

**CALIFORNIA ALTERNATIVE ENERGY AND
ADVANCED TRANSPORTATION FINANCING AUTHORITY**
Meeting Date: April 17, 2012

SB 71 Program
Overview of Approved Applicants 2011 Annual Reports

Prepared By: *Deana Carrillo and Matthew Newman*

Overview

The SB 71 Sales and Use Tax Exclusion Program (“Program”) requires that approved Applicants report to CAEATFA on their activity, including employment and production levels, on an annual basis. In January 2012, twenty-nine applicants filed an annual report. The purpose of the reports is to assist staff in identifying any issues related to a specific project, and also to provide an aggregated data source to identify broader trends of activity and success under the Program. This overview provides a summary of the broad trends of activity under the Program in 2011.

Given that the Program had been operating for only one year at the end of 2011, this summary highlights the progress being made by applicants as the Qualified Property is initially purchased and installed. On average, only 10 months had passed between board approval and annual report submission.

As time passes, analysis of these reports will be able to delve more deeply into the effects of the program itself, specifically identifying the fiscal and environmental benefits to the State of the program.

Background

During the term of the agreement between CAEATFA and approved Applicants, Applicants are required to provide an annual report and certification letter regarding their activity under the Program. The certification letter must document that the Qualified Property was used for the purposes specified in the Application following the conveyance/reconveyance of equipment. The annual compliance report also requires the following information *specific to the Project under the Program*:

- total payroll;
- number of full time equivalent permanent jobs;
- number of full time equivalent construction or installation jobs;
- total annual product sales (in dollars) including the fraction in California;
- total number of units sold including the fraction in California;
- anticipated corporate or personal income tax related to the Facility for the preceding calendar year;
- the amount spent on supplier purchases for Advanced Transportation or Alternative Source products, components or systems, including the fraction of such purchases from California Suppliers;
- amount of Qualified Property purchased;

- a narrative description of the project status and consistency with the timeline contained in the Application, anticipated purchase dates of any additional items of Qualified Property, and an explanation of any material changes to the product or manufacturing process implemented since the approval of the Application;
- a statement indicating the fraction of the time that the Qualified Property has been used to make Advanced Transportation or Alternative Source products, components, or systems.

This data will also assist CAEATFA in providing information to the Legislative Analyst’s Office for its report required under Public Resources Code 26011.8 (g), which requires a report to the Joint Legislative Budget Committee on the effectiveness of the Program by January 1, 2019, by evaluating factors, including, but not limited to, the following:

- The number of jobs created by the program in California.
- The number of businesses that have remained in California or relocated to California as a result of this program.
- The amount of state and local revenue and economic activity generated by the program.
- The amount of reduction in greenhouse gases, air pollution, water pollution, or energy consumption.

Highlights from the 2011 Annual Report include:



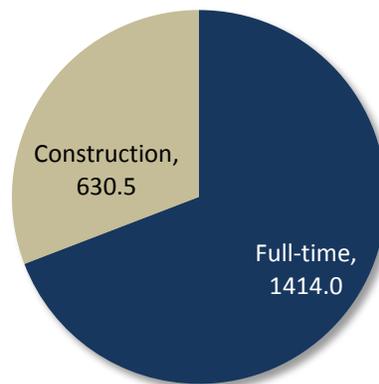
- Eighteen of the applicants reporting (62 percent) had purchased over \$157.4 million in equipment and machinery in 2011 for their projects.¹ (Eight Applicants, or 28 percent, were granted extension of the time to purchase at least 25% of the approved Qualified Property in 2011 and early 2012.²)

¹ This figure does not include Solyndra, which purchased nearly \$8.4 million of Qualified Property in 2011 and approximately \$25.1 million of Qualified Property overall. Solyndra dissolved prior to submitting its 2011 annual report to CAEATFA.

² As a standard, Applicants are required to purchase at least 25% of the amount of approved Qualified Property within one year from the Board’s approval of the application, and the remainder within three years of Board approval. Applicants may request a waiver of the time requirement from the Board. Seven requests for waivers were approved in 2011, and one was approved in January 2012.

- About half of the applicants (52 percent) had purchased inputs and supplies for the manufacturing of their end-products (this does not include manufacturing equipment).
- Sixteen applicants (55 percent) had full-time employees on staff.
- About one-quarter of applicants (28 percent) had progressed to the point of product sales.
- More than one-fifth of applicants (21 percent) had purchased Qualified Property, hired full-time employees, made supplier purchases, and sold their product on the market.

Total Jobs Reported in 2011



- In total, more than 1,400 full-time employees were on company payrolls in 2011.
- More than 600 construction-only employees have been utilized.
- The projects created a total of more than 2,000 jobs in 2011, which is well toward the anticipated number of 5,174 that are anticipated over the lifetime of the combined projects.

Summary

The information provided in the annual reports is consistent with what staff anticipated to observe after the initial year of activity under the SB 71 Program. As noted above, as time passes, analysis of these reports will be able to delve more deeply into the effects of the program itself, specifically identifying the fiscal and environmental benefits to the State of the program.