



Californians Against Waste

Conserving Resources. Preventing Pollution. Protecting the Environment.

July 24, 2020

Deana Carrillo
Executive Director
CA Alternative Energy & Advanced Transportation Financing Authority (CAEATFA)
915 Capitol Mall, Room 538
Sacramento, CA 95814

(Submitted electronically)

RE: Increased support for recycling projects in Sales and Use Tax Exemption program

Director Carrillo:

As you are aware, Californians Against has been a longtime supporter of the important work undertaken by your agency. As the sponsors of both AB 199 and AB 1583, we have long supported the role that CAEATFA's Sales and Use Tax Exemption program can play as one of our most powerful tools for building recycling markets and driving investment.

We would like to express our support for a number of the proposed modifications to the STE program that would address oversubscription issues and the unprecedented economic impact of the COVID-19 pandemic. Specifically we are very encouraged to see the inclusion of 50 additional competitive criteria points for applicants that do not qualify for the CDTFA partial sales tax exemption for manufacturers. This important modification will help ensure the STE benefit can be equitably provided to qualified applicants that are not eligible for the additional exclusion, which can offset the applicant's costs of not receiving a CAEATFA STE award.

Additionally, we would like to express our support for modifications aimed at investing in our economy quickly during this unprecedented and challenging moment in history. A set-aside STE for smaller projects will help ensure larger awards do not inadvertently absorb all of the STE allocation, and will allow for more projects overall to get awarded. We also support the additional flexibility to allocate any remaining STE at the end of the year, as well as ending the waitlist at the end of the year as a means of addressing oversubscription.

Ultimately, we believe the changes proposed will help foster and incentivize the critical recycling infrastructure necessary for California to meet our greenhouse gas (GHG) reduction goals. We look forward to the rulemaking period in the hope that it can be finalized in advance of the 2021 award process.

Sincerely,

Nick Lapis
Director of Advocacy
Californians Against Waste



July 27, 2020

CAEATFA
Attn: Ashley Emery
915 Capitol Mall, Rm 538 Sacramento, CA 95814
Email: aemery@sto.ca.gov

Subject: Invitation for Comments on Sales and Use Tax Exclusion (STE) Program

Dear Ms. Emery:

Thank you for the opportunity to comment on the proposed modifications to the STE program administered by the California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA). Since 2015, this program has offered much needed investment in recycling infrastructure, encouraging green job development and helping the state meet its waste diversion goals.

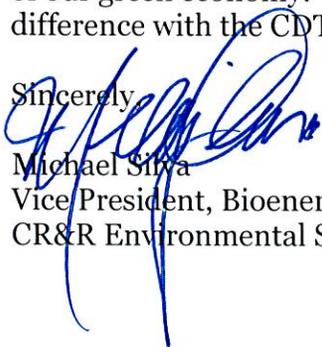
Founded in 1963, CR&R is a Southern California-based waste and recycling collection company, serving more than 3 million people and over 25,000 businesses through Orange, Los Angeles, San Bernardino, Imperial, and Riverside counties. We operate the state's largest anaerobic composting facility and power our vehicle fleet from renewable natural gas derived from organic waste.

CR&R supports the proposed change that projects ineligible for other tax exemption opportunities receive 50 additional Competitive Criteria points.

The 2018 LAO Report "Evaluation of a Sales Tax Exemption for Certain Manufacturers" noted that some applicants may be eligible for a partial exemption of sales and use tax on specific manufacturing and research and development equipment purchases or leases, administered by the California Department of Tax and Fee Administration (CDTFA). However, the waste and recycling industry does not have access to this exemption.

Given this limitation, the proposed additional points will help support the recycling infrastructure growth needed for California's economic recovery and the expansion of our green economy. We appreciate staff's consideration of this programmatic difference with the CDTFA exemption.

Sincerely,


Michael Silva
Vice President, Bioenergy Division
CR&R Environmental Services

1706 Goetz Road
Perris, CA 92570
P. O. Box 1208
Perris, CA 92572

t: 951.943.1991
f: 951.657.5493

From: [Alex Tran](#)
To: [Emery, Ashley](#)
Cc: [Moua, Xee](#)
Subject: CAEATFA STE Reg Comments
Date: Friday, July 31, 2020 9:54:45 AM
Attachments: [image001.png](#)
Importance: High

Hi Ashley – my apologies if this is a bit late (been drowning in SAR filings), but we two suggestions based on the last meeting and proposed reg revisions. Both relate to items on page 4 of Agenda Item – 4.B from the July 21st Meeting.

1. **\$15M “Large Applicant” Fund – Up to \$10M available to 1 Applicant that requests \$20M in total.**

Comment: **We believe that this special fund for larger projects is a great idea.** Larger projects have statistically shown greater STE utilization rates, job creation quality/ROI and are less volatile. However, one minor suggestion that we would make to this proposed revision would be to reduce the ability of one (1) Applicant being able to take 66.6% of this Large Applicant fund—to 33.3%.

Given the recent concerns that fewer companies could take a disproportionate share of the overall pool, we believe that allowing at least three (3) Applicants to take from this new Large Applicant fund would be more reasonable (i.e. limiting Applicants to \$15M in total STE). Based on historical data, we believe it is feasible that there will be a number of Applicants seeking STE from the Large Applicant Fund—with there likely being only one Applicant seeking an amount above \$15M in STE (the “Outlier”).

Thus, under the current proposal, it would be far more likely that the Outlier would cause several Applicants seeking Large Applicant funding to receive nothing from it for their larger projects. **Conversely, if the Outlier was limited to \$5M (33.3% of Large Applicant funds), \$10M would be allocable across all others requesting Large Applicant funds.** Our belief in this is based on the program’s history which shows that there is a higher likelihood that there will exist:

- A. *One Outlier seeking \$15-20M + several Applicants seeking between \$10-15M; versus*
- B. *No Outliers with all other Large Applicants seeking \$10-15M.*

Again, the former will result in the Outlier taking a larger portion and likely leave multiple Large Applicants without funding to cover their entire project. Finally, this would also increase the risk of STE not being utilized post-MRA since more STE would in the Outlier and fewer Applicants overall. Although larger STE awardees statistically have a lower risk of underutilization, spreading that risk across a higher volume of Large Applicants reduces the overall risk even further. In turn, this also strengthens the program as it creates a higher expected value proposition from a CAEATFA Admin Fee / Budget perspective.

2. **“Board may limit the amount of STE provided at specific meetings, if necessary (provides**

flexibility for potential funding rounds if needed).”

Comment: While we feel that we understand the idea behind this proposed revision, we believe that the inherent risk of creating this type of ad hoc flexibility for the Board outweighs the potential benefits. Nearly all other government (CA and non-CA) are effectively binary, the Applicant will receive 100% of its Staff recommended award or zero. This allows the voting board members to decide whether an Applicant is worthy/deserving of the award being sought, or is not. This binary logic exists since if an Applicant is not deserving of an award, it will receive none, not a smaller portion. The inverse is true as well, a deserving Applicant receives what it needs based on the hard work and analysis of Staff.

So with all due respect, inserting the opportunity to give a deserving Applicant less than what it needs and has requested—raises a variety of issues. Will later Applicants feel that they were unjustly “haircut” in their MRA approval? What type of consistency from a formulaic perspective will exist in these potential haircuts? Could certain stakeholders feel that they were wrongly impacted while another similarly situated Applicant does not receive a reduction? Could a Board member be accused of being biased for or against a certain Applicant? Assuming arguendo, that the Board is able to truly utilize this new flexible power fairly, will the public and stakeholder perception align?

In summary, the program has stakeholders that have concerns and negative feelings toward it because their businesses were unable to receive any funding—this is true of any tax incentive and is accepted as a government subsidy “norm”. But from our experience, negative stakeholder feedback and public perception is worse when businesses feel like they received less than they should have versus when they receive nothing. Particularly when the adjustments to their incentive is done at the very tail-end of the award process.

As always, deeply appreciate your time and efforts in taking in our thoughts on the program. Please let me know if you have any questions, thanks Ashley.

Best Regards,
Alex

Alex Tran, CPA
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July 24, 2020

CAEATFA
Attn: Ashley Emery
915 Capitol Mall, Rm 538
Sacramento, CA 95814
Email: aemery@sto.ca.gov

Re: Invitation for Comments on Sales and Use Tax Exclusion (STE) Program

Dear Ms. Emery,

On behalf of Recology, I am writing in support of the Proposed Modifications to the Sales and Use Tax Exclusion Program presented by California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA) staff at the July 21, 2020 board meeting.

Recology manages recycling, organic waste, and solid waste collection, processing and disposal services for nearly 100 urban, suburban and rural communities in California. Recology owns and operates some of the most technologically advanced, high-throughput recycling and composting facilities in the nation, including facilities that have benefitted from the STE program.

Recology has strongly supported policy driving increased diversion from landfills, including SB 1383's organics diversion mandate and ongoing efforts to reduce plastic pollution by increasing in-state recycling. To meet these goals, public and private entities across the state will need to make significant investments in California's recycling and composting infrastructure. Policymaking driving diversion has not slowed given COVID-19. We need to make investments in our facilities now to meet these goals – but relying on ratepayer funds to do so will prove even more challenging in this economic climate. The STE program is a critically needed for California to meet its diversion goals.

Without a statutory increase in the STE program cap, we anticipate this program will continue to be challenged with oversubscription issues. To mitigate this, we support staff's recommendations to set aside funds for smaller projects to ensure large projects do not absorb most or all of the available allocations. Additionally, we support the recommendation that applications not evaluated or awarded due to the statutory cap will be prioritized in following funding cycles. We also support the recommendation that projects ineligible for other tax exemption opportunities, such as certain waste and recycling facilities, receive additional Competitive Criteria points.

Thank you for recognizing the recycling industry as one that creates good in-state jobs and mitigates the effects of climate change and plastic pollution. We look forward to continuing to work with you through the rulemaking process.

Sincerely,

A handwritten signature in blue ink, appearing to read 'CW', is positioned above the typed name.

Christine Wolfe
Government Relations Manager
Recology Inc.

From: [Steve Lautze](#)
To: [Emery, Ashley](#)
Cc: [Steve Lautze](#)
Subject: straggling comments on STE modifications
Date: Tuesday, July 28, 2020 11:38:57 PM

Hello Ms. Emery: when I got the notice for last week's meeting, I knew I could not tune in for the actual meeting. I also noted that today, July 28, was the deadline for written comments, though I failed to notice that comments would be due by 5pm. Given all that, this comment is technically late, but based on the proposed schedule for changes in emergency and regular rulemaking for STE modifications, I am hoping that this comment can still be considered.

My personal context with the program is as an original supporter of AB 199 (Eggman), in my former, long time role as President of the California Assn. of Recycling Market Development Zones (CARMDZ). I held this position for no less than 16 years, and also staffed the Oakland/Berkeley RMDZ from 1999 to last year, when I retired from my position in the City of Oakland, as the Green/Industrial Specialist on the Business Development Team in that city. You can see a bit more about my professional background and current activities at <https://www.linkedin.com/in/steve-lautze-15b21010>

It's fair to say that I was quite tuned in to dynamics of the STE program during integration of AB 199, but more recently fell out of touch as my retirement unfolded. That said, I remain keenly interested in recycling market development issues, as well as economic development efforts that are aimed at GHG reduction. CAEATFA's STE and other programs, like the RMDZ program, are obscure but also vital tools toward progress on these issues. It also makes sense that the economic storm clouds over California's economy warrant a re-evaluation of the structure and priorities of the STE program. Beyond this formal written comment, I would love to have a chance to discuss the direction and policy options for the program on the telephone some day soon.

I also appreciated the clarity and detail in your staff report on the

item for the July 21 meeting, particularly the two charts at the end of the report, and especially the last chart that shows the history and distribution of projects in the STE program. I have also found some information on line about the mix by number and dollar amount of STE awarded over time to the 4 different categories, including recycling-based processing and manufacturing.

Acknowledging my obvious bias for recycling based projects, and sensing that the general exercise of developing new STE regulation is to maximize "bang for the buck" during hard times, I am interested in engaging your office on the issue of relative need and impact of projects that are competing for oversubscribed tax credits. My thesis is that many of the energy, transportation, and advanced manufacturing projects that have done very well in the STE program are generally more capital intensive, better capitalized, and have typically higher ROI than recycling projects, even as recycling projects help to meet critical policy objectives, including GHG reduction per dollar of STE awarded. For tonight, the case that I am making is that this combination of factors would suggest that allocation of STE for recycling projects be enhanced or certainly not diminished in access as the new regulations go forward. My logic would also amount to a critique of the current proposal to reserve STE allocation for larger dollar value projects, based on the idea of apportioning incentives to projects where it can have the greatest impact in making the greatest difference in project economics.

I would welcome a chance to discuss my thesis, your ideas, and the mechanics of this outstanding program going forward, including a greater understanding of how best to explore options through your planned deliberation process.

Thank you for your consideration and all of your good work as STE Program Manager.

Steve Lautze
Resource Revolution
510-280-4341



July 28, 2020

Subject: Proposed Modifications to the Sales and Use Tax Exclusion Program

Dear Ashley Emery,

The Resource Recovery Coalition of California (Resource Coalition) is comprised of 33 industry member companies engaged in solid waste collection, recycling, composting, and anaerobic digestion in California. We are grateful for the opportunity to comment on the proposed modifications to the Sales and Use Tax Exclusion (STE) Program.

The Resource Coalition strongly supports the STE program administered by the California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA). Since the passage of AB 199 in 2015, this program has offered much needed investment in recycling infrastructure, encouraging green job development and helping us meet our critical waste diversion goals.

We support a number of the STE program proposed modifications to address oversubscription issues and the unprecedented economic impact of the COVID-19 pandemic. Specifically we are very encouraged to see the inclusion of 50 additional competitive criteria points for applicants that do not qualify for the CDTFA partial sales tax exemption for manufacturers. This important modification will help ensure the STE benefit can be equitably provided to qualified Applicants that are not eligible for the additional exclusion, which can offset the Applicant's costs of not receiving a CAEATFA STE award.

Additionally, we are grateful for modifications aimed at investing in our economy quickly during this unprecedented and challenging moment in history. A set-aside STE for smaller projects will help ensure larger awards do not inadvertently absorb all of the STE allocation, and will allow for more projects overall to get awarded. We also support the additional flexibility to allocate any remaining STE at the end of the year, as well as ending the waitlist at the end of the year as a means of addressing oversubscription.

Ultimately, we believe the changes proposed will help foster and incentivize the critical recycling infrastructure necessary for California to meet our greenhouse gas (GHG) reduction goals. We look forward to the rulemaking period in the hope that it can be finalized in advance of the 2021 award process. Should you have any questions, please do not hesitate to reach out to Resource Coalition staff.

Sincerely,

A handwritten signature in black ink that reads "Veronica Pardo".

Veronica Pardo
Regulatory Affairs Director
veronica@resourcecoalition.org

A handwritten signature in black ink that reads "Laura J. Ferrante".

Laura J. Ferrante
Government Affairs Advocate
laura@wastealts.com