



**STATE OF CALIFORNIA**  
**BUSINESS INVESTMENT GUIDE**

MARCH 2013

## DIRECTOR'S FOREWARD

On behalf of Governor Edmund G. Brown Jr., the California State Legislature, and the entire state family comprising its various Departments, Boards and Commissions, thank you for your business interest in our great State. The Governor's Office of Business and Economic Development (known commonly as "GO-Biz") was formed to serve you as the single point of contact for your business needs.

The State of California – Business Investment Guide serves as a reference document to highlight California's strategic business advantages, new state-sponsored initiatives, incentives as well as existing technical and financial assistance programs currently in effect as of the publication date posted on the front cover.

Please check back periodically and visit us online at [www.business.ca.gov](http://www.business.ca.gov) for this Business Investment Guide will be periodically updated with new information, as the State responds to events and activities in the international marketplace as well as to your evolving business needs over time.

Should you have questions about the content included or referenced in this guide, please do not hesitate to contact our office.

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We look forward to assisting you. Thank you for your business interest and welcome to California, the Golden State.

Cordially,



Kish Rajan  
Director

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# GOVERNOR'S OFFICE OF BUSINESS & ECONOMIC DEVELOPMENT

Kish Rajan – Director

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The Governor's Office of Business and Economic Development ("GO-Biz") was created by Governor Edmund G. Brown Jr. to serve as California's single point of contact for economic development and job creation efforts. GO-Biz offers a range of services to business owners including: attraction, retention and expansion services, site selection, permit streamlining, facilitation through of regulatory compliance, small business assistance, international trade development, assistance with state programs as well as coordination with local and regional agencies. GO-Biz includes the following:

## **CALIFORNIA BUSINESS INVESTMENT SERVICES**

[Leslie McBride – Deputy Director](#)

The California Business Investment Services (Cal-BIS) Unit is comprised of a team of business development experts and specialists with in-depth insight into available resources, ongoing initiatives, and government programs that provide direct technical and financial assistance to companies that are interested in either locating or expanding in California.

Cal-BIS works closely with its regional and local economic development partners to provide no-fee, tailored site selection services to company executives, employers, corporate real estate executives, and site location consultants who are considering California for new establishments, relocation and/or expansion opportunities.

Cal-BIS provides a wide array of research, consultation and facilitation services involving the application of state resources and programs, coordination with regional and local agencies, information on labor, tax credits, tax exemptions, state permits and legislative action to the benefit of commercial business enterprises and new job creators.

The Cal-BIS unit serves as a company's primary liaison and facilitator between the state's regulatory agencies as well as regional and local governments throughout the state.

## **INTERNATIONAL AFFAIRS & TRADE DEVELOPMENT**

[Paul Oliva – Deputy Director](#)

The GO-Biz international business unit is the State's primary point of contact for expanding California's international business. It functions to boost international trade through marketing support, attention to policy barriers and support for airport, seaport, and ground transportation projects proving California as the nation's leading international gateway. It also functions to attract and support new foreign investment into the state in conjunction with Cal-BIS and the Federal EB-5 Immigrant Investor Visa Program. This unit is also responsible for operation of California's foreign trade office in Shanghai, China.

## **OFFICE OF THE SMALL BUSINESS ADVOCATE**

[Barbara Vohryzek – Deputy Director](#)

The Small Business unit serves as the primary advocate and resource provider for assistance to California's small business community. The unit provides educational services on issues that directly affect small businesses and conducts direct advocacy on behalf of small business owners. The small business unit works in collaboration with state departments and agencies to manage interagency projects that promote regulatory compliance, outreach and assistance. The

Unit facilitates resources for technical assistance, financial assistance as well as state procurement opportunities.

## **INNOVATION & ENTREPRENEURSHIP**

[Louis Stewart - Deputy Director](#)

The Innovation and Entrepreneurship unit is the state's primary point of contact for promoting California's innovation infrastructure. It functions to develop an environment that encourages entrepreneurship, promotes long term economic growth and facilitates job creation through innovation. It also serves to convene key stakeholders needed to support GO-Biz activities throughout the state as well as stimulate entrepreneurship and the development of California's innovation workforce. This unit is primarily responsible for the administration of California's Innovation Hub (iHub) Program.

## **PERMIT ASSISTANCE**

[Paul Martin - Deputy Director](#)

The Permit Assistance unit provides comprehensive permit and regulatory compliance assistance statewide for businesses in California by serving as the central source of permit guidance. The Permit Assistance unit also works with local and regional permitting agencies to provide permit identification and regulatory compliance assistance at the local level. The team will also act as a neutral facilitator between state regulatory agencies and businesses to resolve permitting issues. A project specialist may be assigned to personally guide an applicant through the

permit process and will assist new business owners to identify all necessary permits required to start a new or to expand an existing business. The unit schedules pre-application meetings between businesses and the appropriate regulatory agencies to help streamline the permitting process. The services provided by the Permit Assistance unit are confidential and free of charge.

The on-line permit assistance website [www.calgold.ca.gov](http://www.calgold.ca.gov) provides a listing of required, federal, state and local permits, webpage links, addresses, application forms and phone numbers.

## **COMMUNICATIONS AND POLICY**

[Riley Ray-Robbins - Deputy Director](#)

## **LEGISLATIVE & INTER-GOVERNMENTAL AFFAIRS**

[William Koch - Deputy Director](#)

## **EXTERNAL AFFAIRS**

[Jorge Jaramillo - Deputy Director](#)

## **LEGAL AFFAIRS**

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## **MAIN OFFICE**

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## TOP 10 REASONS TO INVEST IN CALIFORNIA

1. California is the **largest, richest and most diverse** economy in the United States
2. California is one of the nation's **fastest growing** economies and a national leader in job creation
3. California **leads the nation** as the Number 1 State for manufacturing and technology
4. California **leads the nation** as the Number 1 State for capital access
5. California **leads the nation** with the most Fortune 500 companies
6. California's quality of life standards is one of the **highest in the nation**
7. California is a **global leader** in agricultural output and export
8. California is a **global leader** in attracting and retaining international talent and investment
9. California is a **global leader** in innovation and entrepreneurship
10. California is a **global leader** in higher education and workforce readiness

### HISTORY OF CALIFORNIA'S ECONOMY

A *Brief History of the California Economy* can be found here:

[http://www.dof.ca.gov/HTML/FS\\_DATA/HistoryCAEconomy/index.htm](http://www.dof.ca.gov/HTML/FS_DATA/HistoryCAEconomy/index.htm)

A *Chronology of Significant Events* in California's economy can be found here:

[http://www.dof.ca.gov/HTML/FS\\_DATA/LatestEconData/Chronology/chronology.htm](http://www.dof.ca.gov/HTML/FS_DATA/LatestEconData/Chronology/chronology.htm)

## CALIFORNIA BY THE NUMBERS

California is a national leader in job creation with 257,600 new private sector jobs created between Dec. 2011 and Dec. 2012 and 556,500 new jobs created since the recovery began in February 2010. (California Employment Development Department)

Our private sector growth rate of 2.2% is outpacing the national average which means we are adding more jobs at a faster rate. And the state's unemployment rate is at 9.8% – the lowest rate in almost four years. (U.S. Bureau of Labor Statistics)

Due to California's diverse industry mix the state added jobs in multiple high paying sectors such as business and professions, healthcare, education, trade and transportation, information, and finance. All of these sectors posted significant increases over the last year. (California Employment Development Department)

The California construction industry grew by 4.4% in the last year, top ten in the nation. That was augmented by growth in retail trade industries which in October and November added a combined 34,500 jobs. That figure is the greatest two-month increase in retail trade jobs since the state began tracking that figure in January 1990. (California Employment Development Department)

California is by far the number one state for manufacturing both in jobs and output. Manufacturers in California account for 11.7% of the total output in the state, employing almost 9% of the workforce. Total output from manufacturing was \$229.9 billion in 2011, significantly more than any other state. (National Association of Manufacturers)

Information technology jobs have exceeded pre-recession levels. (California Employment Development Department)

California healthcare jobs maintained consistent growth through the recession, adding 27,500 jobs per year. (University of the Pacific Economic Forecasting Center)

California has the highest number of 'Green jobs' in the U.S. with over 318,000 people employed in high paying green and cleantech positions. (California Employment Development Department)

California's 2,324 biomedical companies employ 269,000 people. This industry accounts for \$115 billion in annual revenues – which is more than the annual Gross State Product of 18 U.S. states. (California Healthcare Institute)

3.5 million California small businesses account for 99% of the state's employers and employ 52% of the workforce. (U.S. Small Business Administration)

California received 50% of all venture capital financing in the U.S. in 2011, by far the most in the U.S. (Ernst and Young Venture Capital Report)

California is the No. 1 state for agriculture revenues, with \$34.8 billion in revenue representing 12.3% of the U.S. total. (California Department of Food and Agriculture)

California is the No. 1 state for attracting foreign direct investment. (Congressional Research Service)

California has more Fortune 500 companies than any other state, 53 in total. (Fortune Magazine)

# CALIFORNIA'S STRATEGIC BUSINESS ADVANTAGES

## ***THE LARGEST, RICHEST AND MOST DIVERSE ECONOMY IN THE NATION***

California has the largest, most robust and resilient economy in the United States. In 2011, the Golden State produced \$1.958 trillion in goods and services. If the state were considered a stand-alone country, its economy would be the *ninth largest in the world*.<sup>1</sup> <sup>2</sup> California's economy represents 13% of the total U.S. gross domestic product and is one of the top 10 *fastest-growing economies in the U.S.*<sup>3</sup> California's population exceeded 37.8 million in July 2012, and is growing dramatically in size and diversity. California represents 12% of total U.S. population (one out of every nine persons).<sup>4</sup> California was ranked number two in states with the *largest population increase* from July 2011 to July 2012.<sup>5</sup> With 53 companies on the 2012 list, California has more Fortune 500 companies than any other state in the country. California has 11 cities in the top 20, more than any other state, for the "Richest Cities" with the highest percentage of household incomes over \$100,000.<sup>6</sup> After five

<sup>1</sup> California Department of Finance, Financial & Economic Data, "Miscellaneous Economic Data", accessed February 27, 2013, [http://www.dof.ca.gov/HTML/FS\\_DATA/LatestEconData/FS\\_Misc.htm](http://www.dof.ca.gov/HTML/FS_DATA/LatestEconData/FS_Misc.htm)

<sup>2</sup> U.S. Department of Commerce, Bureau of Economic Analysis, "Widespread Economic Growth Across States in 2011", released on June 5, 2012, [http://www.bea.gov/newsreleases/regional/gdp\\_state/2012/pdf/gsp0612.pdf](http://www.bea.gov/newsreleases/regional/gdp_state/2012/pdf/gsp0612.pdf)

<sup>3</sup> 24/7 Wall St., "The States With The Fastest Growing Economies", Posted June 8, 2012, <http://247wallst.com/2012/06/08/the-states-with-the-fastest-growing-economies/>

<sup>4</sup> State of California, Department of Finance, "California County Population Estimates and Components of Change by Year, July 1, 2010-2012", released December 2012, [http://www.dof.ca.gov/research/demographic/reports/estimates/e-2/documents/E-2\\_Report\\_July\\_2010-2012w.xls](http://www.dof.ca.gov/research/demographic/reports/estimates/e-2/documents/E-2_Report_July_2010-2012w.xls)

<sup>5</sup> U.S. Census Bureau, "North Dakota is Nation's Fastest-Growing State Since 2011", released December 20, 2012, <https://www.census.gov/newsroom/releases/archives/population/cb12-250.html>

<sup>6</sup> American City Business Journals, "Rich Cities: Cities that lead in high-income households", posted July 3, 2012,

years of decline, momentum has been restored and housing activity has returned to positive percentage increases in unit production since 2010.<sup>7</sup>

## ***GATEWAY TO THE PACIFIC RIM***

California is globally connected with world-class infrastructure and serves as the Gateway to the Pacific Rim for the United States. More than 15,000 miles of highways and freeways carry billions of tons of freight per year. Twelve cargo airports carry more than 3 million tons of freight per year and California leads the nation with eleven cargo seaports. The ports of Los Angeles (#1), Long Beach (#2), and Oakland (#5) are among the most active in the country. California has 17 Foreign Trade Zones (FTZ) which allow tenants to delay or forgo import and export duties on goods and raw materials until they enter U.S. commerce. If the goods are warehoused in an FTZ, then exported to other countries, no duties are paid at all.

Twenty-five freight railroads in California operate over 5,000 miles of track to form an integral part of the global transportation and goods movement network. Mixed freight, food, glass and stone, chemicals and primary metal products make up the bulk of the originated and terminated tonnage carried by the extensive railroad network. California is a global export leader with over \$159 billion in sales of goods and services. International-related commerce accounts for a large percentage of the state's economy. Exports from California to 227 foreign markets accounted for 11% of total U.S. exports.

<http://www.bizjournals.com/bizjournals/on-numbers/scott-thomas/2012/07/two-california-cities-have-highest.html?page=all>

<sup>7</sup> California Department of Finance, Financial & Economic Data, "California Construction Data", accessed February 27, 2013, [http://www.dof.ca.gov/HTML/FS\\_DATA/LatestEconData/FS\\_Construction.htm](http://www.dof.ca.gov/HTML/FS_DATA/LatestEconData/FS_Construction.htm)

California's top 5 trading partners are Mexico, Canada, Japan, China and South Korea. California trade and exports translate into high-paying jobs for over one million Californians.<sup>8</sup>

### **THE WORLD'S LEADER IN ATTRACTING AND RETAINING INTERNATIONAL INVESTMENT AND TALENT**

California is the number one state for attracting foreign direct investment.<sup>9</sup> According to an October 2012 study, California is slated to capture \$10 to \$60 billion in foreign direct investment over the next 5 - 7 years.<sup>10</sup> California also conducts substantial international trade with a wide variety of global trade partners and is the number one exporter in the nation of computers, electronic products, and sales of food and kindred products. Computers and electronic products are California's top export, accounting for 29 percent of all the state's exports. Other top categories included Transportation Equipment, Machinery, except Electrical, and Misc. Manufactured Commodities.

The state is a bellwether for the nation's economy with the largest consumer markets in high technology, biotechnology, food and agriculture, apparel, and entertainment. Currently, only three minority markets at the state level exceed \$100 billion in buying power annually, and two of them are in California. Hispanic buying power comprises \$228 billion in California and California's Asian consumer market totals \$150 billion.

<sup>8</sup> U.S. Census Bureau, U.S. International Trade Data, "Total U.S. Exports (Origin of Movement) via CALIFORNIA, Top 25 Countries Based on 2011 Dollar Value", last updated July 11, 2012, <http://www.census.gov/foreign-trade/statistics/state/data/ca.html>

<sup>9</sup> Congressional Research Service, "Foreign Direct Investment in the United States: An Economic Analysis", October 26, 2012. <http://www.fas.org/sgp/crs/misc/RS21857.pdf>

<sup>10</sup> Asia Society, "Chinese Direct Investment in California", October 2012, [http://asiasociety.org/files/pdf/CA-China\\_final\\_web.pdf](http://asiasociety.org/files/pdf/CA-China_final_web.pdf)

In September 2012, Governor Brown signed AB 29 (Pérez) that directed GO-Biz to partner with non-profit and private sector partners to open trade and investment offices in countries around the world. GO-Biz will open the first office in Shanghai in 2013 and look toward future offices based on the statute which requires them to be deployed in countries demonstrating: strong exports and foreign direct investment ties to California; significant growth potential; and existing partners and resources in the region including existing trade and investment operations.

California's outflow of skilled foreign-born residents is the lowest in the nation, as well as foreign-born residents with coveted degrees in science, technology, engineering, and mathematics.<sup>11</sup>

### **NATIONAL LEADER IN MANUFACTURING AND TECHNOLOGY**

Innovation is more than just a phenomenon in California: it's our cultural heritage. Californians have a strong need to express themselves and a long history of free thinkers conceiving the inconceivable. California supports creativity with a superior educational system and job training that produces an unrivaled and highly skilled labor force. Over 2.4 million students are enrolled in 416 public and private colleges and universities with over 200,000 college graduates per year. California possesses the nation's highest concentration of engineers, scientists, mathematicians and skilled technicians. California is a major center for design of automobiles, furniture, apparel, software, electronics, telecommunications services, computers and semiconductors. California boasts nearly 651 members of the

<sup>11</sup> Milken Institute, "What Brain Drain?", October 2011, <http://www.milkeninstitute.org/pdf/WhatBrainDrain.pdf>

National Academy of Sciences and 111 Nobel Laureates.

California's culture embraced technology as part of its founding DNA. Technological innovation powers the California economy. The state is home to over 930,000 high-tech workers, *larger than any other state*, and 16% of all U.S. high-tech workers. High-tech exports totaled \$48 billion, *ranked first nationwide*, and high-tech goods represent nearly 44% of the state's annual exports. California leads the nation in several strategic high-tech industry segments, comprising between 20-60% of U.S. market share in electronic components, commercial aerospace, medical instruments, biotechnology and transportation.

California has been the *number one manufacturing state* since 1977. In many ways, California's technology fortune has driven the nation's economic future. California leads the nation with four of "the top-ten rankings for the preeminent high-tech metros in North America". In addition to leading the country in high-tech, California also leads in 'Green Tech' and 'Green Collar Jobs.' California is home to many types of renewable energies. Solar, wind and bio diesel are just a few of the technologies that are being researched, developed, and manufactured in the Golden State. California continues to top CNBC's America's Top States for Business Rankings for Technology and Innovation.

### **NATIONAL LEADER IN INNOVATION AND ENTREPRENEURSHIP**

California leads the nation with more self-employed living in its communities than any other state in the country.<sup>12</sup> California was

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<sup>12</sup>American City Business Journals, "California cities lead nation in self-employment", posted July 9, 2012, <http://www.bizjournals.com/bizjournals/on-numbers/scott-thomas/2012/07/california-cities-lead-nation-in.html?page=all>

ranked 2nd in the nation out of states with the highest entrepreneurial activity rates and continues to expand as one of the fastest growing and with some of the largest increases in entrepreneurial activity over the past decade.<sup>13</sup> Three California cities were named to the top ten "Best Cities for Tech Start-ups in the Nation" giving California more than any state in the top ten.<sup>14</sup> California had more cities (four) than any state in the nation listed in the top ten for the 2012 U.S. Metro Clean Tech Index.<sup>15</sup>

With approximately 152,000 jobs, California is the number one state for "App Economy" employment and employed three times as many people than the second place ranked state.<sup>16</sup> San Jose, San Francisco and Los Angeles ranked #2, #3 and #4 on the list of U.S. cities with the highest volume of social media jobs.<sup>17</sup>

### **NATIONAL LEADER IN ACCESS TO CAPITAL**

California leads the nation in research and development (R&D) and benefits from receiving half of the nation's venture capital (VC) investment. In 2009, California companies received more than \$8.8 billion or 50% of all VC dollars invested in the U.S. Top sectors receiving VC funding are software,

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<sup>13</sup> Ewing Marion Kauffman Foundation, "Kauffman Index of Entrepreneurial Activity 1996 - 2011", posted March 2012, [http://www.kauffman.org/uploadedfiles/kiea\\_2012\\_report.pdf](http://www.kauffman.org/uploadedfiles/kiea_2012_report.pdf)

<sup>14</sup> USA Today and the National Venture Capital Association, "Top Cities for Technology Start-ups", last update August 24, 2012, <http://usatoday30.usatoday.com/tech/columnist/talkingtech/story/2012-08-22/top-tech-startup-cities/57220670/1>

<sup>15</sup> Clean Edge, "U.S. Metro Clean Tech Index", accessed on February 27, 2013, <http://www.cleandedge.com/research/metro-index>

<sup>16</sup> CTIA The Wireless Association and Applications Developers Alliance, "The Geography of the App Economy", September 20, 2012, [http://files.ctia.org/pdf/The\\_Geography\\_of\\_the\\_App\\_Economy.pdf](http://files.ctia.org/pdf/The_Geography_of_the_App_Economy.pdf)

<sup>17</sup> Onward Search, "Social Media Jobs Salary Guide - A Look at the Top 20 U.S. Markets", accessed on February 27, 2013, <http://www.onwardsearch.com/Social-Media-Salaries/Social-Media-Jobs-Salaries-Guide.pdf>

telecommunications, biotechnology, medical devices and semiconductors.

California is home to more than 2,000 companies and more than 100 universities and private non-profit research organizations that are engaged in biomedical R&D and manufacturing. The biomedical industry is one of the most recession-resilient sectors in the state's economy, accounting for 274,000 California jobs. Among the state's high-tech industries, only the information technology sectors (computer and Internet-related services and computer and peripheral equipment industries) employ more people than the biomedical industry.

Since 2010 and for three years in a row, California ranks as the *number one* state for "Access to Capital" in CNBC's America's Top States for Business Rankings. California's biotech industry was ranked *number one* by Business Facilities Magazine which referred the Golden State as the "birthplace of biotech".

In 2009, California's biomedical companies completed 252 deals valued at \$2.6 billion, down from 302 deals worth \$3.5 billion in 2008 but still attracting more venture capital investment than any other sector in the state. California received the greatest amount of National Institutes of Health (NIH) funding of any state, receiving 7,228 grants totaling \$3.15 billion in 2008. California's share of funding was approximately 40% more than the second largest grantee, Massachusetts, which received \$2.2 billion. California ranks first in nanotechnology companies, holders of over 200 patents. More research and VC funding for this emerging industry is invested here than anywhere else. The Silicon Valley established a Blue Ribbon Task Force on Nanotechnology and the National Science Foundation predicts industry revenue will reach \$1 trillion by 2015.

R&D expenditures at universities and colleges totaled \$6.49 billion in 2006, while Industrial R&D exceeded \$58.4 billion, ranked first in

the nation. California offers a 15% R&D tax credit for in-house research and 24% for contract research, the highest in the nation.

## ***NATIONAL LEADER IN QUALITY OF LIFE***

Californians lead an enviable life that for the last five years ranked either #1 or #2 in the nation by the Harris Poll which asks respondents to name the number one most desirable state in which to live. Residents enjoy one of the highest life expectancies in the country, a median age of 34.7 years and receive the best health care. Californians enjoy natural beauty right in their backyards, featuring towering forests, snow-capped mountains, beautiful beaches and serene deserts. On average, in any given year, California's cities see 261 total days with sun.<sup>18</sup>

The Golden State is home to over 1,000 golf courses, 45 snow resorts, 21 professional sports teams, 31 national parks, 280 state parks, 134 wilderness areas, 1,100 miles of coastline, and over 900 wineries. California leads the nation in tourism with over 200 million visitors and \$95.1 billion in revenues in 2010.

California is one of the most highly sought after states to which to relocate for a multitude of reasons. California has more to offer new residents than almost any location in the world. Due to the high volume of inbound residents, as well as the thousands of visitors to California every month, the state offers a wide variety of services and resources for information on traveling and relocating to the great state. Santa Cruz and Los Angeles made the list of the top ten "Best Cities for Singles" and San Francisco and Sacramento placed in the top ten as "Most Fit."<sup>19</sup> <sup>20</sup> California has more cities than any state (four)

<sup>18</sup> Current Results Nexus, "Days of Sunshine Per Year in California", accessed on February 27, 2013, <http://www.currentresults.com/Weather/California/annual-days-of-sunshine.php>

<sup>19</sup> Kiplinger, "10 Best Cities for Singles", February 2013, <http://www.kiplinger.com/slideshow/real-estate/T006-S001-10-best-cities-for-singles/index.html>

<sup>20</sup> American College of Sports Medicine, "American Fitness Index", 2012

in the top ten “Coolest Cities in the Nation.”<sup>21</sup> Three California cities were ranked in the top ten cities to be “Rich & Single.”<sup>22</sup>

### **BEST PLACE TO LIVE**

According to the 2012 Bloomberg BusinessWeek’s America’s 50 Best Cities study, California is the only state with 2 cities in the top 10 best places to live in the U.S., including this year’s winning city, San Francisco.<sup>23</sup> Studies and rankings like these are indicative of California’s high Quality of Life standards which are often based on access to a good education and an environment supportive of well-rounded family services. California offers nothing short of the nation’s best quality of life standards in all categories.

### **EQUALITY FOR WOMEN IN BUSINESS**

Six California cities rank among the top 20 cities as the best place for women to make a high wage.<sup>24</sup> California has *more women-owned businesses than any state in the nation* with over 1 million businesses owned by women.<sup>25</sup>

### **DISCIPLINED, FISCAL STABILITY**

When Governor Brown assumed office, the state faced a \$26.6 billion budget deficit and estimated annual gaps of roughly \$20 billion. The first two state budgets under Governor Brown’s watch eliminated these deficits with billions of dollars in cuts as well as temporary

[http://www.americanfitnessindex.org/docs/reports/2012\\_afi\\_report\\_final.pdf](http://www.americanfitnessindex.org/docs/reports/2012_afi_report_final.pdf)

<sup>21</sup> Forbes, “America’s Coolest Cities”, accessed February 27, 2013,

<http://www.forbes.com/pictures/mhj45jded/introduction-25/#gallerycontent>

<sup>22</sup> CNN Money, “Best places for the rich and single”, last update August 23, 2012,

[http://money.cnn.com/gallery/real\\_estate/2012/08/20/best-places-rich-single.money/cnn/index.html](http://money.cnn.com/gallery/real_estate/2012/08/20/best-places-rich-single.money/cnn/index.html)

<sup>23</sup> Bloomberg Businessweek, “America’s 50 Best Cities”, posted September 28, 2012,

<http://images.businessweek.com/slideshows/2012-09-26/americas-50-best-cities>

<sup>24</sup> U.S. Census Bureau, 2010 American Community Survey

<sup>25</sup> Womenable, “The American Express OPEN State of Women-Owned Businesses Report”, published March 2011,

[https://c401345.ssl.cf1.rackcdn.com/pdf/WomanReport\\_FINAL.pdf](https://c401345.ssl.cf1.rackcdn.com/pdf/WomanReport_FINAL.pdf)

revenues. The 2011-2012 and 2012-2013 budgets provided three dollars of spending cuts for every dollar in temporary tax revenues approved by the voters.

### **CREDIT RATING**

Since Governor Brown assumed office he has cut billions in spending from the budget. State spending as a share of the economy has hit the lowest level since Ronald Reagan was governor—and the State’s credit outlook has shifted from stable to positive.

### **GOODS MOVEMENT AND LOGISTICS**

The goods movement and logistics industry is an increasingly important sector of quality jobs for Californians. The goods movement system in the Southern California region is a multimodal, coordinated network including deep-water marine ports, international border crossings, Class I rail lines, interstate highways, state routes and local roads, air cargo facilities, intermodal facilities and regional distribution and warehousing clusters. In 2010, over 1.15 billion tons of cargo valued at almost \$2 trillion moved across the Southern California region’s transportation system. Whether carrying imported goods from the San Pedro Bay Ports to regional distribution centers, supplying materials for local manufacturers or delivering consumer goods to residents, the movement of freight provides the goods needed to sustain regional industries and consumers on a daily basis.<sup>26</sup>

*Value of Exports and Imports through California Ports (all modes of transportation), 2011:*<sup>27</sup>

Exports: \$189.4 Billion

Imports: \$370 Billion

<sup>26</sup> Southern California Association of Governments, “Regional Transportation Plan 2012 – 2035”, adopted April 2012, [http://rtpscs.scag.ca.gov/Documents/2012/final/SR/2012RTP\\_P\\_GoodsMovement.pdf](http://rtpscs.scag.ca.gov/Documents/2012/final/SR/2012RTP_P_GoodsMovement.pdf)

<sup>27</sup> U.S. Department of Commerce, Bureau of the Census, Foreign Trade Division, Updated March 2012, [http://www.dof.ca.gov/HTML/FS\\_DATA/LatestEconData/documents/BBFORDTRD.XLS](http://www.dof.ca.gov/HTML/FS_DATA/LatestEconData/documents/BBFORDTRD.XLS)

## **HIGH SPEED RAIL**

California is investing in its economic future. The voter approved California High-Speed Rail project is the *largest public infrastructure project in the nation*. Inspired by successful high-speed train systems worldwide, California's electrically-powered high-speed trains will help the state meet ever-growing demands on its transportation infrastructure. Initially running from San Francisco to Los Angeles/Anaheim via the Central Valley, and later to Sacramento and San Diego, high-speed trains will travel between LA and San Francisco in under 2 hours and 40 minutes, at speeds of up to 220 mph, and will interconnect with other transportation alternatives, providing an environmentally friendly option to traveling by plane or car.

## **BUSINESS FRIENDLINESS**

With a population size of 37.8 million, California includes a wide network of friendly cities for business. According to Business Insider, two California cities - San Francisco (#6) and Los Angeles (#13) - ranked in the top fifteen internationally of the "Cities of Opportunity" report for the 27 best cities for doing business.<sup>28</sup> In its report "Hot Spots", the Economist conducted a research report in 2012 that ranked the global competitiveness of the world's major cities which ranked Los Angeles #6 within U.S. cities and 19<sup>th</sup> globally, while San Francisco ranked #5 in the U.S. and ranked 13<sup>th</sup> out of the world's 120 most competitive cities.<sup>29</sup> A recent poll in the American City Business Journals also identified that the City of San Jose made the

<sup>28</sup> Business Insider, "The 27 Best Cities for Doing Business", posted October 20, 2012, <http://www.businessinsider.com/the-top-27-cities-of-opportunity-2012-10?op=1>

Pricewaterhousecoopers, "Cities of Opportunity", published September 2012, <http://www.pwc.com/us/en/cities-of-opportunity/assets/cities-opp-2012.pdf>

<sup>29</sup> The Economist, Economist Intelligence Unit, "Hot spots - Benchmarking global city competitiveness", published January 2012, <http://www.citigroup.com/citi/citiforcities/pdfs/hotspots.pdf>

annual ranking in its top ten "Best Cities for Small Business" survey.<sup>30</sup>

## **ENERGY AND ENVIRONMENT**

California is internationally renowned for its leadership around environmental issues and the balance between environmentalism and business. In 2012 and for the third consecutive year, California ranked as the *number one state in the nation* on the Clean Energy Leadership Index.<sup>31</sup> California is home to three of the top ten "Greenest Cities" - San Francisco ranked 2<sup>nd</sup>, Oakland ranked 4<sup>th</sup> and Berkeley ranked 7<sup>th</sup>.<sup>32</sup>

## **REGULATORY ENVIRONMENT**

Following through on his pledge to streamline state government, Governor Brown shepherded a far-reaching reorganization through the Legislature that cut the number of State agencies from 12 to 10, eliminated duplicative and unnecessary entities and consolidated those with similar roles and functions. Changes include bringing key economic development functions under GO-Biz, specifically the California Infrastructure and Economic Development Bank, the Office of Tourism, the California Film Commission, the Film California First Program and the Small Business Loan Guarantee Program. Through GO-Biz, the state now features a Permit Assistance unit that provides comprehensive permit assistance and regulatory compliance statewide for businesses in California by serving as the central source of permit guidance.

<sup>30</sup> The Washington Post, "American's top10 cities for small business", accessed February 27, 2013, [http://www.washingtonpost.com/business/on-small-business/americas-top-10-cities-for-small-business/2013/02/15/3375a0ec-7796-11e2-aa12-e6cf1d31106b\\_gallery.html?tid=pm\\_business\\_gal#photo=1](http://www.washingtonpost.com/business/on-small-business/americas-top-10-cities-for-small-business/2013/02/15/3375a0ec-7796-11e2-aa12-e6cf1d31106b_gallery.html?tid=pm_business_gal#photo=1)

<sup>31</sup> Clean Edge, "2012 State Clean Energy Index", accessed February 27, 2013, <http://www.cleandedge.com/research/state-index>

<sup>32</sup> Mother Nature Network, "Top 10 green U.S. cities", accessed February 27, 2013, <http://www.mnn.com/lifestyle/eco-tourism/photos/top-10-green-us-cities/the-greenness-of-a-city>



## WORKFORCE READINESS

Workforce readiness is the foundation for the states competitive business edge in the global marketplace. California acknowledges that of most critical importance to its long term success as a destination for continued economic growth and opportunity, is the need for development and preservation of a workforce prepared to solve the challenges of both tomorrow, today. In demonstration of this recognition, California is the *nation's top performer* in placing investment funds towards certified employment training. According to a December 2012 New York Times study into state incentive programs, in 2009 California's Employment Training Panel invested over \$36 million to training services conducted by California companies outpacing Alabama, Ohio and Texas.

California produces more graduates than any other state in the nation and is home to more top 10 universities in the world for major ranking areas of study than any other state in the United States.

Further, California is second in the nation in its retention of highly skilled natives. Over the past decade, California has had the least out-migration of any state in proportion to the total number of skilled residents. This "skill outflow" averaged 2.2 percent a year, a full percentage point less than the national rate. California's outflow of skilled foreign-born residents is the lowest in the nation, as well as foreign-born residents with coveted degrees in science, technology, engineering, and mathematics (STEM).<sup>33</sup>

<sup>33</sup> Milken Institute, "What Brain Drain?", October 2011.  
<http://www.milkeninstitute.org/pdf/WhatBrainDrain.pdf>

## STATE WORKFORCE DEVELOPMENT PROGRAMS

### EMPLOYMENT TRAINING PANEL

The Employment Training Panel (ETP) is a business and labor supported state initiative that assists employers in strengthening their competitive edge by providing funds to off-set the costs of job skills training necessary to maintain high-performance workplaces. Since its inception in 1983, the Employment Training Panel has funded the training of over 800,000 employees, served over 78,000 businesses, and expended over \$1.25 billion in funds.

ETP uses a pay-for-performance contract to provide a specific, fixed-fee cash reimbursement for the costs of employer-customized, job-specific skills training conducted by a company for new hires or existing employees. Common training topics include: Business Skills, Computer Skills, Commercial Skills, Manufacturing Skills, Continuous Improvement, Hazardous Materials and OSHA 10/30, Management Skills and Literacy Skills.

The ETP reimbursement is based on the contract specified reimbursement rate and the number of training hours delivered and tracked. The rate is inclusive of all administration and training costs. Contracts are based on a two-year term. ETP funding is earned once the trainee completes a minimum number of ETP funded training hours and a post training employment retention period earning a contract specific wage. ETP uses a web-based tracking system for tracking of training hours, invoicing and supporting the contract with free development and monitoring services.

For more information, please visit:

<http://www.etp.ca.gov>

In an effort to encourage the utilization of the entry level workforce, in 2012 ETP launched a new "apprenticeship pilot program" setting aside 10 percent of its total funds to support apprenticeship Related and Supplemental Instruction (RSI).

For more information on the Apprenticeship Pilot Program, please visit:

[http://www.etp.ca.gov/docs/Apprenticeship\\_Guides.pdf](http://www.etp.ca.gov/docs/Apprenticeship_Guides.pdf)

### **DIVISION OF APPRENTICESHIP STANDARDS**

California's employers consider apprenticeship opportunities to develop their pipeline of skilled laborers, create a more flexible workforce, reduce employee turnover, instill company loyalty (through the employer's commitment to training), increase productivity as employee skills increase and for improved customer satisfaction generated by quality workmanship.

In recognition of these considerations and to assist companies engaged in apprenticeship opportunities, the Division of Apprenticeship Standards (DAS) within the Department of Industrial Relations, administers California's apprenticeship law and is responsible for the promotion and development of employment-based apprenticeship training in a variety of industries and occupations. Over 54,000 registered apprentices are currently in training in over 550 apprenticeship programs around the state, graduating approximately 8,000 new journey-level workers with nationally-recognized State approved certifications each year.

DAS consultants work with individual employers to design and implement employment-based training programs incorporating on-the-job training with related post-secondary classroom instruction provided through local community colleges and adult education programs.

Categorical apprenticeship funding may be available to cover the costs of related classroom instruction. Veterans can receive GI benefits to help supplement their wages and apprenticeship programs qualify for a variety of subsidized training assistance. The consultative services of the DAS are available at no cost to any employer in the state wishing to establish an in-house training program to build their skilled workforce.

More information on California's registered apprenticeship programs can be found at: <http://www.dir.ca.gov/das>

### **CALIFORNIA'S WORKFORCE INVESTMENT BOARD**

The Workforce Investment Act of 1998 (WIA) created a unique national workforce preparation and employment system designed to meet the needs of both career seekers and businesses. The California Workforce Investment Board (WIB) is responsible for assisting the Governor in performing the duties and responsibilities required by WIA. The WIB's strategic plan is aimed at serving the employment and training needs for companies and to sustain a skilled workforce so that businesses prosper. Services are predominantly provided through regional Workforce Investment Boards at "One-Stop" Career Centers, available at no cost.

One-Stop Centers follow a business services model that ensure the reliable delivery of services to businesses as well as the sharing of job listings and potential candidates throughout an entire countywide network. One Stop Centers offer a range of human resource services including: customized recruiting programs; job matching through skills assessments; interview facilities for conducting both one-on-one and group meetings; screening, testing and referrals; on-the-job and pre-employment training; technical assistance for employee support

and accommodations for employees with disabilities; information referral services for business incentives and business-to business referrals; as well as free job postings both locally and on the world wide web utilizing the center's online job bank.

For more information, please visit:

<http://www.cwib.ca.gov/>

### ***CALIFORNIA'S VETERANS - CALVET***

California's returning veterans present a strategic hiring advantage that sets the State apart. California is home to approximately 2 million Veterans – more than any other state in the nation. Coupled with federal incentives (such as the VOW to Hire Heroes Act), returning veterans in California provide a strategic opportunity for companies seeking to take advantage of a workforce that is already skilled in advanced military applications and given California's military significance, is arguably one of the most trained and educated to ever exit from military service.

For more information on working with California's veteran workforce, please visit:

<http://calvet.ca.gov>



## EDUCATION SYSTEMS

With 6.29 million students enrolled, California sits extraordinarily apart from most other states relative to its academic achievements and performance on public education.

On one hand, the state has some of the most challenging public schools affected by the highest poverty rate in the nation. The “*Report Card on American Education: Ranking State K-12 Performance, Progress, and Reform*” published by the **American**

**Legislative Exchange Council** ranked California’s 2011 State Education Policy Grade as a “B”.<sup>34</sup> The State’s profile with the **National Center for Education Statistics** in 2011 identified average scale scores and achievement levels lower than the national average.<sup>35</sup>

Yet on the other hand, the state produces the most gifted individuals from its public education system – more than any other state in the country. California has more **United States Academic Decathlon** National Champions (19 total) than any other state. In fact, California’s National Decathlon teams have returned as champions every year for the past ten years in a row. In 2012, the California Decathlon team set new records for both highest team score and highest individual score in the national competition’s history.

### ***K-12 EDUCATION SYSTEM***

California is one of the largest investors in K-12 facility spending in the country. From 1998 to 2011, Californians invested over \$35.4 billion in K-12 school construction

<sup>34</sup> American Legislative Exchange Council, “Report Card on American Education, 17<sup>th</sup> Edition”, 2012, [http://www.alec.org/docs/17thReportCard/ALECs\\_17th\\_Report\\_Card.pdf](http://www.alec.org/docs/17thReportCard/ALECs_17th_Report_Card.pdf)

<sup>35</sup> Institute of Education Sciences, National Center for Education Statistics, National Assessment of Educational Progress, “State Profiles”, accessed February 27, 2013, <http://nces.ed.gov/nationsreportcard/states/>

bonds. With 10,340 public schools serving its 6.29 million students, California has one of the nation’s largest inventories of public K-12 schools. The majority (approximately 85%) are common K-12 schools, including elementary schools, middle/junior high schools, and high schools. California also has 948 charter schools – about 10% of the total, and growing in number. There are 956 local school districts.

### ***COMMUNITY COLLEGES SYSTEM***

The California Community Colleges System (CCCS) is comprised of 112 community colleges in 72 community college districts serving over 2.4 million Californian students. Established in 1967 by the California legislature, CCCS is the largest system of higher education in the world.

In 2010, California Community Colleges awarded 47,884 certificates and 84,374 associate degrees, for a total of 132,258 sub-baccalaureate credentials awarded.

### ***UNIVERSITY SYSTEMS***

In looking at locales of where the top 10 world renowned universities are in Arts and Humanities, Business, Clinical, Preclinical & Health, Engineering and Technology, Life Sciences, Natural Sciences, Physical Sciences, and Social Sciences, California’s private and public universities rank at the very top.

California is home to over 120 accredited private universities and features 10 campuses in its world class University of California System and 23 campuses in its nationally recognized California State University System.

California is proud to feature the following  
2012 “**Top 10 Universities in the World.**”:<sup>36</sup>  
37 38 39 40 41

### **California Institute of Technology**

**#1 in the world**, Engineering, Business Insider  
**#1 in the world**, Engineering and Technology,  
Times Higher Education  
**#1 in the world**, Physical Sciences, Times Higher  
Education  
**#5 in the world**, Chemistry, US News  
**#5 in the world**, Environmental Sciences, US  
News  
**#8 in the world**, Earth and Marine Sciences, US  
News  
**#10 in the world**, Biological Sciences, US News  
**#10 in the world**, Best World University, US  
News

<sup>36</sup> U.S. News & World Report, “World’s Best Universities, Top 400”, 2012, <http://www.usnews.com/education/worlds-best-universities-rankings/top-400-universities-in-the-world>

<sup>37</sup> U.S. News & World Report, “World’s Best Universities, Subject Rankings”, 2012, <http://www.usnews.com/education/worlds-best-universities-rankings/best-universities-subjects>

<sup>38</sup> Times Higher Education World University Rankings, “Top 50 arts and humanities universities”, 2012, <http://www.timeshighereducation.co.uk/world-university-rankings/2012-13/subject-ranking/subject/arts-and-humanities>

“Top 50 clinical, pre-clinical, and health universities”, 2012, <http://www.timeshighereducation.co.uk/world-university-rankings/2012-13/subject-ranking/subject/clinical-pre-clinical-health>

“Top 50 engineering and technology universities”, 2012 <http://www.timeshighereducation.co.uk/world-university-rankings/2012-13/subject-ranking/subject/engineering-and-IT>

“Top 50 life sciences universities”, 2012, <http://www.timeshighereducation.co.uk/world-university-rankings/2012-13/subject-ranking/subject/life-sciences>

“Top 50 physical sciences universities”, 2012, <http://www.timeshighereducation.co.uk/world-university-rankings/2012-13/subject-ranking/subject/physical-sciences>

“Top 50 social sciences universities”, 2012, <http://www.timeshighereducation.co.uk/world-university-rankings/2012-13/subject-ranking/subject/social-sciences>

<sup>39</sup> Business Insider, “The World’s Best Engineering Schools”, posted July 9, 2012, <http://www.businessinsider.com/the-worlds-best-engineering-schools-2012-6?op=1>

<sup>40</sup> Business Insider, “The World’s Best Business Schools”, posted July 2, 2012, <http://www.businessinsider.com/the-worlds-best-business-schools-2012-6?op=1>

<sup>41</sup> Business Insider, “The World’s 25 Best Design Schools”, posted November 23, 2012, <http://www.businessinsider.com/the-worlds-25-best-design-schools-2012-11?op=1>

### **Stanford University**

**#1 in the world**, Business, Business Insider  
**#1 in the world**, Environmental Sciences, US  
News  
**#1 in the world**, Communication and Media  
Studies, US News  
**#1 in the world**, Statistics and Operational  
Research, US News  
**#1 in the world**, Arts and Humanities, Times  
Higher Education  
**#1 in the world**, Social Sciences, Times Higher  
Education  
**#2 in the world**, Mechanical, Aeronautical, and  
Manufacturing Engineering, US News  
**#2 in the world**, Electrical Engineering, US News  
**#2 in the world**, Computer Science, US News  
**#2 in the world**, Metallurgy and Materials, US  
News  
**#3 in the world**, Engineering, Business Insider  
**#3 in the world**, Physics and Astronomy, US  
News  
**#3 in the world**, Mathematics, US News  
**#3 in the world**, Psychology, US News  
**#4 in the world**, Civil Engineering, US News  
**#4 in the world**, Linguistics, US News  
**#4 in the world**, Biological Sciences, US News  
**#4 in the world**, Chemistry, US News  
**#4 in the world**, Accounting and Finance, US  
News  
**#5 in the world**, Chemical Engineering, US News  
**#5 in the world**, Economics and Econometrics,  
US News  
**#5 in the world**, Politics and International  
Studies, US News  
**#5 in the world**, Engineering and Technology,  
Times Higher Education  
**#5 in the world**, Life Sciences, Times Higher  
Education  
**#5 in the world**, Physical Sciences, Times Higher  
Education  
**#6 in the world**, Clinical, Preclinical & Health,  
Times Higher Education  
**#7 in the world**, English Literature and  
Literature, US News  
**#8 in the world**, Design, Business Insider  
**#9 in the world**, Sociology, US News  
**#10 in the world**, Philosophy, US News

**University of California, Berkeley**

#2 in the world, Geography and Area Studies, US News

#2 in the world, Chemistry, US News

#2 in the world, Environmental Sciences, US News

#2 in the world, Chemical Engineering, US News

#2 in the world, Statistics and Operational Research, US News

#2 in the world, Sociology, US News

#3 in the world, Civil Engineering, US News

#3 in the world, Electrical Engineering, US News

#3 in the world, Physical Sciences, Times Higher Education

#4 in the world, Engineering and Technology, Times Higher Education

#4 in the world, Computer Science, US News

#4 in the world, Metallurgy and Materials, US News

#4 in the world, History, US News

#4 in the world, Philosophy, US News

#4 in the world, Communication and Media Studies, US News

#5 in the world, Engineering, Business Insider

#5 in the world, Mathematics, US News

#5 in the world, Psychology, US News

#5 in the world, English Literature and Literature, US News

#6 in the world, Mechanical, Aeronautical, and Manufacturing Engineering, US News

#6 in the world, Biological Sciences, US News

#6 in the world, Earth and Marine Sciences, US News

#6 in the world, Life Sciences, Times Higher Education

#7 in the world, Physics and Astronomy, US News

#7 in the world, Economics and Econometrics, US News

#8 in the world, Linguistics, US News

#8 in the world, Modern Languages, US News

#8 in the world, Arts and Humanities, Times Higher Education

#9 in the world, Politics and International Studies, US News

**University of California, Los Angeles**

#3 in the world, Linguistics, US News

#4 in the world, Geography and Area Studies, US News

#6 in the world, Sociology, US News

#7 in the world, Chemistry, US News

#7 in the world, Psychology, US News

#7 in the world, Engineering and Technology, Times Higher Education

#8 in the world, History, US News

#8 in the world, Electrical Engineering, US News

#8 in the world, Biological Sciences, US News

#8 in the world, Statistics and Operational Research, US News

#8 in the world, Communication and Media Studies, US News

#8 in the world, Social Sciences, Times Higher Education

#9 in the world, Clinical, Preclinical & Health, Times Higher Education

#9 in the world, Physical Sciences, Times Higher Education

#10 in the world, Mathematics, US News

#10 in the world, Earth and Marine Sciences, US News

#10 in the world, Metallurgy and Materials, US News

#10 in the world, Life Sciences, Times Higher Education

**University of California, San Diego**

#9 in the world, Biological Sciences, US News

**Art Center College of Design**

#10 in the world, Design, Business Insider

## NEW STATE BUSINESS INITIATIVES

The State of California serves the business community by leading initiatives designed to improve the business climate on a wide variety of issues. The following initiatives were approved by the Governor in the last legislative cycle.

### **Gov. Brown Signs Legislation to Incentivize Investment in Advanced Manufacturing:**

In September 2012, Governor Brown signed SB 1128 (Padilla) to encourage investment, job creation, and economic growth by allowing advanced manufacturers sales and use tax exemptions on the purchase of manufacturing equipment. SB 1128 builds upon the current sales tax exemption program administered by the California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA) by including “advanced manufacturing” companies in industries such as biotechnology, computers, appliances, machinery, furniture, fabricated metals and transportation goods.

### **Gov. Brown Signs Worker Compensation Reforms:**

In September 2012, Governor Brown signed SB 863 (De León) to reduce costs to businesses and protect workers by cutting out hundreds of millions of dollars in waste from California’s workers’ compensation system. By reducing systemic inefficiencies and unnecessary expenses businesses will save \$1 billion in 2013, increase payments to disabled workers by 30% and improve the delivery of medical treatment, retraining and other benefits. The State of California is projected to save \$40 million per year in insurance costs alone, as well as untold millions in litigation, claims adjustment and other frictional costs. Savings to local government, including schools, cities and counties, are estimated at \$170 million annually.

For the full announcement, please visit: <http://gov.ca.gov/news.php?id=17734>

Immediately after SB 863 was signed, the Department of Industrial Relations Division of Workers Compensation began its implementation. Emergency regulations on independent medical review, independent bill review, lien filing and activation fees, interpreter certification and fees, supplemental job displacement benefits as well as vocational rehabilitation expert fees went into effect January 1, 2013.

For more information, please visit: <http://www.dir.ca.gov/dwc/SB863/SB863.htm>

### **Gov. Brown Announces Re-establishment of Foreign Trade Offices:**

In September 2012, Governor Brown signed AB 2012 (Pérez) which transfers the authority for International Trade Strategy from BT&H to GO-Biz and clears the way for California to re-establish foreign trade and investment offices. California will partner with non-profits and regional business groups to finance and operate the offices at little to no cost to the taxpayers. The state plans on opening the first office in Shanghai later this year.

For the full announcement, please visit: <http://gov.ca.gov/news.php?id=17718>

### **Gov. Brown Signs Legislation to Reform Regulations:**

In September 2012, Governor Brown signed SB 1099 (Wright) which requires new regulations to be announced on the same day each quarter. The bill revises the effective date of regulations once they are filed with the Secretary of State and requires the Office of Administrative Law to provide

on its website a list of each regulation. This move provides business owners the opportunity to know exactly when new regulations are being imposed and what they need to do to comply.

**Curbing Vexatious Litigation:**

Governor Brown signed AB 2274 (Lara) which allows courts to dismiss meritless lawsuits that were filed only for the purpose of harassment or delay. This bill also closes a loophole in which vexatious litigants could avoid closer judicial scrutiny of their meritless lawsuits.

For the full announcement, please visit: <http://gov.ca.gov/news.php?id=17741>

**Gov. Brown Signs Legislation to Revolutionize Auto Industry:**

In September 2102, Governor Brown test rode a “self-driving car” before signing Senate Bill 1298 (Padilla) into law, establishing new safety standards and regulations for autonomous vehicles. “Autonomous vehicles are another example of how California’s technological leadership is turning today’s science fiction into tomorrow’s reality,” said Governor Brown. “This law will allow California’s pioneering engineers to safely test and implement this amazing new technology.” Google executives and elected leaders, who joined Governor Brown for a signing ceremony at the Googleplex, said the bill paves the way for new technology that could reduce highway fatalities, pollution and congestion while expanding mobility options for elderly and the disabled.

For the full announcement, please visit: <http://gov.ca.gov/news.php?id=17752>

***OTHER NEW STATEWIDE INITIATIVES***

The following initiatives were identified by the 2012 Brookings-Rockefeller Project on State and Metropolitan Innovation in the “Top 10 State and Metropolitan Innovations to Watch.”<sup>42</sup>

**Lowering Carbon and Boosting State Investments through Cap-and-Trade<sup>43</sup>**

Since the failure of a cap-and-trade program in Congress in 2010, nationwide initiatives to reduce US carbon dioxide emissions remain out of reach. Despite the lack of action in Washington, California’s policy implementation continues apace with the goal of lowering emissions to 1990 levels and providing one-third of energy from renewables (mandated by the state’s 2006 Global Warming Solutions Act).

On January 1, 2012, California officially launched its cap-and-trade program, a primary mechanism to drive down emissions. Under the program, the state establishes a permissible level of pollution and allocates or auctions pollution permits to firms that pollute. This created a marketplace for firms with excess permits to sell to others that exceed their allocation. Over time, the state will bring down the total emissions level thereby reducing the number and increasing the cost of available permits and incentivizing the switch to energy efficiency measures, including sustainable energy sources.

The first permit auction was conducted in November and resulted in all 23.1 million permits sold off at a price of \$10.09 per metric ton of carbon. While this was a low starting point, compared to proposals for a national carbon price of \$20-30 per metric ton, the auction raised \$233 million for

<sup>42</sup> The Brookings Institution, “Innovations to Watch”, posted January 8, 2013, <http://www.brookings.edu/research/interactives/2013/InnovationsToWatch>

<sup>43</sup> California Environmental Protection Agency, Air Resources Board, “ARB Emissions Trading Program Overview”, revised October 27, 2010, <http://www.arb.ca.gov/newsrel/2010/capandtrade.pdf>



state utilities that, in the short run, will help mitigate higher energy costs passed on to consumers. In the long run, the state will use proceeds from the program to invest in initiatives specifically geared to reduce carbon emissions, which could include cleantech R&D incentives.

### **The West Coast Infrastructure Exchange**

The three states of the West Coast are expected to have \$1 trillion in infrastructure investment needs in the next 30 years. To prioritize and vet future infrastructure projects, California, Oregon and Washington have taken on a role normally reserved for the federal government: coordinating infrastructure investments—particularly those that cross state boundaries.

The West Coast Infrastructure Exchange (WCX)—established in 2012 as a partnership of government, community, business and non-profit groups across all three states (and British Columbia)—aims to strengthen project management and financing for performance-based public-private projects that cross jurisdictions, including standardizing investment protocols and creating a unified portal for submitting projects to the exchange.

The WCX serves as a clearinghouse for investment-ready projects identifying existing federal funding streams, private investment and public bonding options with a focus on energy transmission, water systems and other efficiency and environmental investments.<sup>44</sup>



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<sup>44</sup> West Coast Infrastructure Exchange, accessed February 27, 2013, <http://www.westcoastx.com/home.php>

## **EXISTING STATE BUSINESS PROGRAMS**

### ***CALIFORNIA'S INNOVATION HUB PROGRAM***

California is home to the largest in-state innovation network in the country. Acknowledging the inherent opportunities available within the State to connect the emerging labor force with existing businesses and entrepreneurial start-up companies, GO-Biz is leading an initiative to prioritize the commercialization of innovation and technology as an economic development strategy through the California Innovation Hub (i-Hub) Program. Twelve existing i-Hubs span the state from Redding to San Diego and cover some of California's most vibrant economic sectors from agriculture to life science and from clean technology to transportation.

The program was formed for the purposes of:

- Leveraging California's national and international market-share in human and investment capital as a global destination for leadership in innovation opportunities;
- Providing a platform for the transfer of ideas discovered in nationally recognized laboratories and universities to private industry for the enhancement of an existing product or the creation of a new start up enterprise;
- Providing an advantage to Californian firms through the introduction of new technologies, processes, research and development (R&D) solutions into its existing business practice;
- Providing conduit assistance for the interaction of existing government owned assets (federal and state), facilities and operations with venture-supported startup companies for the testing and evaluation of products in development; and
- Facilitating a linkage for the inducement of investment funding to an inventor towards the commercialization of concepts into products so that the eventual production occurs within the California economy.

The GO-Biz Innovation and Entrepreneurship unit has established a wide range of collaborating partners with regional economic development authorities, local governments, private organizations, incubators, venture capital sources, and the higher education system to develop infrastructure and support for entrepreneurs to succeed in California. Many organizations are already involved in assisting entrepreneurs within the state. Recently, GO-Biz released a request for three new hubs to enhance California's existing innovation infrastructure. The addition of these new hubs will enable California to focus on three historically strong economic sectors including healthcare, manufacturing and aerospace.

For more information, please visit: <http://business.ca.gov/Programs/Innovation.aspx>

### ***CALIFORNIA STATE TRADE AND EXPORT PROMOTION PROGRAM***

The California State Trade and Export Promotion (California STEP) project combines a network of state, federal, private and non-profit trade promotion organizations in California to facilitate export promotion activities serving targeted industries to drive exports for small businesses. STEP has developed an array of activities designed to assist California small businesses with export sales and international market expansion. The California STEP program is funded in part through a grant award with the U.S. Small Business Administration. To be eligible to participate in the program a

company must: (1) Complete Certification Form; (2) Meets U.S. Small Business Administration size requirement (3) Products must be at least 50 percent U.S. agricultural origin; (4) Entity is based in California; (5) Has been in business for more than one year; (6) Company has in effect a strategic plan for exporting; (7) Have at least one full-time employee or sales agent participating in the registered activity.

The STEP program benefits from the support of **The California STEP Network**. This network is unparalleled in experience and success including four (4) Presidential “E-awards” for exporting and six (6) successful Market Development Cooperator Awards by the U.S. Department of Commerce over the past decade carrying out small business export promotion programs.

Managed by the **California Community Colleges Chancellor’s Office Centers for International Trade Development** (CITD), the network of STEP Partners implement a range of export promotion programs (20 trade missions and activities for 2011-2012) serving multiple sectors including: Information & Telecommunications Technologies, Green Technologies, Food and Agricultural Products, California Lifestyle Products, Water Technologies, Scientific Instrumentation, Transportation Equipment and Industrial Machinery.

For more information, please visit: <http://californiastep.org>



## STATE TAXES AND INSURANCE

### ***CALIFORNIA TAX SERVICE CENTER***

The California Tax Service Center is a partnership of the State Board of Equalization, State Employment Development Department, State Franchise Tax Board, and the Federal Internal Revenue Service. The purpose of the California Tax Service Center is to streamline and improve the taxpayer resources and educational program.

For more information, please visit: <http://www.taxes.ca.gov>

### ***2012 CALIFORNIA TAX RATES***

<b>Tax</b>	<b>Base or Measure</b>	<b>Rate</b>	<b>Administering Agency</b>
Corporation Income Tax	Combined net income apportioned to California.	8.84%	Franchise Tax Board
Sales and Use Tax (Statewide Base Rate Only)	Receipts from sales or lease of taxable items.	7.50%	Board of Equalization
Property Tax	100% of assessed valuation	Avg. 1.1%	Board of Equalization
Personal Income Tax	Taxable personal income.	1.00-12.30%	Franchise Tax Board
Unemployment Insurance Tax ("Payroll Tax")	Fixed by statute. First \$7,000 of wages per employee per year.	1.5 - 6.2%	Employment Development Department
Employment Training Tax	Fixed by statute. First \$7,000 of wages per employee per year.	0.001%	Employment Development Department
Disability Insurance Tax (Employee paid)	Taxable wage limit for withholding of \$95,585.	1.00%	Employment Development Department
Finished Goods, Raw Materials, and Inventory Tax	NONE	NONE	NONE
Workers' Compensation Insurance	Per \$100 of payroll.	Varies based on job classification, workplace safety record, and insurance carrier.	Department of Industrial Relations, Division of Workers' Compensation

## **CORPORATION TAX RATES**

<b>Entity type</b>	<b>Tax rate</b>
Corporations other than banks and financials	8.84%
Banks and financials	10.84%
Alternative Minimum Tax (AMT) rate	6.65%
S corporation rate	1.50%
S corporation bank and financial rate	3.50%

### **2011 CORPORATION TAX LAW CHANGES**

Recently California adopted and amended statutes that change how multistate corporations are taxed in California. Several Revenue and Taxation Code sections have been changed for taxable years beginning on or after January 1, 2011.

For more information, please visit:

[https://www.ftb.ca.gov/businesses/2011\\_Corporation\\_Tax\\_Law\\_Changes.shtml](https://www.ftb.ca.gov/businesses/2011_Corporation_Tax_Law_Changes.shtml)

For general information on new rules for doing business in California, please visit:

[https://www.ftb.ca.gov/businesses/New\\_Rules\\_for\\_Doing\\_Business\\_in\\_California.shtml](https://www.ftb.ca.gov/businesses/New_Rules_for_Doing_Business_in_California.shtml)

### **INDIVIDUAL TAX RATES**

The tax rate for individuals ranges from 1.00% to a maximum of 12.3% based on taxable personal income. The Alternative Minimum Tax (AMT) rate for individuals is 7%. The Mental Health Services Tax Rate is 1% for taxable income in excess of \$1,000,000. The rate of inflation in California, for the period from July 1, 2011, through June 30, 2012, was 1.9%. The 2012 personal income tax brackets are indexed by this amount.

For more information on tax rates as well as exemptions, please visit:

[https://www.ftb.ca.gov/forms/2012\\_California\\_Tax\\_Rates\\_and\\_Exemptions.shtml](https://www.ftb.ca.gov/forms/2012_California_Tax_Rates_and_Exemptions.shtml)

For recent tax law changes, please visit:

[https://www.ftb.ca.gov/law/tax\\_law\\_changes.shtml](https://www.ftb.ca.gov/law/tax_law_changes.shtml)

### **SALES AND USE TAX RATES**

Many of California's cities, counties, towns, and communities have special taxing jurisdictions (districts), which impose a transaction (sales) and use tax. These districts increase the tax rate in a particular area by adding the district tax to the combined statewide rate of 7.50%. The rates for these districts range from 0.10% to 1.00% per district. More than one district tax may be in effect in a given location. As a seller or a consumer, you may be required to report and pay district taxes for your taxable sales and purchases.

Please refer to Publication 71 for the most recent District Taxes, Rates and Effective Date here:

<http://www.boe.ca.gov/pdf/pub71.pdf>

## **PROPERTY TAX**

County governments levy and administer property taxes. The State Board of Equalization performs an oversight role relative to activities of the various county assessor offices throughout the state. Property tax is levied on 100% of assessed valuation. The tax rate is 1% plus a component representing bonded indebtedness for the district in which the property is located on the lien date. The average property tax rate in California is 1.1%, but varies on a parcel by parcel basis.

Real property is appraised upon change of ownership or new construction, and then adjusted annually at the lower of 2% or the rate of inflation as measured by the Consumer Price Index. Assessed values on real property may be reduced if the value is higher than the current market value. Business personal property, including machinery, equipment, and fixtures is taxed at the same rate as real property, but is not subject to any special assessments. Unlike real property, business personal property is reappraised annually. Business owners must file a property statement with the county assessor each year detailing market value. Finished goods and raw materials are not subject to property or inventory tax. Only finished goods held for use are assessed.

For more information, please visit: <http://www.boe.ca.gov/proptaxes/proptax.htm>

## **PAYROLL TAX**

	<b>Unemployment Insurance (UI)</b>	<b>Employment Training Tax (ETT)</b>	<b>State Disability Insurance (SDI)</b>	<b>California Personal Income Tax (PIT)</b>
<b>Who Pays</b>	Employer	Employer	Employee (withheld from employee wages)	Employee (withheld from employee wages)
<b>Taxable Wages</b>	First \$7,000 of subject wages per employee, per year.	First \$7,000 of subject wages per employee, per year.	First \$95,585 of subject wages per employee, per year.	No limit.
<b>Tax Rate</b>	3.4 percent (.034) for new employers, up to three years. The rate for existing employers is calculated based on "experience rating".	One-tenth of 0.1 percent (.001) of UI taxable wages for employers with positive UI reserve account balances and employers subject to CUI Section 977(c).	1.0 percent (.010) of SDI taxable wages per employee, per year.	Withheld based on the employee's Form W-4 or DE 4.
<b>Minimum Tax (Except if employer is subject under CUI Section 977[c])</b>	\$434 per employee, per year. (The amount has been calculated at the highest UI tax rate of 6.2 percent [ $\$7000 \times .062$ ])	Max \$7 per employee, per year ( $\$7,000 \times .001$ )	\$955.85 per employee, per year ( $\$95,585 \times .010$ )	No maximum

## ***UNEMPLOYMENT INSURANCE TAX***

The state's Unemployment Insurance (UI) program, (commonly known as "Payroll Tax") is part of a national program administered by the U.S. Department of Labor under the Social Security Act. The UI program provides temporary payments to individuals who are unemployed through no fault of their own.

UI is paid by the employer. Tax-rated employers pay a percentage on the first \$7,000 in wages paid to each employee in a calendar year. The UI rate schedule and amount of taxable wages are determined annually. New employers pay 3.4 percent (.034) for a period of two to three years.

California UI rates and withholding schedules for existing employers can be found here: [http://www.edd.ca.gov/payroll\\_taxes/rates\\_and\\_withholding.htm](http://www.edd.ca.gov/payroll_taxes/rates_and_withholding.htm)

## ***EMPLOYMENT TRAINING TAX***

The Employment Training Tax (ETT) provides funds to train employees in targeted industries to promote a healthy labor market and help California businesses invest in a skilled and productive workforce, develop the skills of workers who directly produce or deliver goods and services and improve the overall competitiveness of California's businesses.

ETT is an employer-paid tax. Employers are subject to an assessment of one-tenth of 0.1 percent (.001) on the first \$7,000 in wages paid to each employee in a calendar year. The tax rate is set by statute at 0.1 percent (.001) of UI taxable wages for employers with positive UI reserve account balances and employers subject to Section 977(c) of the California Unemployment Insurance Code (CUIC). The maximum tax is \$7 per employee, per year (\$7,000 x .001).

## ***DISABILITY INSURANCE TAX***

The State Disability Insurance (SDI) program provides temporary benefit payments to workers for non-work related disabilities. SDI tax also provides Paid Family Leave (PFL) benefits and extends benefits to individuals unable to work because they need to care for a seriously ill family member or bond with a new child. SDI is a deduction from employee wages. Employers withhold a percentage for SDI on the first \$95,585 in wages paid to each employee in a calendar year. The 2012 SDI tax rate is 1.0 percent (.010) of SDI taxable wages per employee, per year. SDI and the rate for PFL are set by the California State Legislature and may change yearly. The maximum SDI tax is \$955.85 per employee, per year (\$95,585 x .010).

For answers to frequently asked questions on payroll taxes, please visit: [http://www.edd.ca.gov/Payroll\\_Taxes/FAQs.htm](http://www.edd.ca.gov/Payroll_Taxes/FAQs.htm)

## ***WORKERS' COMPENSATION INSURANCE***

California's workers' compensation system is overseen by the Department of Industrial Relations (DIR) and the Department of Insurance. Legislation adopted in 2005 enhanced the workers' compensation system to require independent medical reviews, establish employer-selected doctor networks and impose uniform standards. In 2006, the Department of Insurance reported that base rates had decreased by 46% over a four year period resulting in an increase of insurance capital and new insurers.

Recent legislation adopted in 2012, provides new changes in the following areas: increases permanent disability values; simplifies the permanent disability rating method; resolves medical treatment disagreements through independent medical review; resolves bill payment disputes through independent bill review; simplifies the supplemental job displacement voucher system; requires payment of a filing or activation fee for liens; improves medical provider networks; updates the Official Medical Fee Schedule; establishes fee schedules for copy services, interpreters, vocational experts, and in-home health care; and provides additional payments for workers with disproportionate wage loss.

For more information on these new changes, please visit:

[http://www.dir.ca.gov/dwc/SB863/SB863\\_FAQs.htm](http://www.dir.ca.gov/dwc/SB863/SB863_FAQs.htm)

DIR has released an assessment fact sheet for fiscal year 2012/2013 which can be viewed here:

[http://www.dir.ca.gov/dwc/DWC\\_RevolvingFundAssessment/AssessmentFactSheetFiscalYear2012.pdf](http://www.dir.ca.gov/dwc/DWC_RevolvingFundAssessment/AssessmentFactSheetFiscalYear2012.pdf)

### ***GUIDE TO COMMERCIAL INSURANCE***

Whether you are contemplating starting a new business, are a new business owner, or have owned a business for many years, commercial insurance can be one of the most important on-going financial investments you make in the life of your company. Commercial insurance can protect your company from some of the most common losses experienced by business owners such as property damage, business interruption, theft, liability, and work injuries. Purchasing the appropriate commercial insurance coverage can make the difference between going out of business after a severe loss or recovering with minimal business interruption and financial impairment to your company's operations.

Under its Business Series banner, the Department of Insurance provides a Guide to Commercial Insurance which can be viewed here:

<http://www.insurance.ca.gov/0100-consumers/0060-information-guides/0030-business/CommercialInsurance.cfm>

### ***BUSINESS TAXES COMMITTEE***

The Business Taxes Committee (BTC) provides a forum for interested members of the public to express their views and present proposals regarding the provisions and policies related to the tax and fee laws administered by the Board of Equalization.

For more information and/or to participate in the discussion, please visit:

<http://www.boe.ca.gov/meetings/btcommittee.htm>



# STATE TAX INCENTIVES

## **TARGETED ECONOMIC DEVELOPMENT AREAS**

California has four types of Geographically-Targeted Economic Development Areas for the purpose of stimulating business investment and job creation for qualified disadvantaged individuals in state-designated economically distressed areas. Each area provides businesses with certain state incentives and may include additional local incentives and benefits. These areas are:

- Enterprise Zones
- Local Agency Military Base Recovery Areas

A map of these areas can be found at <http://www.hcd.ca.gov/fa/ez/EZMapJune2012.pdf>

### **ENTERPRISE ZONE PROGRAM**

Businesses located within one of California's 42 Enterprise Zones are eligible for the following incentives:

1. **HIRING TAX CREDIT** – State tax credit of \$37,000 or more over five years for each qualified employee hired.
2. **SALES OR USE TAX CREDIT** – State tax credit for sales and use taxes paid on qualified machinery and machinery parts purchases on the first \$20 million per year for corporations and on the first \$1 million per year for individuals.
3. **INCREASED EXPENSE DEDUCTION** – Accelerated expense deductions for certain depreciable property.
4. **NET OPERATING LOSS CARRYFORWARD** – Up to 100 percent net operating loss deduction and a 20-year carryforward.
5. **NET INTEREST DEDUCTION FOR LENDERS** – Net Interest Deductions for lenders on loans made to firms within an Enterprise Zone.

6. **STATE PREFERENCE POINTS** – Enterprise Zone companies can earn preference points on state contracts.

Each Enterprise Zone is administered by a local jurisdiction. Please check to find your local Zone Manager here:

<http://www.hcd.ca.gov/fa/ez/DirectoryJan2013.pdf>

Enterprise Zone Maps and Street Ranges can be found at:

<http://www.hcd.ca.gov/fa/ez/enterprise/newmap.html>

For more information, please visit:

<http://www.hcd.ca.gov/fa/ez/EZoverview.html>

### **LOCAL AGENCY MILITARY BASE RECOVERY AREA**

The Local Agency Military Base Recovery Area (LAMBRA) program was developed to attract reinvestment and create re-employment opportunities on certain former military bases in California which were closed in the Base Closure and Realignment process. The program has tax incentives which are similar to those offered in the Enterprise Zone Program. The LAMBRA's boundaries encompass all or part of the former military base and the term of the program designation is eight years.

For more information, please visit:

<http://www.hcd.ca.gov/fa/ez/lambra/>

### **BUSINESS TAX CREDITS**

California provides several tax credit incentives to stimulate business activity in key economic sectors such as research and development, manufacturing, alternative energy, and motion picture and television production, to name a few.

For more information, please visit:

<https://www.ftb.ca.gov/businesses/bustaxcredit.shtml>

### **RESEARCH & DEVELOPMENT TAX CREDIT**

California mirrors one of the nation's most competitive tax incentives, the research and development (R&D) tax credit. The California R&D tax credit program reduces income or franchise tax. You may qualify for the credit if you paid or incurred qualified research expenses while conducting qualified research activity in California. You may receive 15 percent of the excess of current year research expenditures over a computed base amount (minimum of 50 percent of current year research expenses) or a 24 percent credit for basic research payments to third party organizations. You may claim the credit on the return for the taxable year you incurred the qualified expenses.

Qualified research expenses include wages, supplies and contract research costs. To qualify, the research must be conducted within California and include basic or applied research of scientific inquiry, original investigation for the advancement of scientific or engineering knowledge or improved function of a business component.

California has several exceptions to the federal law that can affect your computations for the credit.

For more specific information, please review the Franchise Tax Board's Frequently Asked Questions:

<http://www.ftb.ca.gov/forms/misc/1082.pdf>

### **NEW JOBS TAX CREDIT**

Small businesses comprise 99% of the State's economy. In order to stimulate small business job creation efforts, the State provides a \$3,000 tax credit for each new full-time employee hired by businesses that employed 20 or less on the last day of the preceding taxable year. The credit is prorated on an

annual full-time equivalent basis for employees employed less than a full year.

For more information, please visit:

<https://www.ftb.ca.gov/businesses/NewJobsCredit.shtml>

### **CALIFORNIA FILM & TELEVISION TAX CREDIT PROGRAM**

The California Film Commission offers a tax credit incentive program to qualified motion pictures. \$100 million has been allocated annually beginning in fiscal year 2009-2010 through 2016-2017 on a first-come first-served basis.

The Program allows a 20% tax credit for qualified production related expenses to a taxpayer against State income taxes. The program offers a special 5% additional tax credit bonus for those TV series that return from out of state and to "independent films".

A qualified taxpayer may, in lieu of claiming the credit, apply the credit amount against sales and use taxes.

For more information, please visit:

<http://www.film.ca.gov/Incentives.htm>

### **ADVANCED TRANSPORTATION AND ALTERNATIVE SOURCE MANUFACTURING SALES AND USE TAX EXCLUSION PROGRAM**

The Advanced Transportation and Alternative Source Manufacturing Sales and Use Tax Exclusion Program (SB71) was designed to promote the creation of California-based manufacturing, California-based jobs and the reduction of greenhouse gases, air and water pollution or energy consumption through an approved sales and use tax exclusion (STE) for eligible projects on property utilized for the design, manufacture, production or assembly of advanced transportation technologies or alternative source – including

energy efficiency – products, components or systems. To receive sales or use tax exclusion on qualified green-tech manufacturing property, businesses must apply through the California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA). The following fees apply: an Application Fee equal to 0.0005 of the total amount of Qualified Property identified in the Application as originally submitted (minimum fee of \$250 not exceed \$10,000) and an Administrative Fee amount equal to 0.004 of the total amount of the Qualified Property purchased (no less than \$15,000 nor more than \$350,000). Applicants will receive a resolution and written notice of their approval by CAEATFA.

For more information, please visit:

<http://treasurer.ca.gov/caeatfa/sb71/index.asp>

#### **SALES AND USE TAX EXCLUSION FOR ADVANCED MANUFACTURING PROJECTS**

SB1128 was approved by the Governor during the 2012 legislative session, which expanded the scope of this program. Program regulations are currently being drafted to include the expanded definition for “Advanced Manufacturers”.

For more information, please visit:

<http://www.treasurer.ca.gov/caeatfa/sb1128/index.asp>

## STATE FINANCING PROGRAMS

### ***CALIFORNIA CAPITAL ACCESS PROGRAM***

The California Capital Access Program (CalCAP) encourages participating banks and lending institutions to provide loans to small businesses that fall outside of conventional underwriting standards. Small business owners that have difficulty in obtaining conventional financing may qualify for a CalCAP loan through any CalCAP lender.

CalCAP is a form of loan portfolio insurance that provides up to 100% coverage on certain loan defaults. CalCAP insures loans made by Participating Lenders to small businesses in order to assist their growth efforts with eligible use of fund proceeds to acquire land, construct or renovate buildings, purchase equipment, working capital, energy efficiency improvement projects as well as bridge financing needed prior to obtaining permanent financing (including SBA 504 bridge loans).

Since its inception in 1994 through the end of 2011, over 10,300 loans have been enrolled in the program and CalCAP lenders have cumulatively loaned \$2.07 billion. In 2011, CalCAP enrolled 1,509 loans made to 1,441 California small business owners.

There is no minimum loan amount however, the maximum loan amount is \$5 million and the maximum enrolled amount is \$2.5 million. Borrowers are limited to a maximum \$2.5 million enrolled over a 3 year period. The borrower's primary business and at least 50% of employees or income, sales or payroll, must be located in California. Borrowers with over 500 employees are ineligible for this program.

The Participating Lender sets all the terms and conditions of the loan (including

premium levels, maturity dates, fixed or variable interest rates, secured or unsecured, amortization schedule, etc.) and determine which loans to enroll into the CalCAP program.

The current list of participating lenders is posted here:

<http://www.treasurer.ca.gov/cpcf/calcap/sub/institutions.pdf>

For more information, please visit:

<http://www.treasurer.ca.gov/cpcf/calcap.asp>

### ***COLLATERAL SUPPORT PROGRAM***

The CalCAP Collateral Support (CalCAP CS) Program pledges cash to cover the collateral shortfall of a loan made by Eligible Lenders in order to enable financing that otherwise might not be available to a small business. The Collateral Support Program provides up to 40% of the loan value, in the form of a cash deposit, with the possibility of an additional 10% for businesses located in a Severely Affected Community.

To determine if a business is located in a Severely Affected Community, please visit:

<http://www.treasurer.ca.gov/cpcf/calcap/tools/communities.pdf>

The minimum loan amount is \$100,000, the maximum loan amount is \$20 million, and the maximum support amount is \$5 million per borrower. The term of the collateral support will be based on the original term of the loan not to exceed 7 years for any one loan.

Participating Lenders are free to determine the amount of collateral support they wish to request and may choose to reduce the collateral coverage at any time and for any reason.

The borrower must have their "Primary Economic Effect" in California where one of the following conditions exists: at least 51%

of the total revenues of the business activity are generated in California; or at least 51% of the total jobs of the business are created or retained in California. Borrowers must have fewer than 750 employees to be considered eligible for this program.

The lender must certify its participation to use federal funds, apply to become a Participating Lender and must submit a request and risk assessment for CPCFA's approval prior to the issuance of a loan.

For more information, please visit:  
<http://www.treasurer.ca.gov/cpcfca/calcap/collateral/index.asp>

## **INDUSTRIAL DEVELOPMENT BONDS**

Industrial Development Bond (IDB) financing is a competitive financing option available for the acquisition of manufacturing facilities and equipment providing a financing option for manufacturers to access private capital markets at tax-exempt rates.

The benefits of IDB financing include interest rates generally 20-30% lower than conventional financing. Historically, interest rates have been about 2% below prime and recently have been below 1%. The Securities Industry and Financial Markets Association tracks the weekly average municipal interest rate from 2000 to current. Muni Swap Index Data can be viewed at the following website: <http://www.sifma.org/research/item.aspx?id=19762>. Bonds can be issued over longer terms (30 years) than conventional financing as fixed or variable rates and can be prepaid at any time without penalty. The bonds are assumable if the business is sold to an entity engaged in a qualified use. Funds can be used for construction and take-out financing for land, buildings and equipment.

Certain federal and state regulations apply. The IDB financed project must be a facility

used for the manufacturing, production or processing of tangible property. At least 95% of bond proceeds must be spent on qualifying costs (generally includes land, building, equipment as well as capitalized interest during construction). Bond proceeds cannot be used for working capital or inventory. The capital expenditures for the project, when added to the company's other capital expenditures in the same public jurisdiction as the project for the three years immediately preceding and three years following the closing of the financing of the project, cannot exceed \$20,000,000. The project must meet certain public benefit criteria established by the California Debt Limit Allocation Committee (CDLAC), which among other things, includes the creation or retention of jobs. Prevailing wage must be paid to workers involved in the construction or renovation.

Fees: Pre-application fee (\$1,500), issuer fee (0.25%). Transaction costs generally range between 2%-5% of the bond amount, depending on complexity. Transaction costs include bond counsel, underwriter, trustee and financial advisor (if utilized) fees as well as letter of credit costs. Up to 2% of these "costs of issuance" can be included in the bond amount and amortized over time. The term of the bond is determined by the useful life of the assets involved. On-going annual costs, in addition to interest, include trustee fees (flat fee of \$1,000-3,000), letter of credit fees as well as the I-Bank's \$500 annual fee until the bonds are redeemed.

For more information, please visit:  
[http://www.ibank.ca.gov/industrial\\_dev\\_bonds.htm](http://www.ibank.ca.gov/industrial_dev_bonds.htm)

## **SMALL BUSINESS LOAN GUARANTEE PROGRAM**

The California Small Business Loan Guarantee Program (SBLGP) assists businesses with the creation and retention of jobs while encouraging investment into low- to moderate-income communities. The SBLGP

enables small businesses to not only obtain a loan it could not otherwise obtain but more importantly helps to establish a favorable credit history with a lender so the business may obtain loans in the future on its own without the assistance of the program.

The SBLGP is administered by designated Financial Development Corporations (FDC) in guaranteeing the loan to the borrower.

Loan proceeds may be used for start-up costs, working capital, business procurement, equipment and inventory purchases, contract financing, franchise fees, business expansion, lines of credit, as well as real estate construction, renovation or tenant improvements of an eligible place of business.

Proceeds must be used for small businesses located in the State of California employing no more than 750 employees. Borrowers must show repayment ability.

The maximum loan amounts vary between federal and state programs. For the federal program the maximum loan amount is \$20 million and there is no defined state amount. Please contact a FDC of your choice to determine the maximum loan amount applicable to your needs.

The maximum loan guarantee is 80% for federal programs and 90% for state programs. The actual loan amount and guarantee percentage is set on a case by case basis. The State's current loan guarantee can be up to \$2.5 million

For more information as well as a list of Financial Development Corporations, please visit: <http://www.bth.ca.gov/sblgp.htm>



## STATE ENERGY AND ENVIRONMENT PROGRAMS

### **GO SOLAR CALIFORNIA**

*Go Solar California* is a state championed energy campaign that builds on over 10 years of solar rebates offered to customers that fall within California's three investor-owned utility territories: Pacific Gas & Electric; Southern California Edison and San Diego Gas & Electric. In January 2007, California launched an unprecedented \$3.3 billion effort to reach 3,000 MW (3 gigawatt) of installed solar capacity by the end of 2016 and transform the market for solar energy by reducing the cost of solar generating technology. The campaign is comprised of three major components: the California Public Utilities Commission (CPUC) – California Solar Initiative; the California Energy Commission (CEC) – New Solar Homes Partnership and a variety of programs offered through Publicly Owned Utilities.

The California Solar Initiative (CSI) consists of four program components: a research and development program; the single-family affordable solar housing program; the multi-family affordable solar housing program and the CSI-thermal program. In 2011, California became the first state in the nation to install more than 1 gigawatt of customer-generated solar energy.

The New Solar Homes Partnership (NSHP) provides financial incentives to encourage the installation of eligible solar energy systems on new residential construction.

For more information, please visit:  
<http://www.gosolarcalifornia.ca.gov/>

### **SELF-GENERATION INCENTIVE PROGRAM**

In response to an energy crisis in 2001, the State established the Self-Generation Incentive Program (SGIP) as a peak-load reduction program that incentivizes the development and commercialization of new, existing and emerging distributed energy resources by providing rebates for qualified distributed energy systems installed on the customer's side of the utility meter.

In 2009, the program was enhanced to identify and encourage distributed energy resources that contribute to greenhouse gas reduction goals. Eligibility for participation in the SGIP is now based on greenhouse gas emissions reductions. Eligible technologies include wind turbines, fuel cells, organic rankine cycle/waste heat capture, pressure reduction turbines, advanced energy storage, and combined heat and power gas turbines, micro-turbines, and internal combustion engines. The program no longer supports solar photovoltaic technologies – these were moved under the purview of the California Solar Initiative in 2006. Participants receive up-front and performance-based incentives. The incentives apply only to the portion of the generation that serves a project's on-site electric load. The program has been extended through January 1, 2016.

With 544 completed projects generating over 252 megawatts, the SGIP is one of the longest-running and most successful distributed generation incentive programs in the country. In 2011 alone, these facilities provided over 760,000 MWh of electricity to California.

For more information, please visit:  
<http://www.cpuc.ca.gov/PUC/energy/DistGen/sgip>

## **ENERGY INNOVATIONS SMALL GRANT PROGRAM**

The Energy Innovations Small Grant (EISG) Program provides up to \$95,000 for hardware projects and \$50,000 for modeling projects to small businesses, non-profits, individuals and academic institutions to conduct research that establishes the feasibility of new, innovative energy concepts. Research projects must target one of the specified R&D areas, address a California energy problem and provide a potential benefit to California electric and natural gas ratepayers.

To encourage participation in the program the application and award process has been simplified and assistance is available in gaining access to technical experts.

For more information, please visit:  
<http://www.energy.ca.gov/research/innovations/>

## **ELECTRIC PROGRAM INVESTMENT CHARGE**

The Electric Program Investment Charge (EPIC) program (previously called the Public Interest Energy Research program), is the state's premier energy research, development, & deployment program for the advancement of science and technology in the fields of energy efficiency, renewable energy, advanced electricity technologies, energy-related environmental protection, transmission and distribution as well as transportation technologies. Over the last 10 years EPIC has invested over \$700 million to assist utilities and energy companies in the development and deployment of technologies that provide environmental and economic benefits to California's energy ratepayers.

For more information, please visit:  
<http://www.energy.ca.gov/research/epic/>

Frequently asked questions:

[http://www.energy.ca.gov/research/epic/documents/2012-09-27\\_workshop/2012-09-27\\_EPIC\\_FAQs.pdf](http://www.energy.ca.gov/research/epic/documents/2012-09-27_workshop/2012-09-27_EPIC_FAQs.pdf)

## **ALTERNATIVE AND RENEWABLE FUEL AND VEHICLE TECHNOLOGY PROGRAM**

Demonstrating California's leadership in the national push to reduce dependency on petroleum and greenhouse gas emissions while improving energy security, the Alternative and Renewable Fuel and Vehicle Technology Program (also known as "AB 118") provides financial incentives (as much as \$100 million annually through competitive grants, loans, loan guarantees, revolving loans, and other appropriate measures or means) for businesses, vehicle and technology manufacturers, workforce training partners, fleet owners, consumers and academic institutions to develop and deploy alternative and renewable fuels as well as advanced transportation technologies that help the state meet its policy objectives on climate change.

For more information, please visit:  
<http://www.energy.ca.gov/drive/index.html>

## **HYBRID AND ZERO EMISSION TRUCK AND BUS VOUCHER INCENTIVE PROJECT**

The Hybrid Truck and Bus Voucher Incentive Project (HVIP), is designed to accelerate California's deployment of new hybrid and zero-emission trucks and buses. The program has \$18 million in funds as of October 2012. Air Resources Board (ARB) has teamed with CALSTART to implement this streamlined,



first-come, first-serve program.<sup>45</sup> The HVIP Implementation Manual defines the roles and responsibilities of ARB, CALSTART, vehicle dealers and vehicle purchasers in project implementation. ARB must approve hybrid truck and bus models for them to become eligible for the program. This program is a component of the AB118 program.

For more information, please visit:  
<http://www.californiahvip.org/>

### **AIR QUALITY IMPROVEMENT PROGRAM CLEAN REBATE PROJECT**

The Air Quality Improvement Program – Clean Rebate Project is intended to encourage and accelerate zero emission vehicle deployment and technology innovation. Rebates range from \$900 for zero-emission motorcycles and neighborhood electric vehicles to \$1,500 for plug-in hybrid electric vehicles and \$2,500 for full function zero emission vehicles. There is a maximum cap of 20 per applicant. This program is a component of the AB118 program.

For more information, please visit:  
<http://www.arb.ca.gov/msprog/aqip/aqip.htm>

### **CARL MOYER MEMORIAL AIR QUALITY STANDARDS ATTAINMENT PROGRAM**

The Carl Moyer Memorial Air Quality Standards Attainment Program provides grant funding for cleaner-than-required engines and equipment. Grants are

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<sup>45</sup> CALSTART is a member-supported organization of more than 140 firms, fleets and agencies worldwide dedicated to supporting a growing high-tech, clean transportation industry that cleans the air, creates jobs, cuts imported oil and reduces global warming emissions. <http://www.calstart.org>

administered by local air quality management districts. The Air Resources Board works collaboratively with the districts and other stakeholders to set guidelines and ensure the program reduces pollution as well as provides cleaner air for Californians. The program focuses on cleaning the air by replacing older heavy-duty diesels with electric, alternative-fuel, or cleaner diesel technologies.

For more information, please visit:  
<http://www.arb.ca.gov/msprog/moyer/moyer.htm>

### **PROVIDING LOAN ASSISTANCE FOR CALIFORNIA EQUIPMENT PROGRAM**

The California Air Resources Board has developed innovative financing programs to provide fleet owners, particularly small business owners, easier access to loan opportunities. The ARB's loan programs offer several options to increase financing accessibility including loans, loan guarantees and other mechanisms to assist industries affected by ARB regulations.

The Providing Loan Assistance for California Equipment (PLACE) Program for Off-Road Vehicles is a loan guarantee program available for off-road vehicle owners requiring assistance for financing retrofits, repowers and replacements.

The PLACE Program for On-Road Vehicles (formerly On-Road Heavy-Duty Vehicle Air Quality Loan Program) offers financial assistance to fleet owners subject to two regulations approved by the Board in December 2008.

The Goods Movement Emissions Reduction Program may offer loan assistance to upgrade equipment used in freight movement along California's trade corridors.

For more information, please visit:  
<http://www.arb.ca.gov/ba/loan/loan.htm>

### ***POLLUTION CONTROL FINANCING***

The California Pollution Control financing Authority (CPCFA) provides tax-exempt bond financing for pollution control projects. The Tax-Exempt Bond Financing Program provides California businesses assistance with acquisition or construction of qualified pollution control, waste disposal, waste recovery facilities and the acquisition and installation of new equipment.

As a “conduit issuer” of tax-exempt private activity bonds, CPCFA is able to facilitate low cost financing to qualified waste and recycling projects. Projects that control pollution may qualify for tax-exempt financing as allowed by federal tax law. Examples of recent assistance include projects to purchase clean-air vehicles by waste companies, recyclers of used oil, animal waste conversions to clean burning fuel, and construction and demolition debris recycling programs.

CPCFA works with participating financial institutions to assist small business with loans of up to \$2.5 million. CPCFA also assists with the clean-up of contaminated sites through a \$60 million grant and loan program as well as a site-assessment loan program.

For more information, please visit:  
<http://www.treasurer.ca.gov/cpcfai/>

### ***RECYCLING MARKET DEVELOPMENT ZONES REVOLVING LOAN PROGRAM***

The Department of Resources Recycling and Recovery (CalRecycle) administers a Recycling Market Development Zone (RMDZ)

Loan Program to encourage California-based recycling businesses located within California to locate new manufacturing facilities as well as expand existing operations. The program provides low-interest rate loans for the purchase of equipment and relevant business expenses. The intent of the program is to help California manufacturers increase their processing capabilities and create additional markets for recycled-content products. The maximum loan amount is \$2 million for each project.

For more information, please visit:  
<http://calrecycle.ca.gov/RMDZ/Loans/>

### ***BEVERAGE CONTAINER RECYCLING GRANTS***

CalRecycle addresses key recycling challenges, aids in increasing beverage container collection and reduces beverage container litter in the waste stream through the availability of grant funding to projects that implement new, or enhance existing, programs that provide convenient beverage container recycling opportunities in various locations statewide.

Eligible projects include: bars and restaurants; Colleges/ universities/ schools; community events; entertainment and hospitality venues; fitness centers; multifamily dwellings; office buildings; parks and recreational areas as well as sporting complexes and facilities.

For more information, please visit:  
<http://www.calrecycle.ca.gov/BevContainer/Grants/>

**CLEANUP LOANS AND ENVIRONMENTAL ASSISTANCE TO NEIGHBORHOODS LOAN PROGRAM**

For more information, please visit:  
<http://calrecycle.ca.gov/Tires/Loans/Equipment>

The Cleanup Loans and Environmental Assistance to Neighborhoods (CLEAN) Loan Program provides low-interest rate loans to finance environmental assessments and hazardous waste cleanup activities of designated Brownfields and underutilized urban properties. The program provides up to \$100,000 for preliminary endangerment assessments and up to \$2.5 million for clean up or removal of hazardous waste for redevelopment.

For more information, please visit:  
<http://www.calepa.ca.gov/brownfields/>

**BROWNFIELDS REVOLVING LOAN FUND PROGRAM**

The Brownfields Revolving Loan Fund Program provides low-interest rate loans between \$200,000 and \$900,000 for financing cleanup activities of sites by eligible public or private property owners including government agencies, private property owners as well as non-profit organizations.

Up to \$200,000 in sub-grants can also be awarded to government agencies and non-profit organizations.

For more information, please visit:  
<http://www.calepa.ca.gov/brownfields/>

**TIRE EQUIPMENT LOAN PROGRAM**

The Tire Equipment Loan Program provides low-interest rate loans to help tire recycling manufacturers in California increase their processing capability and create additional markets for pre-derived recycled-content products.

## FEDERAL RESOURCES

In addition to State resources, programs and initiatives, the U.S. Government boasts a wide array of economic incentives and sector development programs available to California businesses.

### **GENERAL BUSINESS CREDITS**

- General Business Credit
- Investment Credit
- Work Opportunity Credit
- Alcohol and Cellulose Biofuel Fuels Credit
- Credit for Increasing Research Activities
- Low-Income Housing Credit
- Recapture of Low-Income Housing Credit
- Orphan Drug Credit
- Disabled Access Credit
- Qualified Plug-In Electric and Electric Vehicle Credit
- Renewable Electricity, Refined Coal, and Indian Coal Production Credit
- Empowerment Zone and Renewal Community Employment Credit
- Indian Employment Credit
- Credit for Employer Social Security and Medicare Taxes Paid on Certain Employee Tips
- Credit for Contributions to Selected Community Development Corporations
- Biodiesel and Renewable Diesel Fuels Credit
- New Markets Credit
- Credit for Small Employer Pension Plan Startup Costs
- Credit for Employer-Provided Childcare Facilities and Services
- Low Sulfur Diesel Fuel Production Credit
- Qualified Railroad Track Maintenance Credit
- Distilled Spirits Credit
- Nonconventional Source Fuel Credit
- Energy Efficient Home Credit
- Alternative Motor Vehicle Credit
- Alternative Fuel Vehicle Refueling Property Credit
- Mine Rescue Team Training Credit

For more information, please visit:  
<http://www.irs.gov/Businesses/Small-Businesses-&Self-Employed/Business-Tax-Credits>

### **INTERNAL REVENUE SERVICE - NEW MARKETS TAX CREDITS**

The New Markets Tax Credit (NMTC) Program permits taxpayers to receive a credit against federal income taxes for qualified equity investments in designated Community Development Entities (CDEs). Substantially all of the qualified equity investment must in turn be used by the CDE to provide investments in low-income communities. The credit provided to the investor totals 39% of the cost of the investment and is claimed over a seven-year period. In each of the first three years, the investor receives a credit equal to 5% of the total amount paid for the stock or capital interest at the time of purchase.

For more information:  
<http://www.cdfifund.gov/index.asp>

### **SMALL BUSINESS ADMINISTRATION - 504 LOANS**

Small Business Administration (SBA) 504 loans are marketed, processed, closed and serviced by Certified Development Corporations (CDC). Through the SBA 504 program, CDCs provide up to 90% of fixed-asset financing costs. The second mortgage, long-term, fixed-rate financing nature of the program allows banks to participate in business expansion by reducing risk exposure. The benefit to the borrower is a lower down payment requirement (10%) and a longer-term, fixed-rate loan translating into reduced monthly payments.

The maximum SBA debenture is \$1,500,000 when meeting the job creation criteria or a community development goal. Generally, a business must create or retain one job for

every \$50,000 provided by the SBA except for "Small Manufacturers" which have a \$100,000 job creation or retention goal.

For more information:

<http://www.sba.gov/content/cdc504-loan-program>

### **DEPARTMENT OF ENERGY - ADVANCED TECHNOLOGY VEHICLE MANUFACTURING LOAN PROGRAM**

The ATVM Loan Program provides loans to automobile and automobile parts manufacturers for the cost of re-equipping, expanding, or establishing manufacturing facilities in the United States to produce advanced technology vehicles or qualified components and for associated engineering integration costs.

Total funding for the program is \$25 billion dollars. Previous awards have ranged from \$50 million to \$5.9 billion dollars.

For more information:

[http://lpo.energy.gov/?page\\_id=43](http://lpo.energy.gov/?page_id=43)

### **DEPARTMENT OF TREASURY - RENEWABLE ENERGY INVESTMENT TAX CREDIT**

The Investment Tax Credit (ITC) reduces federal income taxes for qualified tax-paying owners based on capital investment in renewable energy projects (measured in dollars). The ITC generally allows taxpayers to take a single tax credit against the project's tax basis equal to 30% in its first year and allows a taxpayer to elect certain qualified facilities to be characterized as energy property eligible for a 10% or 30% ITC, depending on the technology.

Incentives are dependent on the type of energy. Fuel cells can receive a \$1500 credit per 0.5 kW.

Eligibility: Wind; closed-loop biomass; open-loop biomass; geothermal; solar; small irrigation power; municipal solid waste; qualified hydropower production; marine and hydrokinetic renewable energy.

System must be placed in service between December 31, 2005 and December 31, 2012. Certain geothermal and open- or closed- loop biomass systems qualify through December 31, 2013.

For more information:

<http://energy.gov/savings/business-energy-investment-tax-credit-itc>

### **INTERNAL REVENUE SERVICE - WORK OPPORTUNITY TAX CREDIT**

The amount of the tax credit varies by target group. The tax credit for target groups A, B, C, D, E, G, and H is 40% of qualified first year wages up to \$6,000 if the individual is retained for at least 400 hours. If the individual is retained less than 400 hours but at least 120 hours, a 25% tax credit is available on qualified first year wages up to \$6,000.

The exception is target group F (summer youth). The maximum amount of wages to which the tax credit may be applied shall not exceed \$3,000.

The tax credit for target group I, long-term family assistance recipient, is 40% of first year qualified wages up to \$10,000 and 50% of second year qualified wages up to \$10,000. The individual must be retained at least 180 days or 400 hours. In certain circumstances a business may claim either the 40% of \$6,000 tax credit or the 40% of \$10,000 tax credit.

For more information:

[http://www.edd.ca.gov/Jobs\\_and\\_Training/WOTC\\_Target\\_Groups.htm](http://www.edd.ca.gov/Jobs_and_Training/WOTC_Target_Groups.htm)

### **INTERNAL REVENUE SERVICE - RETURNING HEROES TAX CREDIT**

The Returning Heroes Tax Credit is a new hiring tax credit that provides an incentive for firms to hire unemployed veterans.

Short-term unemployed: A tax credit of 40 percent of the first \$6,000 of wages (up to \$2,400) for employers who hire veterans who have been unemployed at least 4 weeks.

Long-term unemployed: A tax credit of 40 percent of the first \$12,000 of wages (up to \$4,800) for employers who hire veterans who have been unemployed longer than 6 months.

### **INTERNAL REVENUE SERVICE - WOUNDED WARRIOR TAX CREDIT**

The Wounded Warrior Tax Credit doubles the existing tax credit for long-term unemployed veterans with service-connected disabilities.

Maintain the existing Work Opportunity Tax Credit for veterans with service-connected disabilities (currently the maximum is \$4,800).

A tax credit of 40 percent of the first \$24,000 of wages (up to \$9,600) for firms that hire veterans with service-connected disabilities who have been unemployed longer than 6 months.

The paperwork process for claiming these credits will be simplified by streamlining the burdensome certification that firms had to undertake to claim previous credits.

### **DEPARTMENT OF COMMERCE - FOREIGN TRADE ZONES**

California's Foreign Trade Zones (FTZ) are located in San Francisco, San Jose, Long Beach, Oakland, West Sacramento, San Diego, Palmdale, Los Angeles, Port Hueneme, Merced/Madera/Fresno counties, Stockton, Palm Springs, Santa Maria, Victorville, Eureka, Imperial, Butte and Riverside counties.

FTZs are secured areas legally outside of U.S. customs territory usually located in or near customs points of entry. FTZs allow entry of foreign or domestic merchandise without formal customs entry or government excise taxes.

Merchandise entering a zone may be stored, tested, sampled, relabeled, repackaged, displayed, repaired, manipulated, mixed, cleaned, assembled, manufactured, salvaged, destroyed or processed. Products exported from or imported into FTZs are excluded from customs duty and excise taxes until the time of transfer from the FTZ.

For more information:

<http://www.ia.ita.doc.gov/ftzpage>.

### **CITIZENSHIP AND IMMIGRATION SERVICES – EB-5 IMMIGRANT INVESTOR VISA PROGRAM**

Under federal law, 10,000 immigrant visas per year are available to qualified individuals seeking permanent resident status on the basis of their engagement in a new commercial enterprise. This visa program is popularly called the EB-5 visa program.

Permanent resident status based on EB-5 eligibility might be available to investors who have invested – or are actively in the process of investing – at least \$1,000,000 into a new commercial enterprise they have established. A new commercial enterprise includes: the

creation of an original business; the purchase of an existing business and restructuring or reorganizing the business to the extent that a new commercial enterprise results or expanding upon an existing business. An applicant seeking status as an immigrant investor must demonstrate his/her investment will benefit the United States economy and create full-time employment for no fewer than ten qualified individuals or maintain the number of existing employees in a “troubled business”.

If the investment in a new commercial enterprise is made in a Targeted Employment Area (TEA), the required investment is decreased to the \$500,000 investment level. A TEA is either a “high unemployment area” in an urban setting (part of a metropolitan statistical area) experiencing an unemployment rate of at least 150 percent of the national average rate or a “rural area”.

Applicants to the EB-5 visa program must demonstrate they meet all requirements of the program prior to filing with the U.S. Citizenship and Immigration Service (USCIS). If it is determined the investment criteria is met and properly documented, an investor may be granted conditional permanent residence status for a period of two years. At the end of the conditional period a permanent green card may be issued. An investor may apply for U.S. citizenship five years after the initial grant of conditional permanent residence.

The State of California provides customized Targeted Employment Area (TEA) certifications for projects qualifying under the new state guidelines. Eligible TEAs include metropolitan statistical area, counties, cities, individual census tracts with qualifying high unemployment not in already designated metropolitan statistical areas, counties or cities. (See below “Certified List of Targeted Employment Area (TEA) in California.”)

For more information:

<http://business.ca.gov/Programs/EB5Program.aspx>

### ***USDA RURAL DEVELOPMENT BUSINESS & INDUSTRY LOANS***

The U.S. Department of Agriculture (USDA) sponsors “Business & Industry” guaranteed loans in rural communities. USDA guarantees up to 80% on loans from \$750,000 to \$5 million and up to 70% on loans up to \$10 million. Rates are fixed or variable and negotiated between lender and business. Terms are typically seven years for working capital, 15 years on equipment and 30 years on real estate.

For more information:

<http://www.rurdev.usda.gov/ca/index.htm>

### ***USDA RURAL DEVELOPMENT BIOREFINERY ASSISTANCE PROGRAM***

As the call for increased production of homegrown, renewable forms of fuels has grown, so has the need to develop and produce them. USDA Rural Development offers opportunities to producers to development such fuels through the Biorefinery Assistance Program. The program provides loan guarantees for the development, construction and retrofitting of commercial-scale biorefineries.

For more information:

[http://www.rurdev.usda.gov/BCP\\_Biorefinery.html](http://www.rurdev.usda.gov/BCP_Biorefinery.html)

**USDA RURAL DEVELOPMENT  
RURAL ENERGY FOR AMERICA  
PROGRAM GUARANTEED LOAN  
PROGRAM (REAP)**

The REAP Guaranteed Loan Program encourages the commercial financing of renewable energy (bioenergy, geothermal, hydrogen, solar, wind and hydro power) and energy efficiency projects. Under the program, project developers will work with local lenders who in turn can apply to USDA Rural Development for a loan guarantee up to 85 percent of the loan amount.

Maximum percentage of guarantee (applies to whole loan):

- 85% for loan of \$600,000 or less
- 80% for loans greater than \$600,000 but \$5 million or less
- 70% for loans greater than \$5 million up to \$10 million
- 60% for loans greater than \$10 million up to \$25 million

Loans are limited to 75% of the project's cost with a maximum amount of \$25 million and a minimum of \$5,000.

For more information:  
[http://www.rurdev.usda.gov/BCP ReapLoans.html](http://www.rurdev.usda.gov/BCP_ReapLoans.html)

**USDA RURAL DEVELOPMENT  
RURAL BUSINESS INVESTMENT  
PROGRAM**

The Rural Business Investment Program (RBIP) promotes economic development in mostly rural areas by helping to meet the equity capital investment needs of smaller enterprises located in such areas. USDA licenses newly formed for-profit investment fund entities as Rural Business Investment Companies (RBIC)s. RBICs use the equity raised in capitalizing their fund to make equity and equity-like investments mostly in

smaller enterprises located primarily in rural areas.

For more information:  
[http://www.rurdev.usda.gov/BCP\\_RBIP.html](http://www.rurdev.usda.gov/BCP_RBIP.html)

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