women workers. Mr. Sitton stated that for every dollar of revenue the company collects, there are probably two dollars of revenue that flow into the hands of its manufacturing partners and, because they are working in the developing countries, they are predominantly non-Caucasian. He stated that a bulk of the wealth being created by the business is being realized by others in other countries that are representative of the kinds of groups that have been disadvantaged here. He stated that CTC's existing employee ethnicity makeup is 20% Caucasian, 80% non-Caucasian and payroll was 40% Caucasian, 60% non-Caucasian, in terms of how



the compensation was distributed. He stated when the business became aware of the events of Ahmaud Arbery, Breonna Taylor, the horrifying situation that occurred in Louisville, the extremely inhumane treatment of George Floyd, they were confronted by how this could possibly be happening again. He stated he did not make a big public statement but does lead people and leads people all around the world, many of whom look a whole lot more like Mr. Floyd than they do him. He stated he started thinking through and sharing thoughts on what each of us can do personally and professionally to address it using our networks and the people that we can influence, encouraging people to listen to others, to seek input, admit error to the extent that there is error identified, basically own our part of the situation. He stated it was about being the product of a system that has had some inherent racism and bigotry that has gone unaddressed for so many years. He stated the dialogue that resulted was humbling and amazing. He put out a note to the entire company and invited people to engage. Folks were really struggling with how to respond to the situation, how to constructively engage, they were turned off dramatically by the violence and riots that resulted but very supportive of the constructive protests and desirous for significant change. That dialogue has continued over the course of this COVID challenge. He has put out various company-wide notes to people updating them on the company and what we're doing and preparing for bringing people back to the facility and operating safely. He stated what that said to him was it cannot be about tokenism, it has to be about real engagement, and they have to live their values. He stated the company's values are integrity, safety, quality, respect, teamwork, and innovation. If they treat everybody with respect: people applying for jobs, people that are seeking promotion, people that are willing to invest in themselves and invest in the business by joining, people that they work with in other countries, people that are served by the power that is suddenly available to them in some small part as a result of some of the work that they do here, then over time they can address this pernicious problem. He stated he did not think that yields to an easy answer; there is not a single Twitter statement that he can release that will do more than the point he made with his team which is that it starts with the golden rule: treat others the way you want to be treated, always in every situation and be accountable for it. He stated that is the way the business has engaged; it is not necessarily textbook but hard felt and serious ongoing dialogue. He concluded by stating the business has a workforce that is very much of color, serves a community that is very much of color, and that is going to continue being the case as the company grows.

Ms. Janis asked if Mr. Sitton had any recommendations for this process going forward. Mr. Sitton stated he appreciated the question very much and the openness for engaging on that. He stated he does not have a lot of advice. He encouraged the Committee to make it more clear to the business representatives speaking at meetings that these kind of questions will occur that they have time to prepare some thoughts. He stated his appreciation for the desire to understand how a company that is going to potentially receive some support from the taxpayers, will represent a socially responsible investment.

Chair Dombrowski asked if there were any more questions or comments from the Committee or the public. Hearing none, he requested a motion for approval of Agenda Item D-5.



**Action Moved/Seconded:** Members Janis/Miller

**Yes:** Members Dombrowski, Miller, Saha, Janis, Walters

**No:** None

#### **D-8. L3 Applied Technologies, Inc.**

At the request of Chair Dombrowski, Mr. Dosick elaborated on Item D-8. Mr. Dosick described the company and the proposed agreement to the Committee. L3 Applied Technologies, Inc. (L3) is a defense contractor that specializes in various technologies, such as intelligence, surveillance, and security systems.

In exchange for a \$1,500,000 California Competes Tax Credit, L3 has committed to a net increase of 154 full-time employees and an investment of almost \$17 million. The jobs L3 is committing to create are in classifications such as manufacturing, scientist, and engineer.

Created in 1997, L3 is looking to upgrade one of its facilities that develops, engineers, and manufactures small antennae. L3 stated it has the option to invest in its San Leandro facility or a comparable facility in Utah. The State of Utah offers an Economic Development Tax Increment Financing program, which would reduce L3's tax liability. L3 also indicated that it has an active facility in Utah that could accommodate this growth plan.

Mr. Dosick stated that L3 representative Christopher Prabhu, L3's CFO-ATI, was available to address any questions the Committee had.

Chair Dombrowski welcomed the representatives from L3 and asked if they had any opening remarks.

Mr. Prabhu thanked the Committee for the consideration of the application and stated he was open for questions.

Member Janis asked for an explanation on what the business was making and whether it was a Department of Defense (DoD) contract. Mr. Prabhu stated the business has two operations in the Bay Area, one is purely focused on antennas for aircraft planes, so completely different from the operation in the East Bay which focuses on other high-tech projects. He stated they have a lot of highly technical personnel in the East Bay, with PhDs and Masters, which is why the average salary in the application is around \$100,000. He stated that there is not much synergy between the two operations other than approximately 90% of the contracts are DoD-type work.



Ms. Janis asked if the proposed project was for the antenna production. Mr. Prabhu stated the antenna production would move over to the East Bay and take over a portion of the manufacturing facility within Applied Technologies.

Ms. Janis asked if the antennas are produced for military planes and asked for more specifics on what they were for. Mr. Prabhu stated that yes, they are primarily for military planes.

Ms. Janis asked why the business needed California funds if it had a DoD contract. Mr. Prabhu stated they are in negotiations on some new DoD contracts, but have not landed them yet. But if they moved the Menlo Park operation over to the East Bay they would essentially be here for the long term. He stated from the ATI side they have a five-year contract that is coming up. They have been at this facility for forty to fifty years so it's not exactly what you would find in Menlo Park; not dilapidated, but it can use some upgrades

Ms. Janis asked if the business is unionized. Mr. Prabhu stated they were not.

Ms. Janis referenced the earlier conversations about systemic racism and stated that L3 had more specifics in its application in the section about equity and inclusion diversity/training than most of the other applicants. Mr. Prabhu stated that diversity and inclusiveness has always been a major goal even prior to the recent events. He stated they report out metrics and measure themselves both in terms of inclusiveness, even if it is subjective to some extent, but engage employees to ensure they are getting equal opportunity within the organization. He stated that between the two operations, both Menlo Park and the East Bay, they are about 50/50 white and people of color. He stated they are already there to some extent, but not exactly where they want to be and can improve even more. He stated that the bigger opportunity was on the gender scale as the business is about 70/30 male to female. He stated DoD-Type of work is historically male but given some of the work that they do, especially with some of the science going on, are seeing more of an uptick with the female population.

Chair Dombrowski asked if there were any more questions or comments from the Committee or the public. Hearing none, he requested a motion for approval of Agenda Item D-8.

**Action Moved/Seconded:** Members Walters/Miller

**Yes:** Members Dombrowski, Saha, Miller, Walters

**No:** None

**Abstain:** Member Janis

## G. Compliance Review Process



Chair Dombrowski introduced Item G, a presentation by the Franchise Tax Board (FTB) on the compliance review process. Assistant Deputy Director Dosick introduced the representatives from the Franchise Tax Board, Audit Bureau Director Ryan Muramoto and Program Specialist Sucharita Pal.

Mr. Muramoto thanked the committee members for the opportunity to present before them today. He stated he oversees the California Competes Tax Credit program (CCTC) books and records review process and introduced Ms. Pal as the Audit Policy Advisor. He stated that back in November of 2019, the FTB provided the Committee a detailed written overview of its books and records review process for this credit which is now available and posted on the GO-Biz website. FTB performs the books and records compliance reviews for the CCTC program. The purpose of the FTB review is to ensure compliance with the terms and conditions of the CCTC agreements awarded by GO-Biz and approved by the Committee. He explained that since the agreements span five years and there is a three-year maintenance, each credit awardee will be subject to one or more compliance reviews. The reviews focus on compliance with the awardee's credit agreement as opposed to how items are reported on a tax return. An awardee's tax return remains subject to the FTB's normal audit selection process as it is a separate compliance process. FTB issued FTB Notice 2014-02 which establishes general guidelines for its CCTC compliance review process.

Mr. Muramoto outlined the tax credit journey, beginning from the GO-Biz application period, to GO-Biz's evaluation and drafting of the agreements, followed by CCTC Committee review and agreement approval. He explained that after the agreements are approved, FTB receives the agreements from GO-Biz. On an annual basis, the credit awardee informs GO-Biz if it has met its agreement commitments or Milestones, relating to job creation, wage levels, and investments. He stated FTB's books and records review is initiated once the Milestone achievement notification is received from GO-Biz.

Mr. Muramoto stated the review process is broken down into four steps. Step 1 is the preliminary review of the CCTC agreement to get familiar with the awardee's business operations, the project, location within California, and Milestone commitments for job creation, wages, and investments. The information gathered is documented in a narrative review report which is continuously updated throughout the review process. After the preliminary analysis and an understanding of the awardee's agreement, the review moves to Step 2, where FTB initiates contact with the awardee via an Initial Contact Letter (ICL). The purpose of the ICL is to inform the credit awardee that FTB will begin the review process and what to expect along the way. FTB requests general information about the awardee's business structure and any related changes since the agreement approval, as well as the annual certification worksheet with schedules to support the annual full-time equivalent (AFTE) calculations and investment schedules. The awardee typically has 30 days to respond to the request for information and once the response to the ICL is received, FTB analyzes and verifies the mathematical accuracy of the awardee's computations. He stated FTB ensures that the awardee only includes full-time employees in their AFTE computations and verifies wage levels and



investment amounts. Once the accuracy of the calculations is determined, FTB requests supporting documents that validate the awardee's computations. In Step 3, the awardee provides source documents to support the annual milestone commitments in response to an Information Request Letter—a critical step in validating that the awardee has achieved the annual employment and investment commitments. Some examples of source documents include employee data such as I-9, W-4, employment contracts or offer letters, payroll records, and investment information such as invoices and cancelled checks. The source documents should confirm the awardee has a net increase in employment in California, pays the committed wage, and invests in the agreed-upon project in California within the allowable period. As an additional assurance, FTB cross references the information received from the awardee to its internal systems as well as information from other government agencies.

Mr. Muramoto stated that depending on the findings, the FTB may need to adjust the schedules verified in Step 2. The review process requires multiple interactions with the awardees to obtain the documents needed to validate the commitments. Once FTB ensures the integrity of the calculations, and validates them through source documents, it is ready to make a recommendation and close the review cycle. In Step 4, FTB communicates in writing the outcome in its recommendation of the books and records review. If FTB determines Milestones have not been met, it notifies the awardee and GO-Biz. The awardee and GO-Biz then work on a resolution together and if no resolution is reached the next step is to bring the issue before the Committee. If it is determined all milestones have been met, and the awardee is in compliance for the years under review, FTB shares the next steps and plans with awardees on future reviews. He concluded by thanking the Committee and stated he was available to answer any questions they may have.

Chair Dombrowski thanked Mr. Muramoto and stated that the partnership between GO-Biz and FTB is what makes CalCompetes such a successful program. He asked the Committee if they had any questions.

Member Janis thanked the representatives for their work and time spent when she visited with their staff. She stated it is clear that FTB checks the math and does a lot of hard work to do that, but what the Committee was not getting is a check on anything that is not measurable, like commitment to training and commitment to diversity. She stated the Committee must come up with separate ways of tracking, measuring, and enforcing those commitments, but the FTB staff was doing amazing jobs as public servants. Member Walters expressed his appreciation as well. Mr. Muramoto thanked the Committee.

Chair Dombrowski thanked the representatives and asked if there were any more questions or comments from the Committee or the public. Hearing none, he moved on to Agenda Item H.

#### **H. Discussion of Diversity and Inclusion as a part of the California Competes Tax Credit program**



Chair Dombrowski thanked Member Janis for putting this item on the agenda and stated he was eager to continue this conversation; in particular, thinking about what work can be done as we move into the next fiscal year and start to think about new agreements coming up. He stated Ms. Janis referred to the challenges the Committee have on what is possible to measure but that is something that we are obviously excited to think through and try to figure out. He stated the amended agreement that GO-Biz was working on today is an exciting first step in that but wants to hear her thoughts specifically since she requested this agenda item.

Ms. Janis stated she appreciated the openness to have a conversation about this as a group. She stated this was something that the Committee has been thinking about for a few years and has made changes in the form of regulations and amendments to the statute on training, it will clearly be a lot easier if the new piece of legislation gets adopted that allows us again to think about affirmative action as a tool to alleviate historical inequalities on race and gender. She stated she understands the Committee is limited, but it is not completely limited and does have options if it gets creative. There are two general questions on the application: a question about efforts to increase diversity in the workforce and a question about training. The training question is required by statute, so there should be a measurement for that. She stated that in terms of the question of racial and gender equity, she did not see why the Committee could not ask for current numbers such as a current breakdown on the number of women, men, etc., by occupation at the business. She suggested creating a spreadsheet with categories used in other government programs for identifying race, ethnic, and gender identities. She stated this may get companies to think about the make-up of its employees and identify problems. She suggested the application be more specific in asking businesses to describe what they are doing to address historic marginalization of people, specifically in their industry and workforce. She stated that the California Department of Fair Housing has wonderful recommendations in terms of how to deal with sexual harassment, racism, racial discrimination, suggested trainings, etc. She suggested also asking applicants if there have been complaints filed against them for such things. She indicated that these type of questions would provide the Committee more tools.

Chair Dombrowski asked Assistant Deputy Director Dosick to describe what is asked of applicants now and to share any initial thoughts he had. He thanked Ms. Janis for her suggestions.

Mr. Dosick thanked Ms. Janis for raising these questions and stated his appreciation for opening a dialogue. He stated that the application currently asks applicants a couple of things along these lines. First it asks, "Describe employee development opportunities, internal job growth and promotional patterns, turnover rates, community involvement, charitable donations and participation". With regard to diversity, there's a question that specifically asks applicants to "Describe the applicant's recruitment and or hiring practices to promote a diverse and inclusive workforce." The application also includes a lengthier question on the training opportunities that is laid out in the statute. It asks them to identify the types of training offered, the topics, objectives, whether or not they are paid, whether it is an accredited certification, whether it is an



apprenticeship approved by the Department of Labor Relations or US Department of Labor, etc. Mr. Dosick stated that the application does in fact ask those questions; and, as has been requested in the past, those responses are now available verbatim to the Committee instead of a summary. He stated that one of the great things about the California Competes application process is that when an applicant submits a non-detailed answer, the team has the ability to talk with them and ask them to provide something more. More specifically, applicants are asked about the steps they proactively take to ensure a more inclusive and diverse workforce. He stated that GO-Biz has been working with FTB on expanding the compliance review process specifically for the training aspect, such as looking at what the Employment Training Panel uses as part of its audit guidelines. Mr. Dosick stated the team has already started to explore what it can add into the agreements about reporting training requirements and diversity and inclusiveness recruitment.

Member Miller thanked Mr. Dosick, his team, and GO-Biz for recognizing how important issues of equity in job creation and treatment of people are in the workplace. She added that the work done by GO-Biz speaks volumes to how effective a program can be. She stated today was illuminating and she certainly learned a lot. She stated there is a lot that can be done to ensure we continue to hold people accountable in maybe slightly and more precise ways and thanked his team for prioritizing issues of equity from the beginning of CalCompetes which makes it stand out from other programs.

Member Walters thanked the members for engaging in the conversation and stated he has 13,000 union members that are out in the middle of this public conversation every day. He stated Ms. Janis had a good line of questions and expressed his appreciation.

Ms. Janis stated she had one more suggestion. She stated the best enforcers of the commitments for companies receiving this tax credit are the people of California. She stated she believes strongly that the Committee needs to make the annual reports submitted by companies public. She stated businesses make these commitments, and then everything is secretive after that. She indicated it is important for workers who work for a company to be able to compare their experience with what the company is saying they are doing and the only way that can happen is if the reports are publicly available. She stated GO-Biz has strongly opposed that for many years and she never understood why. She stated the commitments businesses make are public, not proprietary and asked why the reports on the compliance with the commitments not open for public review. She suggested the Committee must get more information about racial and gender equity but also must be fully committed to ensure that people who work in these places, and people who live in the communities around them, who maybe try to apply for a job and maybe never get hired, and maybe it's all white people at the factory, or all men in the factory, be able to hold businesses accountable. She asked how anybody can try to create accountability if there is no information available.

Ms. Miller stated Ms. Janis made an interesting point, and that she worked in tax policy for a long time and worried about the confidentiality of tax returns. Taxpayer information has many nuances, is audited, and a lot of companies have IRS or FTB auditors there the whole year. She reiterated that





the conversation is not isolated to CalCompetes but is more generalized as a general public policy question.

Ms. Janis stated she understood what Ms. Miller was saying and clarified that the only thing she was suggesting being made public was the annual report submitted to GO-Biz—not the FTB. She pointed out that a lot of the credit recaptures are due to companies not filing their annual reports.

Chair Dombrowski asked Mr. Dosick to describe the worksheets. Mr. Dosick stated that every business has a five-year agreement to achieve any and all of the Milestones over the course of the five-years. The recapture list contains some businesses that are in material breach for not submitting their annual reports; but, there are also some that are partial recaptures because their agreement had expired and they had achieved some, but not all of, their milestones. He stated at that point, it does become public: the awardee list on the GO-Biz website shows how much credit was recaptured from every business and whether it was a full recapture or a partial recapture. With the partial recaptures, it is an indication that over the five-year agreement they did not achieve all the milestones: either the hiring, investment, or both. The other aspect of the program is the flexibility that businesses have as they have the entire five years of the Agreement term to achieve any of their milestones. Mr. Dosick stated that asking businesses to predict what they are going to do over the next five years can be difficult. Although they may have an idea of the total job growth over the five-year period, a delay in permitting, inability to close escrow on a building when they thought they were going to, or if equipment doesn't get delivered on time, leads to delays in hiring. He stated that he often sees businesses fall behind schedule in the first one or two years of the agreement, but catch up in the final years of the agreement and do everything they said they would do. To Ms. Miller's point, because this is a tax credit program, there is some trepidation about releasing information early on in the project that can intimate that a company is not doing what it's supposed to be doing, when in actuality the predictions were murky and they may eventually achieve all or some of the milestones and earn some of the credit. In some cases that just does not happen and that's why we saw so many of the end of agreement recaptures that were complete recaptures this year.

Ms. Janis stated she did not want to take away from the conversation about race and gender equity and how the Committee can get more information to institutionalize that. She stated that she thought that the FTB can only capture so much information, and information on the reported forms may be false. However, workers can provide more insight if they can report that they weren't paid what was promised or given training opportunities that the business committed to giving.

Ms. Miller stated she did not think Ms. Janis' statement was entirely accurate. She stated the people at FTB do a lot more than take self-certification at face value, and while the Committee is respecting workers at these companies, it must also respect the work that the people at FTB are doing. She stated that the auditors, many of whom are offered opportunities at large firms, are doing this because they sincerely care and do a huge amount of work and get a lot of information,



which often they get because of the confidentiality laws. She stated it was important to protect FTB and discuss what more can be done to ensure that it is not just the self-certification process. Ms. Janis agreed.

Chair Dombrowski recognized that Ms. Janis provided specific comments to think about and suggested that other Committee members who may have ideas to let Mr. Dosick know.

Ms. Miller recommend that the contract build in some reporting opportunities for the Committee to weigh in on. She stated that, given the way the contracts are written, it would give the Committee more flexibility in terms of following through on some of the commitments that the taxpayers are making. She suggested that if the Committee hears something during testimony that necessitates further investigation that it potentially be built in, in addition to the more robust questions about these issues of equity.

Chair Dombrowski asked if there were any more questions or comments from the Committee or the public. Hearing none, he moved on to Agenda Item I.

#### **I. Public Comment**

Chair Dombrowski asked if there were any more questions or comments from the Committee or the public. Hearing none, he moved on to Agenda Item J.

#### **J. Adjournment**

Chair Dombrowski thanked the Committee members for their time and working through the virtual meeting. He adjourned the meeting at 03:45 p.m.