

1 California Alternative Energy & Advanced Transportation  
2 Financing Authority (CAEATFA)

3 Webinar - June 22, 2016

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5 Captioning by Ecaptions

6 Captioner: Laura D. Fowler, CSR, CRR, CRC

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9 MR. SHIMP: Good afternoon, everybody. I hope  
10 everyone can hear me. This is James Shimp with CAEATFA.  
11 We are going to be getting started here in just a few  
12 minutes going through the slides. I'll be turning on the  
13 screen here so you can see the slide show in a moment.  
14 We've got a few folks who are going to be here in person,  
15 so we're going to give a few more minutes to let them  
16 straggle in and then we will get started, so hold on for  
17 just a moment. We'll be right back with you.

18 Folks, I think we're going to go ahead and get  
19 started. If I could go ahead and have somebody do me a  
20 favor, raise your hand if you can hear me on the webinar.  
21 I just want to make sure that the speakers are working,  
22 so if somebody could raise their hand through the webinar  
23 there on the right-hand side, let me know that you can  
24 hear me, that would be great. Looks good. Okay. So we  
25 are doing all right here. Thank you so much.

1           Again, this is James Shimp with CAEATFA. I've  
2           got Alejandro Ruiz, the program manager, here with me  
3           today. We are going to get started going through the  
4           draft regulations for the STE program development and the  
5           incorporation of assembly bill 8199. I think the way  
6           we're going to structure this today is we're going to run  
7           through all of the proposed regulation changes and then  
8           we will have time for a Q and A at the end, so if you  
9           have questions in the meantime, feel free to type them  
10          in. I will be fielding those while Alejandro's giving an  
11          overview of the program changes, but we will probably  
12          take will those questions at the end, so please be  
13          patient with us here.

14                 MR. RUIZ: This is Alejandro Ruiz. Thank you  
15                 everyone for joining us in the webinar and in person.  
16                 Our agenda for today's meeting is a review of the  
17                 regulations specific to AB 199, and then we'll follow  
18                 that with additional program modifications that we were  
19                 making along with the regulations for AB 199 followed by  
20                 the next -- and a process timeline and then as James said  
21                 questions and answers on the presentation and  
22                 regulations.

23                 AB 199 was added last year. It was developed  
24                 by -- and added recycling project to sales and news  
25                 programs where 50 percent of potential process used is

1 used for recycled feedstock or in production of other  
2 product. AB 199 projects have to satisfy the definition  
3 of the cycle feedstocks in the statutes. Projects must  
4 score at least 9,000 points in the tests with a minimum  
5 of environmental benefit points for those projects  
6 eligible under AB 199 and then we'll actually come back  
7 to this later in the presentation to discuss.

8 The overall environmental benefits scoring  
9 change for all applicants under the STE program, from  
10 administration -- program administrator perspective there  
11 will be a project cap of \$20,000,000 in sales tax  
12 exclusion and essentially once a project is approved the  
13 applicant enters into a master agreement with the  
14 authority and that applicant then prepares a sales and  
15 certificate pursuant to BOE guidelines, which then allows  
16 the applicant to be exempt from sales and purchases  
17 related to the project. The applicant must also report  
18 semi-annually to the authority under the progress of  
19 their project as well as the purchases that they've made  
20 in that half year time frame.

21 So under AB 199 there are actually already under  
22 CAEATFA's kind of previous statutes there were a number  
23 of projects that were already eligible that are also kind  
24 of considered AB 199 projects and we took the approach of  
25 essentially saying that if a project was already eligible

1 under CAEATFA's existing statute prior to AB 199, they  
2 will be required to apply under those existing pathways.  
3 So, for instance, manufacturers that are using recycled  
4 materials will apply as advanced manufacturers and those  
5 that are kind of intermediary processors of materials  
6 will also be required to apply as advanced manufacturers.

7 Bioenergy projects are already eligible under  
8 the pre-existing statutes and they will be required to  
9 apply as alternative source. This essentially means that  
10 these types of projects essentially have to put forth  
11 this information in the application and some of the  
12 benefits are measured differently for each of these  
13 projects.

14 Projects that are merely eligible under AB 199  
15 such as material facilities authorities, concrete  
16 recyclers, will be required to apply under AB 199. This  
17 does have an implication for some of the satisfied  
18 projects or the satisfied that is currently established  
19 by the CAEATFA board, so only projects that are eligible  
20 under the new pathway for AB 199 are eligible to apply  
21 for funds that are satisfied, so that's 23 million  
22 dollars that are set aside.

23 Projects such as biograph project will have to  
24 wait until additional funds are essentially not for  
25 AB 199 projects. They have been able to apply pretty

1 much since the beginning of the program and the same is  
2 also for those manufacturers utilizing a recycle that are  
3 intermediary processors of recovery materials.

4 For the project scoring we are essentially going  
5 to require the basic financial information that we  
6 require of all applicants for projects eligible under  
7 AB 199. This is basically the number of full-time  
8 equivalent jobs that are estimated wages to be paid to  
9 those FTE's, a number of construction jobs, additional  
10 capital expenditures related to the project, but for  
11 AB 199 projects there will be additional environmental  
12 benefits information that will be required of those,  
13 which we'll get to in the next slide.

14 The fiscal benefits that are derived from AB 199  
15 projects will be similar to the projects that we  
16 currently evaluate under alternative source advanced  
17 transportation and advanced manufacturing, so those  
18 benefits will basically be additional taxes that are paid  
19 to local government agencies in the state in terms of  
20 additional sales in new tax revenue from the sale of the  
21 product from the state or additional income tax revenue  
22 that's generated from the increased in salaries or  
23 additional jobs that are generated from the award -- the  
24 award of the sales and use tax exclusion.

25 So for estimating environmental benefits of

1 AB 199 projects, we are essentially going to use the U.S.  
2 EPA's WARM model which estimates greenhouse estimates of  
3 recycling waste materials where EPA WARM model differs  
4 from the Air Resources Board. We will use the Air  
5 Resources Board measurements. This will allow us to  
6 basically monitor greenhouse gas emissions that are  
7 associated with the increased recycling from an ABA 199  
8 project.

9 Essentially only projects that increase that  
10 amount of recycled materials produced and generate  
11 sufficient environmental benefits will be eligible to  
12 receive the sales and use tax exclusion from CAEATFA. So  
13 the increases in recycling essentially pose a model for  
14 measuring both fiscal and environmental benefits. Assume  
15 the sales and use tax exclusion reduces the cost of  
16 operation for an award recipient and by lowering the cost  
17 of operations, it allows an approved applicant to  
18 essentially increase their capital expenditures, which  
19 would then increase efficiency or output of their overall  
20 projects, potentially hire new employees that they might  
21 not have otherwise been able to hire had they not  
22 received the award.

23 So essentially we estimate the change in  
24 production that's related to the STE and specifically for  
25 ABA 199 projects we basically looking at the various U.S.

1 cities for supply and demand associated with different  
2 recycled materials and using those U.S. -- we're  
3 basically going to estimate how much the recycling output  
4 would increase for a specific proposed project. Really  
5 only that marginal increase in recycling activity will be  
6 credited with... or will be allowed to go towards the  
7 actual dollar value of the environmental benefits  
8 associated with that project.

9 So instead of taking, for example, let's say a  
10 new facility is being built and looking at the entire  
11 environmental benefit with that facility we're only  
12 looking at the marginal increase in environmental  
13 benefits associated with the facility. So it's basically  
14 looking at the additional benefits that are created from  
15 the sale and use tax exclusions. This allows us to kind  
16 of have a relatively conservative estimate of both the  
17 fiscal and environmental benefits that are associated  
18 with the award.

19 Those benefits will then be quantified in dollar  
20 terms and then those dollar terms are kind of converted  
21 into points, so that's where we get kind of the 20 point  
22 threshold and a thousand point threshold for the AB 199  
23 projects. The end result being that if an applicant has  
24 enough points, the benefits will essentially equal the  
25 cost of the sales and use tax exclusion for the projects

1 or exceed them.

2 Next we're going to talk about some additional  
3 program modifications. The first on the list is  
4 biofuels, so we have essentially set aside a different  
5 kind of scoring pathway for biogas or biofuels projects,  
6 whereas, before biofuels project had to specifically  
7 state the dollar value of the reduction in greenhouse gas  
8 emissions for their particular project. But since the  
9 ARB has done so much work in terms of the gas and also  
10 benefits associated with bioenergy production, we are  
11 going to streamline the process by basically just  
12 requiring that bioenergy producers just select the type  
13 of material that -- or the type of fuel they'll be  
14 producing and the environmental benefits will essentially  
15 be automatically calculated for those applicants simply  
16 based on the amount of energy that they expect to produce  
17 each year.

18 We're hoping that this will make the process a  
19 lot easier for biofuels applicants and essentially one  
20 kind of additional change that we're doing is that on the  
21 fiscal benefit's side, biofuels applicants that produce  
22 additional energy are not going to have some of the sales  
23 tax revenue that they had previously been allocated, it  
24 won't be counted toward the applicant. Because what  
25 we've seen is that a lot of bioenergy projects are

1 consuming the energy themselves and they don't pay sales  
2 tax on that energy that they are buying from themselves.  
3 So we're changing instead of that energy that is consumed  
4 from... that is consumed by a bioenergy project will not  
5 also be generating additional sales tax revenue that was  
6 historically counted as a benefit towards the state, so  
7 the reductions there will be slightly reduced. I don't  
8 really think that this will present much of an issue for  
9 bioenergy projects as they historically scored quite well  
10 on the net benefits costs, so I don't think it will  
11 really jeopardize passing the minimum scoring threshold,  
12 but it will make the scoring overall more accurate.

13 The next is application stream lining, so we  
14 basically have taken out a number of questions that were  
15 previously in the application and automated certain  
16 questions. In the past we've had applicants estimate  
17 their anticipated annual tax liability that they would  
18 pay to the State of California on the revenue or profit  
19 that they are generating from their project. This has  
20 oftentimes created some confusion with applicants being  
21 required a lot of back and forth to kind of zero in on  
22 the right figure for that tax liability, so essentially  
23 we're going to automate that calculation and to reduce  
24 some of the work that an applicant has to do.

25 There still will be like the possibility of

1 kind of inputting the custom annual tax liability if the  
2 applicant thinks that the kind of estimated tax liability  
3 isn't really accurate with what they would otherwise  
4 project. But we're hoping that that will at least  
5 eliminate one additional calculation for an applicant  
6 really. The overall goal of the proposed regulations is  
7 to make the process easier for applicants by automating  
8 some of the choices and automated some of the  
9 calculations that go into estimating environmental or  
10 fiscal benefits.

11 We've also removed some unused inputs that  
12 historically have not been used by applicants such as  
13 manufacturing process improvements for alternative source  
14 and... changing projects. Some other things have been  
15 removed such as multiple data points for a company's name  
16 or multiple inputs for the qualified property amounts.  
17 So this will only need to be input once and then it will  
18 be filled in throughout the spreadsheet.

19 We've also eliminated some other things such as  
20 the NAICS code which we found is really more about what's  
21 more important is the accurate kind of project  
22 description rather than the next code because the NAICS  
23 code is there's no rules on exactly how -- what NAICS  
24 code a company uses so we're basically trying to reduce  
25 the amount of information that we request from an

1 applicant in hopes of making the application process  
2 easier.

3 Another thing is on the qualified property list,  
4 historically we've required that applicants lump together  
5 reasonably related equipment valued at less than \$10,000  
6 so long as the total value of those grouped equipments,  
7 that grouped equipment does not exceed \$100,000. And  
8 what we've found is that really as long as applicants are  
9 grouping together the equipment on relatively reasonable  
10 related categories we're still able to do our due  
11 diligence and so for projects that are quite large, they  
12 won't need to break down their project into hundreds of  
13 line items in our application, and then this also allows  
14 it for smaller projects to kind of do more reasonable  
15 lists, and so we're just hoping that will still allow --  
16 that will still allow them to do due diligence and kind  
17 of reasonably assess what's being included in terms of  
18 qualified property, and will also reduce the burden on  
19 the applicant to not break down the equipment on such a  
20 detailed and nuance level especially at the beginning of  
21 a project where oftentimes an applicant isn't hundred  
22 percent certain of exactly every single piece of  
23 equipment that they are going to buy. This allows some  
24 flexibility and then on the back end of approval will  
25 still be receiving kind of a line item by line item

1 account of the purchases that have been made by the  
2 approved applicant.

3 So another proposed change that was pretty  
4 significant is the environmental benefits scoring  
5 thresholds. So in current regulations we require that  
6 alternative source and advanced transportation products  
7 receive 100 environmental benefits points and advanced  
8 manufacturing projects receive 20 environmental benefits  
9 points in order to meet the minimum threshold. And  
10 basically since we've had the program expanding to  
11 include such a diverse group of projects without any real  
12 direction from the legislature as to which projects  
13 should be prioritized or the kind of degree of scrutiny,  
14 each project should be put under, we're basically  
15 reducing the environmental benefits scoring threshold to  
16 20 points for all projects. This will allow... ensure  
17 that all projects are generating some environmental  
18 benefit since that is kind of the essence of the main  
19 points of the sales and use tax program. But it will  
20 also make it an even playing field for all applicants, so  
21 no longer will -- a bioenergy project scored 100 points  
22 while someone under AB 199 only has to score 20  
23 environmental benefit points.

24 Also, what we found is going through the testing  
25 of different kind of test applications for AB 199 is that

1 some of the environmental benefits points that they are  
2 receiving in a test application really varied. Some were  
3 scoring over 100. Others were coming in around 40  
4 points. Some just above 20 points.

5 We didn't really see -- the legislature set out  
6 their intent to allow all of these projects essentially  
7 into the program and so we wanted to make sure that there  
8 was still a reasonable threshold, but we weren't really  
9 locking out any projects that it was really the intent of  
10 the legislature to allow into the program, so we'll still  
11 allow in basically most projects with the 20 benefits, 20  
12 minimum points for the environmental threshold and then  
13 we'll still have some environmental benefits that need to  
14 be demonstrated kind of fulfilling the overall program  
15 goals of reducing greenhouse gas emissions and improving  
16 the environment.

17 So another thing -- another pretty significant  
18 change is that related to linking projects. Up until  
19 2015 CAEATFA had never been over subscribed and we needed  
20 to come up with a way to evaluate projects in an  
21 objective way using criteria that can be verified at the  
22 time of application.

23 Essentially projects will be taken on a first  
24 come, first serve basis, really just to kind of best meet  
25 the needs of the various business cycles for different

1 industries. But as soon as the total applications  
2 requested or the total FTE's requested for the calendar  
3 year exceeds 100 million dollars for upcoming board  
4 meeting we're going to move towards a ranking system and  
5 essentially we're going to assign between one and five  
6 points to -- for each criteria.

7 So one thing we're looking at, and kind of we'll  
8 go into the various details of each criteria as we move  
9 through the presentation, but the first one is the  
10 unemployment rate in the county proposed facility. The  
11 second is whether or not there is a California  
12 headquarters for that program, or sorry, for the  
13 business. The third would be whether or not the company  
14 is a small business. And the fourth being whether or not  
15 that company has received STE awards in the past from  
16 CAEATFA.

17 We have a question in the audience and we're  
18 going to go through the presentation and then we'll come  
19 back to your question.

20 So basically the applicant with the most amount  
21 of points will move forward to consideration by the  
22 board. In the event of a tie, so let's say there are two  
23 projects that have the same amount of points, which I  
24 think would -- is somewhat unlikely that they tie because  
25 basically you can get the most points from unemployment

1 rate and the proposed project area and that can be -- it  
2 will be -- it could be a whole point or have decimals  
3 there, so the chance that they are in the same project  
4 area along with meeting all of the different kind of tie  
5 breaking criteria I think is relatively slim, but if  
6 there is a tie, essentially we'll give the project with  
7 the smaller award request the amount of the funds they  
8 are requesting. And then if the request happen to be  
9 identical than the order will be termed in the order that  
10 the applications were received by CAEATFA. So all  
11 applicants will be placed on a waiting list and then be  
12 considered the following year that don't actually receive  
13 funding.

14 And then one other thing is that is kind of key  
15 is that applicants that let's say -- let's say there's  
16 only \$10,000,000 left and an applicant requests  
17 \$12,000,000, we will fund in full with \$10,000,000 of the  
18 FTE request and then take \$2,000,000 from the following  
19 calendar year to basically fulfill that request. And  
20 this will also have implications for the project cap that  
21 will be discussed coming up.

22 For the unemployment rate, essentially if a  
23 project is located in a county employment rate greater  
24 than 110 percent of the statewide average they will  
25 receive points based on the formula that we have been

1 low. So that's basically... they'll end up with a  
2 minimum of one point, plus a ratio of the unemployment  
3 rate if the proposed project county over the highest  
4 unemployment rate in the state times four, so the maximum  
5 they could receive for this will be five points. This  
6 will be based on the most recent data that we receive  
7 from the Employment Development Department of the State  
8 of California and then pretty important note is that if  
9 an applicant changes their location of the project after  
10 approval such that the ranking would have been changed or  
11 significantly affected. We don't want applicants to say  
12 we are going to locate, for example, Imperial County just  
13 so they get the most points and get the award when in  
14 fact they actually have no intention of locating in a  
15 county with a high unemployment rate. So this is really  
16 just to prevent kind of the gaming of the system and  
17 prevent people from trying to kind of skip to the front  
18 of the line just based on saying they are intending to  
19 locate in an area particularly high unemployment.

20 Another objective criteria is whether or not an  
21 applicant has a corporate headquarters in California.  
22 This will get one point to the applicant in the ranking  
23 process. As long as a parent company with an ownership  
24 interest greater than 50 percent also has an interest in  
25 the headquarters in California. So if there's kind of a

1 company that has a very large ownership structure,  
2 multinational corporation, whatnot, that would prevent  
3 them from kind of establishing an LLC in a company or in  
4 California just to receive the point for having a  
5 corporate headquarters located in the state.

6 The other one will be small business, so if they  
7 meet the U.S. Small Business Administration guidelines  
8 for being a small business, which is fewer than 500  
9 employees, the project will receive one point and then  
10 likewise with the California headquarters if there is a  
11 parent company with an ownership interest greater than 50  
12 percent that will also be classified as a small business.  
13 Again, someone cannot just set up a LLC for the purposes  
14 of applying to CAEATFA to call themselves a small  
15 business to make sure they are highly competitive in the  
16 ranking process.

17 The other objective criteria will be prior  
18 awards. So if a project has not been approved for an  
19 award by the authority, they'll receive one point.  
20 Likewise, if there's an ownership interest greater than  
21 50 percent that has been approved by CAEATFA, they won't  
22 receive that point. One other important or major change  
23 is project caps. Essentially we are limiting projects to  
24 \$20,000,000s in sales and use tax exclusion. And that  
25 application will be limited to 20 million.

1           Essentially at the last board meeting of the  
2           calendar year there will be additional sales and use tax  
3           exclusion funds available. That applicant will then  
4           bring a revised application with the additional request.  
5           So if they wanted -- if an applicant wanted \$25,000,000  
6           in sales and use tax exclusions for their project, if  
7           they only received \$20,000,000s in March, they would come  
8           back in December and they would revise their application  
9           to show that they are applying for the entire amount so  
10          the application would be revised to show that if  
11          basically they are applying for \$25,000,000 even though  
12          they're only going to potentially get an additional  
13          5,000,000. This will really allow CAEATFA to truly  
14          evaluate the overall benefits of the project without kind  
15          of miscounting some of the benefits or overstating  
16          benefits or under counting them, either, and then in the  
17          event that there are multiple projects that wish to go  
18          beyond the \$20,000,000 cap, the executive director will  
19          essentially take what's left over, so if there are two  
20          projects that both have requests for let's say, an  
21          additional 5,000,000 and an additional 7,000,000 and the  
22          amount, if the amounts requested are similar, then the  
23          amounts will be divided evenly regardless of the number  
24          of applicants. So it won't really matter whether or not  
25          an applicant has requested 30,000,000 and another one has

1 requested 22,000,000, the excess FTE will be divided  
2 equally amongst those applicants.

3 And then another important note is that whereas  
4 with projects that receive funding under the ranking  
5 system that we're proposing, they can receive -- those  
6 projects can receive additional funds from a subsequent  
7 calendar year. A project that is basically -- that is  
8 trying to go over the \$20,000,000 cap can't actually pull  
9 forward from a subsequent calendar year. So we won't  
10 allow a project that requests \$30,000,000 to receive  
11 \$5,000,000 from 2016 and then another \$5,000,000 from the  
12 2017 allocation. That says an applicant will just have  
13 to reapply the following year for the additional request.

14 CAEATFA will be instituting a purchase  
15 requirement, so since we are basically allowing  
16 applicants to come forward on a first come, first serve  
17 basis until we're over subscribed, or potentially over  
18 subscribed, we wanted to make sure that those applicants  
19 that do come forward are actually ready to move forward  
20 with their projects. So we are going to require that  
21 applicants purchase at least 15 percent of the qualified  
22 property within one year of board approval and we hope  
23 that this will incentivize projects that are mostly ready  
24 to come forward in front of the board. There's no  
25 ability for the board to waive this kind of purchase

1 requirement. So initially I think we came out with a 25  
2 percent purchase requirement which is what we had  
3 historically prior to 2014. We removed that because it  
4 was being waived every time that there was an issue. So  
5 we think that reducing the purchase requirement to 15  
6 percent from 25 percent and then removing the ability for  
7 the board to waive that requirement will encourage  
8 projects to apply their close to breaking ground and  
9 really will discourage applicants from sitting on an  
10 award until they are ready to use it.

11 On the compliance side we're basically adding a  
12 suspension ability for the authority, so if an applicant  
13 fails to report on time, we require a semi-annual report  
14 listing all the purchases and then also annual report on  
15 basically the amount of production that that project has  
16 done over the previous year.

17 CAEATFA can suspend the use of the award.  
18 During the suspension purchases will not be excluded from  
19 sales and use tax, so the suspension will have teeth and  
20 will have actual implications for projects that fail to  
21 comply with the statute regulations or the terms of their  
22 regulatory agreement. And then in order to come back in  
23 good standing, the executive director will basically  
24 certify that the applicant is once again in compliance  
25 and from that point forward purchases that are made by

1 the project will be excluded from sales and use tax  
2 exclusions.

3 We also have added a few things on fees. This  
4 really doesn't change the main administrative or  
5 application fee. Those are remaining the same. But what  
6 we have found is that essentially there are a number --  
7 sometimes there are certain applicants who will come back  
8 to the board numerous times and require -- that  
9 require... especially if they are coming back to the  
10 board for approval or if there's a revised application  
11 that needs to be considered by the board.

12 So essentially for certain changes to a  
13 resolution or a master regulatory agreement we're going  
14 to charge a \$500 fee. Oftentimes it will be things like  
15 name change for the company where they have to transfer  
16 the award from one entity to another. And then in the  
17 second instance sometimes there are instances in which a  
18 revised application has to go back to the board.

19 Normally this is really when an applicant is requesting  
20 additional funding beyond what they originally approved  
21 for and so staff really has to go through the whole  
22 application review process. So instead of requiring that  
23 staff charge and pull a new application fee which would  
24 essentially be much greater than the costs outlined here,  
25 we're just going to charge a smaller fee that's one to

1 100th of 1 percent or .00005 of the amount of qualified  
2 property in the resolution was originally approved by the  
3 board.

4  
5 Next, we have the proposed timeline so we have  
6 regulatory modifications that are proposed here. The  
7 feedback will be due from the workshop by July 1st,  
8 although we always encourage people to submit comments if  
9 they have them, even if it's after the deadline. We're  
10 still willing to take a look at them. The regulations  
11 will be brought to the board on July 19th. We will then  
12 go through the emergency rule making process to get the  
13 regulations approved by the office of administrative law.  
14 Once those regulations are approved, applicants can  
15 officially submit applications to CAEATFA.

16 I do anticipate that we will be releasing the  
17 application to the public prior to the actual effective  
18 date of the regulations, but there will be the caveat  
19 stating that the regulations or the application can't  
20 officially be accepted by CAEATFA until the regulations  
21 are approved, but that will give applicants some time to  
22 look at the application and kind of work through any  
23 questions or issues that they may have.

24 Simultaneously, there are some legislative  
25 proposals that are going on with CAEATFA, AB 2334 and

1 AB 1683. Although AB 2334 does not currently contain any  
2 additional funding to raise the program cap, it does  
3 allow CAEATFA to roll over basically unused and unawarded  
4 funds from previous years so that will hopefully allow  
5 some flexibility in under subscribed or applicants that  
6 are approved but not using their awards. And then it  
7 will also allow basically contractors and subcontractors  
8 easier use of the sales and use tax exclusion.

9 Right now there's extremely difficult kind of  
10 bond process that an approved applicant has to go through  
11 in order for the award to be basically functionally  
12 passed down to contractors and subcontractors, so CAEATFA  
13 has made language and sales and use tax code, revenue  
14 taxation code 6010 -- 6010.8 to be consistent with the  
15 Board of Equalization partial exemption program.

16 Here is a timeline so essentially that the end  
17 result some of these dates we just went over, but  
18 basically the first AB 199 projects would go before the  
19 board in October. And that assumes that all goes well  
20 with the application review.

21 I think next we can open it up to questions.  
22 I'll leave it on the public comment slide.

23 MR. SHIMP: Before we jump to questions, I have  
24 gotten a couple of questions already on clarifying the  
25 competitive criteria that we were speaking about with

1 ranking projects so I just want to run through really  
2 quickly on that and just make sure that you understand  
3 how many points are available for each of those criteria,  
4 so let me back up in the slide show here. Bear with me  
5 just one moment.

6 So for the unemployment rate it is worth a  
7 maximum of five points so if you are locating in the  
8 county with the highest unemployment rate in the state,  
9 that would be worth five points. Everybody who is  
10 locating in a county that is 110 percent of the statewide  
11 unemployment rate will at least get one point plus a  
12 portion, a fraction of the remaining four available  
13 points depending on how high that rate is. A maximum of  
14 five points there, just to clarify.

15 I also had a question on the points availability  
16 for the others, so corporate headquarters is worth one  
17 point if a corporate headquarters is in California, small  
18 business as well, worth one point. And the prior awards  
19 as someone pointed out is worth five points. If you have  
20 not had a prior award with CAEATFA, it is worth a total  
21 of five points there as well.

22 The other question is clarifying. What is the  
23 definition of small business? It is actually the SBA  
24 guidelines that we will be using. They do differ  
25 depending on what kind of business you have. Staff will

1 be looking into that depending on your particular  
2 circumstances. And also, in addition to that is the less  
3 than 500 employee requirements, so those are two  
4 requirements that you have to meet, you must meet the SBA  
5 guidelines for your particular business and have fewer  
6 than 500 employees.

7 So that was all I have so far and with that  
8 cleared up, I'm going to go ahead and open it up to any  
9 questions either here in the room or through the webinar.  
10 Looks like we have a question here in the room.

11 >> Thank you. Robert ... from -- I wanted to  
12 make a comment on the requirement for purchase of the  
13 equipment within a certain period of year. I think you  
14 should clarify exactly what purchase means. Does it mean  
15 delivery of the equipment? Does it mean signing a  
16 purchase contract? Perhaps alternative. I mean, there's  
17 a continuum of things that could apply. Since that is  
18 going to be a very critical requirement, which can't be  
19 waived, I would recommend being more precise about what  
20 it necessary to occur in order to keep your allocation.

21 MR. RUIZ: Okay. Thanks, Bob. I think we will  
22 definitely look into providing more guidance on that in  
23 response to comments after this workshop.

24 MR. SHIMP: We've got one more in the room and  
25 then we've got one more online that I will tackle.

1 >> Nick Rapsus (phonetic) from California Waste.  
2 First of all, I want to thank you for the changes you've  
3 made since the last -- I know you guys made some comments  
4 specifically on my issue of what primarily means and how  
5 that applies as well as WARM only as opposed to including  
6 the AB 32 factors. That's really helpful.

7 I just wanted to digest the, no pun intended,  
8 the regs, and how they will affect the AB 199 projects as  
9 opposed to other projects. Just a few things came to my  
10 mind while listening.

11 One is an issue that we actually raised last  
12 time, but I don't think really has been addressed. How  
13 do you handle environmental benefits that are not  
14 greenhouse benefits? If you recycle paper, there are  
15 huge environmental benefits for not having to cut down  
16 more trees, process them, mill, et cetera, water quality  
17 benefits, pollutant benefits, air quality benefits, how  
18 do you incorporate that because I think you sort of  
19 limited environmental benefits to greenhouse gas?

20 MR. RUIZ: Within the application there will be  
21 an opportunity for an applicant to kind of describe their  
22 environmental benefit, but in the end they need to have a  
23 way to quantify that benefit in some way. So if an  
24 applicant has some other sources that they -- third party  
25 sources that they can rely on and say that for every kind

1 of paper that's recycled, water is reduced by this much  
2 and this economist or agency says that that's about a  
3 certain -- has like a certain dollar value on the type of  
4 recycled materials, we can definitely incorporate that  
5 into the overall scoring of the application.

6 But just kind of given the nature of the scoring  
7 system that we've developed, there has to be some kind of  
8 quantifiable figure that we can point to that's kind of  
9 backed up by some third party source.

10 And then I think in some ways like by lowering  
11 the scoring threshold to 20 points, I think that will  
12 provide enough flexibility for most AB 199 applicants to  
13 kind of meet those minimum scoring thresholds.

14 MR. RUIZ: That makes sense. I know you're  
15 trying to split a baby here and it's actually really hard  
16 to quantify. I don't think there's an easy answer that  
17 oh, you should just use this index. I would recommend  
18 since we don't totally know what these results are going  
19 to look at, maybe be committing to coming back in a year  
20 or two years to re-evaluate if you have the right metrics  
21 for the environmental benefits for the recycling  
22 projects. Make sure we're not discouraging people from  
23 applying just because they may not have a lot of  
24 greenhouse benefits, but they might have a lot of other  
25 environmental benefits. It would be good if you could

1       commit to that to come back in a year or two years.

2               Also, you mentioned for biofuel you're going to  
3 streamline and basically input very simple numbers and  
4 then you get a result spit out through the program. Will  
5 there be something similar for the recycling?

6               MR. RUIZ: Yes, so on the recycling end there  
7 will basically select from a drop down menu what type of  
8 materials the recycling those raw materials that have  
9 different kind of scoring methodologies from either the  
10 WARM model or the ARB models and then the input the  
11 amount of annual waste and then from there those -- the  
12 application will do the rest of the scoring. And then  
13 ultimately if there's ever an issue whereby an applicant  
14 doesn't think that the kind of automatic calculations  
15 that our application is doing, there is always an option  
16 for other types of projects whereby an applicant inputs  
17 their own kind of dollar values on whatever per unit of  
18 measurement they want to use and as long as they can back  
19 that up with some kind of reliable third party source, we  
20 are always happy to evaluate a project based on that.  
21 It's not locked in by any means to that specific dropdown  
22 menu for either biofuels or AB 199, but really the goal  
23 is to make it as easy as we can make it for applicants.  
24               >> That's -- sounds great. Finally I've asked  
25 this off line, but you had said previously that

1 applicants can start buying equipment now before regs go  
2 into effect and that they qualify they will get a: On  
3 their sales tax from the equipment purchase from when the  
4 bill passed. So kind of retroactive applicability. I  
5 haven't seen that in writing anywhere. I was wondering  
6 if you could add that -- sort of anecdotally talking to  
7 you on the phone.

8 MR. RUIZ: I think this kind of gets into a  
9 particularly legally tricky spot for CAEATFA because  
10 ultimately we -- CAEATFA decides to approve project and  
11 whether or not they can use the sales and use tax  
12 exclusion, but it's the Board of Equalization that  
13 administers sales and use tax law and in there will go  
14 back and perform an audit on a project and determine  
15 whether or not certain equipment was kind of purchased or  
16 put to functional use at an appropriate time. So often  
17 in these situations we have to unfortunately defer to the  
18 Board of Equalization.

19 Historically there have been the issue of  
20 functional use. So if a project is approved by CAEATFA,  
21 as long as they don't put the equipment to functional  
22 use, then they can seek reimbursement from either the  
23 vendors from which they purchased the equipment or from  
24 the Board of Equalization through the reimbursement  
25 process towards use tax. And so it's -- I think those

1 rules will the likely still apply and a lot of them kind  
2 of came from -- we used to require the conveyance and  
3 reconveyance of title before equipment could be put to  
4 use.

5 And that was kind of this interpretation by the  
6 Board of Equalization on this functional use concept and  
7 how it interacts with CAEATFA sales and use tax. We  
8 don't have the conveyance, reconveyance anymore, so it's  
9 essentially what Board of Equalization said is that  
10 applicants can make purchases and they can get reimbursed  
11 as long as they are approved and put that equipment to  
12 functional use.

13 There is kind of a more comprehensive cue on the  
14 Board of Equalization website specific to our program and  
15 I believe that's actually been updated recently within  
16 the past couple of months. Ultimately we can't say that  
17 for sure someone who buys something after the law was  
18 passed will be able to receive the reimbursement as it's  
19 really up to the specific company, specific tax situation  
20 >> Without necessarily lobbying you to change anything,  
21 if you could put that in writing somewhere in the  
22 website, because I think just judging by a number of  
23 people who have called me and asked about this, and I've  
24 kind of paired it back basically that was my  
25 understanding, I think people won't want to know at least

1 that and if you can -- if there's some uncertainties,  
2 there's some specifics, look at that cue here, that would  
3 be very helpful.

4 MR. RUIZ: Okay.

5 >> Thank you.

6 MR. SHIMP: We do have a few questions online  
7 I'd like to get to. The first one comes from Chris sharp  
8 and is a follow-up question to the ranking of projects.  
9 The question is for prior STE award point criteria. What  
10 if it is from a separate business company that was  
11 previously awarded an STE that is commonly controlled by  
12 a parent?

13 Chris, I think a good example would be company  
14 A sets up an LLC and that LLC applies to CAEATFA. That  
15 parent company, company A has had an LLC in the past  
16 that's been awarded by CAEATFA. Will this new LLC be  
17 able to receive an award because of that association?

18 And the answer to that if you look on the -- on  
19 the website there is a link to the draft regulations, on  
20 page 7 of those draft regulations you'll see the actual  
21 text, the proposed text for this -- for these points and  
22 it does say if the applicant has a parent company with  
23 ownership interest greater than 50 percent, neither the  
24 parent company nor its subsidiaries or affiliates may  
25 have been previously approved by the authorities. The

1 answer is if there is a parent company that has 50  
2 percent or more interest and they have had any subsidiary  
3 or affiliate in the past approved by CAEATFA, then the  
4 new applicant will not be eligible to get those points.

5 The next question is also from Chris.

6 What is timeline for accepting nonAB 199  
7 applicants?

8 So when we went before the board and made a  
9 recommendation to suspend new applications, we recommend  
10 that that be suspended until we can get regulations in  
11 place for AB 199. During that time we discussed giving  
12 AB 199 applicants the first two months shot at that  
13 award. That was the last it was discussed with our  
14 board, so that would mean based on the timeline we've  
15 laid out here today. If the first applicants go before  
16 the board in October, it would be October and November  
17 that AB 199 will have by themselves and so it would be  
18 December that would be open to other applicants.

19 However, I will note that that timeline is not  
20 necessarily set in stone if it makes sense, all things  
21 considered to hear those other applications earlier, that  
22 is a possibility.

23 Next question from Tonya Arby\*\*\*, I'm sorry, if  
24 I butchered your last name. Will the presentation be  
25 available on your website?

1           Absolutely. If you go to the website now you'll  
2 be able to see the slide show. We will also be adding a  
3 recording and transcripts. Those should be up hopefully  
4 within the next couple of days so check back in.

5           Next question is from Neal Edgar and the  
6 question is: Doesn't placing a limit on environmental  
7 benefits from waste diversion projects place them at a  
8 disadvantage? Should the STE cap the approach if a  
9 competitive process occur?

10           I'm not sure what you mean by a limit on  
11 environmental benefit.

12           MR. RUIZ: I think CAEATFA had a similar issue  
13 that was raised earlier in terms of limiting the  
14 environmental benefits to reduction of the greenhouse gas  
15 emissions. I will say that -- essentially all projects  
16 to the extent are evaluated using that sort of framework  
17 of how much greenhouse gas reduction does this project  
18 result in. So in that sense they are all being looked at  
19 and on equal footing to the extent that we can evaluate  
20 them.

21           MR. SHIMP: Also, I should point out, Neal, that  
22 to the second part of your question where you mentioned  
23 that should the cap be approached if a competitive  
24 process occur, bear in mind that the competitive process  
25 is based on the criteria that we've laid out on pages 6

1 and 7 of the draft regulations. So it is not actually  
2 based on those environmental benefits.

3 That's it for questions online. Wait. We've  
4 got one more coming in.

5 Chris Sharp again. Is there funding for  
6 nonAB 199 applicants in 2016 and/or 2017? Will ranking  
7 be applied retroactively?

8 As far as where we are currently for funding in  
9 2016, we've allocated about 74,000,000 of our  
10 \$100,000,000 cap so far. We've got another \$23,000,000  
11 set aside for AB 199 projects, so assuming that AB 199  
12 projects use all those -- that \$23,000,000 set aside,  
13 that leaves approximately \$3,000,000 left to allocate in  
14 2016.

15 However, I should point out that there are  
16 applicants who are currently in cue who got their  
17 applications in prior to us suspending the application  
18 process who are not able to be accommodated yet because  
19 of that set aside. So we will have to address those  
20 first.

21 As far as ranking applied retroactively, I'm  
22 not sure if you're referring to the applications we  
23 currently have in cue or what you're looking for there.  
24 The ones that are currently in cue will be considered  
25 based on the regulations that they applied under. So the

1 ranking provisions for them. Moving forward into 2017,  
2 we will have \$100,000,000 cap available to us and  
3 depending on what happens with the individual project  
4 cap, we will see what is available when 2017 rolls around  
5 and what applications come in between now and then.

6 Is there anything you'd like to add to that?

7 MR. RUIZ: Yes, I think if a project doesn't get  
8 awarded in 2016 and they end up getting bumped over to  
9 2017, and then one of those they happen to be up for  
10 consideration in a month in which the program was  
11 oversubscribed in 2017, we would rerank all applications  
12 that are going forward in that board meeting. So the  
13 reranking would be kind of a constant process if we were  
14 to get in a situation of where we were exceeding the cap.

15 MR. SHIMP: I want to clarify one more time. I  
16 see there's a comment on the web here. That the AB 199  
17 that's set aside is set aside for the first few months  
18 currently. What happens after that depends on how much  
19 of that set aside is actually allocated, which will  
20 depend on the demand that we see, so I just wanted to  
21 clarify that real quick.

22 Do we have anymore questions? In the room we  
23 have a question.

24 >> Shawn Harvey with Grant Farm. I told you in  
25 person, but this program is one of the more simple

1 straightforward and accessible programs in the State of  
2 California and I applaud you with keeping consistent with  
3 that objective through this process as well. I just want  
4 to thank you for that.

5 Three comments and a question. Have you  
6 considered the use of the Cal, EPA Cal enviro screen for  
7 unemployment rate for that criteria?

8 MR. RUIZ: We have not.

9 >> It's been likely put together -- a more  
10 appropriate indicator of environmental economic stressors  
11 in the community and just might want to consider it to be  
12 consistent with Cal EPA.

13 One of the last slides you had you discussed  
14 legislation regarding contractor and subcontractor making  
15 that consistent. Can you describe what the -- should  
16 that legislation be successful, what would that look like  
17 is you're trying to make it consistent, but I'm not fully  
18 aware of what the existing law is.

19 MR. RUIZ: So currently under revenue and  
20 taxation code 6010.8, which is the specific piece of  
21 statute that allows an approved project to exclude their  
22 purchases from sales and use tax, that language is being  
23 modified to state that the project defined the statute  
24 would also include contractors and subcontractors. It  
25 just makes it simpler for a contractor to use the sales

1 and use tax exclusion awards.

2 >> [unintelligible].

3 MR. RUIZ: Technically and legally only the  
4 approved applicant that is on the resolution is allowed  
5 to use the sales and use tax exclusion award, so this  
6 would extend that to include additional parties.

7 >> Great. Thank you very much. What are the  
8 prospects for that?

9 MR. RUIZ: It depends on whether or not AB 2334  
10 passes.

11 >> Thank you. Final comment. I know you've  
12 received these online, but I'm not sure whether that's  
13 the formal moment that you receive an application or is  
14 the formal moment when you receive a check and the hard  
15 copy?

16 MR. RUIZ: It's based on when it's received on  
17 the CAEATFA inbox.

18 >> On paper or email?

19 MR. RUIZ: Via email.

20 >> So the email submission constitutes the  
21 formal application?

22 MR. RUIZ: Yeah. So when an applicant submits  
23 it's to the CAEATFA inbox, that time stamp and then  
24 within five business days CAEATFA has to receive the  
25 actual hard copy of the application and check in order

1 for that electronic submission to be valid.

2 >> Got it. Thank you.

3 MR. SHIMP: We've got a couple of more questions  
4 coming in online. Chris Sharp asks: Is ranking only  
5 applied once the program is subscribed? First few months  
6 would be first come, first served, and then in later  
7 months and ranking -- that's correct. The ranking only  
8 comes into effect when the amount of sales tax exclusion  
9 exceeds the remaining available for that year's cap.

10 The second part of his question is: Can ranking  
11 be applied retroactively to reduce awards in earlier  
12 periods?

13 And the answer is no. So once an award is  
14 granted, that is done. We can't then in the later months  
15 go back and reduce the amount of that award because it  
16 has then become competitive at that point.

17 And also just want to point out on the -- on the  
18 receiving applications I want to clarify that we must  
19 receive the application in the CAEATFA inbox and I think  
20 he mentioned this, but it's important to reiterate,  
21 within five days we need to receive the hard copy and the  
22 check, so that check is also important to make sure we  
23 get that.

24 That is it. Any other questions? Being none,  
25 okay, I guess we will go ahead and call this meeting -- I

1 do want to point out one more time that we are accepting  
2 public comments on this meeting, so if you have any  
3 comments or questions that you haven't gotten to us yet,  
4 I have the screen up right now. This information is also  
5 available on our website. Please get those comments to  
6 us by close of business on July 1st, so that we can  
7 consider them. Also, feel free to reach out to either a  
8 Alejandro or myself and we would be happy to clarify  
9 anything for you. And again, the presentation and the  
10 transcripts will be available on the website in the next  
11 couple of days. Thank you very much. And everybody have  
12 a nice day.

13 (02:39 PM)

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