

**CALIFORNIA ALTERNATIVE ENERGY AND
ADVANCED TRANSPORTATION FINANCING AUTHORITY**

***Notice to Board of Executive Director’s Determinations for Specific Parameters
under the Sales and Use Tax Exclusion (“STE”) Program***

Tuesday, January 17, 2023

Prepared By: *Matthew Newman, Technical Consultant, Blue Sky Consulting Group, with
Xee Moua, Program Manager*

SUMMARY

Under section §10033 of the Sales and Use Tax Exclusion (“STE”) Program (the “Program”) regulations, there are several provisions, which state it is the responsibility of the Executive Director of the California Alternative Energy and Advanced Transportation Financing Authority (“CAEATFA”) to determine various parameters for use by the Authority when evaluating applications for the Program.

The ability to adjust parameters provides CAEATFA with an important tool to respond to the dynamic nature of the technologies and industries served by the Program. Program regulations enable the parameters to be updated by Executive Director when the Executive Director determines that such an adjustment will further advance the goals of the Program, is required by the regulations, or will otherwise improve the accuracy of Application evaluations. CAEATFA staff, in consultation with its technical advisor, Blue Sky Consulting Group, reviews the parameters on a regular basis.

Following the most recent review, Blue Sky Consulting Group updated the parameters specified below.

This item is presented for the Board’s information only. No action is required.

BACKGROUND

In order to evaluate the fiscal and environmental benefits of an application, the evaluation criteria embodied in the Program regulations rely on a number of specific values and parameters that change from time to time. The Executive Director has the regulatory authority to determine the parameters based on relevant research literature, consultation with professional economists or outside experts, information provided by other State agencies, and data provided by the public.

The Blue Sky Consulting Group provided significant input into the selection of the parameters and their initial values, these proposed modifications, and the integration of parameters into the net benefits evaluation.

The Board approved the STE Program’s initial parameters in September 2010. The last update to the parameters was adopted in November 2021 for applications submitted during the 2022 calendar year.

The following is a list of the specific parameters that the Executive Director has determined should be updated for the 2023 Program application year (see Attachment A for justifications provided for each of the assumptions and proposed parameters made to date):

- **Discount Rate.** The discount rate is used to adjust the value of a stream of future costs and benefits such that they reflect a value in current dollars.
- **Current Statewide Average Sales Tax Rate.** The sales tax rate is used to calculate the value of the STE benefit to applicants (and cost to the state).
- **Current Statewide Average Income Tax Rate.** The income tax rate is used to calculate the benefit to the state from increased income tax payments stemming from increased economic activity.
- **Ratio of State and Local Government Revenues to Gross State Output.** This parameter is used to estimate the additional revenue that state and local governments will collect as a result of the additional economic activity generated by an applicant’s project.
- **Applicable Local Property Tax Rate.** The property tax rate is used to estimate the additional property taxes that will be generated by an applicant’s purchases of taxable property.
- **Current Annual Average Unemployment Rate for the State and Counties.** Applicants in high unemployment areas are eligible for additional points based on the unemployment rate where the facility is located compared to the statewide average unemployment rate.

Attachment A

EXECUTIVE DIRECTOR DETERMINATIONS FOR CHANGES TO PARAMETERS

Discount Rate (§10033.c.1.C.i): 3.1%, based on the state's cost of borrowing as reflected by the yield on a 30 year tax exempt general obligation pursuant to the most recent Debt Affordability Report prepared by the State Treasurer's Office.

Current Statewide Average Sales Tax Rate, STR (§10033.c.1.G.i.a): 8.36%, based on information collected by the California Department of Tax and Fee Administration.

Current Average State Income Tax Rate, SIR (§10033.c.1.G.i.b): 5.85%, based on the average of the most recent two year's data regarding adjusted gross income and total tax liability from the Franchise Tax Board.

Ratio of State and Local Government Revenues to Gross State Output, GRSO (§10033.c.1.G.ii.a): 7.68%, based on the sum of the latest two-year average of actual state general fund revenues from the California Department of Finance, the latest two-year average of actual aggregate city and county revenues excluding intergovernmental transfers and service charges from the California State Controller's Office, divided by the latest two-year average of gross state product from U.S. Department of Commerce's Bureau of Economic Analysis.

Current Property Tax Rate, PTR (§10033.c.1.G.i.d.i): rates in table below, based on the latest annual average tax rate from the Board of Equalization.

County	Property Tax Rate (%)
Alameda County	1.243%
Alpine County	1.030%
Amador County	1.015%
Butte County	1.117%
Calaveras County	1.073%
Colusa County	1.091%
Contra Costa County	1.165%
Del Norte County	1.046%
El Dorado County	1.070%
Fresno County	1.210%
Glenn County	1.096%
Humboldt County	1.096%
Imperial County	1.209%
Inyo County	1.061%
Kern County	1.259%
Kings County	1.089%
Lake County	1.129%
Lassen County	1.026%
Los Angeles County	1.169%

Agenda Item – 4.A

County	Property Tax Rate (%)
Madera County	1.098%
Marin County	1.136%
Mariposa County	1.046%
Mendocino County	1.161%
Merced County	1.098%
Modoc County	1.000%
Mono County	1.129%
Monterey County	1.098%
Napa County	1.106%
Nevada County	1.069%
Orange County	1.067%
Placer County	1.087%
Plumas County	1.089%
Riverside County	1.184%
Sacramento County	1.154%
San Benito County	1.236%
San Bernardino County	1.155%
San Diego County	1.174%
San Francisco County	1.186%
San Joaquin County	1.140%
San Luis Obispo County	1.094%
San Mateo County	1.117%
Santa Barbara County	1.073%
Santa Clara County	1.218%
Santa Cruz County	1.109%
Shasta County	1.106%
Sierra County	1.000%
Siskiyou County	1.049%
Solano County	1.183%
Sonoma County	1.140%
Stanislaus County	1.102%
Sutter County	1.104%
Tehama County	1.050%
Trinity County	1.041%
Tulare County	1.093%
Tuolumne County	1.079%
Ventura County	1.108%
Yolo County	1.141%
Yuba County	1.111%
<i>Average County Rate (statewide):</i>	<i>1.156%</i>

Current Annual Average Unemployment Rate for the State and Counties (§10033.C.5.A.i.): 4.3% for the state (county rates in table below), based on the most recent annual data from the Employment Development Department.

County	Average Unemployment Rate (%)
<i>California (statewide)</i>	4.3%
Alameda County	3.3%
Alpine County	5.4%
Amador County	4.4%
Butte County	4.4%
Calaveras County	3.5%
Colusa County	10.1%
Contra Costa County	3.6%
Del Norte County	5.0%
El Dorado County	3.3%
Fresno County	6.4%
Glenn County	5.0%
Humboldt County	3.7%
Imperial County	14.3%
Inyo County	3.5%
Kern County	7.1%
Kings County	6.9%
Lake County	5.0%
Lassen County	3.9%
Los Angeles County	5.1%
Madera County	6.1%
Marin County	2.4%
Mariposa County	4.9%
Mendocino County	3.8%
Merced County	7.5%
Modoc County	4.8%
Mono County	3.7%
Monterey County	5.9%
Napa County	3.2%
Nevada County	3.3%
Orange County	3.2%
Placer County	2.8%
Plumas County	6.6%
Riverside County	4.4%
Sacramento County	4.1%
San Benito County	4.9%
San Bernardino County	4.4%
San Diego County	3.5%

Agenda Item – 4.A

County	Average Unemployment Rate (%)
San Francisco County	2.5%
San Joaquin County	5.6%
San Luis Obispo County	2.8%
San Mateo County	2.3%
Santa Barbara County	3.3%
Santa Clara County	2.5%
Santa Cruz County	4.5%
Shasta County	4.4%
Sierra County	3.8%
Siskiyou County	5.6%
Solano County	4.5%
Sonoma County	3.0%
Stanislaus County	5.6%
Sutter County	6.5%
Tehama County	4.7%
Trinity County	4.2%
Tulare County	8.0%
Tuolumne County	4.5%
Ventura County	3.6%
Yolo County	3.7%
Yuba County	5.6%