



AGENDA ITEM 2 (ACTION ITEM)

Approval of Minutes

From Tuesday, January 20, 2026

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Paul Bonderson State Office Building
901 P Street, Room 102
Sacramento, CA 95814

PUBLIC PARTICIPATION CALL-IN NUMBER

Call-In Number: (800) 723-2481 **Phone Conference ID:** 551 935 665#

TEAMS VIRTUAL PARTICIPATION

Teams Meeting ID: 240 863 847 597 9 **Passcode:** 8rf6mo7A

Interested members of the public may use this number to call in to listen to and/or comment on items before CAEATFA. Additional instructions will be provided to callers once they call the indicated number. This call-in number is provided as an option for public participation.

1. Call to Order & Roll Call

Fiona Ma, CPA, called the California Alternative Energy and Advanced Transportation Financing Authority (“CAEATFA” or the “Authority”) meeting to order at 10:30 a.m.

Members Present:

Fiona Ma, CPA, State Treasurer (Chair)
David Oppenheim for Malia M. Cohen, State Controller
Michele Perrault for Joe Stephenshaw, Director of Finance
Ken Rider for David Hochschild, Chair, California Energy Commission
Khalil Johnson for Alice Reynolds, President, Public Utilities

Members Absent: None

Staff Present: Christina Sarron, Executive Director

Quorum: The Chairperson declared a quorum.

2. Minutes (Action Item)

Ms. Ma asked the Board members if there were any questions or comments concerning the meeting minutes from the December 9, 2025, board meeting. There were none.

Ms. Ma asked if there were public comments. There were none.

Ms. Perrault motioned for approval of the minutes, and there was a second by Mr. Oppenheim.

The minutes were approved.



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The item was passed by the following vote:

Fiona Ma, CPA, State Treasurer	Aye
David Oppenheim for the State Controller	Aye
Michele Perrault for the Director of Finance	Aye
Ken Rider for the California Energy Commission	Aye
Khalil Johnson for the Public Utilities Commission	Aye

3. Executive Director's Report

Presented by Christina Sarron, Executive Director.

Ms. Sarron reported that the subject of this month's board meeting is the Sales & Use Tax Exclusion ("STE") program. Ms. Sarron shared year-end numbers for the STE Program and stated she will share GoGreen year-end numbers at the next board meeting.

STE

In 2025, the STE Program awarded:

- 37 projects across 17 counties;
- 17 of the 37 projects were for Advancing Manufacturing; 11 for Alternative Source; 6 for Advanced Transportation; and 3 Recycling projects;
- 11 applicants are Emerging Strategic Industry projects; and
- The awardees are projected to produce \$34 million in environmental benefits; \$214 million in fiscal benefits; \$143 million in net benefits; and support 21,700 jobs.

This brings the STE Program's lifetime cumulative total to:

- 391 applications approved to date across 40 counties;
- 141 Advanced Manufacturing; 180 Alternative Source; 37 Recycling; and 33 Advanced Transportation;
- 185 completed; 130 active; and 76 inactive; and
- Projected to produce \$530 million in Environmental benefits, \$2.8 billion in Fiscal benefits, and \$2 billion in Net benefits, supporting 159,000 jobs.

Delegated Authority

- There were no actions taken under Ms. Sarron's delegated authority.

Ms. Sarron then concluded her Executive Director's report.

Ms. Ma asked the Board if there were any questions or comments.



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Ms. Perrault thanked Ms. Sarron for the number breakdown and asked for clarification on the meaning of inactive STE applications. Ms. Sarron explained that inactive STE Applications are not in progress; one possible reason being that the company went out of business. Inactive applications did not purchase qualified property to receive the tax exclusion award.

Mr. Oppenheim thanked Ms. Sarron for the number rundown and asked if she could provide him with a copy of the numbers. Ms. Ma mentioned that a press release would be helpful, and requested staff look into it.

Ms. Ma asked if there were public comments. There were none.

4. Business Item (Informational): Discussion of Proposed Modifications to the Sales and Use Tax Exclusion Program

Presented by Xee Moua, Program Manager

Ms. Moua gave a PowerPoint presentation to the Board to discuss proposed modifications to the Sales and Use Tax Exclusion Program. Before beginning the presentation, she introduced Matt Newman, technical consultant for the STE Program, who would cover some of the modifications.

Ms. Moua first provided a brief overview of the STE Program.

- The STE Program's purpose is to promote manufacturing in California, create California-based jobs, and reduce greenhouse gases.
- For an applicant to be eligible, they must fall under one of four eligibility pathways: Alternative Source, Advanced Transportation, Advanced Manufacturing, or Recycling.
- This helps those businesses save on state and local sales and use tax on eligible purchases of manufacturing equipment and machinery, roughly between 8 to 10% depending on the county where the business is located.
- The program is allotted \$100 million in sales and use tax exclusions each year.
- The STE Program is currently authorized until January 1, 2028.

Reasons for Proposed Modifications:

- SB 86 Statutory Changes
- Policy-Related Clarifications/Changes
- Compliance Improvements/Changes
- Streamline Processes and Add Flexibility
- Fee-Related Changes



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Challenges:

- Complex allocation process – the \$100 million is divided up into 3 different buckets, and trying to navigate through those three different buckets has been challenging.
- Unnecessary and/or inefficient procedures
- Unclear regulations related to agency policies and objectives
- External barriers to applicants meeting program purchase requirements, including but not limited to:
 - Downstream effects of the COVID-19 pandemic
 - Tighter lending practices
 - Stringent regulatory approvals
 - Legislative concerns, such as the impact on tariffs and potential changes to the federal electric vehicle tax credit and the Inflation Reduction Act
 - Elimination of federal loan energy programs, which makes it hard for applicants to secure funding

Goals:

- Simplify the compliance pathway, due to economic constraints
- Continue to prioritize environmentally beneficial projects
- Improve and/or streamline processes to reduce workload
- Target and support ready-to-go projects
- Incorporate more administrative flexibility
- Make technical changes

Proposed Modifications

SB 86 Statutory Changes

- SB 86 was approved in October 2025. It extended the STE Program until January 1, 2028, and added nuclear fusion as an eligible technology under the Alternative Source pathway. Staff will not be addressing nuclear fusion in the regulations, as the Program's current application cannot accommodate the scoring of fusion technology. The STE Program must also provide a report to the Legislature by January 1, 2027. Work on this report will begin around June or July of 2026.

Ms. Moua stated that the final addition of SB 86 is a workforce requirement.



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- Effective January 1, 2026, applicants together with parent company and subsidiaries with 500 or more employees must certify, in a manner designated by the authority, that the applicant and its contractors will do all of the following:
 - Provide comparatively good wage and benefits to employees/subcontractors.
 - Invest in employee training, growth, and development, such as through comprehensive workforce training programs or apprenticeship programs.
 - Adopt mechanisms to include worker voice and agency in the workplace.
- Proposed recommendation: add workforce certification to application

Ms. Moua invited Matt Newman, Principal and Co-Founder of Blue Sky Consulting Group, to give the portion of the presentation regarding policy clarifications and changes.

Mr. Oppenheim asked if the proposed workforce certification has an appeals process if somebody believes it does not comply with all components required such as good wages or worker voice. Ms. Sarron replied that an appeals process could be added. Ms. Ma added that she would like to have an appeals process.

Mr. Newman stated that Blue Sky Consulting Group has been working with CAEATFA since 2010 when SB 71 was passed. Blue Sky Consulting Group helped write the original program regulations scoring system and has worked with CAEATFA since then on various program changes and regulations, including the proposed changes discussed during today's Board meeting.

Ms. Ma asked Mr. Newman for clarification on his company. Mr. Newman clarified that Blue Sky Consulting Group is a public policy analysis consulting firm that has been around for about 20 years.

Policy Clarifications/Changes

- 1. Allow renewable generation equipment to power applicant facilities
 - Clarify that a de minimis amount (no more than 10% of QP) of power generation equipment is eligible for an STE to the extent it is ancillary to primary purpose of facility (i.e., used to power facility and not for commercial electricity generation)
 - When SB 71 was passed and the STE Program was created, the legislature opted not to let electricity generators apply for the STE. Electrical generation equipment was not an eligible purchase for companies to make. The Legislature did not allow power generators as an eligible use.
 - The proposal is to make clear that you can use some kinds of electrical generator equipment if ancillary to your purpose.



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Mr. Rider asked if there would be any need to extend the terms into energy storage systems such as batteries. Mr. Newman replied that he did not think so, because CAEATFA has already allowed energy storage systems. The legislative prohibition was only on equipment that generates electricity from a renewable source. Batteries were already allowed and would continue to be allowed.

Mr. Newman continued with the presentation.

- 2. Increase Emerging Strategic Industry (ESI) Applicability
 - Make ESI points proportional to the value of ESI products for cases where an applicant could be classified in more than one industry or makes more than one product.
 - CAEATFA designates certain industries that receive additional points if the scoring process becomes competitive, that is, if there is more demand for STE than there is STE available to award. One limitation of this has been designating applicants as either an ESI or not.
 - The proposed change is to allow partial credit. For example, if batteries are allowed and 20% of the value of an electric car comes from batteries, then the applicant would receive 20% of the total points available from that design.

Mr. Rider asked how integrated chips would factor into the scoring system, since chips are in many products and designated as an ESI. Mr. Rider stated that this might bleed a little too readily into other industries that also use chips, such as medical equipment and semiconductors.

Ms. Sarron replied that if a manufacturer buys their chips from someone else, then the chips in their product would not receive partial ESI credit. If on the other hand manufacturers actually build both the chips and the product containing the chips, they would receive partial credit for the chips as an ESI. Mr. Rider replied that he sees the potential for bleeding into other industries. Ms. Sarron replied that the proposed changes are based on what is happening in the world as well as California right now, and that they are not set in stone.

Ms. Ma noted that in the past STE has been awarded in three buckets, and now there will be only one bucket, with points awarded similarly to CDLAC and CTCAC where tiebreaker points are awarded in the event of a tie. She stated that this would be easier because using multiple buckets also caused difficulties for those agencies, slowing the process, and everybody prefers the easier and more transparent one bucket approach. She stated that Mr. Rider's point was to make clear what points are assigned to.

Mr. Johnson asked what qualifies an industry as emerging, and also what is meant by making ESI points proportional to the value of ESI products. Ms. Sarron replied that the ESI list is available on the CAEATFA website and lists which industries based on North American Industry Classification System (NAICS) codes will receive extra points. Mr. Newman explained



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that if an electric car manufacturer sells a car for \$10,000, and the value of the battery is \$2,000, then that is 20% of the value of the product and the manufacturer would receive 20% of the total ESI points available.

Mr. Newman continued with the presentation.

- 3. More Clearly Define Recycled Resource Extraction Project
 - Update definition of Recycled Resource Extraction project to make clear that the “primary purpose” of the project must be to convert “Recycled feedstock into materials that are used in subsequent manufacturing processes.”
 - The Legislature added recycling as an allowable pathway for an STE several years ago. This clarification helps regulations keep up with where the world is. The primary purpose of the enterprise has to be recycled feedstock. If 3% of what a company does is process recycled materials and the remainder uses virgin materials, then the company would not qualify. The adding of the words “primary purpose” ensures that when someone gets an award as a recycler, they are actually a recycler according to CAEATFA’s definition.

Ms. Ma asked if the threshold is 50%. Mr. Newman replied that there are no specific percentage amounts, as in the past the amount has generally been 100% or very little, so it has been clear. The Board will interpret whether an applicant is complying with the definition of “primary purpose” when they approve applications, with the help of CAEATFA staff.

Mr. Newman continued with the presentation.

- 4. Remove Unneeded Restriction on Relocating Qualified Property Outside of CA
 - Remove the restriction on relocating more than 15% of Qualified Property outside of California
 - Applicants currently face a restriction when they want to move property bought with an STE outside of California. To Mr. Newman’s knowledge, this has not been requested before. If a manufacturer buys and installs a piece of equipment outside of California, there would be no California sales tax anyway. This would only apply to something bought and installed in California and subsequently moved. If a company wants to take its equipment away, having to ask CAEATFA for permission will not stand in the way of dominating business interests. The suggestion is to remove this added language.

Ms. Ma asked Mr. Newman for an example of a company buying equipment in California and then moving it. Mr. Newman replied he was not aware of an example, but that in the past people may have established a factory in California and then consolidated operations in another state, moving some of their equipment.



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Mr. Johnson asked why CAEATFA would not want to keep qualified property in California. Mr. Newman replied that CAEATFA would want applicants to keep the qualified property in California but cannot make it illegal for them to move it. They do not owe sales tax on something purchased and delivered to another state, so CAEATFA does not seem to have a pathway to force companies to leave their manufacturing in California.

Mr. Johnson asked if there could be value in having visibility into the number of instances when this happened. Mr. Newman replied there is value in keeping equipment in California, which is why the incentive exists, but it is not clear that this regulation does anything to keep people from moving. Mr. Johnson clarified that he understood CAEATFA cannot make manufacturers stay, but that he was curious whether there was potential value in having visibility into the number of instances where this happened or might happen.

Mr. Newman asked Ms. Moua whether she knew of any instance when someone notified CAEATFA that they were moving more than 15% of their qualified property out of California. Ms. Moua replied that she was not aware of any such occurrence since 2017.

Monica Jimenez, legal counsel, stated that it sounded like the possibility was being raised of adding some condition to the STE Program to incentivize the long-term stay of manufacturers in California.

Ms. Ma stated that the regulations could be adjusted later with additional provisions. Ms. Sarron added that this initial presentation lets the Board discuss and frame CAEATFA's proposed regulation changes.

Mr. Rider asked about potential options the Board might exercise if, for example, a manufacturer requested to move a number of robot factory pieces to Texas. He acknowledged that sometimes in enforcement you do not want to say what you would or would not do, but if there is any clear outcome, it would be good to understand what disapproval would mean for that manufacturer.

Ms. Jimenez stated that generally there are provisions or conditions, for example, that upon accepting the money, the applicant recognizes they would have the restriction of needing the Board's approval before taking said action. If the Board wanted to expand upon this, the process would need to be built into regulations; if someone is restricted from doing something, usually they would need to have a right to contest that restriction. Ms. Ma suggested potentially requiring payment of sales and use tax if they move the property within five years. Since some states may not charge sales and use tax, this incentivizes manufacturers to stay in California.

Ms. Moua clarified that CAEATFA already has a provision in place that says if a manufacturer moves all their equipment outside of California before the term ends, they must pay back the sales tax exclusion. The proposed change states that only a small portion of qualified property would be moved out and defines the exception for what they are allowed to move. It does not allow them to move all of their equipment.



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Ms. Ma raised the point that even though this has not happened, CAEATFA is still removing this provision as part of the proposed regulations. Ms. Moua replied that when a business moves, they typically move their whole operation, because only moving a little bit makes no sense. If, for example, they had operations outside California and only required a little bit of the equipment they had in California, the recourse for that is unclear. CAEATFA has not needed to address this because most businesses that need to relocate their equipment do so because they failed to thrive in California. Ms. Sarron added that generally businesses operate on an all-or-nothing basis and will not take a small piece of equipment out of state.

Ms. Ma asked to know the length of the term of the sales tax exemptions. Ms. Moua replied that generally it is three years but it depends on whether the applicant receives an extension of the purchasing term. Mr. Rider asked if the length of the period is proposed to be changed to a longer period. Ms. Ma asked if this would be five years. Ms. Sarron replied that applicants will have five years to expend their award.

Mr. Newman continued with the presentation.

- 5. Clarify Scoring Calculation
 - Update scoring calculation to clarify that project revenues must exceed costs
 - Currently, an application could allow the amount of revenue collected from selling a product to be less than the production cost. However, if revenues are less than costs, this is not a viable business. This new policy clarification states that your revenues must exceed your costs, in other words that you must plan to be profitable in order to apply and succeed.

Ms. Ma asked to which year this clarification applies. Mr. Newman replied that it applies on average over the projected useful life of the qualified property. For example, if a company has assembly line equipment that lasts 10 years, it would have to project profitability on average over that 10-year period. This clarification is typically only needed in rare cases, for example when amounts are entered accidentally or when a business in early stages is not projected to make money. However, a manufacturer should not score positively under CAEATFA's rules if they are a money losing operation, so this new change makes that clear. Mr. Johnson asked to clarify that this new change requires that revenues exceed costs. Mr. Newman replied that it does.

- 6. Allow Post-Award Changes to Application
 - Such as changes to project location, product technology, etc. The Board can delegate this power to the Executive Director.

CAEATFA currently cannot approve a minor change after a project has been approved, such as if a manufacturer wants to move next door to another facility. Substantial changes require going back to the Board, but there is no provision in the regulations to allow minor changes of this kind after approval. The proposed change



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would allow approval of minor changes, and the Board could delegate to the Executive Director of the Authority to approve them, as an administrative convenience for CAEATFA and to make sure regulations keep up with reality. Mr. Newman only recalled one instance of this in the past.

Ms. Moua continued the presentation.

- 7. Change Annual Per Project Per Applicant Cap
 - Increase the per applicant cap from \$10 million to \$15 million in STE
 - Currently, the per-project cap is \$10 million, and up to \$20 million if an applicant applies in the large project pool during the first application round of the year. CAEATFA wants to eliminate the multiple pots and go back to one pot of funding, and to increase the general cap from \$10 million to \$15 million. The STE Program has been consistently oversubscribed for the last several years, except for 2024, in which lithium funding remained. Roughly 70% of projects are under \$2 million in sales tax exclusions, and 81% are under \$5 million. CAEATFA believes that increasing the cap to \$15 million will allow it to serve both large and small projects.

Mr. Oppenheim stated a concern that \$15 million might unintentionally crowd out smaller projects if even a handful of the \$15 million were awarded. He wanted to make sure that all levels and sizes of programs have equal opportunity to apply. Ms. Moua replied that this could potentially happen, but that based on the data only a handful of projects apply for the cap or a little bit over. Staff could go back and see if anything else could be implemented to protect small businesses.

Ms. Moua stated that CAEATFA's goal in the past was to protect small businesses, which is why the small project pool exists, but large businesses with small projects also apply for that pot of funding. Most of the time Staff does not know if a small project is owned by a small business or not and has only recently started to record that information.

Ms. Moua also stated she was not sure if this change should be implemented, or if more discussion is needed first, but she was open to ideas. Mr. Oppenheim asked for further discussion and noted that this is the value of the comment period in front of the Board.

Ms. Ma pointed out that seven years ago Tesla requested to be awarded the program's entire yearly allocation. Different tools had to be created, and if any funding was left, it would be awarded to Tesla. Since then, to Ms. Ma's knowledge, Tesla has not returned. This change is based on the most recent applicant data and trying to increase efficiency as well as make it administratively easier for staff. Ms. Sarron added that this proposed change is also based on the economic reality of credit available to businesses trying to succeed. Ms. Ma replied that more evaluation would be needed.

Ms. Moua continued with the presentation.



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Compliance Improvements/Changes

- 8. Prohibit Applicants or an affiliate party from applying for a new STE award or making modifications to an existing Regulatory Agreement if currently suspended or out of compliance
- 9. Allow deadlines for compliance reports to be established by the Executive Director
 - CAEATFA currently has hard deadlines for compliance reports, at the end of January and July each year. The proposed change allows the Executive Director to establish deadlines and post them to the website. Through talking with stakeholders, CAEATFA found this would help with operational demands that most businesses face and also promote more accurate reporting. For example, since taxes are due in April each year, having a report due in January which asks about taxes and revenue is too early. The flexibility ensures that businesses have that data readily available.
- 10. Require that all applicants provide annual reports for 15 years rather than current applicant specific term
 - This will help eliminate long reporting requirements for some applicants and allow CAEATFA to receive more meaningful data. Businesses might take one to two years before spending money while ramping up operations, therefore, an annual report during the first two years does not tell us much about how the business is doing. Having them report for 15 years gives CAEATFA usable data about how successful businesses are and gives metrics from which to draw.

Ms. Ma stated that 15 years sounds like a long time. Ms. Moua replied that 15 years does sound like a long time, but current regulations state that the reporting term is for half of the longest-lived equipment an applicant buys. For example, if someone buys very durable equipment expected to last 50 years, that applicant would have to report to CAEATFA for 25 years. This seems long for some applicants, though it also helps others. Ms. Ma replied that 15 years seems too long and suggested 10 years, since everything moves so quickly and people go out of business, merge, and move. Ms. Ma invited input from stakeholders.

Mr. Newman stated that the annual report applicants must submit is brief. The report asks how much product the manufacturer sold, which is information the companies already provide the State on their tax returns. It only has a handful of questions and is not an onerous requirement. Mr. Newman stated the report also allows CAEATFA to track how well the STE Program is doing. CAEATFA staff report to the Board what they think will happen based on the applications received. CAEATFA also wants to know actual numbers of jobs created and amount of product sold, as well as environmental benefits achieved. The annual reports let Staff track the performance of companies given an STE award. 10 or 15 years may not be the number that will be settled on, but he simply wished to add context around the reporting requirement and what it is used for.



Ms. Sarron asked Mr. Newman whether the 15-year period starts when an STE award is made or when the applicant expends all of it. Mr. Newman replied that he believed the language says it begins from the signing of the regulatory agreement or from the day the award is made.

Ms. Sarron stated that CAEATFA is proposing to allow five years to spend an STE and then to require reporting for another 10 years after that. Ms. Ma stated that she reviews the annual report every year and she does not see this 15-year report data, even though CAEATFA says it helps in decision making.

Ms. Moua stated she believed Ms. Ma was referring to the annual report to the legislature. Ms. Ma replied that she was. Ms. Moua stated that CAEATFA reports activities on all its programs, and that Mr. Newman was alluding to a report that CAEATFA does not put out very often, only a couple of times in the past, but that CAEATFA plans to put it out more regularly starting this year, in 2026, partly because of the legislature report required by SB 86, which looks at performance metrics and the efficacy of the program.

Ms. Sarron stated that the last time a presentation of this kind was given Mr. Newman gave a great report on behalf of CAEATFA, with metrics including the number of companies awarded and award amounts.

Ms. Moua continued with the presentation.

- 11. Clarify ownership transfers requirements
 - This change ensures that all parties understand their obligations during the transfer process. It specifies that Board approval is needed to transfer an award. This is different from adding a participating party, as it applies to businesses that are either merging or being acquired, where the original applicant no longer exists or has turned into a different entity. This change makes it clear that the business is a completely new entity, that they agree to take on the obligations in the agreement signed with the original applicant, and that the Board would have to approve the transfer.
- 12. Remove 15% purchase requirement and option to waive/extend
 - The current requirement is that an applicant must purchase at least 15% of their total award within 18 months. This tool was implemented to gauge readiness and discourage applicants from applying too early if they were not ready to make an investment.

Ms. Moua invited Mr. Newman to continue with the next portion of the presentation.

- 13. Increase the 3-year purchasing initial term to 5 years without the option to extend to address increases in Staff workload due to increased waiver/extension requests.



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- Mr. Newman stated that when the STE program was first established, CAEATFA discussed how to create an incentive for people to choose to invest in California when they might not otherwise do so, or to invest more than they otherwise would have if they received an STE, for example investing in a bigger factory. However, CAEATFA also wanted people who were ready to apply, and not to sit on an award they received. The original regulations said that applicants had to spend 25% of their award within 12 months.
 - It became apparent after several years that many applicants struggled to spend the money that quickly, so the rules were changed to require spending 15% of the award within 18 months, and that everything had to be completed within three years. However, the regulations allow CAEATFA to waive these requirements or give extensions to applicants if CAEATFA determines it furthers the purposes of the program. Mr. Newman stated that he believed that in every case except for one, CAEATFA made such a determination, which is reasonable.
 - If an applicant says they need more time to use their STE, there is no real reason to tell them no. It does not cost CAEATFA money or do anything except take that STE award away. The award does not go back into a pool that CAEATFA can re-award. If an applicant who asks for an extension does not use their award in time, the award will not be available for anyone else. Recognizing this, CAEATFA has always granted extension requests. However, this creates a lot of extra work for Staff and the Board, as Staff must review the requests and the Board must approve them. Since these requests are always granted, it is not clear that any purpose is served by this process. It would be nice to have a way to incentivize shovel ready applicants to apply, but this requirement does not appear to fulfill that objective.
 - The proposal is to remove a requirement which is routinely waived, extend the three-year term to five years but make that non-waivable so that this will be a hard boundary by which people have to spend money. Typically, if people do not spend money within five years, they may never do so.
 - One other connected change affects when applicants must pay their administrative fee. Applicants pay two kinds of fees: an application fee, which is relatively small, on the order of a few thousand dollars paid at the time of application; and an administrative fee, which now is paid over the course of the time that applicants make their purchases, and which tends to be a larger fee amount. However, most of CAEATFA's workload is concentrated around the time an application is approved and in the immediate aftermath when CAEATFA prepares staff reports for the Board and regulatory agreements, as well as set up tracking of applicants' purchases.
 - The proposed change is to move up the payment of the administrative fee so that half is due when the regulatory agreement is signed. This coincides with when CAEATFA incurs the work, but it also means that successful applicants must pay some amount of money upon approval, rather than only in the future if they ever make a purchase.



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- The reason for the change is to help CAEATFA manage its cash flow and to charge the fee when it incurs the cost, but an additional benefit is that it provides some incentive for only applicants that are ready to go to agree to apply and be approved. While this may appear to be a large change, in practical terms it may not make that much difference.

Mr. Oppenheim stated that of all the changes this one struck him the most. He has found tremendous value in the 15% purchase requirement and the timeline, and he often questions applicants to understand what their circumstances are. Mr. Oppenheim stated that in some ways the Board acts as enforcement and accountability to ensure applicants do what they promised and within the appropriate time, but that there are generally legitimate reasons for what has happened, four or five of which were previously outlined in this presentation.

Mr. Oppenheim thanked Mr. Newman for tying the discussion to item 19 of the presentation, which proposes to change the incentive by having applicants pay money up front versus having a timeline and specific purchase requirements of 15% over 18 months and always having to come back to the Board. He would be interested to see how that works, and believed there was some logic in the original 15% instruction and the timeline to incentivize shovel ready companies who are serious about meeting the requirement. Mr. Oppenheim asked for further thought from Staff regarding whether this is the right incentive metric.

As a final thought, Mr. Oppenheim stated that he agreed that approving so many extensions was tiresome and believed it diminished the efficacy of the Board Members. He did not think anything should be a rubber stamp if it comes before the Board, there should be a rigorous discussion, and that in the past too many items were rubber stamped.

Ms. Sarron added that the other thought process was that applicants also compete for funding from other programs such as California Competes or California Workforce Development Board. An applicant might not get the STE award in the first year they apply, so they might try the second year. CAEATFA takes that pressure off by saying they have five years and can keep applying that during the five-year period to other programs to see if they are awarded there, increasing the opportunity to make things work together. Mr. Oppenheim replied that he understands the logic and is willing to try it but just wanted to make sure it was well thought out.

Ms. Ma added that the tax credit and bond program for affordable housing requires that they be shovel-ready within 18 months, otherwise the Board can forfeit them or give negative points the next round so that they cannot apply or be successful. There has to be some incentive to use the award, otherwise everyone will hog up the awards and not use them, or the award goes back into the pot. Ms. Sarron clarified that the money does not go back into the pot after the year has passed. If an award is made using 2026 dollars, by the time 2026 ends, that exclusion will be gone if they do not spend it in the future.



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Ms. Ma asked whether an extension given to a company would extend the time they have to spend it. Ms. Sarron replied that if the award stays with the same company that was awarded the money, then an extension can be given, but if CAEATFA tells them they cannot use it, then the money is gone and cannot be reallocated out. Ms. Ma asked if this means you cannot put it back in the pool. Ms. Sarron replied that it did.

Ms. Ma asked Ms. Moua to continue with the presentation.

Streamlining and Flexibility

- 14. Redefine “Applicant”
 - Current regulations requires that applicants who request a change to their regulatory agreement or their authorizing resolution, such as adding a participating party, to be approved by the Board. The proposed change would delegate authority to the Executive Director to approve name changes without Board approval, streamlining the administrative process.
- 15. Application-Related Changes
 - Allow a longer application announcement period to accommodate operational needs and priorities. Right now, CAEATFA must announce application periods before the new year starts. However, statutory changes, such as SB 86 that take place late in the year, make it difficult for CAEATFA to announce application dates for the following year if there are new requirements to address.
 - The second related change addresses the announcement process for end-of-year STEs and clarifies application prioritization. Because the last application consideration round might not be held during the last scheduled meeting of the year, CAEATFA’s proposed change is to contact all applicants that want an additional STEs 28 days before the last application consideration round, starting with those who are capped at the \$10 million or \$15 million cap, whatever the maximum amount is determined to be.
 - The third related change proposes to update Legal Status Questionnaire by allowing applicants to submit litigation logs. This would be supplemental to the legal status questionnaire they already provide CAEATFA. Since some applicants do not provide enough information, hopefully having the option to submit their litigation log will allow enough information to determine if there is a conflict of interest.

Ms. Ma asked what a litigation log is. Ms. Sarron replied that it is a list of any litigation a company has had. Ms. Ma asked how long the time period extends for the list. Ms. Sarron replied that it is for 10 years. Ms. Moua clarified that the requirement for CAEATFA is 10 years.



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Ms. Moua continued with the presentation.

- 16. Regulatory Agreement Execution
 - Currently, Staff ask applicants to enter into an agreement with CAEATFA within 30 days. The proposed change would put parameters around extending the agreement execution, allowing applicants up to 60 days to enter into an agreement if needed.
- 17. Eliminate the Small, General, and Large Project Pools
 - Staff proposes to revert to one pot of funding, while holding 2 to 3 application cycles per year, with the option to reduce or increase the rounds as needed.

Mr. Oppenheim asked about presentation item 7 regarding increasing the amount, requesting that since eliminating the different pools and increasing the cap are contemplated, to ensure there is a fair allocation especially for small projects. Ms. Ma asked to confirm that either one or two application periods would be held based on what comes in during the first. Ms. Sarron replied that this was correct. Ms. Ma stated that she would like to hear from the stakeholders.

Ms. Ma asked Ms. Moua to continue with the presentation.

Fee-Related Changes

- 18. Increase Minimum Application Fee to Account for Inflation
 - Increase minimum application fee from \$250 to \$500. The application fee has remained the same since the program started in 2010, and the proposed increase would account for inflation and increase in workload complexity.
 - Eliminate 75% application refund. Applications not considered due to program oversubscription can currently get a partial refund. However, we have realized that reviewing an application to determine a competitive score requires a significant amount of work. Since CAEATFA reviews nearly the whole application, we are proposing to eliminate the refund.

Ms. Ma asked whether this meant a non-refundable \$500 fee. Ms. Moua replied that it does. Currently the fee is \$250 and up to \$10,000 depending on the size of the application. That minimum would be bumped up to \$500, so the application fee could range from \$500 to \$10,000. Ms. Ma asked to confirm that this would not include a refund. Ms. Moua replied that it would not.

- 19. Change Timing of Administrative fee
 - Administration fee due at contract execution to be increased to 50% of the total administrative fee due or \$15,000 whichever is greater, to more closely align timing of costs incurred with the payment of fees.



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- The proposed change requires that when people execute their contract that either they put down \$15,000 or 50% of the total administrative fee, whichever is greater, to more closely align with the timing of when the cost is incurred from staff labor.
 - Remove back-end refunds. Right now, with compliance reports, applicants are required to submit a higher administrative fee as an incentive to continue reporting. That is, applicants will submit total costs and at the end of the reporting term, then Staff determines how much they actually purchased, and provide a refund if there is one. Staff proposes to remove this refund process because it is administratively burdensome and can lead to unresolved balances.
- 20. Other Fees
 - Previous fees for changes to a Regulatory Agreement ranged from \$500 to \$2,250. Adjust change fee to \$2,000. Current fees range from \$500 to \$2,250. CAEATFA did an assessment and found that the \$500 fee did not cover the actual work that some Staff have to do, such as adding a participating party, doing a name change, or granting extensions. CAEATFA is requesting that the fee be adjusted to better align with the level of effort involved, and have all changes be a flat fee of \$2,000.

Mr. Oppenheim commented that this structure seems regressive, since larger companies could probably absorb this adjustment more easily than smaller projects. Presentation item 19 took into account the size of the project, whereas this item seems to hit smaller projects a little harder. Mr. Oppenheim stated that though this covers CAEATFA's actual costs, he wants to still give small companies a fair shake.

Ms. Perrault asked whether the current application fee refund as discussed in item 18 applies if a company walks away, and whether there is a time period around it. Ms. Sarron asked Ms. Moua if the application refund has a time period. The 75% only comes into play as CAEATFA is looking to find out someone's competitive score. This requires determining for example how many jobs are going to be created, what their total revenue will be for the year, or what the cost of goods will be. It requires Staff to look at the application, determine the numbers that go into their competitive score, and rank that competitive score against the other applicants. If someone were to withdraw an application or Staff knew from the beginning that an applicant is not eligible, the 75% would not be applicable and 100% would be refunded.

Ms. Perrault asked to confirm that the issuing of a 100% refund in the case of withdrawal or ineligibility would remain in place. Ms. Moua replied that it would.

Ms. Perrault stated that there are some comparisons with CDLAC and CTCAC. Ms. Perrault then asked whether there is an appeal process in place if an applicant asks for a refund because, for example, they either do not apply or are not ready. Ms. Moua replied that Staff would have to think about that and determine how much work has gone into the application.



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Ms. Ma asked if there could be a way to use AI to make sure applicants have filled out everything, checked all boxes, and added any attachments. Ms. Sarron replied that right now applicants go through an Excel spreadsheet, and that is a very lengthy process. Ms. Ma asked if there was a way to move things forward and streamline the process. Ms. Sarron replied that there is always a way to do that.

Ms. Perrault pointed out that it would be difficult to tell an applicant no while keeping their application fee, or even to say that we have done all this work and the applicant is ranked but did not quite get it. Ms. Sarron added that this is another incentive for applicants to be serious about coming to CAEATFA. Ms. Perrault agreed that we want applicants to be shovel ready, but circumstances change, such as a company needing to pivot a little bit. Ms. Sarron replied that she understands, but that CAEATFA is self-funded, and does not receive any money from the general fund. Ms. Perrault replied that she was aware, but that Staff should put in more thought about the fee.

Ms. Moua noted that there is a process for CAEATA's regulations, and that the goal is to bring proposed regulations before the Board for approval at an upcoming meeting. CAEATFA is also holding a public workshop at the end of the month to get more feedback, and then also consider any priorities or additional feedback the Board may have.

Ms. Moua then opened up the floor for discussion and public comment.

Ms. Sarron stated that Alex Tran wished to give a public comment.

Ms. Ma added that she thinks based on the discussion, the Board has thoughts on about 4 or 5 items.

Alex Tran, Managing Partner at California Incentives, stated that his company has been receiving awards from CAEATFA for about 10 years and submitted roughly 40-50 applications, and that his comments regarded looking at applicants from a past performance basis, and the importance of the 15% rule.

Mr. Tran stated that of all active awards right now, excluding last year's because they have not yet reported, 51% of the funds given to active awards have awardees who have spent 5% or less, and there is \$195 million with \$152 million at 0%. Mr. Tran stated that when looking at those while working in incentives, he believes that the worst kind of incentive is the one that doesn't get used but rather allocated. This becomes even more polarizing in a program that does not reallocate funds.

Mr. Tran stated that he hoped to give some consideration to insert something in the regulations that evaluates past performance or current performance in an open award in the ability to give someone a second award or even an extension, because a lot of money is not being used. Mr. Tran stated that eliminating the 15% rule when so many funds are going unused, and in an environment where in the last three or four years we have had hundreds of millions of dollars



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denied through the competitive criteria, and we are denying companies that probably would have helped spend money and reduce down the 51% lack of use.

Mr. Tran also recommended doubling or tripling all the fees, because if you cannot afford to spend \$500 or \$1000 for an application fee, the viability of your \$30 to \$40 million project is questionable. Mr. Tran then stated that perhaps the rule should differ for small businesses, and maybe refunds should be offered in those cases. For non-small businesses, however, this is a nominal fee that the State needs because the program is user-paid.

Ms. Ma asked Mr. Tran to clarify whether of the 51% of the funds given out, the companies have only spent 5% or less, and that they are not meeting the requirement to spend 15% in 18 months. Mr. Tran clarified that they may be in month 16, or have received an extension, but they are over a year into their award and spent 0 to 5%.

Ms. Ma pointed out that item 13 proposes to increase the three-year purchasing initial term to five years and requires the money to be spent within that time but does not require a percentage of use. Ms. Ma asked Mr. Tran whether that would be helpful. Mr. Tran replied that he did not think so. If a company is not spending the money within the first few years, another two years may not help. Additionally, 21% of all completed or inactive awards have the same zero-to-five percent of utilization, and the proposed changes would encourage even less utilization.

Ms. Ma asked why the monies do not roll over if they come from the general fund. Ms. Sarron clarified that they do not come from the general fund, rather the incentive offered is the taxes excluded.

Ms. Perrault pointed out that this is viewed as a revenue loss. Ms. Jimenez pointed out that it seems to be set up as an incentive for the money to be used fast and early, versus a penalty for not using it. Ms. Perrault added that Ms. Ma's question still in some ways stands although it is an exemption and scored as a loss of potential revenue and inquired if there is something in the statute that does not allow the money to roll over.

Ms. Jimenez replied that she believes it is in tax code. Ms. Perrault pointed out that if only \$80 million of the yearly \$100 million is awarded, the extra \$20 million does not roll over into the next year, stating that California Competes is set up similarly as a tax deferral, and that rolls over. Ms. Perrault was curious about the background on why STE cannot roll over. Ms. Sarron replied that CAEATFA has always been told they cannot roll over.

Mr. Oppenheim added that it is still scored for the full amount because the tax expenditure has to be trued up. Ms. Perrault stated that DOF trues it up in the out years. Mr. Oppenheim suggested possibly looking at this. Ms. Perrault asked if the program always hits the maximum. Ms. Sarron replied that it does. Ms. Perrault replied that it may then be a moot point, since the issue would only come up in years that did not hit the maximum. The proposed change is to cap it at \$15 million per award instead of \$10 million. Ms. Perrault expressed concern that if



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STE were rolled over, then large projects would start trying to get a portion of that, but the \$15 million cap means that this would not apply.

Mr. Oppenheim stated that he believed Mr. Tran's comment was correct, that projects average about 5% spent within three years for the 15% over the 18-month timeframe, and that it would be appropriate to review the correct incentive to promote shovel ready projects, and ensure full spending of the tax exclusions. Otherwise, he understands Mr. Tran's comment and seeming frustration that there are many potential state tax exemptions for projects that might be eligible that simply cannot come to the table because on paper CAEATFA has expended its full tax allocation.

There was an in-person comment. Phillip Herrera, Principal of Herrera & Company, stated that his firm has provided consulting services for many years related to California incentives programs including Cal Competes, CAEATFA, and the Employment Training Panel. His clients are primarily advanced manufacturers including semiconductors, and his firm has a long successful track record.

Mr. Herrera stated that he wished to offer a recommendation that could help CAEATFA manage a tighter budget while improving applicant performance. Mr. Herrera recommended adopting a similar method to how ETP evaluates applicants who underperform the prior year. ETP, like CAEATFA, uses a performance-based contract evaluation. ETP also invites an independent panel that reviews and votes on each application. Mr. Herrera stated that though ETP's funding comes from a different funding source, it is similar because it faces constraints in allocating resources.

Mr. Herrera stated that the ETP panel consists of nine members appointed by the Governor, the Speaker of the Senate Pro Tempore, and a GO-Biz representative. When repeat ETP applicants fail to fully earn their prior award, the appointed panel usually rightsizes a subsequent board by limiting new funding to the amount the applicant actually earned under a previous contract. Mr. Herrera stated that while exceptions are made, this approach is applied consistently and has had measurable cost of impact on program outcomes. Applicants have become more conservative and realistic in their funding requests, leading to higher performance rates and better stewardship of limited funds. Mr. Herrera stated that while this practice is not explicitly statutory, he would recommend that the CAEATFA board consider adopting a similar voting pattern or evaluate its standards for repeat applicants. This would encourage applicants to be more diligent and precise in determining the amounts they request. Mr. Herrera stated that his firm is already developing an advocacy strategy to support further CAEATFA extension, building on efforts such as SB 86 with the goal of making the program stronger, and he requested to be contacted about that effort.

Ms. Ma asked Mr. Herrera for his thoughts on Mr. Tran's comment that extending it to five years does not make sense to him. Mr. Herrera replied that he agreed with Mr. Tran's observation. Ms. Ma then asked Mr. Herrera about his thoughts on requiring annual reports for 15 years. Mr. Herrera replied that he agreed with the Executive Director that if you have a five-



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year term then it really is a 10-year look back. Ms. Ma asked if Mr. Herrera's clients are doing the 15-year reporting. He replied that they are, though his clients are Fortune 500 companies with deep resources for any kind of reporting.

Mr. Oppenheim asked Mr. Herrera for his thoughts on fully utilizing the STE available and not leaving so much on the table, especially by the three-year term. Mr. Herrera replied that he agreed with Mr. Oppenheim's concern and added that ETP is different because it appears in the January budget from the Governor. If an applicant does not use their workforce training funds, it goes back into the pot, and another applicant can get it. Mr. Herrera stated that the decision in that case is not as dire as in CAEATFA's case about who will get and use the STE. However, ETP is diligent about ensuring that if someone comes back for more funding, they are held to their performance rate from the previous application.

Mr. Oppenheim asked Ms. Ma if Blue Sky could recommend structures to help maximize expenditure of the full STE given the program is deficient in its achievement under the current statutory structure. Ms. Sarron pointed out that there will be a public comment in a separate space and asked Ms. Moua for the date of the public comment. Mr. Oppenheim replied it would be on January 30, 2026. Ms. Ma asked Ms. Sarron to clarify that Mr. Oppenheim was asking whether Blue Sky could review ETP's panel based on comments today. Ms. Sarron agreed and replied that it could.

Ms. Ma asked if there were any other public comments.

There was an in-person comment. Jim Kuhl, California Tax Specialist at KPMG, complimented CAEATFA staff for their responsiveness and helpfulness, and expressed his appreciation for them. Regarding the requirement that 15% be spent in 18 months, he pointed out that this sales tax exclusion is a critical component of project planning for taxpayers. Mr. Kuhl stated that shovel-ready projects are not brought before the Board because businesses are thinking about bringing their shovel to another state, so the sales tax exclusion is instrumental in keeping projects in California.

Mr. Kuhl stated that in advising large clients who usually max out this benefit, what he sees is that after getting a sales tax exclusion, they then enter into a six- to 12-month contracting process. Supply chain issues also arise, such as the Moss Landing fire which disrupted supply chains for several months, as well as timing issues, such as tariffs that add uncertainty. Mr. Kuhl stated that a project will sometimes be put on hold for several months pending resolution of unanticipated increases and negotiation of who will absorb those costs.

Mr. Kuhl stated that the project process also may include environmental studies required by local governments including counties, as well as county planning and zoning requirements. Mr. Kuhl stated that in his experience working on projects, the sales tax exclusion has been a component of much larger projects that include a construction project of some kind. Mr. Kuhl added that he is not surprised that 15% of the money is not spent within 18 months and suggested eliminating that requirement.



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Mr. Oppenheim stated that he agreed with Mr. Kuhl's statement, and that the Board has been incredibly lenient in granting extensions and understanding of exactly the issues that were pointed out by Mr. Kuhl, however, the Board still has a fiduciary duty over the exclusions and tax expenditures it authorizes. Mr. Oppenheim gave an example of a recent Board meeting with 13 or 14 exclusions, in which some had accomplished 50% of their STE goal, and some only 1 or 2%. Mr. Oppenheim stated that the Board is put in a difficult position in terms of evaluating whether a project is really moving through, and why it is getting a second extension with comparatively low expenditure.

Mr. Oppenheim stated that he believes the Board is caught in cross tides, wanting to be as accommodating as possible especially with programs that give California the benefit of moving first in these industries, while at the same time not wanting to leave money and projects on the table. He noted that the Board must look at shovel readiness and understand the vulnerabilities within that structure. Mr. Oppenheim noted that the government shutdown, for example, stopped a lot of planning, permitting, and granting for some groups that previously came before the Board. Mr. Oppenheim stated his appreciation for the comments but struggled with how to maximize the tax expenditure that the Board is authorized to provide.

Mr. Kuhl added that accelerating the administrative fee even more than 50% may make sense for applicants claiming they need a certain amount.

Technical issues caused a pause in the meeting. Khaim Morton, Deputy Treasurer, resumed the meeting as Chair, and thanked the Board for allowing the substitution and the slight delay.

Mr. Morton asked if there were any additional public comments on Item 4. There were none.

5. Public Comment

Mr. Morton asked if there were any comments from the public regarding any item not on the agenda. There were none.

6. Adjournment

There being no further business, public comments, or concerns, the meeting adjourned at 12:23 p.m.

Respectfully submitted,

Christina Sarron, Executive Director