CALIFORNIA COMPETES TAX CREDIT GUIDANCE DOCUMENT

INTRODUCTION TO CALIFORNIA COMPETES TAX CREDIT

The California Competes Tax Credit (CCTC) is an employer-based incentive that, while not a direct funding stream, can indirectly support apprenticeship expansion. This guidance document provides an overview of the CCTC and how employers and workforce partners can leverage it as part of a broader apprenticeship development strategy. Understanding how employer incentives function within the workforce system can help Local Educational Agencies (LEAs), including California community colleges and K-12 institutions, strengthen partnerships and expand apprenticeship opportunities.

CALIFORNIA COMPETES TAX CREDIT OVERVIEW

The CCTC is a highly competitive, non-refundable income tax credit administered by the California Governor's Office of Business and Economic Development (GO-Biz). The tax credit supports business expansion and job creation, with a total of $819,843,124 available for allocation in the 2026–2027 fiscal year.

The credit is designed to encourage businesses to locate, remain, or expand their operations in California by reducing their state income tax liability in exchange for commitments to job creation and investment.

The program is intended to encourage business growth and workforce investment consistent with state economic development priorities. Employers of all sizes, industries, and regions are eligible to apply, provided they demonstrate a commitment to creating jobs and contributing to California's economy.

The CCTC operates through a competitive application process in which businesses may apply during designated application periods. These application windows are announced each year by GO-Biz and will be posted on the official GO-Biz website. The application process takes approximately 3 months, including the period during which applications are reviewed and presented to the CCTC Committee for approval.

Applications are evaluated based on several core factors, including:

- Job creation and retention
- Wages and employee benefits
- Capital investment
- Overall economic impact to the state

Businesses selected for the program enter into a five-year agreement with the state and must meet defined yearly performance milestones to receive the tax credit. Award amounts vary based on project scope, proposed investments, job creation commitments, and negotiated agreement terms, but the minimum credit request is $20,000 over five years. Each award is negotiated depending on the project, commitments, and performance.

The CCTC functions as a flexible employer tax incentive rather than a restricted program funding source. Funds are not designated for specific activities, and employers retain discretion regarding how tax savings generated through the credit support broader business operations and workforce strategies. The tax credit does not need to be reinvested; instead, businesses earn and retain the credit by meeting agreed-upon milestones for job creation, wages, and investment in California.

INCENTIVIZING APPRENTICESHIP

While the CCTC is not apprenticeship-specific, employers may incorporate apprenticeship investments into broader workforce strategies that support business growth and CCTC performance objectives. Participation in apprenticeship programs aligns with several factors considered during CCTC evaluation, including job creation, workforce investment, and employee retention. Registered Apprenticeship Programs (RAPs) demonstrate high-quality job creation, competitive employee compensation, structured training, and measurable economic impact, all of which are core factors in the CCTC's application review process.

The combination of on-the-job training and classroom instruction provides apprentices with structured skill development, supported by mentorship and a standardized curriculum, which demonstrates high-quality training and job creation. Additionally, RAPs include structured wage progression that increases as apprentices' experience and knowledge increase, creating competitive compensation that provides family-sustaining wages, and a positive economic impact. California data show that individuals who complete a RAP consistently earn higher wages than their non-apprentice peers, both during training and after completion. Because RAPs combine an immediate economic value and long-term career pathways, they are well-suited for sustained engagement and job retention. This alignment is important to the CCTC’s multi-year commitment, where retention is critical.

ROLE OF LEAs

CCTC funding is not awarded to LEAs. Instead, the CCTC should be understood as a strategic employer incentive that LEAs can incorporate into employer engagement efforts to strengthen apprenticeship partnerships. LEAs play an important role in connecting workforce development strategies to employer business growth goals. By understanding how the CCTC functions, especially its emphasis on job creation, wages, and capital investment, LEAs can better support partnership development and align apprenticeship programs with employer needs.

LEAs can:

- **Lead employer engagement conversations** by focusing on employer needs, framing apprenticeship as a solution to staffing, retention, and productivity challenges, and positioning CCTC as a performance-based financial incentive that rewards those workforce investments.
- **Guide employers to invest** in apprenticeship as part of their long-term growth strategies by demonstrating how building an internal talent pipeline supports CCTC-required employer expansion efforts while also reducing turnover risk.
- **Introduce apprenticeship intermediaries** as strategic partners who can track apprenticeship activities (hiring, wages, training) and translate them into measurable outcomes aligned with the CCTC criteria, supporting employer understanding of how their workforce investments strengthen their application competitiveness.
- **Encourage employers to partner** with relevant existing RAPs to leverage existing training infrastructure, reducing employer training burden, lowering investment risks, and strengthening their CCTC application, highlighting that employee training opportunities are a key factor in the CCTC evaluation.

Employer engagement remains a foundational component of RAP development and sustainability efforts. Incentives like the CCTC influence employer decisions by linking tax credits to hiring, wage growth, and business investment. Understanding and positioning apprenticeship as a strategy that helps employers realize these incentives can deepen employer engagement and expand high-quality apprenticeship opportunities.

RESOURCES

- CCTC Website
- California Competes Webinar
- Application Workshop PowerPoint Presentation
- Application Guide
- FAQs
- Franchise Tax Board
- Apprenticeship: Return on Investment Report