

# Overview of CAEATFA's Existing Program Structure

June 22, 2016 Workshop

California established CAEATFA's existing Sales and Use Tax Exclusion Program (STE Program) for manufacturers of Alternative Source and Advanced Transportation technology products, components or systems in 2010. In 2012, the Program was expanded by SB 1128 to include Advanced Manufacturing projects.<sup>1</sup>

This document will review the main aspects of CAEATFA's STE Program structure as it currently exists before it expands to include Recycled feedstock and incorporate additional program changes.

## Overview of CAEATFA's existing STE Program Process

Step 1. Applicants submit a completed application along with an application fee at least 60 days prior to a scheduled CAEATFA Board meeting. The CAEATFA Board normally meets once per month.

Step 2. CAEATFA staff review the application through an iterative process with the Applicant to determine the project's fiscal and environmental benefits.

Step 3. Projects that meet the minimum point threshold and provide a net-benefit to the state are recommended for approval by CAEATFA's Board.

Step 4. After approval by the CAEATFA Board, the Applicant pays an administrative fee and executes a Master Agreement with CAEATFA that outlines the terms of the financial award.

Step 5. Applicants must utilize the award within three years from the date of Board approval, and provide regular reports to the Authority

### 1. Application

To be considered at a CAEATFA Board meeting, Applicants must submit a completed application that consists of two parts:

(1) Part A consists of a project narrative, legal questionnaire, an applicant certification and additional project details, such as the status of required permits and the estimated project timeline.

(2) Part B is an excel worksheet designed to measure and quantify the fiscal and environmental benefits of the project. These benefits must be greater than the amount of the sales and use tax exclusion, thus resulting in a net-benefit for the state. The key information required for Part B is:

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<sup>1</sup> Qualified property must be used to design, manufacture, produce, or assemble an advanced manufacturing (e.g. advanced materials or industrial biotechnology), advanced transportation technology (e.g. electric vehicles), or alternative source (e.g. solar panels or biogas production facilities) product, component, or system.

- Basic applicant information, including a description of the entity's ownership structure.
- A detailed list of equipment that will be purchased for the proposed project.
- Facility and product information, such as the projected annual tax liability, estimated production volume, revenues, labor costs, and the number of full time equivalent and construction jobs.
- The environmental benefits associated with the product manufactured and any environmental costs associated with the manufacturing or production process.

The application must be received at least 60 days prior to a scheduled CAEATFA Board meeting and must be accompanied by an *application fee check for .0005* of the total amount of qualified property identified in the application.

## **2. Application Evaluation**

Once the Applicant submits a completed application to CAEATFA, staff will begin reviewing the application. During the review of Part A of the application, staff may ask the Applicant questions to clarify, for example, the type of technology used by the project or the proposed timeline for the project. For Part B, staff will assess the reasonableness of the assumptions provided by the Applicant. This portion of the application evaluation generally becomes an iterative process where the Applicant will make adjustments to their application based on the questions or comments provided by CAEATFA staff. At the conclusion of the application, the Applicant may have updated Part B of the application at least once or twice.

Under current regulations, applications that receive a total score of 1,000 or more points and an environmental score of at least 100 points for Alternative Source or Advanced Transportation projects, or 20 points for Advanced Manufacturing projects, will be recommended to the CAEATFA Board for approval.

## **3. Board Review**

The CAEATFA Board consists of the State Treasurer, State Controller, Director of the Department of Finance, Chair of the Energy Commission, and the President of the Public Utilities Commission. These five members, or their representatives, will meet monthly to review applications that have been reviewed by CAEATFA staff. When the Board approves an application, it authorizes CAEATFA's Executive Director to enter into a contract, referred to as a Master Agreement, with the Applicant or participating party.

## **4. Post-Approval Process**

After approval by the CAEATFA Board, staff will work with the Applicant to draft a Master Agreement. The Master Agreement serves as a contract between CAEATFA and the Applicant that defines the terms and conditions for the use of the sales and use tax exclusion, including:

- The scope of the project and associated equipment that can be purchased.
- The Applicant must utilize the award within three years or it will forfeit use of the award.
- An annual report must be submitted that describes the current project status, including the number of employees and if there have been any material changes to the project.

In addition to executing the Master Agreement, the Applicant must also pay \$15,000 towards the total administrative fee. The *total administrative fee is .004* of the total purchase price of the qualified property purchased. The administrative fee is a minimum of \$15,000 and shall not exceed \$350,000.

### **Reporting of Purchases**

Applicants approved must submit a semi-annual report for acquisitions made from January 1 to June 30, due on or before July 31, and for acquisitions made from July 31 to December 31, due on or before January 31 of the following calendar year. When an Applicant's total administrative fee is greater than \$15,000, the Applicant must pay an administrative fee of .004 of the value of qualified property being reported until the total administrative fee is paid.

Please [visit the AB 199 website](#) to view the policy proposals for modifications to the Program structure, including incorporation of projects that utilize or process Recycled feedstock.