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California Competes

Committee Meeting

Thursday, June 13, 2024

1:00 p.m.

Department of Food and Agriculture
1220 N Street
Sacramento, CA 95814

And (via teleconference)
Beacon Hotel & Corporate Quarters
1615 Rhode Island Avenue, NW
Washington, CA 20036

*And the California Competes Tax Credit (CCTC) Committee Meeting
was live streamed for public viewing on [Zoom](#).*

MEMBERS:

Dee Dee Myers, *Chair*
Director
Governor's Office of Business
and Economic Development

Fiona Ma
State Treasurer

Joe Stephanshaw, *Director*
Department of Finance

Todd Walters, *Appointee of the*
Senate Committee on Rules

Madeline Janis, *Appointee of*
the Speaker of the Assembly

Minutes

OPEN SESSION

A. Call to Order and Roll Call

Chair Dee Dee Myers called the meeting of the California Competes Tax Credit Committee (Committee) to order at 1:05pm.

Members Present: Chair Myers, Todd Walters (representing the Senate Committee on Rules), Erica Gonzales (representing the Department of Finance), Patrick Henning (representing the State Treasurer), and Madeline Janis (representing the Speaker of the Assembly) joined via teleconference at 1:07pm.

B. Approval of Minutes from April 25, 2024, Committee Meeting

Chair Myers asked if there were any questions from Committee Members or public comments on Item B regarding the minutes from the April 25, 2024 meeting. Deputy Director Dosick confirmed there were no public comments.

Action Moved/Seconded: Members Henning/Gonzales

Yes: Members Walters, Gonzales, Henning, Myers

No: None

C. Deputy Director's Report



Agenda Overview - Agreements with 4 Businesses, Total Tax Credits \$17,500,000

Reestablished roll call at 1:07pm, as Member Janis joined the meeting via teleconference. Deputy Director Dosick remarked that today marks the 10th anniversary of the first CalCompetes committee meeting. Chair Myers congratulated the team and acknowledged the success of the program. She mentioned that there have been two independent studies conducted, one from University of California, Irvine and one by Public Policy Institute of California studying the efficacy of the program, and both studies found it to be one of the most effective, transparent, and accountable business incentive programs. CalCompetes has helped bring tens of thousands of jobs and hundreds of millions of dollars in investment into California.

Mr. Dosick reminded members of the public that if they wanted to make a public comment, then they may fill out one of the public comment cards located at the entrance of the room. For members of the public attending at the secondary location in Washington D.C., Member Janis has a sign-up sheet. All members of the public making comments were asked to provide their full name and organization (if applicable), and the agenda item for which they have comments. Names and organizations are optional and for identification purposes only, so that we may introduce them when the Chair asks if there are any public comments for the current agenda item. Public commenters were requested to limit their comments to no more than 3 minutes. Mr. Dosick introduced Assistant Deputy Director, Jee Liyanage, as the timekeeper who would indicate time limits to any public commenters. Mr. Dosick stated that if the public comments are identical to the previous commenter, they are welcome to express agreement with the prior comment.

The Governor's Office of Business and Economic Development (GO-Biz) recommended 4 tax credit awards totaling \$17.5 million. Mr. Dosick stated that each of the businesses recommended for the award certified in its application that this credit will be a significant factor in their decision or ability to commit to these expansions in California.

Mr. Dosick expressed his appreciation for Ms. Liyanage and the entire CalCompetes team for everything they do for the program and the State of California.

D. Discussion and Approval of California Competes Tax Credit Agreements

Total Recommended Tax Credits:	\$17,500,000
Total Recommended Tax Credits after Adjusting for S-Corporation Law¹:	\$17,500,000

Chair Myers proposed removing Agenda Item D-1 from consent for additional discussion. She asked if there were any other questions or comments from the Committee or members of the public on the non-

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



pulled items. Deputy Director Dosick confirmed that we did not receive any public comments. Chair Myers called for a motion to approve all items under Agenda Item D except for item D-1.

Action Moved/Seconded: Members Gonzales/Henning
Yes: Members Walters, Gonzales, Henning, Janis, Myers
No: None

- E. Discussion and Approval of Recommendations for California Competes Tax Credit Recapture**
- | | |
|--|---------------------|
| Total Tax Credits Recommended to be Recaptured: | \$43,000,417 |
| Total Tax Credits Recommended to be Recaptured after Adjusting for S-Corporation Law²: | \$45,481,249 |

Chair Myers asked if there were any questions or comments from the Committee or members of the public on any of the items under Agenda Item E. Deputy Director Dosick confirmed that there were no public comments or additional items to be pulled. Chair Myers called for a motion to approve all items under Agenda Item E.

Action Moved/Seconded: Members Henning/Walters
Yes: Members Walters, Gonzales, Henning, Janis, Myers
No: None

- F. Discussion and Approval of Recommendations for Modified California Competes Tax Credit Recapture**
- | | |
|--|--------------------|
| Total Recommended Tax Credits to be Recaptured: | \$1,456,000 |
| Total Recommended Tax Credits to be Recaptured after Adjusting for S-Corporation Law³: | \$1,617,667 |

Chair Myers asked if there were any questions or comments from the Committee or members of the public on any of the items under Agenda Item F. Deputy Director Dosick confirmed that there were no public comments or additional items to be pulled. Chair Myers called for a motion to approve all items under Agenda Item F.

Action Moved/Seconded: Members Henning/Gonzales
Yes: Members Walters, Gonzales, Henning, Janis, Myers
No: None

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

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



D-1. Skydio, Inc.

At the request of Chair Myers, Deputy Director Dosick elaborated on Agenda Item D-1. He described the company and the proposed tax credit Agreement to the Committee. Skydio, Inc. is a commercial drone manufacturer. Its drones are used by governments, local municipalities, utilities, and various private sector companies around the world to support public safety, infrastructure monitoring, surveillance, and inspections. In exchange for a \$10 million tax credit, Skydio, Inc. is proposing to create 441 new full-time jobs and to make \$19.2 million in capital investments. It has certified in its application that absent award of the California Competes Tax Credit (CCTC), its project may occur in another state; and it may terminate all or a portion of its employees in California or relocate all or a portion of its employees in California to another state. The jobs Skydio is proposing to create are in classifications such as finance, management, human resources, legal and compliance, administrative support, risk management, corporate governance, production planning and scheduling, quality control, supplier management, drone production, product innovation, technology development, prototype testing, and sales and marketing.

Skydio, Inc. stated in its application that it has released its most advanced drone model and orders have exceeded expectations. It is planning an expansion of its manufacturing and research and development divisions to meet the demand for its newest drone. It is considering expanding manufacturing capacity at its existing Hayward and San Mateo facilities or transferring a portion of the manufacturing to another state. It has, in the past, been able to do contract manufacturing in other states for lower costs. The CCTC would sufficiently offset the potential cost savings of moving out of state, that Skydio, Inc. would commit to expanding in California.

Mr. Dosick introduced Anna Birch, VP People Operations, attending via teleconference, and Ryan Reading, VP of Software Engineering, attending in person, who were available to answer the Committee's questions.

Ms. Birch stated that she appreciates the virtual accommodation, as she was unable to attend in-person. Her position involves figuring out how to attract, retain, and grow talent. Ms. Birch stated that, on behalf of the company, she is deeply honored it is being considered for the CCTC so they can further invest in their talent in California. She was attracted to working for Skydio, Inc. initially because of the prospect of taking part in building a world-class manufacturing facility in the Bay Area. There are not many people operation leaders who get presented with that type of opportunity.

Mr. Reading stated that he is responsible for much of the research and design of the technology to be discussed today. He agreed with Ms. Birch and stated that he is very thankful to be in front of the Committee to answer questions and for the consideration of the application. He is very excited to continue to grow teams and the capabilities of Skydio, Inc. in California.



Member Henning asked how Skydio's drones are used, particularly in California, in reference to wildfires and other issues. Mr. Reading responded that Skydio, Inc. engages with several departments, agencies, and organizations in California, including Pacific Gas & Electric (PG&E). The whole purpose of the drone is to allow organizations to collect data to help make better decisions in planning for potential problems. Leveraging drones allows those companies to see where there's vegetation overgrowth or faulty equipment that could lead to wildfires. Drone technology is becoming very effective at detecting these issues. Chair Myers confirmed that Skydio, Inc. also works with several state agencies including Caltrans and CalFire. Mr. Reading noted that Caltrans has used their technology on projects to monitor construction and inspect critical infrastructure for potential issues, in locations that are difficult to reach (e.g., bridges, overpasses, etc.) which keeps operators safer.

Chair Myers asked whether Skydio, Inc. continuously updates the software of their drones, or whether they simply service them. Mr. Reading responded that Skydio does not have a static platform. The software is constantly evolving and they're just at the beginning of what will ultimately be possible. The software development should continue to only improve over time.

Mr. Henning asked Ms. Birch regarding her vision for Skydio, Inc. in California and what types of positions it is looking to hire. Ms. Birch responded that over 100 jobs will be focused on the manufacturing facility as production associates who assemble the technology. Production associates do not have a high number of prerequisites. They do not require a college degree or prior manufacturing experience. Skydio, Inc. focuses on skill-based learning. The remaining roles will be hired in engineering, hardware design, sales, marketing, human resources, and finance.

Mr. Henning asked why they chose California for their expansion. Mr. Reading replied that there is a tremendous amount of value for Skydio from an R&D perspective to retain talent locally. The product that is being manufactured is complex. There is a tremendous amount of value in keeping their different teams close to one another, which can be maintained through the CCTC award. Chair Myers iterated that an "ecosystem of talent" is important for Skydio, Inc. and Mr. Reading agreed that keeping product development, software engineering, and manufacturing capabilities close is important because the technology is a tightly integrated system. By having the ability to easily travel between facilities, Skydio teams can verify that all teams are in sync, the products are working well, and they are able to keep up with customer demands.

Member Walters commented that society is currently witnessing the rapid innovation of Artificial Intelligence (AI). He asked if Skydio, Inc. has discussions regarding where the technology is heading to ensure the technology doesn't go too far.

Mr. Reading agreed with Mr. Walters' comment. Questions regarding AI innovation are very important discussion topics and noted that those discussions are also very important with the innovation happening in technology in general. Something that drew him to work for Skydio, Inc. was the thoughtfulness of the leadership team, the transparency regarding what the company is working on, and



how they are approaching their projects. He stated that Skydio, Inc. has published a set of Responsible Use Principles, which govern the way they think about how their technology is applied. These discussions are happening frequently within the company and the leadership team. He also stated that Skydio, Inc. is not just producing a product, but it is also focused on building relationships with customers and enabling them, through training and community engagement, to achieve their goals. For example, with PG&E Skydio is not simply focused on the delivery of the drone, but also understanding the problems PG&E needs to solve and how their technology can be utilized in the solution.

Member Janis asked Mr. Dosick if the Committee is no longer allowing public commenters to testify virtually, unless they are an applicant. Mr. Dosick confirmed that during the (COVID-19) pandemic, Committee Meetings adapted to 100% virtual meetings, both public comment and meeting participation was virtual. That transitioned into a brief period with a hybrid approach, but since California has gone back to 100% in person, the policies returned to those that were applicable pre-pandemic. These policies allow in-person public comment while retaining the possibility for applicants to be able to participate remotely. Ms. Janis stated that it is good practice for the Committee to allow public commenters to participate who are not able to make it to Sacramento.

Ms. Janis thanked Skydio for their participation and asked whether Skydio's employees are unionized. Ms. Birch confirmed that no, currently the employees are not unionized and that employees have not raised that as an issue. Ms. Janis questioned whether when building their planned expansion, Skydio, Inc. will be negotiating that build with the building trades. Ms. Birch indicated that the landlord of the facility will be responsible for the construction of the expansion. Those contracts will not be part of Skydio, Inc.'s purview. Ms. Janis asked if the original facilities were constructed with agreements with the building trades. Ms. Birch stated the landlord was also in charge of that build.

Ms. Janis asked about composition of the workforce at Skydio, Inc. Ms. Birch confirmed that, from a gender perspective, 20% are women, which is a 10% increase since 2020. Of its engineering workforce specifically, women make up 16%, a 6% increase since 2020. The ethnic and racial composition of the workforce is 49% white, 35% is made up of people from one or more historically excluded ethnic or racial backgrounds, and 16% elected to not report their ethnicity or race. Veterans make up 5% of Skydio, Inc.'s workforce. Ms. Birch stated she's happy to expand on some of the ways it is working to improve those numbers if the Committee Members are interested.

Ms. Janis asked if one of the representatives of Skydio, Inc. could explain to what extent the product has military uses. Mr. Reading confirmed that Skydio, Inc. serves a wide variety of customers with their common platform. Specifically, they are focused on building a drone that is applicable for a wide variety of situations. Previously discussed were the ways it serves things like critical infrastructure, public safety, and fire and rescue. It does also have military use cases. He stated that the common theme for customers, across industries, is the ability to collect data to help users in all different areas make better decisions and have better outcomes as the result of those decisions. Skydio, Inc. delivers the same



common product to each of these industries, but the way that each industry utilizes the technology is different.

Ms. Janis requested to confirm that Skydio, Inc. does sell to the military and commented that the military's use for this technology would be locating the enemy. Mr. Reading confirmed that they do sell to the military, but that the focus is intelligence, surveillance, and reconnaissance. Skydio, Inc. builds drones that are not weaponized and are not built for lethal force. Rather, it focuses on how it can give soldiers a tool to understand if there is danger ahead without putting themselves in harm's way. Without this technology, that type of capability would be rare. This technology democratizes the ability for U.S. soldiers and allies to have the capabilities in the field to have better outcomes for their safety and situational awareness.

Ms. Janis stated that she, personally, has received over 1800 letters of opposition to Skydio, Inc.'s application for the CCTC. In these letters, people claimed that it has sold at least 100 drones to the U.S. Military or Israeli Defense Forces used in the conflict in Gaza. Mr. Reading confirmed that Israel, the U.S. Military, and other allies are customers of Skydio, Inc. The Israeli Military are using the same products for the same purposes as the U.S. Military.

Ms. Janis commented about an allegation that Skydio, Inc. produces "killer" drones. Mr. Reading verified that Skydio, Inc. does not produce weaponized drones, nor do they have weapons on their drones. The drones are simply flying cameras. Ms. Janis asked whether Skydio, Inc.'s drones have been used in Gaza. Mr. Reading stated that he didn't know the answer to that question. Ms. Janis asked whether Skydio, Inc. would have a problem with their drones being purchased by the Israeli Government to use in Gaza. Mr. Reading confirmed that the Israeli Government has purchased their product, and in accordance with previously mentioned uses, to enable better outcomes for soldiers.

Ms. Janis stated the letters of opposition also discussed that the drones are utilized by the U.S. Border Patrol to identify undocumented people at the border. Mr. Reading stated that he believes the U.S. Border Patrol is a customer of Skydio, Inc., but that he is less familiar with the exact nature of engagement for that case. Ms. Janis stated that she does not think money should be given to a company that is manufacturing equipment used by military in the Israel-Gaza conflict, and it is not an appropriate use of our tax dollars.

Chair Myers asked if there are any further questions or comments from the Committee. There were none. Mr. Dosick asked Ms. Janis if there were any public commenters from the Washington D.C. location, there were none. Chair Myers opened it up for public comment.

Mr. Dosick indicated that there are two public commenters in Sacramento. Mr. Dosick welcomed the first public commenter Sarah Cornett, and then the second public commenter Britt B.

Sarah Cornett, present in a personal capacity as an Oakland resident, urged the Committee to reject Skydio, Inc.'s application. Ms. Cornett stated that Skydio is supplying drones that aid in the killing and



surveillance of innocent civilians in Gaza, surveilling people at the US Border, and used by police departments in the U.S. International bodies have found evidence of war crimes and genocide being committed by Israel. These actions can be enabled by these drones and products under consideration. Awarding the CCTC to Skydio, Inc. is not aligned with the values of our state, and it is shameful the Committee is considering awarding state funds to this company. Although these drones aren't built for lethal force, it's clearly not the case in what we've seen in the use of these weapons. Ms. Cornett thanked the Committee for their consideration.

Britt B. introduced herself as a community member of Sacramento who works in the film industry. Britt stated that her parents are two retired sheriffs, and that she grew up with an idea of law and order. Partially, these drones emphasize that use. However, from what she feels, sees, and knows, these drones are heightened surveillance, and time will show that what is being witnessed in Palestine is the first ever livestreamed genocide. She requested that a bare minimum answer be given to whether the drones are being used in the conflict in Gaza. She stated that she believes there is so much more state funding that could go into our community, health, wellness, instead of funding a stratification of dehumanization. This is a robot monitoring humans, using AI. This is a critical point to determine where we put our energy and funding. It is a question of community health and wellness, access to food, clean water, and housing versus the elevation of surveillance and militarization on our communities. She urged the Committee to not allow a tax break for a business that has been supplying funds, when we need to halt everything that we can to cease this massacre.

Chair Myers thanked the public commenters for taking the time to be present today and asked Mr. Dosick if there were any additional community comments. Mr. Dosick confirmed that there are no other public comments and confirmed that there are no virtual comments.

Ms. Janis stated that this feels wrong. There is so much turmoil in our state and many strong feelings about seeing the suffering in Gaza, with clear evidence that the drones produced by Skydio, Inc. may be going to the Israeli Military for military uses. She insisted that there must be many alternative businesses that this award could be given to. She urged the rest of the Committee to vote no on this matter.

Chair Myers thanked Ms. Janis for her closing comment. She stated that that there has not been any clear evidence, or any evidence at all, regarding how drones are being used in the conflict in Gaza. She reiterated that Skydio, Inc. has a Responsible Use Principles Doctrine on their website which states that technology is a tool and the way that those tools are used are the things we need to grapple with as a society. It's reassuring to see how Skydio, Inc. discusses the challenges around technology and its uses. Skydio, Inc. has exemplary workforce policies surrounding hiring and training, including family sustaining wages for new employees. She asked whether there are any further closing comments. Hearing none, she requested a motion to approve Agenda Item D-1.

Mr. Henning stated he would like to make a motion but also wanted to leave a closing comment regarding the State Treasurer's view on the uses of the technology produced by Skydio, Inc. When it



comes to the uses for firefighting, it is personally applicable for the State Treasurer. Due to an incident, that could have been avoided with access to technology like Skydio manufactures, her spouse was forced to retire.

Action Moved/Seconded: Members Henning/Gonzales

Yes: Members Walters, Gonzales, Henning, Myers

No: Member Janis

G. Public Comment

Chair Myers asked if there were any public comments regarding items not on the agenda. Deputy Director Dosick stated that there is a comment request from Sarah Cornett.

Sarah Cornett thanked the Committee and stated that there are many people who wanted to be present for this Committee Meeting but couldn't make it due to various reasons. She wanted to respond to Chair Myers comment regarding if these drones are being used for illegal purposes or for violence. That is laughable. These drones are used to surveil areas. She asked what the Committee thinks the Israeli government is doing with that information. They are using these drones to enable violence and genocide. The previous comments made by Chair Myers and Member Henning are ridiculous. People are watching this meeting. This is shameful. I am ashamed to be a taxpayer when our state is cutting important services and this is something we are giving our taxpayer dollars to. This will not be forgotten.

Mr. Dosick announced an additional comment from Britt B.

Britt B. stated that these types of moments are critical for humanity. She stated that she has always been moved by the story of Schindler's List. She urged the Committee to watch the last few minutes of that film where the hero tells himself that he didn't do enough. She urged the Committee to demand an answer regarding what the drones are being used for. Every day I wake up and see more massacres. Ask yourselves if you are doing enough to stop this. This could have been a critical moment and a pressure point to stop this violence. Knowing that they were sold to a state that is currently enacting genocide, she urged the Committee to watch that and ask yourself if you did enough.

Chair Myers thanked both public commenters and asked Mr. Dosick if there are any further public comments. Mr. Dosick confirmed there are no more public comments.

Adjournment

Chair Myers adjourned the meeting at 1:51pm.