

NOTICE OF PROPOSED EMERGENCY ACTION

Government Code Section 11346.1(a)(2) requires that, at least five working days prior to submission of the proposed emergency action to the Office of Administrative Law, the adopting agency provide a notice of the proposed emergency action to every person who has filed a request for notice of regulatory action with the agency. After the submission of the proposed emergency to the Office of Administrative Law, the Office of Administrative Law shall allow interested persons five calendar days to submit comments on the proposed emergency regulations as set forth in Government Code Section 11349.6

FINDING OF EMERGENCY

CALIFORNIA ALTERNATIVE ENERGY AND ADVANCED TRANSPORTATION FINANCING AUTHORITY

Title 4, Division 13, Article 2 (commencing with Section 10030)

Finding of Emergency

Pursuant to Public Resources Code Section 26009, the regulations being adopted by the California Alternative Energy and Advanced Transportation Financing Authority (“CAEATFA”) as emergency regulations (the “Emergency Regulations”) are expressly deemed in statute to be necessary for the immediate preservation of the public peace, health and safety, and general welfare.

Authority and Reference

Authority: Public Resources Code Section 26011.8. Section 26011.8 of the Public Resources Code authorizes CAEATFA to approve a project for financial assistance in the form of the sales and use tax exclusion established in Section 6010.8 of the Revenue and Taxation Code.

Reference: Public Resources Code Section 26011.8; Revenue and Taxation Code Section 6010.8. This regulation will implement and make specific Section 26011.8 of the Public Resources Code.

Informative Digest

The California Alternative Energy and Advanced Transportation Financing Authority Act establishes the California Alternative Energy and Advanced Transportation Financing Authority (“CAEATFA”) and requires CAEATFA to establish programs to provide financial assistance to participating parties for projects related to alternative energy sources and advanced transportation projects.

Existing law authorizes CAEATFA to provide a sales and use tax exclusion (“STE”) to certain types of manufacturers and recyclers to promote the creation of California-based manufacturing, California-based jobs, and advanced manufacturing and the reduction of greenhouse gas emissions, air and water pollution, or energy consumption. Existing law also limits to \$100 million the amount of STE CAEATFA is authorized to grant for each calendar year.

Existing regulations establish eligibility and evaluation criteria by which Applications are reviewed and specify the method by which CAEATFA will accept Applications if the STE Program (“Program”) becomes oversubscribed. Existing program regulations establish a competitive process whereby Applications are ranked based on specific criteria to determine the order of priority for consideration by CAEATFA if the Program becomes oversubscribed. As part of the Application, existing program regulations require Applicants to submit information on the Applicant’s business, the proposed Project, and the product to be manufactured. Existing program regulations state that the Executive Director will announce the application periods prior to the start of each calendar year.

Existing law (SB 86 (McNerney, Chapter 211, Statutes of 2025)) requires that effective January 1, 2026, an Applicant along with its parent corporation or subsidiary, who employs 500 or more employees, shall not be approved by CAEATFA for an STE award unless the Applicant certifies, in a manner designated by CAEATFA that it will:

- 1) Provide comparative good wage and benefits to the employees of the applicant or its subcontractors, relative to the industrial sector of the applicant or its subcontractors, occupation, and labor market of those employees;
- 2) Invest in employee training, growth, and development, such as through comprehensive workforce training programs or apprenticeship programs; and
- 3) Adopt mechanisms to include worker voice and agency in the workplace.

The authorized \$100 million in STE each calendar year is allocated across three distinct pools: the \$20 million Small Project Pool, the general project pool, and the \$15 million pool for larger projects. Existing program regulations limit Applicants to receiving \$10 million in STE each calendar year. Existing program regulations establish a \$20 million in STE set-aside for Applicants requesting \$2 million or less in STE, and a \$15 million in STE set-aside for Applicants that would like to request beyond the \$10 million in STE annual cap, up to \$20 million if Applicants apply during the first application round of the year.

Existing program regulations incorporate compliance requirements, including an 18-month 15% purchase requirement; a three-year initial term for purchases of eligible equipment, both of which may be extended upon a finding that an extension is in the public interest and advances the purposes of the Program; and semi-annual reporting for equipment purchase tracking and annual reporting to evaluate overall program efficacy.

Existing program regulations require Applicants to pay fees to cover the cost of reviewing Applications and administering the Program.

At the March 17, 2026 CAEATFA Board meeting, CAEATFA approved emergency regulations to implement the following changes:

- 1) Address a statutory requirement of SB 86 (McNerney, Chapter 211, Statutes of 2025)
- 2) Adjust and clarify program policies
- 3) Make compliance adjustments in response to stakeholder needs
- 4) Streamline program administration and introduce greater flexibility to address program needs
- 5) Make fee-related adjustments to reflect cost increases due to inflation and other changes in program costs
- 6) Make clarifying or technical changes

At the January 20, 2026 CAEATFA Board meeting, CAEATFA staff presented potential modifications addressing the items outlined above to solicit input from Board members and the public. Subsequently, a public workshop was held on January 30, 2026 for attendees to provide verbal and written comments.

These proposed Emergency Regulations will allow CAEATFA to offer financial assistance to Alternative Source, Advanced Transportation, Advanced Manufacturing, and recycling projects as well as fusion projects as permitted by SB 86. By promoting these types of projects, CAEATFA promotes California-based manufacturing, California-based jobs, the reduction of greenhouse gas emissions, and the reduction of air and water pollution and energy consumption.

Government Code Section 11346.5(a)(3) requires that the notice of emergency rulemaking include, “[an] evaluation of whether the proposed regulation is inconsistent or incompatible with existing state regulations.” CAEATFA’s staff reviewed the California Code of Regulations and found no existing regulations dealing with this issue. Therefore, CAEATFA believes that the proposed regulation is neither inconsistent nor incompatible with existing state regulations.

Section 10031. Definitions.

This section includes definitions of terms commonly used throughout the regulations and program documents. It is amended to add further specificity and clarity, update section numbering, and establish a new definition.

Necessity

Section 10031(e) is amended to include an entity’s subsidiaries or affiliates. This amendment is necessary to enable the Executive Director to approve adding additional Participating Parties to an Applicant’s Regulatory Agreement that play a critical role in carrying out a Project.

Section 10031(t) is amended to remove reference to a specific statutory subdivision to maintain consistency with other definitions that refer to statute.

Section 10031(v) is amended to allow a de minimis amount—defined as no more than 10% of the Qualified Property—of power generation equipment to qualify when it is ancillary to the Facility’s primary purpose. This amendment is necessary to assist Applicants that need to purchase power

generation equipment required for production, such as manufacturers that generate electricity to power their production facilities and reduce reliance on fossil fuels in the electricity grid. This section is also amended to remove reference to a specific statutory subdivision to maintain consistency with other definitions that refer to statute.

Section 10031(x) is amended to clarify that purchases under all eligible pathways, including Recycled feedstock and Advanced Manufacturing, that do not contribute directly to the production process cannot exceed 1% of the total value of all approved Qualified Property. This section is further amended to maintain consistent formatting for percentages and certain written numbers by including numerals in parentheses, and to capitalize terms defined in statute.

Section 10031(z) is amended to remove reference to a specific statutory subdivision to maintain consistency with other definitions that refer to statute.

Section 10031(aa) is amended to clarify that the primary purpose of Applicants with a Recycled Resource Extraction Project must be to process Recycled feedstock. This amendment is necessary to ensure that eligibility is limited to Projects that process a substantial portion of Recycled feedstock.

Section 10031(ac) is removed as the proposed amended regulations will no longer include distinct pools of funding. Instead, Applications will be considered from a single funding pool, based on STE availability or, in the event of program oversubscription, on their Competitive Criteria score.

Section 10031(ad) is amended to remove the reference to a specific statutory subdivision to maintain consistency with other definitions that refer to statute, and is renumbered as Section 10031(ac) as a result of the deletion of the former Section 10031(ac).

Section 10031(ae) is renumbered as Section 10031(ad) as a result of the deletion of the former Section 10031(ac).

Section 10031(ae) is added to define the acronym used for sales and use tax exclusion pursuant to Section 6010.8 of the Revenue and Taxation Code.

Section 10032. Application Requirements.

This section addresses application requirements and is amended to streamline the STE application process and provide greater administrative flexibility. Key changes include adjusting when CAEATFA must announce application periods, allowing more flexibility in how Applications may be submitted, and eliminating the three separate STE funding pools (\$20 million small pool, general pool, and \$15 million large pool) to reduce program complexity. The Application cap increases from \$10 million to \$15 million, and prioritization rules are updated accordingly. Several subsections are renumbered and reformatted for consistency. Additional updates clarify completeness requirements, mandate use of the most current Application version, refine scoring

criteria for Emerging Strategic Industries, and incorporate a new workforce certification required under SB 86 for Applicants with 500 or more employees.

Necessity

Section 10032(a)(1) is amended to reflect updated timing in which application periods for the Program will be announced. Allowing application periods to be announced into the beginning of the year will allow time for CAEATFA to address any program changes or updates that will take effect in the ensuing calendar year.

Section 10032(a)(2) is amended to allow the Executive Director to determine how Applications may be submitted, with the submission method specified on CAEATFA's website. Existing regulations limit Application submissions to CAEATFA's office email; however, as the Program evolves, staff may explore other tools or platforms to streamline the Application submission process.

Section 10032(a)(3) is removed because it is redundant with Section 10032(a)(1)(B), which already provides that the Executive Director may reschedule or amend any previously announced application period, provided the information is posted on the CAEATFA website at least 10 days before the scheduled meeting.

Section 10032(a)(4) is amended to remove mention of the \$20 million Small Project Pool due to newly proposed amendments eliminating the separate funding pools and add that all Applications will be reviewed and considered in the order they were received, except in the event the Program is oversubscribed, in which case Applications will be considered based on Competitive Criteria scores. Removing the \$20 million Small Project Pool is necessary to reduce the complexity created by administering multiple funding pools. This section is also renumbered to 10032(a)(3) as a result of the former Section 10032(a)(3) being removed and changes a section reference.

Section 10032(a)(5) is amended to increase the Application project cap from \$10 million to \$15 million in STE. This section is also renumbered to Section 10032(a)(4) due to the removal of the former Section 10032(a)(3). It removes a reference to subsection (B), which has been deleted, replaces common program language with a newly proposed defined acronym, and updates a percentage to maintain consistent formatting.

Section 10032(a)(5)(A) is amended to reflect the new \$15 million application project cap and to clarify the order of Application priority if additional STE becomes available during the last application period after all Applications received have been considered—first to those that were capped, followed by those that were uncapped. This proposed amendment also states that Applicants eligible for additional STE will be notified in writing no later than 28 days prior to the last Authority Board meeting of the calendar year in which Applications are considered. Distinguishing the last application Board meeting is necessary because the last scheduled Authority Board meeting of the calendar year (i.e., December) may not be the final Board meeting in which Applications are considered.

Section 10032(a)(5)(B) is removed due to newly proposed amendments eliminating the separate funding pools. Removing the \$15 million large pool is necessary to reduce the complexity created by administering multiple funding pools.

Section 10032(a)(6) is renumbered to Section 10032(a)(5) as a result of the former Section 10032(a)(3) being removed and is amended to replace common program language with a newly proposed defined acronym.

Section 10032(a)(7) is renumbered to Section 10032(a)(6) as a result of the former Section 10032(a)(3) being removed and amends a section reference.

Section 10032(a)(7)(B)(i)(d) is amended to have consistent number formatting with certain written numbers by including numerals in parentheses.

Section 10032(a)(7)(B)(i)(g) is amended to establish that up to 75 points will be awarded if the Project's industry qualifies as an Emerging Strategic Industry (ESI). Under existing regulations, Applicants receive 75 competitive points if their Project falls within one of the industries listed on the ESI list, and zero points if it does not. A key limitation of this approach is that Applicants are classified strictly as either ESI or non-ESI, with no flexibility for partial points when they produce a component that qualifies under one of the ESI designations but their end product does not. Points are calculated based on the percentage of the value of the ESI component relative to the overall value of the end product.

Section 10032(a)(8) is renumbered to Section 10032(a)(7) as a result of the former Section 10032(a)(3) being removed

Section 10032(b)(4) is amended to establish that an Application is considered incomplete if the Application Fee is not received within five business days from the application deadline, and to update a section reference.

Section 10032(b)(5) is established to make clear that the most recent version of the Application must be submitted in order for the submission to be considered valid.

Section 10032(c)(2) is amended to clarify that sufficient responses must be provided by the Applicant as described in the Application legal questionnaire.

Section 10032(c)(3) is established to address a workforce standard in existing law (SB 86), which states that, effective January 1, 2026, an Applicant and its parent corporation or subsidiary with 500 or more employees shall not be approved for an STE award unless the Applicant provides certification in a manner designated by CAEATFA. This certification will be incorporated into the Application, in which Applicants will declare that they meet the requirements outlined in Section 20611.8(2) of the Public Resources Code.

Section 10032(c)(4) is renumbered from Section 10032(c)(3) to Section 10032(c)(4) as a result of the new Section 10032(a)(3) being established.

Section 10032(c)(5) is renumbered from Section 10032(c)(4) to Section 10032(c)(5) as a result of the new Section 10032(a)(3) being established.

Section 10032(c)(5)(A)(ix) is amended to have consistent number formatting with certain numbers spelled out and the numeral in parentheses.

Section 10032(c)(5)(C) is amended to remove mention of the Small Project Pool due to newly proposed amendments eliminating the separate funding pools.

Section 10032(c)(6) is renumbered to from Section 10032(c)(5) to Section 10032(c)(6) as a result of the new Section 10032(a)(3) being established. This section is also amended to have consistent number formatting with certain numbers spelled out and the numeral in parentheses.

Section 10033. Eligibility Requirements and Application Evaluation.

This section addresses eligibility requirements and how Applications are evaluated. This section is amended to clarify that project revenues must exceed production costs and refine scoring criteria for Emerging Strategic Industries.

Necessity

Section 10033(c)(1)(C) is amended to clarify that project revenues must exceed the production cost associated with that production. For a Project to be viable, Applicants must generate revenue that exceeds their labor and supplier costs. In cases where this requirement is not met, Applicants may still satisfy the Program's net benefit test by earning points through other qualifying factors, such as creating environmental benefits or new jobs, locating in a high-unemployment area, establishing educational workforce partnerships, participating in an industry cluster, or providing employee benefits.

Section 10033(c)(5)(D) is amended to establish that up to 40 points will be awarded if the Project's industry qualifies as an Emerging Strategic Industry (ESI). Under existing regulations, Applicants receive 40 points if their Project falls within one of the industries listed on the ESI list, and zero points if it does not, as part of the primary scoring used to determine an Applicant's eligibility. A key limitation of this approach is that Applicants are classified strictly as either ESI or non-ESI, with no flexibility for partial points when they produce a component that qualifies under one of the ESI designations but their end product does not. Points are calculated based on the percentage of the value of the ESI component relative to the overall value of the end product.

Section 10035. Regulatory Agreement and Compliance.

This section addresses Regulatory Agreement terms and requirements, as well as compliance responsibilities. It is amended to establish a fixed term for annual compliance reports; remove the allowance for Applicants to relocate up to 15% of equipment before the end of the purchasing term

without sales tax exclusion repayment; provide flexibility regarding when compliance reports are due; extend the 18-month 15% purchase requirement to two years without an option to extend, with failure to meet this requirement resulting in ineligibility for a new award for two years from the requirement deadline; increase the initial three-year purchasing term to five years; prohibit Applicants in suspended status from making changes to an existing award or reapplying; and allow certain post-award changes.

Necessity

Section 10035(a)(1) is amended to state that the Regulatory Agreement entered into between approved Applicants and CAEATFA must be signed within 30 days of Board approval rather than on the date shown on the notification provided pursuant to Section 10034(f) in order to avoid delays in signing of the Regulatory Agreement due to delays in receipt of the notification. The regulations are also amended to provide flexibility by allowing the Executive Director to extend the execution of the Regulatory Agreement up to 60 days in order to prevent unintended disqualification of Applicants in the event of unavoidable delays.

Section 10035(a)(2) is amended to state that all Regulatory Agreements will have a fixed term of 12 years. The prior variable term resulted in some Applicants having unnecessarily long Regulatory Agreement terms, which also required approved Applicants in these cases to continue to report to CAEATFA beyond a reasonable period of time.

Section 10035(a)(3)(B) is removed as a result of CAEATFA determining that the requirement that Applicants maintain and operate equipment in California was difficult to enforce and did not serve a needed program purpose.

Section 10035(a)(3)(C) is removed as it is not needed without Section 10035(a)(3)(B).

Section 10035(a)(3)(D) is removed as it is not needed without Section 10035(a)(3)(C).

Section 10035(a)(3)(E) is removed as it is not needed without Section 10035(a)(3)(B).

Section 10035(a)(3)(F) is renumbered to Section 10035(a)(3)(B) as a result of Sections 10035(a)(3)(B, (C), (D), and (E) being removed and amended to clarify the reporting periods for the semi-annual reports.

Section 10035(a)(3)(F)(ii) is renumbered to Section 10035(a)(3)(B)(ii) as a result of Sections 10035(a)(3)(B, (C), (D), and (E) being removed. It is also amended to authorize the Executive Director to change the report deadline in order to ensure that Applicants have sufficient time and needed data to complete these reports.

Section 10035(b)(1) is amended to increase the period of time granted to Applicants to complete at least 15% of purchases of Qualified Property. In addition, this section is amended to state that Applicants that do not make at least this minimum amount of Qualified Property purchases are not eligible to apply for additional sales tax exclusions for a period of two years as a means of ensuring that the available sales tax exclusion amounts are available to Applicants that are ready to make

Qualified Property purchases. Lastly, this section is amended to increase the amount of time Applicants are allowed to make all Qualified Property purchases from three years to five years.

Section 10035(b)(1)(A) is removed as CAEATFA determined that the prior process for requesting extensions was ineffective and resulted in unnecessary workload and higher program costs without producing benefits to program administration.

Section 10035(b)(1)(B) is removed as CAEATFA determined that the prior process for requesting extensions was ineffective and resulted in unnecessary workload and higher program costs without producing benefits to program administration.

Section 10035(b)(2)(A) is removed as this section is no longer needed due to the addition of Section 10035(b)(3).

Section 10035(b)(3) is established to make reassignment of awards its own distinct section. This section is necessary to clarify the process by which Applicants can transfer Qualified Property in the event of an asset sale, and that the new owner must be willing to assume all of the duties and responsibilities set out in the Regulatory Agreement.

Section 10035(b)(4) is renumbered as a result of the new Section 10035(b)(3) being established and amended to authorize the Executive Director to change the reporting deadline for the annual compliance report in order to ensure that applicants have sufficient time and needed data to complete these reports. This section has also been amended to clarify the reporting requirements for Applicants with Regulatory Agreements that expire prior to the end of the calendar year. This ensures that Applicants submit a full year of data in the year the Regulatory Agreement term expires, rather than only the partial data that would result from the actual expiration date.

Section 10035(b)(5) is renumbered from Section 10035(b)(4) as a result of the new Section 10035(b)(3) being established.

Section 10035(b)(6) is renumbered from Section 10035(b)(5) as a result of the new Section 10035(b)(3) being established.

Section 10035(b)(7) is renumbered from Section 10035(b)(6) as a result of the new Section 10035(b)(3) being established. and amended to reflect the renumbering change for new Section 10035(b)(6).

Section 10035(b)(8) is renumbered from Section 10035(b)(7) as a result of the new Section 10035(b)(3) being established.

Section 10035(b)(9) is renumbered from Section 10035(b)(8) as a result of the new Section 10035(b)(3) being established and clarifies that Applicants with suspended Regulatory Agreements are not authorized to submit new Applications nor will modifications to existing Applications be approved.

Section 10035(b)(10) is added to clarify that non-material changes to previously approved Applications are permissible if approved by the Authority. This amendment is necessary as many Applicants receive a sales and use tax exclusion award before production begins and may encounter unanticipated changes as Projects develop.

Section 10035(c) is amended to increase the length of the period of time during which the Authority can seek recovery of financial assistance in specified cases. This amendment is necessary to align with the increased amount of time Applicants are allowed to make all Qualified Property purchases pursuant to Section 10035(b)(1).

Section 10036. Fees.

This section addresses fees that are charged for program administration. It is amended to increase the minimum Application Fee from \$250 to \$500; update the timing of post-award administrative fee collection to better align with the time period during which administrative costs are incurred; change the fees for modifications to an Applicant's authorizing resolution or Regulatory Agreement; remove compliance extension fees; eliminate the 75% Application Fee refund; and allow electronic payments to be accepted

Necessity

Section 10036(a)(2) is amended to increase the minimum Application Fee from \$250 to \$500. This amendment is necessary to account for inflation and increased complexity of Applications received by the Authority. There has not been an adjustment in the Application Fee since the Program was established in 2010.

Section 10036(a)(3) is amended to allow electronic payments to be accepted for Application Fees and to establish a uniform fee deadline of five business days after the application period closes. Under the existing regulations, Applicants must submit the Application Fee within five days of submitting their Application. Because the Application window is open for several weeks, fee deadlines vary depending on when an Applicant submits their Application. The proposed change would create a single, consistent fee deadline for all Applicants and make it easier for CAEATFA to track payments.

Section 10036(a)(4) is amended to remove the 75% Application Fee refund. This amendment is necessary because reviewing an Application to determine its Competitive Criteria score and ranking requires staff time which is not currently covered by fees if these fees are refunded. This amendment also clarifies that a refund only applies when an application review was not conducted.

Section 10036(b)(4) is amended to change the timing of the receipt of program administrative fees. Under existing regulations, Applicants pay 100% of these fees over the term of the Regulatory Agreement. However, CAEATFA staff costs are substantially higher at the initiation of the Regulatory Agreement. This change would more closely align the receipt of these fees with the timing of the costs incurred requiring that either \$15,000 or 50% of the Administrative Fee, which

is greater based on the amount of Qualified Property approved, be paid upon execution of the Regulatory Agreement.

Section 10036(b)(5) is amended in conjunction with the change to Section 10036(b)(4) to require that the remaining 50% of the Administrative Fee is payable over the term of the Regulatory Agreement as Qualified Property purchases are completed.

Section 10036(b)(5)(B) is amended to remove the provision allowing for refunding of Administrative Fee overpayment; such overpayments cannot occur under the provisions of Sections 10036(b)(4) and 10036(b)(5) as amended as fees are only paid as Qualified Property purchases are made.

Section 10036(b)(6) is removed as a result of changes made in Section 10036(b)(4) relating to the initial payment of the Administrative Fee.

Section 10036(b)(7) is renumbered to Section 10036(b)(6) as a result of the former Section 10036(b)(6) being removed and is amended to allow electronic payments to be accepted for administrative fees.

Section 10036(b)(8) is renumbered to Section 10036(b)(7) as a result of the former Section 10036(b)(6) being removed and clarifies that administrative fees are not refundable.

Section 10036(c)(1) is amended to increase the fee for Applicants requesting a modification to their Regulatory Agreement or authorizing resolution that requires Board approval, or for Applicants requesting to add an additional subsidiary or affiliate to a Regulatory Agreement subject to the approval of the Executive Director from \$500 to \$2,000. This amendment is necessary to cover the cost of staff labor as even seemingly simple transactions, such as adding a participating party, can require more work than anticipated when the initial fee amounts were established.

Section 10036(c)(1)(A) is removed as a result of the proposed amendments eliminating the option to waive the 15% purchase requirement.

Section 10036(c)(1)(B) is removed as a result of the proposed amendments eliminating the option to waive the three-year initial term.

Section 10036(c)(1)(C) is removed as a result of the proposed amendments eliminating the option to waive the 15% purchase requirement and the three-year initial term.

Section 10036(c)(2) is established to specify that the fee for a Regulatory Agreement ownership transfer is set at \$2,000. This addition is necessary because an award transfer requires staff work for due diligence and approval by the Board.

Section 10036(c)(3) is renumbered from Section 10036(c)(2) to Section 10036(c)(3) due to the addition of new Section 10036(c)(2). This amendment also clarifies that the fee applies to

Applicants who revise their Application for consideration of any additional STE at the end of the year, and it capitalizes the word “Board.”

Section 10036(c)(4) is renumbered due to the addition of new Section 10036(c)(2) and is amended to allow electronic payments to be accepted for other administrative fees.

**Other Matters Prescribed by Statutes Applicable
to the Specific State Agency or to any
Specific Regulation or Class of Regulations**

No other matters are prescribed by statute applicable to CAEATFA or to any specific regulation or class of regulation pursuant to Section 11346.1(b) or 11346.5(a)(4) of the Government Code pertaining to the Emergency Regulation or to CAEATFA.

Mandate on Local Agencies or School Districts

The Executive Director of CAEATFA has determined that the Emergency Regulations do not impose a mandate on local agencies or school districts (pursuant to Government Code Section 11346.5(a)(5)).

Fiscal Impact

The Executive Director of CAEATFA has determined that the Emergency Regulations do not impose any additional mandated cost or savings requiring reimbursement under Part 7 (commencing with Section 17500) of Division 4 of Title 2 of the Government Code, or any other non-discretionary cost or savings to any local agency, or any cost or savings in federal funding to the State.

The proposed regulations increase certain Program fees to help cover the costs of ongoing program operations and maintenance, while removing other fees associated with actions that are proposed to be eliminated.

Application Fee

Existing regulations require Applicants to pay an Application Fee to cover the costs of reviewing the Application. The Application Fee is equal to .0005 (one twentieth of one percent) of the total amount of Qualified Property identified in an Applicant’s Application as originally submitted. The minimum Application Fee is \$250 and the maximum amount is \$10,000. Staff is proposing to increase the minimum fee amount from \$250 to \$500, while keeping the maximum fee at \$10,000.

Existing regulations provide that the Application Fee is not refundable except in the event an Application is (1) only reviewed to determine its Competitive Criteria ranking and (2) is not fully reviewed by staff due to the Applicant’s Competitive Criteria ranking and the oversubscription of

the Statutory Cap. If this occurs, 75% of the Application Fee will be refunded. Newly proposed modifications will remove this partial refund because determining an Applicant’s competitive ranking does not reduce Staff workload.

Administrative Fee

Existing regulations require that an Applicant requesting a modification to its Regulatory Agreement or authorizing resolution that must be approved by the Authority shall pay an additional administrative fee of \$500. CAEATFA has found that the current \$500 minimum does not cover the cost of staff labor as even seemingly simple transactions, such as adding a participating party to a Regulatory Agreement or name changes, can require more work than anticipated depending upon the requests made and actions of the Applicant beyond the control of the Authority. The newly proposed regulations would replace this fee structure by establishing a fixed fee of \$2,000 for Applicants requesting a modification to their Regulatory Agreement or authorizing resolution that requires Board approval or for Applicants requesting to add an additional subsidiary or affiliate to a Regulatory Agreement subject to the approval of the Executive Director.

Current regulations require an Applicant to pay an administrative fee of \$1,500 for requests to extend the 15% purchase requirement timeframe and an administrative fee of \$2,000 for requests to extend the three-year initial term to use the STE award. For Applicants that request an extension of both the 15% purchase requirement and initial term at the same meeting, an administrative fee of \$2,250 is required. Newly proposed regulations will remove the option to extend the 15% purchase requirement timeframe and the three-year initial term.

Current regulations charge administrative fees between \$15,000 to \$350,000 to Applicants who are awarded a sales and use tax exclusion award. A payment of \$15,000 is required upon the execution of the Regulatory Agreement between the Applicant and CAEATFA. Newly proposed regulations changes the Regulatory Agreement execution administrative fee to either \$15,000 or 50% of the total fee, whichever is greater. This change more closely aligns the timing of administrative costs incurred with the payment of fees. Importantly, it does not change the total amount of administrative fees an Applicant ultimately pays, as total fees remain tied to the amount of Qualified Property the Applicant purchases.

Aside from revenues for CAEATFA, there are no other costs or savings to any other state agency.

Assumptions:

Application Fees			
Increase Minimum Application Fee From \$250 to \$500			
	FY 2025-26	FY 2026-27	FY 2027-28
Number of Applications with Increased Application Fee <i>(Projection; based on historical average over the last three years)</i>	1	1	1
New Minimum Application Fee \$500	\$500	\$500	\$500
Previous Average Application Fee \$287	\$287	\$287	\$287

<i>(Projection; based on historical average over the last three years of Applications that paid below \$500)</i>			
Total Net Increase in Fee Revenue	\$213	\$213	\$213
Removal of 75% Application Fee Refund			
Number of Applications Reviewed for Competitive Score Only <i>(Projection; based on historical average over the last three years)</i>	7	7	7
New Average Application Fee of \$6,355 (No Refund) <i>(Projection; based on historical average over the last three years)</i>	\$44,485	\$44,485	\$44,485
Previous Average Application Fee Kept of \$1,635 (25% of Application Fee) <i>(Projection; based on historical average over the last three years)</i>	\$11,445	\$11,445	\$11,445
Total Net Increase in Fee Revenue	\$33,040	\$33,040	\$33,040

Administrative Fees			
Removal of 15% Purchase Requirement Extension			
	FY 2025-26	FY 2026-27	FY 2027-28
Number of Applications Requesting a 15% Purchase Requirement Extension <i>(Projection; based on historical average over the last three years)</i>	6	6	6
New Administrative Fee of \$0 (No Extensions)	\$0	\$0	\$0
Previous Administrative Fee of \$1,500	\$9,000	\$9,000	\$9,000
Total Net Decrease in Fee Revenue	-\$9,000	-\$9,000	-\$9,000
Removal of Three-Year Initial Term Extension			
Number of Applications Requesting a Three-Year Initial Term Extension <i>(Projection; based on historical average over the last three years)</i>	14	14	14
New Administrative Fee of \$0 (No Extensions)	\$0	\$0	\$0
Previous Administrative Fee of \$2,000	\$28,000	\$28,000	\$28,000
Total Net Decrease in Fee Revenue	-\$28,000	-\$28,000	-\$28,000
Removal 15% Purchase Requirement & Three-Year Initial Term Extensions			
Number of Applications Requesting a 15% Purchase Requirement & Three-Year Initial Term Extension <i>(Projection; based on historical average over the last three years)</i>	7	7	7

New Administrative Fee of \$0 (No Extensions)	\$0	\$0	\$0
Previous Administrative Fee of \$2,250	\$15,750	\$15,750	\$15,750
Total Net Decrease in Fee Revenue	-\$15,750	-\$15,750	-\$15,750
Other Changes to Regulatory Agreement			
Number of Applications Requesting Modification to Regulatory Agreement <i>(Projection; based on historical average over the last three year, as well as expected requests to update Regulatory Agreements to align with new regulations)</i>	8	36	61
New Administrative Fee of \$2,000	\$16,000	\$72,000	\$122,000
Previous Administrative Fee of \$500	\$4,000	\$18,000	\$30,500
Total Net Increase in Fee Revenue	\$12,000	\$54,000	\$91,500

Fiscal Year Impact:

- Current FY 2025-26: -\$7,497
- FY 2026-27: \$34,503
- FY 2027-28: \$72,003

Pursuant to the State Administrative Manual Sections 6601-6616, a Fiscal Impact Statement (Form 399) is submitted without the signature of a Project Budget Manager at the Department of Finance, as this is a proposed emergency rulemaking.