

AMENDED IN ASSEMBLY JUNE 14, 2022

AMENDED IN SENATE MAY 20, 2021

AMENDED IN SENATE APRIL 27, 2021

AMENDED IN SENATE APRIL 19, 2021

AMENDED IN SENATE MARCH 10, 2021

SENATE BILL

No. 777

Introduced by Senator Bradford

(Principal coauthors: Senators Caballero, Hertzberg, and Nielsen)

(Coauthors: Assembly Members Mayes and Petrie-Norris)

February 19, 2021

An act to add Article 6 (commencing with Section 12264) to Chapter 3 of Part 7 of Division 2 of the Revenue and Taxation Code, relating to taxation, and making an appropriation therefor.

LEGISLATIVE COUNSEL'S DIGEST

SB 777, as amended, Bradford. Insurance taxation: credit: California Jumpstart Act.

Existing statutory law imposes taxes on the gross premiums of an insurer, as defined, and allows various credits against those taxes. The California Constitution imposes exactions against insurers from another state or country under specified conditions.

This bill would establish the California Jumpstart Act. The act would allow a credit against those taxes for each taxable year beginning on or after January 1, ~~2024~~, 2025, *until January 1, 2030*, in an amount equal to the amount of a relief contribution, as defined, that meets specified requirements. *The bill would prohibit a taxpayer allowed a credit under the act for a qualified relief investment from being eligible for any other*

credit, as specified, with respect to that investment. The bill would require the California Pollution Control Financing Authority (CPCFA) to, among other things, accept applications for approval as a relief fund that meet specified requirements, including that the application include a signed certification from the chief executive officer or another similar officer of each investor committing to make a relief contribution and stating the amount of that ~~commitment~~. *commitment, among other attestations.* The bill also would authorize the CPCFA to ~~recapture~~ *recover* any tax credit allowed and revoke the tax credit certificates issued to a taxpayer if the taxpayer engages in specified behavior, including, failing to invest 100% of its investment authority in relief investments within 2 years of the closing date. *The bill would require the CPCFA to act in consultation with the Department of Insurance to accomplish these responsibilities where specified.*

This bill would require, among other things, the CPCFA to undertake outreach activities to encourage investment in impact businesses, including, but not limited to, partnering with organizations representing persons and business enterprises from small businesses more than 50% owned by minorities, women, disabled veterans, lesbian, gay, bisexual or transgender persons, as described. The bill would also establish the Treasury Relief Investment Fund in the State Treasury, and would continuously appropriate the fund for purposes of these provisions. The bill would authorize CPCFA to direct the Treasurer to invest moneys in the fund, as specified, and would authorize CPCFA to use proceeds in the fund for administrative purposes. By continuously appropriating moneys in the fund, this bill would make an appropriation.

This bill would provide that the California Jumpstart Act is only operative for taxable years for which an appropriation is made for its purposes in the annual Budget Act or other statute.

This bill would require various certifications by officers of an investor and would require a relief fund that has not decertified to annually certify under penalty of perjury that the relief fund has not violated any of the grounds for ~~revocation and recapture~~ *recovery and revocation* of credits. By expanding the crime of perjury, this bill would impose a state-mandated local program.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: yes. Fiscal committee: yes.
State-mandated local program: yes.

The people of the State of California do enact as follows:

1 SECTION 1. The Legislature finds and declares all of the
2 following:
3 (a) California continues to face unprecedented challenges from
4 the COVID-19 pandemic and the realities are stark. Total small
5 business revenue in California in November 2020 has decreased
6 by 27.9 percent compared to January 2020, according to a new
7 report from Opportunity Insights. The total unemployment benefits
8 providing support for California workers and local economies has
9 now hit \$101 billion in just seven months. Almost \$55 billion of
10 that is regular state provided Unemployment Insurance (UI)
11 benefits, which is more than double what was paid in the three
12 worst years of the Great Recession combined, according to October
13 2020 data from the Employment Development Department (EDD).
14 Black men have recovered fewer than 40 percent of jobs lost —
15 the worst of any demographic group, other than Black women—
16 while Hispanic men have recovered about 47 percent of lost jobs,
17 according to new research from the Washington Post. As more
18 small businesses shut their doors for good and people fall into
19 poverty, the longer California’s economic recovery will take.
20 (b) The economic collapse sparked by the ongoing global
21 pandemic is triggering the most unequal recession in modern U.S.
22 history. California’s small businesses and workers are in a
23 prolonged battle for survival and stability, a struggle wrought with
24 geographic, economic, and racial disparities.
25 (c) Even before the COVID-19 crisis, many California small
26 businesses, particularly those owned by people of color or located
27 in economically disadvantaged and historically underserved areas
28 of the state, still had not fully recovered from the Great Recession.
29 Their economic precarity has only grown more dire amid the
30 extended pandemic devastation.
31 (d) Bank loans, the principal source of outside financing for
32 small businesses, have been increasingly difficult to secure since
33 the COVID-19 crisis struck. In the Federal Reserve’s third-quarter
34 survey of senior loan officers, conducted in July 2020, 70 percent
35 of respondents reported tightening lending standards for small

1 firms, which is the most since the fourth quarter of 2008, when
2 the financial crisis struck.

3 (e) Minority-owned businesses suffer from historic and
4 persistent underinvestment even when the economy is booming.
5 According to the Stanford Institute for Economic Policy Research,
6 only 1 percent of minority business owners obtained loans in their
7 founding year pre-pandemic, compared to 7 percent of white
8 business owners.

9 (f) According to a December 2020 report from the Public Policy
10 Institute of California, the effects of the current recession are
11 concentrated among low-income workers, African Americans,
12 Latinos, and women. Although no demographic group has been
13 spared from the impacts of the current crisis, larger increases in
14 unemployment and underemployment for low-income, African
15 American, and Latino families are likely to worsen preexisting
16 significant disparities in income and economic opportunity.
17 Importantly, women have also been disproportionately affected,
18 jeopardizing long-term gains in their labor force participation.
19 Uneven economic recoveries tend to exacerbate income inequality,
20 which may mute economic growth by dampening individuals'
21 chances of economic mobility and increased productivity.

22 (g) Achieving a more equitable recovery begins with creating
23 more equitable flows of capital. Comprehensive, targeted, and
24 transparent economic policies with strong safeguards will catalyze
25 small business growth and entrepreneurial activity as California
26 rebuilds.

27 (h) The COVID-19 pandemic's lessons are clear and simple.
28 Policymakers' response to these deep, rapid revenue losses will
29 have important consequences in the coming months and years. A
30 targeted response that accounts for the investment gaps in
31 disproportionately impacted businesses and communities, enables
32 small business growth, and generates job creation that can minimize
33 the harm and accelerate California's equitable economic recovery.

34 (i) The California Jumpstart Act builds on the state's ongoing
35 business support initiatives throughout the pandemic by continuing
36 to help bridge the deepening financial gaps and inequities facing
37 underserved California small businesses and entrepreneurs and
38 providing a long-term recovery solution.

39 (j) The California Jumpstart Act leverages private expertise,
40 resources, and capital, with no immediate fiscal impact to the state

1 budget, to encourage and expand long-term economic growth in
2 economically disadvantaged and historically underinvested small
3 businesses beyond the initial relief provided under the federal small
4 business stimulus programs.

5 (k) The California Jumpstart Act incentivizes and mobilizes
6 rapid, scalable private investment, with 100 percent of funds
7 invested within two years into targeted small businesses around
8 the state that historically have been underserved by traditional
9 sources of patient growth capital. Approved funds will make debt
10 and equity investments into small businesses at below market rates
11 with flexible terms, allowing small businesses to access
12 growth-oriented investment capital for broad purposes, including
13 expansion, payroll, inventory, and training among others.

14 SEC. 2. Article 6 (commencing with Section 12264) is added
15 to Chapter 3 of Part 7 of Division 2 of the Revenue and Taxation
16 Code, to read:

17
18 Article 6. California Jumpstart Act

19
20 12264. This article shall be known, and may be cited, as the
21 California Jumpstart Act.

22 12264.1. The provisions of this article shall only be operative
23 for taxable years for which an appropriation is made for its
24 purposes in the annual Budget Act or other statute.

25 12264.5. As used in this article, the following definitions apply:

26 (a) "Affiliate" means an entity that directly, or indirectly through
27 one or more intermediaries, controls, is controlled by, or is under
28 common control with, another entity. For purposes of this
29 subdivision, an entity is "controlled by" another entity if the
30 controlling entity holds, directly or indirectly, the majority voting
31 or ownership interest in the controlled entity or has control over
32 the day-to-day operations of the controlled entity. For purposes of
33 subdivision (c) of Section 12265, "affiliate" shall include taxpayers
34 that satisfy this definition on the date the relief fund submitted its
35 application only.

36 (b) "Applicant" means an entity that applies for an allocation
37 of relief investment authority.

38 (c) "Closing date" means the date on which a relief fund has
39 collected all amounts specified in subdivision (a) of Section 12268.

- 1 (d) “CPCFA” means the California Pollution Control Financing
2 Authority within the office of the Treasurer.
- 3 (e) “Federal funds rate” means the effective federal funds rate
4 on the date of the relief investment, as measured and published by
5 the New York Federal Reserve Bank.
- 6 (f) “Flexible term” means any of the following:
7 (1) Deferral of interest payments for at least one year.
8 (2) Deferral of principal payments for at least one year.
9 (3) Convertible into equity.
- 10 (g) “Impact business” means a small business more than 50
11 percent owned by minorities, women, disabled veterans, lesbian,
12 gay, bisexual or transgender persons.
- 13 (h) “Investment authority” means the amount certified by the
14 CPCFA pursuant to Section 12267.
- 15 (i) “Premium taxes” means the taxes imposed by paragraph (3)
16 of subdivision (f) of Section 28 of Article XIII of the California
17 Constitution, or as specified by Section 12221 of this code, or
18 Section 685 of the Insurance Code.
- 19 (j) (1) “Principal business operations” means the location that
20 meets either of the following requirements:
21 (A) At least 60 percent of the business’s employees work at the
22 location.
23 (B) Employees who are paid at least 60 percent of the business’s
24 payroll work at the location.
- 25 (2) A business that has agreed to use the proceeds of a relief
26 investment to establish its principal business operations in the state
27 shall be deemed to have its principal business operations in a relief
28 zone if it satisfies the requirements of paragraph (1) within 180
29 days after receiving a relief investment.
- 30 (k) “Relief contribution” means an investment of cash, by an
31 entity subject to premium taxes in this state, in a relief fund that
32 equals the amount specified on a notice of tax credit allocation
33 issued by the CPCFA under subdivision (c) of Section 12267 and
34 that is used to purchase an equity interest in the relief fund or to
35 purchase, at par value or premium, a debt instrument issued by the
36 fund that meets both of the following requirements:
37 (1) Has an original maturity date of at least five years after the
38 date of issuance.
39 (2) Has a repayment schedule that is not faster than a level
40 principal amortization over five years.

- 1 (l) “Relief fund” means an entity certified by the office of the
2 CPCFA under subdivision (a) of Section 12267.
- 3 (m) (1) “Relief investment” means any capital or equity
4 investment in a small business or any loan to a small business with
5 a stated maturity of at least two years.
- 6 (2) A senior secured loan is a relief investment only if it has an
7 interest rate of less than 4 percent plus the effective federal funds
8 rate on the date of the relief investment, as measured and published
9 by the New York Federal Reserve Bank and has a flexible term.
- 10 (3) Any other loan is a relief investment only if it has an interest
11 rate of less than 9 percent plus the federal funds rate on the date
12 of the relief investment and has a flexible term.
- 13 (4) An equity investment is a relief investment only if the relief
14 fund does not acquire a majority investment in the small business
15 as an initial investment in the small business.
- 16 (5) “Relief investment” does not include any transaction that
17 includes an origination fee.
- 18 (n) “Relief zone” means any of the following locations in this
19 state:
- 20 (1) A census tract in the state meeting either of the following
21 requirements according to the 2020 United States Census:
- 22 (A) The census tract has a poverty rate that is greater than 30
23 percent.
- 24 (B) The census tract has a median family income that does not
25 exceed the following:
- 26 (i) If the census tract is not located in a metropolitan area, 60
27 percent of the *county or* statewide median family ~~income~~: *income*,
28 *whichever is less*.
- 29 (ii) If the census tract is located in a metropolitan area, 60
30 percent of the ~~greater~~ *lesser* of the statewide median family income
31 and the metropolitan area median family income.
- 32 (C) Relief investments made in a location described in this
33 paragraph shall be verified by CPCFA using a federal New Markets
34 Tax Credit mapping tool it designates that is accessible from its
35 public internet website and is subject to the requirements of Section
36 11546.7 of the Government Code.
- 37 (2) A census tract within the state that is determined by the
38 Department of Finance to have a civilian unemployment rate that
39 is within the top 25 percent of all census tracts within the state and
40 has a poverty rate within the top 25 percent of all census tracts

1 within the state, as prescribed in Section 13073.5 of the
2 Government Code.

3 (3) Within a city, county, or city and county designated as a full
4 or partial High Unemployment Area in the state as designated by
5 the Employment Training Panel no more than 120 days before the
6 date the relief investment is made.

7 (o) “Senior secured loan” means any loan that is secured by a
8 first mortgage on real estate with a loan-to-value ratio of less than
9 80 percent.

10 (p) “Small business” means any business that, at the time a relief
11 fund initially invests in the business, meets all of the following
12 requirements:

13 (1) The total number of employees the business employs does
14 not exceed 250.

15 (2) The business has gross receipts, less returns and allowances
16 reportable to the state, of less than ten million dollars (\$10,000,000)
17 during the previous taxable year.

18 (3) The business has its principal business operations in a relief
19 zone in the state.

20 (4) The business is engaged in North American Industry
21 Classification System sector 11, 22, 23, 31, 32, 33, 42, 44, 45, 48,
22 49, 51, 54, 56, 62, 71, or 72, or if not engaged in those industries,
23 the CPCFA determines that the investment will create desirable
24 economic outcomes in line with the goals of this article.

25 (5) “Small business” shall not include any business whose
26 operations violate state law.

27 12265. (a) For taxable years beginning on or after January 1,
28 ~~2024~~, 2025, and before January 1, 2030, there shall be allowed
29 against premium taxes a California Jumpstart Act tax credit in an
30 amount equal to the amount of a relief contribution, eligible for
31 utilization in accordance with paragraph (2) of subdivision (a) of
32 Section 12269.

33 (b) If the credit allowed by this section exceeds the taxes
34 described in subdivision (a), the excess may be carried over to
35 reduce those taxes in the following year, and the four succeeding
36 years if necessary, until the credit is exhausted. Tax credits shall
37 not be carried forward after the ~~2031~~ 2030 taxable year.

38 (c) The credit is nonrefundable and may not be sold, transferred,
39 or allocated to an entity other than an affiliate.

1 (d) No additional retaliatory tax shall be required as a result of
2 receiving the tax credit described in this subdivision.

3 (e) A taxpayer claiming a credit under this section shall submit
4 a copy of the tax credit certificate issued pursuant to subdivision
5 (a) of Section 12269 with the taxpayer's return for each taxable
6 year for which the credit is claimed.

7 (f) (1) The aggregate amount of investment authority that may
8 be certified shall be three hundred seventy-five million dollars
9 (\$375,000,000) and the aggregate amount of credit that may be
10 allocated and certified pursuant to this section shall be three
11 hundred million dollars (\$300,000,000) in total for all taxable years
12 for which the California Jumpstart Act tax credit is authorized.

13 (2) The total amount of credits that may be claimed per year is
14 seventy-five million dollars (\$75,000,000) during the taxable years
15 containing the third through sixth anniversaries of the closing date.

16 (3) If requests for investment authority and credits exceed the
17 limitations described in paragraph (1), the CPCFA shall
18 proportionally reduce the investment authority and credits certified
19 for each approved application as necessary to avoid exceeding the
20 limit.

21 12266. (a) Beginning 90 days after the enactment of this act,
22 the CPCFA shall accept applications for applicants desiring to
23 apply for certification as a relief fund. The application shall meet
24 all of the following requirements:

25 (1) The application shall state the total relief investment
26 authority sought by the applicant, which shall not exceed three
27 hundred seventy-five million dollars (\$375,000,000).

28 (2) The applicant shall include evidence to prove, to the
29 satisfaction of the CPCFA, that the applicant meets all of the
30 following criteria:

31 (A) The applicant, or an affiliate of the applicant, is a federally
32 approved or licensed rural business investment company pursuant
33 to Section 2009cc of Title 7 of the United States Code or a small
34 business investment company pursuant to Section 681 of Title 15
35 of the United States Code. The applicant shall include a certificate
36 executed by an executive officer of the applicant attesting that the
37 approval or license remains in effect and has not been revoked and
38 evidence that at least one principal or similar officer of the ~~entity~~
39 *applicant* is, and has been for at least four years, an officer or

1 employee of the applicant or an affiliate of the applicant on the
2 date the application is submitted.

3 (B) As of the date the application is submitted, the applicant
4 and its affiliates have invested more than one hundred million
5 dollars (\$100,000,000) in nonpublic companies, which are a
6 corporation, limited liability company, partnership, or limited
7 partnership that does not offer or trade its stocks or membership
8 interests to the public on any stock market exchange, is organized
9 under the laws of the United States or a political division thereof,
10 and is not required to have principal business operations in
11 California.

12 (3) A signed certification from the chief executive officer, or
13 similar officer, of each investor that commits to make a relief
14 contribution to the applicant stating the amount of that
15 commitment.

16 (4) The sum of all relief-eligible capital contribution
17 commitments described in paragraph (3) of this subdivision, which
18 shall equal at least 80 percent of the total investment authority
19 sought by the applicant.

20 (5) A nonrefundable application fee of ten thousand dollars
21 (\$10,000).

22 (6) A detailed inclusive outreach plan intended to increase
23 investment sourcing opportunities under the program in impact
24 businesses.

25 (7) Include a signed certification from an executive officer of
26 the applicant attesting that no senior managers of the fund are
27 under indictment.

28 (8) Disclose and describe any pending or resolved litigation in
29 which an applicant or an affiliate of the applicant is a party, as
30 well as any violations, citations, fines, or penalties relating to any
31 violations of state labor law, employment law, or environmental
32 law within the last 10 years.

33 (9) Include evidence from the applicant’s previous experience
34 demonstrating all of the following:

35 (A) Improving economic outcomes and net job creation in
36 low-income communities with high unemployment and poverty
37 directly resulting from its investments in small businesses.

38 (B) Generating improved economic outcomes that would not
39 have occurred but for its investments in small businesses.

1 (C) Promoting high-quality jobs for workers, including, but not
2 limited to, paying wages in excess of the minimum wage, and
3 promoting full-time employment with health and retirement
4 benefits.

5 (10) *Include a signed certification from an executive officer of*
6 *the applicant attesting that the information provided in the*
7 *application is true and correct.*

8 (b) (1) ~~The CPCFA shall verify that the information supplied~~
9 ~~in the application is true and correct before allocating investment~~
10 ~~authority to that applicant.~~ *may request additional information*
11 *from an applicant on the information supplied in their application*
12 *before allocating investment authority to that applicant.*
13 Applications received by the CPCFA on the same day shall be
14 deemed to have been received simultaneously.

15 (2) The CPCFA shall approve investment authority only in an
16 aggregate amount that is not greater than three hundred seventy-five
17 million dollars (\$375,000,000).

18 (c) (1) The CPCFA shall issue application criteria consistent
19 with the purposes of this article, and rank applicants based on those
20 criteria.

21 (2) The CPCFA shall post the criteria, its rankings of applicants,
22 applications, and the amount of tax credits allocated to each
23 applicant on its internet website.

24 (d) The CPCFA shall deny an application submitted under this
25 section if any of the following apply:

26 (1) The application is incomplete.

27 (2) The application fee is not paid in full.

28 (3) The application does not satisfy all the criteria described in
29 paragraph (2) of subdivision (a).

30 (4) The CPCFA has already approved the maximum total relief
31 investment authority and relief contributions allowed pursuant to
32 subdivision (f) of Section 12265.

33 (5) The applicant fails to submit affidavits equal to 80 percent
34 of the relief investment authority sought.

35 (6) The applicant did not supply evidence of its experience as
36 provided in paragraph (7) of subdivision (a), ~~or the CPCFA could~~
37 ~~not verify that the information supplied in the application is true~~
38 ~~and correct.~~ (a).

1 12267. After approving an application submitted pursuant to
2 Section 12266, the CPCFA shall issue a written notice to the
3 applicant certifying all of the following:

- 4 (a) The applicant is a relief fund.
- 5 (b) The amount of the applicant's investment authority.
- 6 (c) The relief contributions required from each investor that
7 submitted an affidavit with the relief fund's application.

8 12268. (a) (1) Within 60 days after receiving the certification
9 issued pursuant to Section 12267, a relief fund shall do both of the
10 following:

11 (A) Collect relief contributions equal to the amount certified in
12 Section 12267 from each investor whose certification was included
13 in the application.

14 (B) Collect additional investments of cash that, when added to
15 the investor contributions, equal the relief fund's investment
16 authority.

17 (2) At least 5 percent of the relief fund's investment authority
18 shall consist of direct or indirect equity investments from affiliates
19 of the relief fund, including employees, officers, and directors of
20 the affiliates.

21 (b) Within 65 days after receiving certification pursuant to
22 Section 12267, the relief fund shall send to the CPCFA
23 documentation to prove that the amounts required by subdivision
24 (a) have been collected.

25 (c) If the relief fund fails to comply with subdivision (a) or (b),
26 the CPCFA shall revoke the relief fund's *investment authority*
27 certification and provide written notice to the relief fund of the
28 revocation.

29 12269. (a) (1) Upon receipt of the documentation required
30 by subdivision (b) of Section 12268, the CPCFA shall ~~issue,~~
31 *establish a process in consultation with the Department of*
32 *Insurance to issue* to each investor or affiliate identified in
33 subdivision (b) of Section 12268, a notice of the amount and
34 utilization schedule of the tax credits allocated to that investor or
35 affiliate as a result of its relief contribution.

36 (2) ~~The CPCFA~~ *CPCFA, in consultation with the Department*
37 *of Insurance*, shall issue, to each investor identified in subdivision
38 (b) of Section 12268, a tax credit certificate for one-fourth of the
39 relief contributions made by the investor for each of the taxable

1 years containing the third through sixth anniversaries of the closing
2 date.

3 (b) ~~The CPCFA~~ *CPCFA, in consultation with the Department*
4 *of Insurance*, shall not be required to issue a tax credit certificate
5 if the relief fund does not invest 70 percent of its investment
6 authority in investments within one year of the closing date and
7 100 percent of its relief investment authority in relief investments
8 within two years of the closing date, subject to satisfaction of these
9 investment milestones during the cure period established by Section
10 12270.

11 (c) *A taxpayer allowed a credit under this section for a qualified*
12 *relief investment shall not be eligible for any other credit under*
13 *this part with respect to that investment.*

14 12269.5. (a) ~~The CPCFA shall independently verify the relief~~
15 ~~fund's compliance with this article, and the CPCFA~~ may require
16 a relief fund to provide any information necessary in the format it
17 prescribes to ensure the relief fund's compliance with this article.

18 (b) An annual fee of one hundred fifty thousand dollars
19 (\$150,000), to be prorated amongst all relief funds that have not
20 exited pursuant to Section 12271, shall be payable to the CPCFA.

21 (c) The initial annual fee is due and payable to the CPCFA
22 within 60 days after receiving the certification issued pursuant to
23 Section 12267.

24 (d) After payment of the initial annual fee, the annual fee shall
25 be due and payable to the CPCFA before the anniversary date of
26 the closing date.

27 (e) Application and annual fees paid to the CPCFA shall be
28 deposited in the Treasury Relief Investment Fund established under
29 Section 12276.

30 12270. (a) (1) ~~The CPCFA shall recapture~~ *CPCFA, in*
31 *consultation with the Department of Insurance, shall recover* tax
32 credits claimed pursuant to Section 12264 and revoke the tax credit
33 certificates issued if it determines that any of the following occur
34 with respect to the relief fund:

35 (A) The relief fund fails to invest 100 percent of its investment
36 authority in relief investments within two years of the closing date.

37 (B) The relief fund fails to maintain that level of investment
38 until the sixth anniversary of the closing date. For the purposes of
39 this paragraph, an investment is maintained even if the investment
40 is sold or repaid as long as the fund reinvests an amount equal to

1 the capital returned or recovered by the fund from the original
2 investment, exclusive of any profits realized, in other relief
3 investments in this state within one year of the receipt of such
4 capital. Regularly scheduled principal payments on a loan that is
5 a relief investment shall be deemed continuously invested in a
6 relief investment if the amounts are reinvested in one or more relief
7 instruments by the end of the following calendar year.

8 (C) The relief fund makes a distribution or payment that results
9 in the fund having less than 100 percent of its relief investment
10 authority invested in relief investments or in cash or marketable
11 securities available for investment in relief investments.

12 (D) The relief fund makes a relief investment in a small business
13 that directly or indirectly through an affiliate owns, has the right
14 to acquire an ownership interest, makes a loan to, or makes an
15 investment in the relief fund, an affiliate of the fund, or an investor
16 in the relief fund, excluding investments in publicly traded
17 securities by a small business or an owner or affiliate of a small
18 business.

19 (E) A relief fund makes an investment in a small business that
20 is not a small business as described in subdivision (o) of Section
21 12264.5 at the time of the investment.

22 (2) Before ~~recapturing~~ *recovering* tax credits or revoking a tax
23 credit certificate pursuant to this section, the ~~CPCFA~~ *CPCFA*, *in*
24 *consultation with the Department of Insurance*, shall notify the
25 relief fund of the reasons for the pending ~~recapture or revocation~~
26 *recovery or revocation of the tax credit*. If the fund corrects the
27 violations outlined in the notice to the satisfaction of the CPCFA
28 within 90 days of the date the notice was dispatched, the CPCFA
29 shall not ~~recapture~~ *recover* the tax credits or revoke the tax credit
30 certificate, as applicable.

31 (3) The ~~CPCFA~~ *CPCFA*, *in consultation with the Department*
32 *of Insurance*, shall not ~~recapture~~ *recover* a tax credit or revoke a
33 tax credit certificate due to any actions of a fund that occur after
34 decertification pursuant to Section 12271, provided the CPCFA
35 may ~~recapture~~ *recover* a relief fund's tax credits or revoke a tax
36 credit certificate related to actions of the relief fund that occurred
37 prior to exit in accordance with Section 12271, even if the actions
38 are discovered after exit.

39 (b) The amount by which one or more relief investments by a
40 relief fund in the same small business exceeds seven million five

1 hundred thousand dollars (\$7,500,000) shall not be considered as
2 a relief investment for purposes of this section, exclusive of capital
3 repaid or redeemed by the small business and reinvested as a relief
4 investment in the small business. A relief investment in an affiliate
5 of a small business shall be treated as a relief investment in that
6 small business for purposes of this subdivision.

7 12271. (a) (1) On or after the sixth anniversary of the closing
8 date, a relief fund that has invested 100 percent of its relief
9 investment authority in relief investments may apply to the CPCFA
10 to exit regulation by the CPCFA.

11 (2) The CPCFA shall approve or deny an application made
12 pursuant to paragraph (1) within 30 days after receiving the
13 application.

14 (b) The CPCFA shall not deny the application unless there is a
15 reasonable basis for the denial. In evaluating the application,
16 whether a tax credit was ~~recaptured~~ *recovered* with respect to the
17 decertifying relief fund shall be evidence to prove that the relief
18 fund is eligible for exit.

19 (c) The CPCFA shall send notice of its determination with
20 respect to decertification and reasons for denial, if applicable, to
21 the relief fund requesting exit.

22 12272. (a) A relief fund may request a written opinion from
23 the CPCFA as to whether the business qualifies as a small business.

24 (b) The relief fund shall include evidence that the business
25 satisfies the definition of a small business and a certification by
26 an executive officer of the business attesting that the business
27 satisfies such definition.

28 (c) The CPCFA shall issue a written opinion to the fund within
29 15 business days of receiving the request.

30 12273. (a) If the CPCFA revokes a relief fund's certification
31 pursuant to subdivision (c) of Section 12268 or revokes or
32 ~~recaptures~~ *recovers* a tax credit certificate pursuant to subdivision
33 (b) of Section 12267, the associated investment authority and
34 investor contributions will not count toward the limit on total
35 investment authority and investor contributions set forth in
36 subdivision (f) of Section 12265.

37 (b) (1) The CPCFA shall first award reverted investment
38 authority pro rata to each relief fund that was awarded less than
39 the requested investment authority for which it applied under

1 Section 12267 within 15 days, which a relief fund may allocate to
2 the relief fund’s investors at the fund’s discretion.

3 (2) The CPCFA may award any remaining investment authority
4 to new ~~applicants~~: *applicants before January 1, 2030*.

5 12274. (a) Each relief fund shall submit a report to the CPCFA
6 on or before the 15th day of each April following the end of the
7 calendar year that includes the closing date until the calendar year
8 after the relief fund has been decertified. The report shall provide
9 an itemization of the relief fund’s relief investments and shall
10 include the following documents and information:

11 (1) Audited financial statements evidencing each relief fund’s
12 relief investments.

13 (2) The name, location, and ~~industry class~~ *classification within*
14 *the North American Industry Classification System* of each business
15 that received a relief investment from the fund, evidence that the
16 business qualified as a small business at the time the investment
17 was made by a certification executed by an executive officer of
18 each business attesting that the business was a small business at
19 the time of the initial relief investment in the business.

20 (3) (A) For each small business receiving a relief investment,
21 the number of full-time employees at each small business at the
22 time the investment was made.

23 (B) For purposes of this paragraph, a “full-time employee”
24 means an employee that works at least 30 hours per week
25 throughout the year or meets the customary practices accepted by
26 an industry as full time. The number of a small business’s full-time
27 employees is determined by dividing the total hours for which the
28 small business pays wages to all employees during the year by the
29 number of employee work hours per year. The standard calculation
30 for employee work hours per year is 2080: calculated by
31 multiplying 52 weeks by 40 hours per week.

32 (4) (A) A certification executed by an executive officer of each
33 business attesting the number of jobs created and *jobs* retained as
34 a result of each relief investment.

35 (B) For purposes of this paragraph, “jobs created” means
36 employment positions that are created by a small business, are
37 located in this state, require at least 30 hours of work each week,
38 and were not located in this state at the time of the initial relief
39 investment in the small business. The number of jobs created by
40 a small business is calculated each year by subtracting the number

1 of employment positions in this state at the small business at the
2 time of the initial relief investment in the small business from the
3 monthly average of those employment positions for that year. If
4 the number calculated under this subsection is less than zero, the
5 number shall be reported as zero. The monthly average of
6 employment positions for a year is calculated by adding the number
7 of employment positions existing on the last day of each month
8 of the year and dividing that sum by 12.

9 (C) For purposes of this paragraph, “jobs retained” means,
10 employment positions that are located in this state, require at least
11 30 hours of work each week, and existed before the initial relief
12 investment in the small business and would have been lost or
13 moved out of this state had a relief investment in the small business
14 not been made, as certified in writing by an executive officer of
15 the small business. The number of jobs retained by a small business
16 is calculated each year based on the monthly average of
17 employment positions for that year. The monthly average of
18 employment positions for a year is calculated by adding the number
19 of employment positions existing on the last day of each month
20 of the year and dividing that sum by 12.

21 (5) The number of relief investments made in impact businesses,
22 disaggregated by classifications based on information voluntarily
23 provided by businesses that identify as an impact business and in
24 accordance with state law.

25 (6) A certification that the relief fund has not violated any of
26 the grounds for revocation and ~~recapture~~ *recovery* of credits set
27 forth in subdivision (b) of Section 12267.

28 (7) Any other information required by the CPCFA except to the
29 extent the information is included in the audit performed pursuant
30 to paragraph (1).

31 (b) Each fund shall submit a report to the CPCFA on or before
32 the fifth business day after the first and second anniversaries of
33 the closing date that provides documentation to prove that the fund
34 has met the investment thresholds described in subdivision (b) of
35 Section 12269 and has not implicated any of the other ~~recapture~~
36 *credit recovery* provisions described in Section 12270.

37 12275. The CPCFA shall undertake outreach activities to
38 encourage investment in impact businesses, including, but not
39 limited to, by partnering with organizations representing persons
40 and business enterprises from underrepresented groups, in a manner

1 that will inform and educate members of these organizations on
2 investment opportunities through the program provided in this
3 article.

4 12276. (a) The Treasury Relief Investment Fund is hereby
5 established in the State Treasury, and shall be administered by the
6 CPCFA for purposes of this article. Notwithstanding Section 13340
7 of the Government Code, all moneys in the fund are continuously
8 appropriated to CPCFA for carrying out the purposes of this article.
9 All moneys accruing to the CPCFA pursuant to this article from
10 any source shall be deposited into the fund.

11 (b) The CPCFA may use the proceeds in the Treasury Relief
12 Investment Fund for purposes of administrative costs relating to
13 the program.

14 (c) The CPCFA may direct the Treasurer to invest moneys in
15 the fund that are not required for its current needs in the eligible
16 securities specified in Section 16430 of the Government Code as
17 the authority shall designate. The CPCFA may direct the Treasurer
18 to deposit moneys in interest-bearing accounts in state or national
19 banks or other financial institutions having principal offices located
20 in the state. The CPCFA may alternatively require the transfer of
21 moneys in the fund to the Surplus Money Investment Fund for
22 investment pursuant to Article 4 (commencing with Section 16470)
23 of Chapter 3 of Part 2 of Division 4 of Title 2 of the Government
24 Code. All interest or other increment resulting from an investment
25 or deposit shall be deposited into the fund, notwithstanding Section
26 16305.7 of the Government Code. Moneys in the fund shall not
27 be subject to transfer to any other fund pursuant to any provision
28 of Part 2 (commencing with Section 16300) of Division 4 of Title
29 2 of the Government Code, excepting the Surplus Money
30 Investment Fund.

31 12277. (a) The CPCFA may adopt regulations to implement
32 this article. The adoption, amendment, repeal, or readoption of a
33 regulation authorized by this section is deemed to address an
34 emergency, for purposes of Sections 11346.1 and 11349.6 of the
35 Government Code, and the CPCFA is hereby exempted for this
36 purpose from the requirements of subdivision (b) of Section
37 11346.1 of the Government Code.

38 (b) The CPCFA shall adopt forms and notices necessary to
39 implement this article.

1 (c) The CPCFA shall notify the Department of Insurance of the
2 name of any insurance company allocated tax credits under this
3 article and the amount of those credits.

4 SEC. 3. For purposes of complying with Section 41 of the
5 Revenue and Taxation Code, with respect to Article 6 (commencing
6 with Section 12264) of Chapter 3 of Part 7 of Division 2 of the
7 Revenue and Taxation Code as added by this act, hereafter “the
8 credit,” the Legislature finds as follows:

9 (a) ~~The purpose~~ *specific goals, purposes, and objectives* of the
10 credit, also known as the California Jumpstart Act, is to ~~address~~
11 ~~the growing economic hardships California small businesses,~~
12 ~~workers, and vulnerable communities are grappling with~~ *attract*
13 *private sector investment into underinvested and underserved small*
14 *businesses and communities in California* and provide a long-term
15 recovery solution. The purpose of the credit is also to incentivize
16 and mobilize rapid and scalable private sector investment that
17 encourages economic growth beyond the initial relief provided
18 under the federal small business stimulus programs, enabling small
19 business growth, job creation, and relief for families in
20 communities where such economic assistance is needed the most.

21 (b) To measure whether the credit achieves its intended purpose,
22 the CPCFA shall, by June 30 of each year this article is in effect,
23 submit an electronic report, in compliance with Section 9795 of
24 the Government Code, to the Legislature containing all of the
25 ~~following:~~ *following performance indicators:*

26 (1) The name, location, and ~~industry class~~ *classification within*
27 *the North American Industry Classification System* of each business
28 that received a relief investment from the relief fund and
29 notification that evidence was collected that the business qualified
30 as a small business at the time the investment was made.

31 (2) The number of jobs created and retained as a result of each
32 relief investment.

33 (3) The cumulative amount of relief investments made in each
34 small business as a result of this credit.

35 (4) The number of relief investments made in impact businesses
36 of interest, disaggregated by classifications based on information
37 voluntarily provided by businesses that identify as an impact
38 business and in accordance with state law.

39 (5) Any recommendations for improving the effectiveness,
40 transparency, and accountability of public funds deployed in the

1 form of tax credits allocated pursuant to the California Jumpstart
2 Act, or the CPCFA's administration of the California Jumpstart
3 Act.

4 (6) Any penalties imposed during the prior 12-month period
5 against a relief fund.

6 (7) *Data collection requirements include:*

7 (A) *The amount of tax credits issued in the year.*

8 (B) *The number of jobs created and retained as a result of*
9 *qualified relief investments.*

10 (C) *The number of operating businesses located in a relief zone*
11 *that receive qualified investments.*

12 (8) *The baseline measurements include:*

13 (A) *The amount of tax credits issued in the year.*

14 (B) *The unemployment rate of the area.*

15 (C) *The poverty rate of the area.*

16 ~~(7)~~

17 (9) Beginning on January 1, 2025, and in each annual report
18 thereafter while this article is in effect, the CPCFA shall include
19 the following additional information in its annual electronic report
20 submitted pursuant to this subdivision:

21 (A) An evaluation of the outcomes of the program on
22 low-income communities with high unemployment and poverty
23 directly resulting from investments in small businesses made under
24 the California Jumpstart Act, including a description of the
25 methodology used to make the evaluation.

26 (B) An assessment of whether the economic outcomes resulting
27 from investments in small businesses would have occurred but for
28 the California Jumpstart Act.

29 (C) Based on the CPCFA's calculations for actual unique jobs
30 created and tax credits allocated, a calculation of the amount of
31 foregone revenue in the form of tax credits allocated pursuant to
32 the California Jumpstart Act per unique job created but for the
33 California Jumpstart Act.

34 (c) CPCFA may require a relief fund to provide information
35 necessary in a format it prescribes to complete the report.

36 (d) The CPCFA shall submit the electronic report required by
37 this section to the Senate Committee on Budget and Fiscal Review,
38 the Assembly Committee on Budget, the Senate and Assembly
39 Committees on Appropriations, the Senate Committee on
40 Governance and Finance, the Assembly Committee on Revenue

1 and Taxation, the California Legislative Black Caucus, the
2 California Latino Legislative Caucus, the California Asian Pacific
3 Islander Legislative Caucus, the California Legislative Women’s
4 Caucus, and the California Legislative LGBTQ Caucus.

5 SEC. 4. No reimbursement is required by this act pursuant to
6 Section 6 of Article XIII B of the California Constitution because
7 the only costs that may be incurred by a local agency or school
8 district will be incurred because this act creates a new crime or
9 infraction, eliminates a crime or infraction, or changes the penalty
10 for a crime or infraction, within the meaning of Section 17556 of
11 the Government Code, or changes the definition of a crime within
12 the meaning of Section 6 of Article XIII B of the California
13 Constitution.

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