



Sales & Use Tax Exclusion Program

Discussion of Proposed Regulation Amendments

January 30, 2026

Welcome

- This is a remote only public workshop
- Copies of the presentation and proposed regulations are available on our website at:
 - <https://www.treasurer.ca.gov/caeatfa/ste/regulations/index.asp>
- This hearing is being recorded.
- Instructions
 - Please use the raise hand icon or type your question in the chat box and we will grant microphone access. Please be sure to unmute yourself.
 - Live captions are available by selecting the ellipsis (...) above More→ Language and Speech→ Show Live Captions.
 - We ask that all participants wait until the end for public comments. Clarifying questions can be asked during the presentation.
- Presenters
 - Xee Moua, Senior Program Manager
 - Matt Newman, Technical Consultant, Blue Sky Consulting

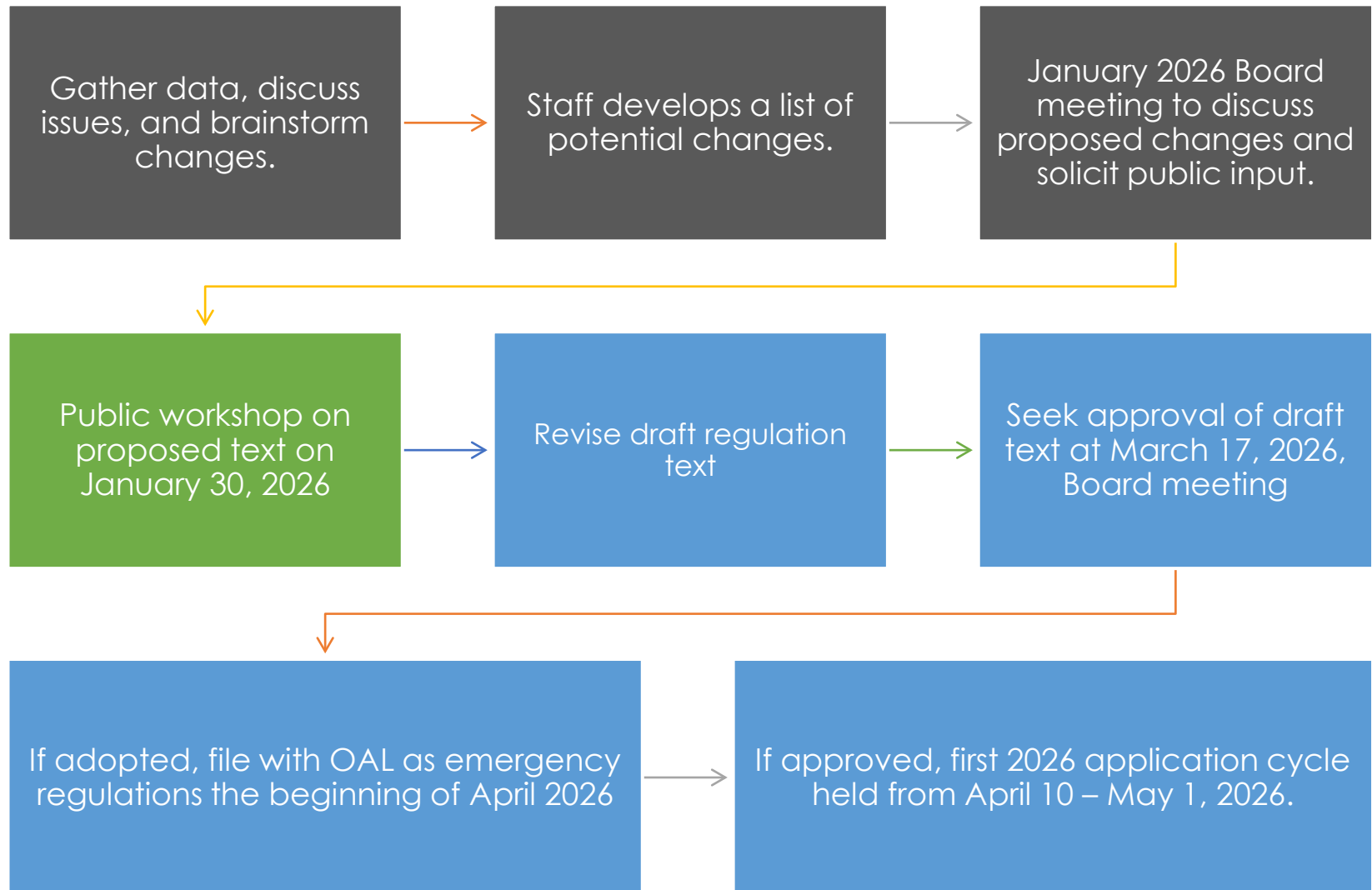
Agenda

- Program Overview
- Regulations Development Process
- Overview of Proposed Amendments
- Public Comment

Program Overview

- The STE Program's purpose is to promote manufacturing, create CA-based jobs, and reduce greenhouse gases
- Four eligibility pathways – Alternative Source, Advanced Transportation, Advanced Manufacturing, and Recycling
- Excludes purchases of eligible manufacturing equipment and machinery from state and local sales and use tax (average savings of 8-10%).
- Authorized to award up \$100 million in STE each year.
- Program is currently set to sunset on January 1, 2028.

Regulation Development Process



This Workshop

Focus on substantive changes.

All other changes not addressed can be viewed in the draft text and commented on at the end.

Staff will consider comments from the January 20, 2026 board meeting and this workshop altogether.

Reasons for Proposed Modifications

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



Proposed Amendments to the STE Program Regulations

SB 86 Statutory Changes

§ 10032(c)(3)

1. Effective January 1, 2026, applicants together with parent company and subs. w/ 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

Policy Clarifications/Changes

2. Allow renewable generation equipment to power applicant facilities § 10031(v)

- 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)

3. Increase Emerging Strategic Industry (ESI) Applicability § 10032(a)(6)(B)(i)(g)

- 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

4. Change Annual Per Project Per Applicant Cap § 10032(a)(4),(A)

- Increase per applicant cap from \$10 million to \$15 million in STE

Compliance Improvements/Changes

5. Require that all applicants provide annual reports for 15 years rather than current applicant specific term §10035(a)(2)
6. Remove 15% purchase requirement and option to waive/extend §10035(a)(1),(A) & §10036(c)(1)(A)
7. Increase the 3-year purchasing initial term to 5 years without the option to extend in order to address increase in CAEATFA workload due to increased waiver/extension requests.
§10035(a)(1),(B) & §10036(c)(1)(B)

Streamlining and Flexibility

8. Redefine “Applicant” §10031(e)

- Delegate authority to the Executive Director to approve adding affiliate participating parties to the Regulatory Agreement without board action

9. Eliminate the Small, General, and Large Project Pools §10031(ac) & §10032(a)(3),(a)(4)(B)

- Revert to one pot of funding
- 2-3 cycles per year with ability to increase or decrease as needed

Fee-Related Changes

10. Increase Minimum Application Fee to Account for Inflation § 10036(a)(2), (4)

- Increase minimum application fee from \$250 to \$500
- Eliminate 75% application refund.

11. Change Timing of Administrative fee § 10036(b)(4) & § 10036(b)(5)(b)

- 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.
- Remove back-end overpayment refunds related to final semi-annual reports

12. Other Fees § 10036(c)(1),(2)

- Previous fees for changes to a Regulatory Agreement ranged from \$500 to \$2,250. Adjust change fee to \$2,000.

Written Comments

Written comments on the proposed modifications will be accepted until 5:00 p.m. on Friday, February 6, 2026

Please submit to:
steprogram@treasurer.ca.gov



Public Comment for Items Discussed in the Presentation



Input on Potential Modifications not Discussed or in Current Proposed Text