State of California
Office of Administrative Law

In re:
California Alternative Energy and Advanced Transportation Financing Authority

Regulatory Action:

Title 04, California Code of Regulations

Adopt sections: **10031, 10032, 10033, 10035, 10036**
Amend sections:
Repeal sections:

NOTICE OF APPROVAL OF EMERGENCY REGULATORY ACTION

Government Code Sections 11346.1 and 11349.6

OAL Matter Number: 2026-0921-02

OAL Matter Type: Emergency Readopt (EE)

This emergency rulemaking by the California Alternative Energy and Advanced Transportation Financing Authority readopts emergency regulations that amend the Sales and Use Tax Exclusion Program to revise definitions, application requirements, eligibility requirements, regulatory agreement and compliance requirements, and program fees.

OAL approves this emergency regulatory action pursuant to sections 11346.1 and 11349.6 of the Government Code.

This emergency regulatory action is effective on 10/1/2026 and will expire on 12/31/2026. The Certificate of Compliance for this action is due no later than 12/30/2026.

Date: October 1, 2026

Robert Roth
Senior Attorney

For: Kenneth J. Pogue
Director

Original: Christina Sarron, Executive Director
Copy: Christopher Castrillo

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STATE [illegible]NIA–OFFICE OF ADMINISTRATIVE LAW

NOTICE PUBLICATION/REGULATORY SUBMISSION

EMERGENCY

STD. 400 (REV. 10/2019)

OAL FILE NUMBERS	NOTICE FILE NUMBER	REGULATORY ACTION NUMBER	EMERGENCY NUMBER
	Z-		2026-0921-02E

For use by Office of Administrative Law (OAL) only

OFFICE OF ADMIN. LAW
2026 SEP 21 PM 3:20

NOTICE

REGULATIONS

ENDORSED - FILED
in the office of the Secretary of State
of the State of California

OCT 01 2026
1:49 pm
NM

AGENCY WITH RULEMAKING AUTHORITY
California Alternative Energy and Advanced Transportation Financing Authority

AGENCY FILE NUMBER (If any)

A. PUBLICATION OF NOTICE (Complete for publication in Notice Register)

1. SUBJECT OF NOTICE

TITLE(S)

FIRST SECTION AFFECTED

2. REQUESTED PUBLICATION DATE

3. NOTICE TYPE
☐ Notice re Proposed Regulatory Action ☐ Other

4. AGENCY CONTACT PERSON

TELEPHONE NUMBER

FAX NUMBER (Optional)

OAL USE ONLY

ACTION ON PROPOSED NOTICE
☐ Approved as Submitted ☐ Approved as Modified ☐ Disapproved/ Withdrawn

NOTICE REGISTER NUMBER

PUBLICATION DATE

B. SUBMISSION OF REGULATIONS (Complete when submitting regulations)

1a. SUBJECT OF REGULATION(S)
Sales and Use Tax Exclusion Program

1b. ALL PREVIOUS RELATED OAL REGULATORY ACTION NUMBER(S)
2026-0325-01E

2. SPECIFY CALIFORNIA CODE OF REGULATIONS TITLE(S) AND SECTION(S) **(Including title 26, if toxics related)**

SECTION(S) AFFECTED (List all section number(s) individually. Attach additional sheet if needed.)

ADOPT
10031, 10032, 10033, 10035, 10036

AMEND

TITLE(S)
4

REPEAL

3. TYPE OF FILING

☐ Regular Rulemaking (Gov. Code §11346)
☐ Resubmittal of disapproved or withdrawn nonemergency filing (Gov. Code §§11349.3, 11349.4)
☐ Emergency (Gov. Code, §11346.1(b))
☐ Certificate of Compliance: The agency officer named below certifies that this agency complied with the provisions of Gov. Code §§11346.2-11347.3 either before the emergency regulation was adopted or within the time period required by statute.
☐ Resubmittal of disapproved or withdrawn emergency filing (Gov. Code, §11346.1)
☒ Emergency Readopt (Gov. Code, §11346.1(h))
☐ File & Print
☐ Other (Specify)
☐ Changes Without Regulatory Effect (Cal. Code Regs., title 1, §100)
☐ Print Only

4. ALL BEGINNING AND ENDING DATES OF AVAILABILITY OF MODIFIED REGULATIONS AND/OR MATERIAL ADDED TO THE RULEMAKING FILE (Cal. Code Regs. title 1, §44 and Gov. Code §11347.1)

5. EFFECTIVE DATE OF CHANGES (Gov. Code, §§ 11343.4, 11346.1(d); Cal. Code Regs., title 1, §100)
☐ Effective January 1, April 1, July 1, or October 1 (Gov. Code §11343.4(a)) ☒ Effective on filing with Secretary of State ☐ §100 Changes Without Regulatory Effect ☐ Effective other (Specify)

6. CHECK IF THESE REGULATIONS REQUIRE NOTICE TO, OR REVIEW, CONSULTATION, APPROVAL OR CONCURRENCE BY, ANOTHER AGENCY OR ENTITY
☐ Department of Finance (Form STD. 399) (SAM §6660) ☐ Fair Political Practices Commission ☐ State Fire Marshal
☐ Other (Specify)

7. CONTACT PERSON
Christopher Castrillo

TELEPHONE NUMBER
(916) 653-0012

FAX NUMBER (Optional)

E-MAIL ADDRESS (Optional)
ccastrillo@treasurer.ca.gov

8. I certify that the attached copy of the regulation(s) is a true and correct copy of the regulation(s) identified on this form, that the information specified on this form is true and correct, and that I am the head of the agency taking this action, or a designee of the head of the agency, and am authorized to make this certification.

DocuSigned by:

SIGNATURE OF AGENCY HEAD OR DESIGNEE

DATE
9/16/2026

TYPED NAME AND TITLE OF SIGNATORY
Christina Sarron, Executive Director

For use by Office of Administrative Law (OAL) only

ENDORSED APPROVED

OCT 01 2026

Office of Administrative Law

TEXT OF REGULATIONS

CALIFORNIA CODE OF REGULATIONS

Title 4. Business Regulations

Division 13. California Alternative Energy and Advanced Transportation Financing Authority

Article 2. MANUFACTURING SALES AND USE TAX EXCLUSION PROGRAM

Effective: April 6, 2026

§ 10031. Definitions.

(a) "Administrative Fee" means the fee payable upon the execution of the Regulatory Agreement between the Applicant and the Authority and at the time of submitting the semi-annual report to CAEATFA.

(b) "Advanced Manufacturing" is defined as stated in Section 26003(a) of the Public Resources Code.

(c) "Advanced Transportation Technology" or "Advanced Transportation Technologies" is defined as stated in Section 26003(a) of the Public Resources Code.

(d) "Alternative Sources" is defined as stated in Sections 26003(a) of the Public Resources Code.

(e) "Applicant(s)" means an entity including one or more of its subsidiaries or affiliates, each meeting the definition of Participating Party submitting an Application.

(f) "Application" means a completed formal request for sales and use tax exclusion as specified in Section 10032.

(g) "Application Fee" means the fee payable at the time of Application for a sales and use tax exclusion.

(h) "Authority" means the California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA) established pursuant to Division 16 of the Public Resources Code (commencing with Section 26000).

(i) "Biofuel" includes "Biodiesel," a fuel comprised of mono-alkyl esters of long chain fatty acids derived from vegetable oils or animal fats, and "Biogas," the raw gaseous mixture comprised primarily of methane and carbon dioxide and derived from the anaerobic decomposition of organic matter in a landfill, lagoon, or constructed reactor (digester).

(j) "California Supplier" means a business entity that manufactures, assembles, or produces its product or service in the state of California.

(k) "Competitive Criteria" means a set of Project or Applicant characteristics, as determined in Section 10032(a)(8)(B), which are measurable at the time of application.

(l) "Corporate Headquarters" means the location that is the primary center of direction, control and coordination for the company.

(m) "Emerging Strategic Industry" means an innovative industry, technology or product that may be identified by the Executive Director as having a potentially significant impact on the State's environmental goals or economy, the advancement of which are in the public interest, and which advance the purposes of the Program. The Executive Director may from time to time develop or add to a list of Emerging Strategic Industries which will be identified by North American Industry Classification System (NAICS) code (or its equivalent) or by description of the product or manufacturing process. The list of these industries will be publicly posted on the Authority's website.

(n) "Estimated Useful Lifespan" means the length of time the Qualified Property or Advanced Transportation Technology or Alternative Source product, component, or system can reasonably be expected to last in a productive capacity, as identified in the Application or the Regulatory Agreement.

(o) "Executive Director" means the executive director of CAEATFA.

(p) "Facility" or "Facilities" means a design, manufacturing, production, or assembly facility that includes or will include tangible personal property utilized for the design, manufacture, production, or assembly of Advanced Manufacturing, Advanced Transportation Technologies or Alternative Source products, components, or systems, or a facility that includes or will include tangible personal property that at least 50 percent of its use is either to process Recycled feedstock that is intended to be reused in the production of another product or using Recycled feedstock in the production of another product or soil amendment. Facilities involving more than one location may be combined in a single Application, provided the locations are part of a single process. Where facilities at multiple locations are performing the same or substantially similar operations they will require separate Applications.

(q) "Financial Assistance" means the granting of a sales and use tax exclusion by the Authority pursuant to Section 26011.8(a) of the Public Resources Code.

(r) "Green Component" means the component or system within Advanced Transportation Technologies or Alternative Source products, components, or systems that is primarily responsible for or required to enable the increase in energy efficiency, Alternative Source generation, or pollution reduction.

(s) "Industry Cluster" means a concentration of interrelated businesses or industries in a region that, by virtue of being located in proximity, act to increase productivity or economic growth in that region. For purposes of receiving points as part of an Application, Industry Clusters must be recognized by a California state or local government entity, regional economic development authority, or association of governments as an industry cluster, strategic cluster, or competitive cluster of the region within which the Applicant's Project resides.

(t) "Participating Party" is defined as stated in Section 26003(a) of the Public Resources Code.

(u) "Program" means the sales and use tax exclusion program created pursuant to Public Resources Code Section 26011.8.

(v) "Project" is defined as stated in Section 26011.8(b) of the Public Resources Code. Project does not include machinery or equipment that utilizes or is designed to utilize an Alternative Source except to the extent such use is ancillary to the primary purpose of the Project and comprises less than ten percent (10.0%) of the total amount of Qualified Property to be purchased.

(w) "Qualified Product" means an Advanced Transportation Technology or Alternative Source product, component or system, a product produced with an Advanced Manufacturing Process, or a product made by processing Recycled feedstock or utilizing Recycled feedstock.

(x) "Qualified Property" means the tangible personal property identified in the Application or Regulatory Agreement to be purchased for use in the Facility if at least 50 percent of its use is either to process Recycled feedstock that is intended to be reused in the production of another product or using Recycled feedstock in the production of another product or Soil amendment; or tangible personal property that is used in the state for the design, manufacture, production, or assembly of Advanced Transportation Technologies, or Alternative Source products, components, or systems or utilized in an Advanced Manufacturing process. Qualified Property must be used for the purpose stated in the Application for a period equal to the longer of (a) one (1) year or (b) one-half of the Estimated Useful Lifespan of the Qualified Property. The total value of Qualified Property necessary for the operation of the Facility and located on the same site as the Facility, but not directly used to process Recycled feedstock or for the design, manufacture, production or assembly of Advanced Transportation Technologies or Alternative Source products, components or systems, or utilized in an Advanced Manufacturing process shall not exceed one percent (1.0%) of the total value of all Qualified Property purchased by the Applicant.

(y) "Recognized Energy Efficiency Standard" is a statutory, regulatory, or voluntary set of minimum energy efficiency standards for one or more products, product components, or categories of products or product components, as designated by the Executive Director. The Executive Director may designate a standard as a Recognized Energy Efficiency Standard if it (a) has been adopted and currently maintained by a government agency, trade group, or nonprofit organization, (b) has clearly defined test methods, (c) contains product energy consumption ratings based on independent certification and testing, and (d) the energy consumption of products that meet the standards is significantly below the consumption of comparable products.

(z) "Recycled feedstock" is defined as stated in Section 26011.8(b) of the Public Resources Code.

(aa) "Recycled Resource Extraction Project" is a project the primary purpose of which is to convert Recycled feedstock into materials that are used in subsequent manufacturing processes.

(ab) "Regulatory Agreement" means the agreement specified in Section 10035.

(ac) "Soil amendments" is defined as stated in Section 26011.8(b) of the Public Resources Code.

(ad) "Statutory Cap" means the maximum amount of sales and use tax exclusion the Authority may grant pursuant to Section 26011.8(h) of the Public Resources Code.

(ae) "STE" mean sales and use tax exclusion pursuant to Section 6010.8 of the Revenue and Taxation Code.

Note: Authority cited: Section 26009, Public Resources Code; and Section 26011.8, Public Resources Code. Reference: Section 26011.8, Public Resources Code; and Section 6010.8, Revenue and Taxation Code.

§ 10032. Application Requirements.

(a) Timing of Application submissions.

(1) The Executive Director will announce the application periods for the sales and use tax exclusion by March 31 of each calendar year on the Authority website found at www.treasurer.ca.gov/CAEATFA.

(A) The announcement will include the (1) application periods, (2) deadline to submit Applications for each application period, (3) tentative dates when the Authority will hold Board meetings to consider Applications, and (4) amount of sales and use tax exclusion available to award during each application period.

(B) The Executive Director may reschedule or amend any previously announced application period by providing notice on the Authority website and may reschedule or

relocate any previously announced Authority Board meeting so long as the information is posted on the Authority website at least ten (10) days before the scheduled meeting.

(2) Applications must be submitted via e-mail to steprogam@treasurer.ca.gov.

(3) Applications will be reviewed and presented to the CAEATFA Board for approval in the order in which the Applications were received. In the event the total STE requested during the calendar year reaches the Statutory Cap, Applications will be reviewed and presented to the CAEATFA Board for approval in the order in which they are ranked based on Competitive Criteria, as established in Section 10032(a)(6)(B).

(4) Applications shall be capped at $15 million of STE per Applicant, per calendar year, based on the average statewide sales tax rate at time of Application. For any Applicant which has a parent company with an ownership interest greater than 50.0%, the $15 million cap also applies to the Applicant's parent company and the parent company's subsidiaries or affiliates. If STE will be available at the last application period of the calendar year after all Applications are considered, the Authority may provide additional STE to Applicants that requested for additional STE but were capped at $15 million. The Applications will be reviewed and presented to the CAEATFA Board for approval in the order in which they are ranked based on Competitive Criteria. If there is still additional STE available, then Applicants_that requested additional STE but were not capped at $15 million will be reviewed and presented to the CAEATFA Board for approval in the order in which they are ranked based on Competitive Criteria. All Applicants being considered for additional STE must bring a revised Project Application or a new Application before the Authority Board for consideration in the last application period of the same calendar year in which the original Application was approved. The revised or new Application must include updated information requested in Section 10032 and will be evaluated pursuant to Section 10033. The Authority will_notify all qualified Applicants in writing regarding the end-of-the-year availability of STE no later than 28 days prior to the last Authority Board meeting of the calendar year in which Applications are considered.

(5) To the extent the total STE awarded during the calendar year reaches the Statutory Cap, additional Applications will not be reviewed during that calendar year. Applications that are received but not awarded due to the Statutory Cap will be placed on a waiting list. To the extent that additional STE becomes available during the calendar year, it will be awarded first to the last Applicant considered, if that Applicant did not receive its full STE request. If the last Applicant considered received its full STE request, Applications on the waiting list will be reviewed and presented to the CAEATFA Board for approval in the order in which those Applications are ranked based on Competitive Criteria. The waiting list shall expire at midnight on January 1 of the year following the calendar year the list is established.

(6) Except as provided in paragraph (3), the order in which Applications will be reviewed and considered by the Authority will be based on a ranking of Competitive Criteria, as established in subparagraphs (A) and (B) below.

(A) The Projects with the greatest point score will be reviewed and presented to the CAEATFA Board. In the event of a tie, the Application representing the smaller STE award will move forward to consideration before the Authority. If the STE amounts are identical, the Application that was received by CAEATFA first shall be heard first. When the amount requested in the Application exceeds the STE available in the calendar year, the Authority shall award the remaining STE request using STE from the following calendar year, up to $2 million in STE. Any remaining Applications shall be placed on the waiting list.

(B) Competitive Criteria.

(i) The competitive criteria score will be the sum of all of the following:

a. 100 points for Applicants with Recycled Resource Extraction Projects or Projects that produce an Advanced Transportation Technology or an Alternative Source product, component, or system;

b. the Unemployment Score as calculated pursuant to Section 10033(c)(5)(A);

c. the New Jobs Score as calculated pursuant to Section 10033(c)(5)(B);

d. 50 points for Applicants that can demonstrate the Project is to relocate or rebuild the Applicant's Facility due to a fire, flood, storm, or earthquake identified in a state of emergency proclamation made by the California State Governor within two (2) years of the time of application;

e. 15 points for Applicants with a Corporate Headquarters, as defined in Section 10031(l), located in California;

f. 50 points for Applicants that are not eligible to use any of the exemptions established pursuant to Section 6377.1 of the Revenue and Taxation Code. The Authority staff will consult with the California Department of Tax and Fee Administration regarding questions of eligibility for any of the exemptions established pursuant to Section 6377.1 of the Revenue and Taxation Code; and

g. Up to 75 points if the Project's industry is in an Emerging Strategic Industry; the total amount of points awarded to be calculated as the percent of the value added by the Applicant to the Applicant's final product comprised by an Emerging Strategic Industry product divided by the total value added by the Applicant's process multiplied by 75.

(7) The Authority may, upon a finding that it is in the public interest and advances the purposes of the Program, at any time announce that it is not accepting further Applications.

(b) Application. Applicants shall submit to the Authority the information required by this section.

(1) Applications not meeting all requirements shall be considered incomplete. An Applicant shall be notified by the Authority should its Application be deemed incomplete, and the Applicant may correct any deficiency and resubmit the Application. Resubmitted Applications will be reviewed for completeness and, if complete, will be further reviewed by staff and presented to the Authority pursuant to the regular review and evaluation process and timeline with the date of submission determined based on the date the Authority receives the resubmitted Application.

(2) Determination of completeness, compliance with all requirements, and the scoring of the Application shall be based entirely on the documents contained in the Application as of the date on which the Application was submitted. Any additional documents pertaining to the requirements or scoring categories that the Applicant chooses to submit shall be accepted after the Application-filing date only with the understanding that, for purposes of determining the date the Application is deemed to have been received, the date the additional documentation is received shall be the date of receipt of the Application. In the event the Authority asks an Applicant for additional information or requests clarification or correction of errors, Applicants shall be given up to three (3) business days from the date of receipt of staff notification to submit said documents to complete the Application. A timely response shall not cause a redetermination of the date of receipt. The Authority may request additional clarifying information from third party sources, such as local government entities, other state agencies, or subject matter experts. To the extent that third party information is received that contradicts or otherwise calls into question information provided in the Application or otherwise may result in a reduction in the score that an Application would receive, the Applicant will be notified and will be given three (3) business days to respond to the third party information received.

(3) An Application may not be changed, nor may any additional information with respect to scoring be submitted subsequent to the Application filing date, except as noted above.

(4) Applications will be considered incomplete if the Application Fee is not received within five (5) business days of the Application deadline for the applicable round, unless an Application is a resubmission pursuant to Section 10032(a)(4).

(5) Following the deadline to submit Applications, the Authority shall publish a list of all Applicants, which shall include, at minimum, the Applicant name, project type, and whether the Applicant has 500 or more employees, including affiliates.

(c) Documentation. The following documentation relevant to the proposed Facility is required to be submitted with all Applications:

(1) Application. Applicants shall complete Application – Part A (as revised on April 6, 2026), which is hereby incorporated by reference, and which includes fields for documentation of most information described by this subsection.

(2) Applicant Certification. A signed statement certifying the responsibility of the Applicant to:

(A) provide Application-related documentation to the Authority upon request;

(B) be familiar with and comply with Program statutes and regulations;

(C) hold the Authority and its employees and consultants harmless from any and all issues arising from the Applicant's participation in the Program;

(D) agree to comply with and remain in compliance with all applicable laws and regulations during the term of the Regulatory Agreement;

(E) acknowledge that the Authority has recommended the Applicant seek tax advice;

(F) acknowledge that the Application will be evaluated according to Authority regulations;

(G) acknowledge that continued compliance with Program requirements, including ongoing reporting requirements and any costs associated with such requirements for the term of the Regulatory Agreement, is the responsibility of the Applicant;

(H) acknowledge that information submitted to the Authority may be subject to disclosure pursuant to the Public Records Act (Government Code Section 6250, et seq.);

(I) agree to enter with the Authority into a Regulatory Agreement if the Application is approved; and,

(J) acknowledge, under penalty of perjury, that all information provided to the Authority is true and correct, and that the Applicant has an affirmative duty to notify the Authority of any material changes to the information submitted in the Application during the Application process and the term of the Regulatory Agreement.

(3) Legal Information. Applicants shall complete the Legal Status Questionnaire (as revised on April 6, 2026), which is hereby incorporated by reference.

(4) Workforce Standards. Applicants shall acknowledge, accept and certify to remain compliant with the requirements established pursuant to Section 26011.8(e) of the Public Resources Code.

(5) Designated Contacts. The Application must identify designated contacts who can respond to questions from the Authority or provide additional information if requested. If the designated contacts are not directly employed by Applicant, the Application must include appropriate documentation signifying the contact's authority to represent and act on behalf of the Applicant with respect to the Application.

(6) Applicant and Facility Information. Applicants are responsible for providing all requested information, which shall include:

(A) Applicant Information.

(i) Name, phone number, email address, mailing address, and taxpayer identification number of Applicant,

(ii) Applicant organization type (e.g., corporation, LLC, partnership, etc.),

(iii) Name, phone number, email address, and mailing address of a primary and secondary contact person

(iv) Contacts' titles or relationships to Applicant,

(v) The name(s) of the owners of the Applicant's business entity.

a. If the Applicant is a corporation, include the names of the officers of the corporation, major shareholders (10.0% or greater), and date and place of incorporation.

b. If the Applicant is a sole proprietorship, include the name of the proprietor and the date and place of establishment.

c. If the Applicant is another type of legal entity, identify the name(s) of the owners and each owner's share of ownership (the totals of the reported shares of ownership should equal 100%).

d. For all types of business entities, other than publicly traded corporations, private equity firms or sole proprietorships, that are owned by another business entity with an ownership share greater than or equal to 10 percent, identify any individuals or businesses with an ownership share in the parent entity of 10 percent or more.

(vi) Brief description of the Applicant's business, including product(s) produced, facility locations, years in business, and any unique technological or environmental characteristics of the business or products.

(vii) Address of the Applicant's Corporate Headquarters as defined in Section 10031(l).

(viii) If applicable, documentation demonstrating the Project is to relocate or rebuild the Applicant's Facility due to a fire, flood, storm, or earthquake identified in a state of emergency proclamation made by the California State Governor within two years of the time of application.

(ix) Whether the Applicant meets at least one of the following size requirements, on average, over the past three (3) years:

a. 100 or fewer employees, including affiliates;

b. Annual revenues of less than $15 million, including affiliates; or

c. The U.S. Small Business Administration's size standards for a Small Business matched to the North American Industry Classification System, found in Part 121.201 of Title 13 of the Code of Federal Regulations (1-1-20 Edition), which is hereby incorporated by reference.

(x) How the Applicant learned about the Sales and Use Tax Exclusion Program.

(xi) The Applicant's North American Industry Classification System (NAICS) code.

(B) Facility Information.

(i) Brief description of Facility and product(s) to be produced, including the following:

a. Physical location of the Facility.

b. A description of the Facility, including the design, manufacturing, or assembly process to be employed, the product to be produced, and the intended or likely customers.

c. Identification of the Advanced Transportation Technology or Alternative Source product, component or system to be produced, the Advanced Manufacturing process to be utilized, or the type of Recycled Resource Extraction Project. In the case of a Facility producing property or products that, after further manufacture, will become the Green Component of an Advanced Transportation Technology or Alternative Source product or system, the Applicant must describe both the property or product produced by the Facility and the Green Component of the Advanced Transportation Technology or Alternative Source product or system for which the product produced will be used.

d. Current Facility status and a schedule indicating the estimated Facility construction start date through the placed-in-service date for the Qualified Property identified in the Application, including the expected date of any needed permits.

e. Description of the sources of financing necessary for Facility completion, including the provision of financial assistance from any local governments for the project, as well as any state incentives or state financing the Applicant has applied for or received.

f. Total value of the capital stock used to produce the product, including the anticipated Qualified Property purchases. The value is not the cost of the capital stock, but the depreciated value of the capital stock excluding buildings and land.

g. Projected average number of employees at the Facility, measured in full time equivalents, assuming Qualified Property is utilized.

h. Projected number of employees employed for purposes of constructing the Facility or installing Qualified Property, measured in full time equivalents.

i. For Alternative Source Projects producing Biofuels, the fraction of Biofuel produced that is used to offset external fuel purchases.

j. Taxability of the product produced and of the end of supply chain product for purposes of generating sales taxes.

k. Projected average number of employees at the Facility, measured in full time equivalents, assuming the Qualified Property is not utilized.

l. Average and minimum wage of each classification of full-time employees proposed to be hired or not retained using the following wage categories: up to $20,000; $20,001–$30,000; $30,001–$40,000; $40,001–$50,000; $50,001–$60,000; $60,001–$70,000; $70,001–$80,000; $80,001–$90,000; $90,001–$100,000; $100,001–$110,000; $110,001–$120,000; and over $120,000. Wages include monetary compensation paid to the employee each year, not including tips, commissions, bonuses, stock options, overtime, or other compensation of any kind.

m. An explanation of why each classification is being eliminated and if any existing employees in the classification will be retrained or reclassified.

(C) Qualified Property Information. Completed provisional Qualified Property list to include the following information for each piece of property to be subject to the sales and use tax exclusion. Good faith estimates are acceptable if specific property characteristics are not available at the time of the submission of the Application. Individual items of Qualified Property can be grouped together provided the individual items are reasonably related, such as items that will be used together to produce a particular sub-component or perform a discrete function in the manufacturing process. An Applicant is not to increase the amount of Qualified Property listed in the Application if the total amount of STE requested in the Application period for which the Application was submitted represents STE in excess of the Statutory Cap.

(i) Brief description of Qualified Property to be purchased and its use in the manufacturing, production, assembly, or design process.

(ii) Estimated cost of the Qualified Property to be purchased.

(iii) Average Estimated Useful Lifespan of the Qualified Property, weighted by cost.

(iv) Estimated percent of time Qualified Property will be (a) used to make Advanced Transportation Technologies or Alternative Source products, components, or systems, (b) utilized in an Advanced Manufacturing process, or (c) utilized in a Recycled Resource Extraction Project.

(D) Product information (all information must relate solely to the Facility or product to be produced with Qualified Property if the Applicant produces other goods or services):

(i) Brief description and name of the product to be produced with Qualified Property and within California.

(ii) Estimated average annual number of Qualified Products produced or amount of recycled material to be produced.

(iii) Estimated per unit sales price.

(iv) Estimated per unit production-related purchases from suppliers, assuming Qualified Property is utilized or installed.

(v) Estimated percent of production costs from California Suppliers.

(vi) Estimated per unit labor costs, assuming Qualified Property is utilized or installed.

(vii) For Alternative Source and Advanced Transportation Projects, the Estimated Useful Lifespan of product, component, or system.

(viii) Estimated percent of total Qualified Products to be sold in California.

(ix) For Alternative Source or Advanced Transportation Projects, statement as to whether the technology, product, component, or system is a subcomponent of a Qualified Product or an end-of-supply-chain product.

(x) For Alternative Source or Advanced Transportation Projects, total value of the end-of-supply-chain Green Component.

(xi) Estimated percent of total end of supply chain product sales in California.

(E) Environmental Benefit Information.

(i) For Facilities producing the Green Component of Alternative Source products, components or systems:

a. Annual energy generation capacity or energy content per unit.

b. Lbs. of CO2 (or equivalent) emitted per MWh or equivalent.

c. Lbs. of SO2 emitted per MWh or equivalent.

d. Lbs. of NOx emitted per MWh or equivalent.

e. Amount of other pollutants emitted per MWh or equivalent.

f. Pollution cost of other pollutants emitted per MWh or equivalent.

(ii) For Facilities producing the Green Component of Alternative Source energy efficiency products, components or systems:

a. Type and units of energy conserved.

b. Applicable Recognized Energy Efficiency Standard.

c. Annual baseline system consumption of energy per unit.

d. Annual improved system consumption of energy per unit.

(iii) For Facilities producing the Green Component of Advanced Transportation Technology products, components, or systems:

a. Annual baseline system consumption of energy per unit.

b. Annual improved system consumption of energy per unit.

c. Annual consumption of any offsetting energy required to achieve improved system performance.

(iv) For Facilities producing the Green Component of Alternative Source or Advanced Transportation Technology products, components, or systems that do not fall within the above categories of products, the Applicant shall explain and quantify the following:

a. Description of environmental benefits.

b. Annual value of environmental benefits associated with use of the product.

c. Annual pollution cost of any off-setting energy use or other pollutants emitted.

(v) For Advanced Manufacturing Facilities:

a. Description of environmental benefits.

b. Estimated reduction in energy or water use; solid waste, hazardous waste, or air pollution emissions.

c. Description of any environmental sustainability plans.

(vi) For Recycled Resource Extraction Projects:

a. Description of environmental benefits.

b. Marginal increase in total amount of material recycled due to the sales and use tax exclusion.

(F) Optional Supplemental Information. The following information may be submitted with an Application. Submission of this information may increase an Applicant's score, as specified in Section 10033.

(i) Applicants claiming any additional significant environmental benefits associated with use of their product beyond those associated with reduced energy consumption or increased Alternative Source energy generation may provide a description of these benefits, including the amount of pollution avoided and a quantification of the impact of the pollution reduction in dollars if possible.

(ii) Other Facility Information:

a. Applicants with facilities located in California that perform research and development functions related to the product or production process at the Facility that is the subject of the Application may submit information establishing the location of the research and development facility and the connection between the research and development and the Facility, submission of which may increase an Applicant's score.

b. Applicants that have partnerships with educational institutions either for the purpose of training the workers at the Facility or for purposes of assisting in the training of potential future workers, including workers from disadvantaged communities including women, racial minorities, formerly incarcerated, and veterans, may submit information documenting this partnership, submission of which may increase an Applicant's score.

c. Applicants in Industry Clusters, as defined, may submit information establishing this fact, submission of which may increase an Applicant's score.

d. Applicants that provide benefits and fringe benefits to their employees may submit information on the types of benefits and fringe benefits provided, submission of which may increase an Applicant's score. Benefits include medical, health, dental, and vision premiums paid by the Applicant on behalf an employee, an employee's spouse or dependents. Fringe benefits include, but are not limited to, bonuses, pension plans, retirement contributions, profit-sharing programs, dependent care and assistance reimbursement, transportation subsidies, education reimbursement, gym subsidies, employee discounts, and paid leave.

(iii) Additional documentation only for Applicants claiming that without the exclusion the proposed Facility will not be sited in California. Determination of Facility benefits, as further delineated in Section 10033, may be increased for Facilities that would not locate production Facilities in California absent the grant of the sales and use tax exclusion. For Applicants claiming that Facility location or expansion decisions are

dependent upon receipt of the sales and use tax exclusion, Applications must provide evidence to support the claim. Such evidence may include the following:

a. Internal financial analysis demonstrating the extent of an advantage for a non-California site.

b. Location consultant report demonstrating the extent of an advantage for a non-California site.

c. Other internal or external analyses demonstrating that, absent the grant of the sales and use tax exclusion, the proposed Facility will not proceed at the California site.

(G) Calculations and assumptions relied upon by the Applicant. For any calculation performed by or assumption relied upon by the Applicant in completing the Application, the Applicant must provide an explanation of the basis for the value resulting from the calculation or reasonableness of the assumption relied upon. Applicants may be asked to provide additional supporting information, including business plans, pro forma financial statements or other comparable documents used for the purpose of soliciting investors to verify responses contained in the Application. Applications that do not adequately document any calculations or assumptions relied upon will be considered incomplete.

(7) Application materials and supporting documentation in excess of thirty (30) pages will not be considered or reviewed except to the extent that documentation in excess of this page limit is provided in response to a direct request for additional information from the Authority.

Note: Authority cited: Section 26009, Public Resources Code; and Section 26011.8, Public Resources Code. Reference: Section 26011.8, Public Resources Code; and Section 6010.8, Revenue and Taxation Code.

§ 10033. Eligibility Requirements and Application Evaluation.

(a) Staff summary and recommendation. Following receipt of a complete Application, Authority staff will review each Application and prepare a summary and recommendation to the Authority. The summary and recommendation will include a calculation of the benefits of the Facility and an assessment of whether the proposed Facility meets the eligibility requirements.

(b) Eligibility. To be eligible for the sales and use tax exclusion:

(1) The Facility must include the purchase of tangible personal property otherwise subject to sales and use tax used substantially (a) for the design, manufacture, production or assembly of Advanced Transportation Technologies or Alternative Source products, components, or systems, (b) for the design, manufacture, production or assembly of a component of the Green Component of an Advanced Transportation Technology or Alternative Source product, component or system, (c) as part of an Advanced Manufacturing process, or (d)

where at least 50.0 percent of the use of the Qualified Property is to process Recycled feedstock.

(A) For this purpose, "used substantially" shall mean that the Qualified Property must be used for the design, manufacture, production or assembly of Advanced Transportation Technologies or Alternative Source products, components, or systems; as part of an Advanced Manufacturing process; or to process Recycled feedstock more than 50.0 percent of the time.

(2) The Facility must produce benefits to the State of California, as determined by the Authority subject to the criteria and evaluation process identified herein.

(3) The Applicant must not have disclosed as part of its Legal Status Questionnaire a finding of guilty of a willful violation by the Occupational Safety and Health Administration or a case under the Occupational Safety and Health Administration's Severe Violator Enforcement Program.

(c) Evaluation. Applications shall be scored according to the benefits provided to the state by the marginal increase in Qualified Property purchases resulting from the sales and use tax exclusion. Applicants must demonstrate that the benefits of the marginal increase in Qualified Property purchases exceed the cost to the state of the sales and use tax exclusion. Benefits can be a combination of fiscal, environmental and other benefits, as specified. Each Application will be evaluated based on these elements as specified below.

(1) Fiscal Benefits

(A) The estimated percent increase in capital investment (PICI) resulting from sales and use tax exclusion. The increase in capital investment will be calculated based on the factor share of capital (ω), the price elasticity of demand for output (η), the elasticity of substitution between capital and labor (σ), and the change in user cost from the sales tax exclusion (equal to the current statewide average sales tax rate or STR) according to the following formula:

$$PICI = (\sigma - \sigma * \omega + \omega * \eta)*STR$$

(i) The factor share of capital (ω) is calculated for each Applicant depending on the capital stock's contribution to the firm's value-added output. To calculate the factor share of capital, Applicant-provided information about estimated annual sales value (Sales), production-related purchases from suppliers (Supplies), labor costs (Labor), the value of the capital stock (VCS), and determinations made by the Executive Director based on the relevant research literature and consultation with outside experts of the cost of employee benefits (EB) and the cost of capital ($CAP) are used in the following formula:

$$\omega = \text{Equipment Capital as Percent of Total Capital} * \text{Capital Share of Output}$$

a. Equipment Capital as Percent of Total Capital is the ratio of the Estimated Annual Payment for Capital Stock (CAP) to Total Capital. CAP is the lesser of: 1) the estimated amount the applicant would have to pay for the capital stock (VCS) with interest ($CAP) over the weighted average life span (WALS) of the Qualified Property, or 2) Total Capital, which is calculated pursuant to the following formula:

Total Capital = Sales - Supplies - (Labor + EB)

Notwithstanding the above, if the resulting value is less than the value of CAP, then Total Capital shall be equal to CAP.

b. Capital Share of Output is the ratio of capital to output calculated pursuant to the following formula:

Capital Share of Output = 1 - (Labor + EB) / (Sales - Supplies)

Notwithstanding the above, if the resulting value is less than zero, then the capital share of output shall be calculated pursuant to the following formula:

Capital Share of Output = Total Capital / (Total Capital + Labor)

(ii) The price elasticity of demand for output (η) and the elasticity of substitution between capital and labor (σ) are determined by the Executive Director based on the relevant research literature and consultation with outside experts.

(iii) The change in user cost is the same as the sales tax rate (STR) as determined by the Executive Director based on information collected by the California Department of Tax and Fee Administration.

(iv) Where the Applicant can demonstrate that the Facility would have been located outside of California absent the sales and use tax exclusion, the Executive Director will adjust the PICI to reflect this fact.

(B) The estimated marginal increase in Qualified Property (MIQP) purchases resulting from sales and use tax exclusion. The increase in purchases will be calculated using Applicant-provided information on the total value of the Qualified Property (VQP) and the estimated percent increase in capital investment (PICI). The MIQP will be calculated pursuant to the following formula:

MIQP = (VQP /(1+PICI)*PICI)

(C) The estimated marginal increase in sales (MIS) resulting from sales and use tax exclusion. The increase in sales will be calculated by multiplying MIQP times the ratio of the estimated annual units of production times the average per unit sales price to the value of the capital stock (VCS) used to produce the product where the estimated annual units of production times the average per unit sales price exceeds the estimated annual units of

production times the sum of per unit production related purchases and per unit labor costs, pursuant to the following formula:

MIS = MIQP * (Estimated Annual Sales Value / VCS)

(i) The present value of the MIS (PVMIS) will be calculated based on the weighted average life span (WALS) of the Qualified Property as provided by the Applicant and a discount rate determined by the Executive Director based on the relevant research literature, consultation with outside experts, or information provided by other state agencies and approved by the Authority.

(D) The estimated annual marginal increase in units (MIU) resulting from sales and use tax exclusion. The increase will be calculated using the marginal increase in sales (MIS) and Applicant-provided data on the sales price per unit ($Unit), pursuant to the following formula:

MIU = (MIS / $Unit)

(E) The estimated annual increase in employee wages (AIEW) will be calculated based on Applicant-provided information about the per unit labor costs and the per unit price, pursuant to the following formula:

AIEW = (MIU) * average per unit labor cost

(F) The estimated marginal increase in state economic output (MISO) resulting from the sales and use tax exclusion. The MISO will be calculated using the MIS, the AIEW resulting from the marginal increase in sales, the marginal increase in in-state supplier purchases (MISP) and a multiplier effect (Multiplier) to be determined by the Executive Director based on the relevant research literature, consultation with outside experts, or information provided by other state agencies, pursuant to the following formulas:

MISP = MIU * percent of production costs from California suppliers * Per unit production-related purchases from suppliers

MISO = (MISP * Multiplier +AIEW * Multiplier - AIEW)

(i) The present value of the MISO (PVMISO) will be calculated based on the WALS of the Qualified Property as provided by the Applicant and a discount rate determined by the Executive Director.

(G) The estimated extent of increased tax revenues, or total fiscal benefits (TFB), that will accrue to the state and local governments over the WALS resulting from the PVMIS and PVMISO. TFB is the sum of the increased direct fiscal benefits (DFB) and the indirect fiscal benefits (IFB).

TFB = DFB + IFB

(i) The DFB are the sum of the increases in sales taxes (IST), personal income taxes (IPIT), corporate or other income taxes paid by the company on its profits (ICIT) and property taxes (IPT) that result from the company's MIS.

$$DFB = IST + IPIT + ICIT + IPT$$

a. The IST is calculated using MIS, Applicant-provided data on the percent of sales in California (POSCA), and the current statewide average sales tax rate (STR) as determined by the Executive Director based on information collected by the California Department of Tax and Fee Administration, and the percent value added (VA), pursuant to the following formula:

$$IST = POSCA * PVMIS * VA * STR$$

If the Applicant produces a product that does not generate sales tax revenue, the IST will be reduced based on the fraction of production that does not generate sales tax revenue. If the Applicant produces Biofuel and utilizes a fraction of that Biofuel for purposes of operating the Facility and produces an end-of-supply-chain product that does not generate sales tax revenue, the IST will be reduced based on the fraction of the Applicant's Biofuel production that will offset external fuel purchases.

b. The IPIT is calculated using the present value of the AIEW and the average state income tax rate (SIR) as determined by the Executive Director by using the most recent two-year average of personal income tax rates published by the California Franchise Tax Board, pursuant to the following formula:

$$IPIT = \text{Present Value } (AIEW) * SIR$$

i. The present value is based on the WALS of the capital equipment purchased as provided by the Applicant and the discount rate determined by the Executive Director.

c. The ICIT paid by the company on its profits is the present value of the estimated annual tax liability that is attributable to the Qualified Property.

i. The ICIT is calculated using an estimate of annual tax liability (ATL) as determined by the Executive Director based on information collected by the California Franchise Tax Board, Applicant-provided data on estimated annual tax liability, or other sources as determined by the Executive Director; the value of the capital stock (VCS) used to produce the product; and the MIQP pursuant to the following formula:

$$ICIT = \text{Present Value } (ATL * MIQP/VCS)$$

ii. The present value is based on the WALS of the capital equipment purchased as provided by the Applicant and the discount rate determined by the Executive Director.

d. The increase in property taxes (IPT) is the present value of the annual property taxes paid on the MIQP.

i. The annual property tax amount is calculated using MIQP and the current property tax rate (PTR) as determined by the Executive Director based on information collected by the California Department of Tax and Fee Administration, pursuant to the following formula:

IPT = Present Value (MIQP * PTR)

ii. The present value is based on the WALS of the capital equipment purchased as provided by the Applicant and the discount rate determined by the Executive Director.

(ii) The indirect fiscal benefits (IFB) result from increased state and local revenues resulting from increased economic activity caused by additional purchases from in-state suppliers and increased employee wages resulting from the MIQP.

a. The increase in revenues is calculated using PVMISO and the ratio of state and local government revenues to gross state output (GRSO) as determined by the Executive Director using the sum of the latest two-year average of actual state general fund revenues from the California Department of Finance, the latest two-year average of actual aggregate city and county revenues excluding intergovernmental transfers and service charges from the cities annual report and the counties annual report from the California State Controller's Office, divided by the latest two-year average of gross state product from U.S. Department of Commerce's Bureau of Economic Analysis, pursuant to the following formula:

IFB = PVMISO * GRSO

(2) The value of the sales and use tax exclusion. For each Application, the total cost of the sales and use tax exclusion will be calculated by multiplying the value of the Qualified Property (VQP) as reported by the Applicant times the STR.

(3) Environmental Benefits.

(A) The allocated share (AS) is the estimated percent of the pollution benefit from the Green Component of the Advanced Transportation Technology or Alternative Source product, component, or system that can be attributed to the Applicant's use of the Qualified Property. The AS is calculated using Applicant-provided data on the percent of time (POT) that the Qualified Property will be used to make the Advanced Transportation Technology or Alternative Source product, component or system and the fractional

component contribution (FCC) of the Applicant's product to the Green Component of the end-of-supply-chain product. FCC will be calculated by multiplying the percent value added (VA) per unit times the sales price per unit ($Unit) and then dividing by the total value of the end-of-supply-chain product for Facilities producing end products or systems or by the total value of the Green Component of the end-of-supply-chain product for Facilities producing subcomponents (End $) as provided by the Applicant. The AS will be calculated pursuant to the following formulas:

$$FCC = (VA * \$Unit) / End \$$$

and

$$AS = POT * FCC$$

Notwithstanding the above, the FCC and the AS both have a maximum value of 1.

(B) For Facilities producing the Green Component of Alternative Source or Advanced Transportation Technology products, excluding Biofuels, the estimated impact of pollution from a gallon of gasoline equivalent (GGE) or a MWh of electricity or equivalent. GGE refers to the number of gallons of a fuel that has the equivalent amount of energy to one gallon of gasoline.

(i) The dollar value of pollution costs associated with a GGE ($GGE) is calculated based on the percent of sales in California (POSCA) as provided by the Applicant and the pollution cost per unit of volatile organic compounds (VOCs), nitrous oxide (NOx), and carbon dioxide or carbon dioxide equivalent (CO2) as determined by the Executive Director based on the relevant research literature, expert analysis, or information provided by other state agencies, pursuant to the following formula:

$$\$GGE = \text{Pollution cost of } CO2 \text{ per GGE} + (POSCA * (\text{pollution cost of VOC per GGE} + \text{pollution cost of NOx per GGE}))$$

(ii) The dollar value pollution costs associated with a MWh of electricity generation ($MWh) is calculated based on the POSCA as provided by the Applicant and the pollution cost per unit of CO2, nitrous oxide, and sulfur dioxide released from a MWh of electricity production in California (CA) and the rest of the United States (US) as determined by the Executive Director based on the relevant research literature, expert analysis, or information provided by other state agencies, pursuant to the following formula:

$$\$MWh = (POSCA * (\text{pollution cost of CA } CO2 \text{ per MWh} + \text{pollution cost of CA NOx per MWh} + \text{pollution cost of CA } SO2 \text{ per MWh})) + ((1-POSCA) * \text{pollution cost of US } CO2 \text{ per MWh})$$

(iii) The dollar value per pound of any other offsetting energy pollutants ($OP) shall be determined by the Executive Director based on the relevant research literature, expert analysis, or information provided by other state agencies.

a. Any non-greenhouse gas emissions benefits will be weighted according the POSCA.

(C) The total pollution benefit (TPB) will be calculated based on the marginal increase in product sales due to the sales and use tax exclusion in the following areas:

(i) Net change in use of electricity generated from alternative sources (increased use of alternative sources). The total pollution benefit (TPB) resulting from the net change in electricity generated from alternative sources is based on the lifetime pollution benefit (LPB) of each unit and the increase in unit sales that can be attributed to the sales and use tax exclusion.

a. The LPB is calculated using information on the annual net electricity generation per unit (MWhG), the annual emissions per MWh of offsetting pollutants (OP) as provided by the Applicant, and estimates of the pollution cost in dollars of avoided MWh ($MWh) and the pollution cost in dollars of any offsetting energy pollutants ($OP) as determined by the Executive Director, pursuant to the following formula:

LPB = Present Value ($MWh * MWhG) - (OP * $OP))

i. The present value is based on the estimated useful lifespan of the product (ULOP) as provided by the Applicant and the discount rate determined by the Executive Director.

b. The TPB is then calculated pursuant to the following formula:

TPB = Present Value (LPB * AS * MIU)

i. The present value is based on the WALS of the capital equipment as provided by the Applicant and the discount rate determined by the Executive Director.

(ii) Net change in fossil fuel consumption resulting from increased use of Alternative Source fuels. The TPB resulting from the net change in consumption of fossil fuels is based on the lifetime pollution benefit (LPB) of each unit and the increase in unit sales that can be attributed to the sales and use tax exclusion.

a. The LPB is calculated based on the dollar value of pollution avoided per unit calculated as the number of GGEs per unit (GGEA) times the dollar value of pollution avoided per GGE ($GGE) less the dollar value of offsetting pollution cost for any fuel or electricity required to produce a unit (OFF) of Alternative Source fuel ($GGE or $MWh or dollar value of pollution cost per unit for other

pollutants), as determined by the Executive Director, pursuant to the following formula:

LPB = (GGEA* $GGE) - (OFF/* $GGE) - (OFF * $MWh) - dollar value of other pollution costs/per unit

b. For Biofuels, the LPB is determined based on the net annual pollution benefit per unit (NAPB) as calculated by the Executive Director based on information from the California Air Resources Board or other state agencies, expert analysis, relevant research literature, and applicant provided information with respect to the net change in greenhouse gas emissions resulting from production and use of the alternative source product and the dollar value of pollution costs avoided by use of Biofuels as calculated based on the pollution cost per unit of carbon dioxide or carbon dioxide equivalent ($CO2) as determined by the Executive Director based on the relevant research literature, expert analysis, or information provided by other state agencies multiplied by the NAPB pursuant to the following formula:

LPB = NAPB * $CO2

c. The TPB is then calculated pursuant to the following formula:

TPB = Present Value (LPB * AS * MIU)

i. The present value is based on the WALS of the capital equipment as provided by the Applicant and the discount rate determined by the Executive Director.

(iii) Net change in use of energy generated or produced from current sources (energy efficiency). The TPB resulting from the net change in the use of energy generated or produced from current sources is based on the lifetime pollution benefit (LPB) of each unit and the increase in unit sales that can be attributed to the sales and use tax exclusion.

a. The LPB is calculated using the annual net improvement in system consumption per unit (NI) as provided by the Applicant and estimates of the dollar value of pollution avoided per MWh ($MWh), per GGE ($GGE), or per MMBTU ($MMBTU), respectively, as determined by the Executive Director, pursuant to the following formula:

LPB = Present Value (NI * $MWh)

or

LPB = Present Value (NI * $GGE)

or

LPB = Present Value (NI * $MMBTU)

i. The present value is based on the ULOP as provided by the Applicant and the discount rate determined by the Executive Director.

ii. The net improvement in system consumption is calculated as the difference between baseline system consumption and improved system consumption where the baseline system consumption is equal to the maximum energy consumption amount that would allow the product to qualify for the applicable Recognized Energy Efficiency Standard. If more than one Recognized Energy Efficiency Standard applies to a product, the more stringent standard will be used for purposes of setting the baseline system consumption. The improved system consumption is the energy consumption of the Applicant's product under circumstances and conditions substantially similar to those used for purposes of setting the baseline system consumption value.

b. The TPB is then calculated pursuant to the following formula:

TPB = Present Value (LPB * AS * MIU)

i. The present value is based on the WALS of the capital equipment as provided by the Applicant and the discount rate determined by the Executive Director.

(iv) Net change in consumption of fossil fuels due to increased use of Advanced Transportation Technologies. The TPB resulting from the net change in consumption of fossil fuels is based on the lifetime pollution benefit (LPB) of each unit and the increase in unit sales that can be attributed to the sales and use tax exclusion.

a. The LPB is calculated by using the annual net improvement in system consumption per unit (NI) and the annual consumption of offsetting energy (OFF) as provided by the Applicant and estimates of the dollar value of pollution avoided per GGE ($GGE) and the dollar value of pollution emitted as a result of the offsetting energy consumption ($MWh) as determined by the Executive Director, pursuant to the following formula:

LPB = Present Value (($GGE * NI) - (OFF * $MWh))

i. The present value is based on the ULOP as provided by the Applicant and the discount rate determined by the Executive Director.

b. The TPB is then calculated pursuant to the following formula

TPB = Present Value (LPB * AS * MIU)

i. The present value is based on the WALS of the capital equipment as provided by the Applicant and the discount rate determined by the Executive Director.

(v) Other environmental benefits. Any other environmental benefits asserted by the Applicant shall be evaluated by the Executive Director based on verification of Applicant-provided information regarding the methodology for calculating such benefits and shall be added to the appropriate Total Pollution Benefit (TPB) amount determined pursuant to these regulations.

(D) For Advanced Manufacturing Applications, the environmental benefits score is calculated based on the per unit reduction in energy use, waste generation, water use, or emissions of air pollutants, or other environmental benefits as follows:

(i) Applicants may receive points for the following:

a. Applicants with an environmental sustainability plan that describes the Applicant's plans to reduce energy use or water use and reduce solid waste, hazardous waste, or air pollutant emissions at the Facility will receive 5 points.

b. Applicants with Facilities that reduce energy use by at least five percent relative to the baseline identified in the Application will receive five points plus one point for each additional percentage point of reductions over five percent up to a maximum of 30 points.

c. Applicants with Facilities that reduce water use by at least five percent relative to the baseline identified in the Application will receive five points plus one point for each additional percentage point of reductions over five percent up to a maximum of 30 points.

d. Applicants with Facilities that reduce solid waste by at least five percent relative to the baseline identified in the Application will receive five points plus one point for each additional percentage point of reductions over five percent up to a maximum of 30 points.

e. Applicants with Facilities that reduce hazardous waste by at least five percent relative to the baseline identified in the Application will receive five points plus one point for each additional percentage point of reductions over five percent up to a maximum of 30 points.

f. Applicants with Facilities that reduce air pollutant emissions by at least five percent relative to the baseline identified in the Application will receive five points plus one point for each additional percentage point of reductions over five percent up to a maximum of 30 points.

g. Applicants with Facilities that reduce emissions of other pollutants by at least five percent relative to the baseline identified in the Application will receive five points plus one point for each additional percentage point of reductions over five percent up to a maximum of 30 points.

(E) For Recycled Resource Extraction Projects, the environmental benefits score will be calculated based on the estimated greenhouse gas reduction due to increased use of recycled materials as follows.

(i) The estimated change in amount recycled (CAR) will be calculated as follows.

a. Annual production costs (APC) will be calculated as the sum of annual labor costs, production-related purchase costs, and the CAP.

b. The present value of production costs (PVPC) will be calculated based on APC, the WALS of the Qualified Property as provided by the Applicant, and a discount rate determined by the Executive Director based on the relevant research literature, consultation with outside experts, or information provided by other state agencies.

$$PVPC = \text{Present Value}(APC)$$

i. The present value is based on the WALS of the capital equipment as provided by the Applicant and the discount rate determined by the Executive Director.

c. The percentage change in production costs (PCPC) due to the sales and use tax exclusion will be calculated from the value of the sales and use tax exclusion (exclusion amount, or EA) and the present value of production costs (PVPC) using the following formula:

$$PCPC = EA / PVPC$$

d. The percent increase in recycling (PIR) is the estimated increase in the amount of material recycled due to the sales and use tax exclusion. The PIR is calculated from the PCPC, the price elasticity of supply (SE) for the recycled material, and the price elasticity of demand (DE) for the recycled material using the following formula:

$$PIR = PCPC * (SE * DE)/(SE + DE)$$

i. The SE and DE will be determined by the Executive Director based on the relevant research literature or consultation with outside experts.

e. The CAR is calculated based on the PIR and the projected average annual amount of recycled material sold or shipped (ARM), as provided by the Applicant as follows:

$$CAR = PIR * (1 - PIR) * ARM$$

(ii) The greenhouse gas benefit (GGB) for each unit of material recycled will be determined by the Executive Director based on the relevant research literature, consultation with outside experts, information from other state agencies, or the Federal Environmental Protection Agency Waste Reduction Model (WARM). Where the California Air Resources Board (CARB) has made modifications or developed an alternative to the WARM model, the CARB measurements will be used.

(iii) The dollar value of pollution costs associated with emission of a unit of CO2 ($CO2) will be determined by the Executive Director based on the relevant research literature, expert analysis, or information provided by other state agencies

(iv) The TPB will be determined based on the present value of the GGB and $CO2 as follows:

$$TPB = \text{Present Value}(GGB * \$CO2)$$

a. The present value is based on the WALS of the capital equipment as provided by the Applicant and the discount rate determined by the Executive Director.

(4) Calculation of points. Points for fiscal benefits will be calculated by dividing total fiscal benefits (TFB) by the value of the sales and use tax exclusion and multiplying the result by 1,000. Points for environmental benefits for Advanced Transportation, Alternative Source, and Recycled Resource Extraction Applications will be calculated by dividing total pollution benefits (TPB) by the value of the sales and use tax exclusion and multiplying the result by 1,000. Points for environmental benefits for Advanced Manufacturing Applicants will be equal to the sum of the environmental benefits points awarded based on the categories listed in Section 10033(c)(3)(D).

(5) Additional points. Additional points shall be awarded as follows:

(A) Unemployment score. An Applicant may earn up to 50 points for creating jobs in high unemployment areas.

(i) The unemployment rate for the area means the rate within the county in which the Facility is located as reported by the California Employment Development Department. The most current annual average unemployment rate information available at the time of the Application submission shall be used.

(ii) Points are based on how much greater the local unemployment rate is in comparison to the annual average statewide unemployment rate, pursuant to the following formula:

$$Points = ((\text{Local Rate} / \text{State Rate}) * 100) - 100$$

a. Non-integer points (e.g., 20.4) will be rounded to the nearest whole integer for scoring purposes.

(B) New jobs score. An Applicant may earn up to 75 points for creating new jobs.

(i) The Executive Director will calculate the amount of the sales and use tax exclusion per job created by the Applicant as a result of the MIQP. The number of jobs created by the Applicant as a result of the MIQP will be calculated by multiplying the total number of full time equivalent jobs associated with the production of the Applicant's product times the ratio of the MIQP to the VCS. Points for the New Jobs Score will be awarded as follows:

a. Less than or equal to $50,000 in sales and use tax exclusion per job - 75 points.

b. Less than or equal to $100,000 in sales and use tax exclusion per job but greater than $50,000 per job - 60 points.

c. Less than or equal to $150,000 in sales and use tax exclusion per job but greater than $100,000 per job - 55 points.

d. Less than or equal to $200,000 in sales and use tax exclusion per job but greater than $150,000 per job - 45 points.

e. Less than or equal to $300,000 in sales and use tax exclusion per job but greater than $200,000 per job - 40 points.

f. Less than or equal to $400,000 in sales and use tax exclusion per job but greater than $300,000 per job - 35 points.

g. Less than or equal to $750,000 in sales and use tax exclusion per job but greater than $400,000 per job - 30 points.

h. Less than or equal to $1,500,000 in sales and use tax exclusion per job but greater than $750,000 per job - 20 points.

i. Greater than $1,500,000 in sales and use tax exclusion per job - 0 points.

(ii) The Executive Director will calculate the decrease in Facility jobs, if any, due to the sales and use tax exclusion. The number of jobs reduced by the Applicant as a result of the sales and use tax exclusion will be calculated by subtracting the total Facility jobs as reported by the Applicant assuming the Qualified Property is not used from the total Facility jobs assuming the Qualified Property is used. If the result is a negative value, the New Jobs Score will be set to zero regardless of the results of the calculation in Section 10033(c)(5)(B)(i). If this value is negative, Lost Jobs Points will be calculated by (a) subtracting the total Facility jobs as reported by the Applicant assuming the Qualified Property is not used from the total Facility jobs assuming the

Qualified Property is used, (b) dividing the result by the number of Facility jobs assuming the Qualified Property is used, and (c) multiplying the result by 100.

(C) Construction or installation jobs score. An Applicant may earn up to 75 points for creating construction or installation related jobs.

(i) The Executive Director will calculate the amount of the sales and use tax exclusion per annual full time equivalent construction or installation job created by the Applicant as a result of the MIQP. The number of annual full time equivalent construction or installation jobs created by the Applicant as a result of the MIQP will be calculated by multiplying the total number of annual full time equivalent construction or installation jobs associated with construction of the Applicant's Facility or the installation of the Applicant's equipment times the ratio of the MIQP to the VCS. Points will be awarded as follows:

a. Less than or equal to $50,000 in sales and use tax exclusion per job - 75 points.

b. Less than or equal to $100,000 in sales and use tax exclusion per job but greater than $50,000 per job - 60 points.

c. Less than or equal to $150,000 in sales and use tax exclusion per job but greater than $100,000 per job - 55 points.

d. Less than or equal to $200,000 in sales and use tax exclusion per job but greater than $150,000 per job - 45 points.

e. Less than or equal to $300,000 in sales and use tax exclusion per job but greater than $200,000 per job - 40 points.

f. Less than or equal to $400,000 in sales and use tax exclusion per job but greater than $300,000 per job - 35 points.

g. Less than or equal to $750,000 in sales and use tax exclusion per job but greater than $400,000 per job - 30 points.

h. Less than or equal to $1,500,000 in sales and use tax exclusion per job but greater than $750,000 per job - 20 points.

i. Greater than $1,500,000 in sales and use tax exclusion per job - 0 points.

(D) Emerging Strategic Industry score. An Applicant may earn up to 40 points if the Applicant's industry is in an Emerging Strategic Industry as defined in Section 10031(m). The Executive Director will determine if an Applicant's industry is an Emerging Strategic Industry and award points to those Applicants that qualify. The total amount of points awarded to be calculated as the percent of the value added by the Applicant to the Applicant's final product comprised by an Emerging Strategic Industry product divided

by the total value added by the Applicant's process multiplied by 40.

(E) Other Facility Characteristics.

(i) An Application may be awarded points for the following other facility characteristics:

a. Applicants with facilities in California that perform research and development functions related to the product or production process at the Facility that is the subject of this application will receive 25 points.

b. Applicants with partnerships with educational institutions either for the purpose of training the workers at the Facility or for purposes of assisting in the training of potential future workers, including workers from disadvantaged communities including women, racial minorities, formerly incarcerated, and veterans, will receive 25 points.

c. Applicants in Industry Clusters, as defined, will receive 25 points.

d. Applicants that provide benefits and fringe benefits to employees will receive 5 points for each type of benefit or fringe benefit provided, up to 25 points.

(F) Out-of-state environmental benefits score. An Application may be awarded points for non-greenhouse gas environmental benefits attributable to Advanced Transportation Technologies or Alternative Source products, components, or systems sold outside of California, pursuant to the following:

(i) The Executive Director will calculate the value of the non-greenhouse gas environmental benefits resulting from the marginal increase in out-of-state product sales due to the sales and use tax exclusion, pursuant to the following equations:

a. The dollar value of an out-of-state non-greenhouse gas benefit from a GGE ($OSG) pursuant to the following formula:

$OSG = (1- POSCA)* (pollution cost of VOC per GGE + pollution cost of NOx per GGE)

b. The dollar value of an out-of-state non-greenhouse gas benefit from a MWh ($OSM) is calculated pursuant to the following formula:

$OSM = (1 - POSCA) * (pollution cost of US NOx per MWh + pollution cost of US SO2 per MWh)

c. The dollar value per unit of any other offsetting pollutants ($OP) be weighted by the POSCA and incorporated by the Executive Director into the calculation of the out-of-state environmental benefits score.

d. The total value of out-of-state non-greenhouse gas pollution benefits (TOB) due to electricity generated from alternative sources (increased use of alternative sources excluding Biofuels) is calculated pursuant to the following formula:

LPB = Present Value ((NI * $OSM) - (OP * $OP))

and

TOB = Present Value (LPB * AS * MIU)

e. The total value of out-of-state non- greenhouse gas pollution benefits (TOB) to electricity generated from non-alternative sources or fossil fuels burned (conservation) is calculated pursuant to the following formula:

LPB = Present Value (NI * $OSM)

or

LPB = Present Value (NI * $OSG)

and

TOB = Present Value (LPB * AS * MIU)

f. The total value of out-of-state non-greenhouse gas benefits (TOB) due to increased use of advanced transportation technologies is calculated pursuant to the following formula:

LPB = Present Value ((NI * $OSG) - (OFF * $OSM))

and

TOB = Present Value (LPB * AS * MIU)

(ii) The Authority will then calculate the ratio of the total value of out-of-state non-greenhouse gas benefits (TOB) to the value of the sales and use tax exclusion and the result will be multiplied times 1000 and divided in half to determine the Applicant's point total, pursuant to the following formula:

Points = ((TOB / Sales and Use Tax Exclusion) * 1000)/2

a. Non-integer point totals will be rounded to the nearest whole integer for scoring. A maximum of 40 points may be awarded for out-of-state pollution benefits.

(6) Total Score. The total number of additional points not to exceed 200 determined pursuant to Section 10033(c)(5) shall be added to the number of points determined pursuant to Section 10033(c)(4). The result of this sum is the Applicant's total score. Complete Applications receiving both a total score greater than or equal to the threshold value of 1,000 and a TPB score greater than 20 may be recommended for a sales and use tax exclusion. Notwithstanding the foregoing, where a project receives a score less than these thresholds, the Executive Director may recommend it to the board for approval upon a statement articulating specific reasons why the approval is in the public interest and advances the purposes of the Program.

(7) Upon a recommendation from the Executive Director that it is in the public interest and advances the purposes of the Program, the Authority may adjust any of the threshold values set forth in Section 10033(c)(6).

Note: Authority cited: Section 26009, Public Resources Code; and Section 26011.8, Public Resources Code. Reference: Section 26011.8, Public Resources Code; and Section 6010.8, Revenue and Taxation Code.

§ 10035. Regulatory Agreement and Compliance.

(a) Regulatory Agreement. All recipients of sales and use tax exclusions are required to execute a Regulatory Agreement as a condition to the Authority's making a finding and awarding a sales and use tax exclusion.

(1) This agreement, to be entered into between the Applicant and the Authority's Executive Director, will require the Applicant to comply with the requirements set forth in these regulations. This agreement must be signed by a representative of the Applicant's company authorized to enter into contracts on behalf of that company and returned to CAEATFA within 30 calendar days from the date of CAEATFA Board approval. The Executive Director shall grant extensions of up to 60 days upon written request.

(2) The Regulatory Agreement will commence upon execution and will continue in force for a period of twelve (12) years.

(3) The Regulatory Agreement shall include but not be limited to the following:

(A) A requirement that the Applicant indemnify and hold harmless CAEATFA from claims connected with: 1) the Project, 2) transactions associated with the Project, 3) any violation of law connected with the Project, and 4) any dispute or ruling regarding the ultimate taxability of the sale or use of the Qualified Property.

(B) A requirement that the Applicant file a semi-annual report. This report will identify purchases of Qualified Property, if any, made during the preceding six-month period (from January 1 through June 30 and July 1 through December 31).

(i) Each semi-annual report shall include information about the Qualified Property purchased, including the acquisition date; vendor city, county, and country; cost; address where the Qualified Property will be located or installed; a description and explanation of the purpose of the Qualified Property; and any other information requested by the Executive Director that is reasonably related to the purposes of the Program.

(ii) The semi-annual report covering the first two calendar quarters of the year shall be submitted to the Authority on or before July 31; the semi-annual report covering the last two calendar quarters of the year shall be submitted to the Authority on or before January 31 of the immediately following calendar year.

(b) Compliance. Applicants are responsible for compliance with all applicable Program regulations, including the following:

(1) Exercise of sales and use tax exclusion. Within two (2) years of approval by the Authority, the Applicant must make purchases or have executed purchase orders of Qualified Property totaling not less than fifteen percent (15.0%) of the total amount listed in the approval resolution. Applicants that fail to meet this requirement shall be ineligible for a new award for a period of two (2) years from the applicable requirement deadline. All purchases of Qualified Property must be made within five (5) years of Application approval. Regulatory Agreements for Facilities not meeting these requirements will be subject to termination, and no further purchases will be excluded from the imposition of the sales and use tax.

(2) Obligation to inform the Authority. During the term of the Regulatory Agreement, Applicants must inform the Authority if the Qualified Property is moved out of the State of California or of any change in the ownership of the Qualified Property, including the name, ownership percentage, and mailing address of the new owners.

(3) Assignment. The Project shall not be transferred or assigned to any other person prior to the expiration of the Regulatory Agreement unless a person acquires all or substantially all of the assets of the Applicant. In that case, the Authority shall authorize the transfer of the Applicant's rights pursuant to the Regulatory Agreement to the successor in interest upon Board approval if the successor meets eligibility requirements. The successor in interest shall agree in writing to assume all of the duties and responsibilities of the Applicant pursuant to the Regulatory Agreement. If the successor in interest for the Qualified Property does not enter into a Regulatory Agreement with the Authority, then the Applicant shall be required to repay the amount of the sales and use tax exclusion.

(4) Certification letter and compliance report. During the term of the Regulatory Agreement, Applicants must submit an annual certification and compliance report. The certification letter must document that the Qualified Property was used for the purposes specified in the Application for the entire period since the signing of the Regulatory Agreement as required by these regulations. The certification letter and compliance report must be submitted to the Authority by July 31 with information reported for the previous calendar year. Applicants whose Regulatory Agreement expires during the calendar year covered by the annual report are required to report activity for the entire final calendar year. The annual compliance report shall contain:

(A) total payroll;

(B) number of full time equivalent permanent jobs at the Applicant's Facility;

(C) number of full time equivalent construction or installation jobs created as a result of the Qualified Property purchases;

(D) total annual product sales (in dollars) including the fraction in California;

(E) total number of units sold including the fraction in California;

(F) anticipated corporate or personal income tax related to the Facility for the preceding calendar year; if the Facility makes multiple products, include information relating to the tax liability associated with the production of Qualified Products;

(G) the amount spent on supplier purchases for Qualified Products, including the fraction of such purchases from California Suppliers;

(H) the total amount of Qualified Property purchased as of the date specified in the compliance report;

(I) a narrative description of the project status and consistency with the timeline contained in the Application, anticipated purchase dates of any additional items of Qualified Property, and an explanation of any material changes to the product or manufacturing process implemented since the approval of the Application;

(J) a statement indicating the fraction of the time that the Qualified Property has been used to make Qualified Products; and

(K) any other information requested by the Executive Director that is reasonably related to the purposes of the Program.

(5) Retention of records. Applicants must retain records necessary to document information provided in the annual compliance reports and certification letters for at least five (5) years following the date of the latest certification letter or compliance report required.

(6) False Information. Upon a finding that information supplied by an Applicant, or any person acting on behalf of an Applicant, is false or no longer true, and the Applicant has not notified the Authority in writing, the Authority may, after written notice to the Applicant, rescind the approval resolution, in addition to other remedies.

(7) Rescission. Following a finding that an Applicant has provided false information pursuant to paragraph (6) or has otherwise violated the Regulatory Agreement, the Authority may, after written notice to the Applicant, terminate or rescind the approval resolution, in addition to other remedies. Applicants may request an opportunity to be heard in front of the Authority to contest rescission. Any such request must be made in writing to the Authority and postmarked no later than fifteen (15) calendar days following the mailing of written notice from the Authority. Upon a final decision by the Authority, the approval resolution shall be rescinded, and notice of the rescission may be provided to the Department of Tax and Fee Administration.

(8) Reporting. The Authority may from time to time publish the actual total value of the Qualified Property purchased within each city or county in California. If the Executive Director determines that publishing such information could cause the price paid by an Applicant to a supplier for a Qualified Property purchase or the identity of that supplier to become known, then the information from multiple cities or counties will be aggregated so as to protect the confidentiality of this information.

(9) Suspension. If the Applicant violates statute, regulations, or the terms of the Regulatory Agreement, the Executive Director may suspend the Regulatory Agreement until the Executive Director certifies that the Applicant is once again in compliance. Purchases made during this suspension will not be excluded from the imposition of sales and use tax. During a suspension, the Authority will not accept new applications or requests to modify existing awards from a non-compliant Applicant or from any of its parent companies or subsidiaries.

(10) Project Changes. Post-award changes to the Project that do not affect eligibility shall be approved by the Authority, which can delegate this power to the Executive Director.

(c) Recovery of Financial Assistance. The Regulatory Agreement shall contain a provision under which the Authority may seek recovery of the Financial Assistance provided plus interest at a rate to be reasonably determined by the Authority and specified in the Regulatory Agreement. The Authority may seek recovery of the Financial Assistance actually utilized in cases in which the Applicant: (1) does not meet the substantial use requirements identified in Section 10033(b)(1)(A) or (2) removes the Qualified Property purchased from the State of California prior to the shorter of (a) the expiration of the term of the Regulatory Agreement or (b) five years.

Note: Authority cited: Section 26009, Public Resources Code; and Section 26011.8, Public Resources Code. Reference: Section 26011.8, Public Resources Code; and Section 6010.8, Revenue and Taxation Code.

§ 10036. Fees.

(a) Application Fee.

(1) Except as provided in paragraph (5) below, every Applicant shall be required to pay an Application Fee.

(2) The Application Fee shall be equal to .0005 (one twentieth of one percent) of the total amount of Qualified Property identified in the Application as originally submitted. If, during the Application process, the Applicant reduces the amount of Qualified Property listed in the Application as submitted, the Applicant will not be entitled to a refund of the excess Application Fees paid. If the Applicant makes a request to CAEATFA to increase the amount of Qualified Property listed in a revised or amended Application, CAEATFA will require

additional Application Fees to be submitted. The minimum Application Fee shall be $500 and shall not exceed $10,000.

(3) This fee shall be paid in a check or electronically to the Authority, and shall be received by CAEATFA within five (5) business days of the Application deadline for the applicable round.

(4) This fee is not refundable, except in cases where an Application review was not performed by CAEATFA.

(5) If the Applicant can demonstrate the Project is to relocate or rebuild the Applicant's Facility due to a fire, flood, storm, or earthquake identified in a state of emergency proclamation made by the California State Governor within two years of the time of application, the Executive Director shall waive the Application Fee.

(b) Administrative Fee.

(1) The Authority shall charge an Administrative Fee to cover the costs associated with the Program, including the costs of compliance monitoring.

(2) The total Administrative Fee amount shall be .004 (four tenths of one percent) of the total amount of the Qualified Property purchased.

(3) In no case shall the total Administrative Fee be less than $15,000 nor more than $350,000.

(4) $15,000 or one-half of the maximum Administrative Fee calculated as .004 (four tenths of one percent) of the total amount of the Qualified Property approved in the Application, whichever is greater, shall be due upon the execution of the Regulatory Agreement between the Applicant and the Authority.

(5) The balance of an Applicant's Administrative Fee shall be payable semi-annually on July 31 and January 31 each year following Application approval until such time as the total amount of the Administrative Fee due has been paid. The amount of the Administrative Fee due during each period shall be .002 (two tenths of one percent) of the Qualified Property purchase amounts during the immediately preceding six-month period (from January 1 through June 30 and July 1 through December 31, respectively) until the total Administrative Fee has been paid.

(A) Each semi-annual fee payment shall include information about the Qualified Property purchased, including the acquisition date; vendor city, county, and country; cost; address where the Qualified Property will be located or installed; a description and explanation of the purpose of the Qualified Property; and any other information requested by the Executive Director that is reasonably related to the purposes of the Program.

(B) The Applicant will submit a "final statement" when the total amount of Qualified Property purchases equals the total amount of exclusion granted or when the Applicant no longer wishes to exercise the sales and use tax exclusion granted and signifies that the

Applicant's purchases are no longer subject to the sales and use tax exclusion. Pursuant to Section 10036 a determination will be made of the total amount of Qualified Property purchased, and the corresponding amount of the total Administrative Fee due. If any remaining Administrative Fee is due, the Fee shall be submitted together with the final statement.

(6) The Administrative Fee shall be paid in checks or electronically to the Authority.

(7) No portion of the Administrative Fee is refundable.

(c) Other fees

(1) An Applicant that requests a modification to its Regulatory Agreement or authorizing resolution that must be approved by the Authority shall pay an administrative fee of $2,000. Notwithstanding the foregoing, Applicants wishing to add an additional subsidiary or affiliate to a Regulatory Agreement shall do so upon written request along with payment of an administrative fee of $2,000 and a completed Legal Status Questionnaire subject to approval of the Executive Director as being in compliance with the requirements of this article.

(2) An Applicant that requests the transfer ownership of Qualified Property prior to the expiration of the Regulatory Agreement shall pay an administrative fee of $2,000 prior to consideration by the CAEATFA Board pursuant to Section 10035(b)(3).

(3) An Applicant that requests a modification to its Regulatory Agreement or authorizing resolution that requires a revised application to be considered by the Authority for additional STE at the end of the year pursuant to Section 10031(a)(4)(A), shall pay .00005 (one two hundredth of one percent) of the total amount of Qualified Property identified in the Authority resolution approved by the CAEATFA Board.

(A) In no case shall this fee be less than $500 nor more than $2,000.

(4) This fee shall be paid in checks or electronically to the Authority and received by the Authority within five (5) business days of the submission of the request.

Note: Authority cited: Section 26009, Public Resources Code; and Section 26011.8, Public Resources Code. Reference: Section 26011.8, Public Resources Code; and Section 6010.8, Revenue and Taxation Code.

Legal Status Questionnaire

Legal Applicant Name:_____

1. Financial Viability

   Disclose material information relating to any legal or regulatory proceeding or investigation in which the Applicant is or has been a party and which might have a material impact on the financial viability of the project or the Applicant. Such disclosures should include any parent, subsidiary, or affiliate of the Applicant that is involved in the management, operation, or development of the project.

   Response:

   per agency request
   RDK

2. Fraud, Corruption, or Serious Harm

   Disclose any civil, criminal, or regulatory action in which the Applicant, or any current board members (except for volunteer board members of non-profit entities), partners, limited liability corporation members, senior officers, or senior management personnel has been named a defendant in such action in the past ten years involving fraud or corruption, matters related to employment conditions (including, but not limited to, wage claims, discrimination, or harassment), or matters involving health and safety where there are allegations of serious harm to employees, the public or the environment.

   Response:

   per agency request
   RDK

Disclosures should include civil or criminal cases filed in state or federal court; civil or criminal investigations by local, state, or federal law enforcement authorities; and enforcement proceedings or investigations by local, state or federal regulatory agencies. The information provided must include relevant dates, the nature of the allegation(s), charters, complaint or filing, and the outcome. As support, the company's litigation log may be included. For a publicly-traded company, the relevant sections of the company's 10K, 8K, and 10Q most recently filed with the Securities and Exchange Commission may be attached in response to question #1. With respect to a response for question #2, previous 10K, 8K, and 10Q filings of the company may be attached if applicable.

I/We attest that we have provided full disclosure as indicated in response to the items #1 and #2 above

_____ _____

Signature of Principal, CEO, or Lead Administrator Date

_____

Print or Type Name

_____ _____

Signature of President or Chair of Governing Board Date

_____

Print or Type Name

California Alternative Energy and Advanced Transportation Financing Authority

Sales and Use Tax Exclusion (STE) Program
Application – Part A

Updated: April 6, 2026

I. Applicant Information

A. Legal Name of Applicant:

B. Name of Applicant's Senior Official:

Senior Official with authority to sign and obligate the Applicant to a Regulatory Agreement should the Applicant receive an award.

Senior Official Job Title:

Phone Number:

Email Address:

C. Manufacturer Type:

- ☐ Advanced Manufacturing
- ☐ Alternative Source
- ☐ Advanced Transportation
- ☐ Recycled Feedstock

D. Number of Years in Business:

E. Product(s) Produced:

F. Facility Location(s) (city & county):

G. Please describe any unique technological or environmental characteristics of the business or products:

H. Eligibility to use the exemptions established pursuant to Section 6377.1 of the Revenue and Taxation Code (RTC): Is the Applicant a "qualified person" pursuant to Section 1525.4(b)(10) of Article 3 of Chapter 4 of Division 2 of Title 18 of the California Code of Regulations? (https://www.cdtfa.ca.gov/lawguides/vol1/sutr/1525-4.html; also see: https://www.cdtfa.ca.gov/industry/manufacturing-exemptions.htm#Qualifications)

☐ YES
☐ NO

1. The Applicant is primarily engaged in the line of business described in the North American Industry Classification System (NAICS) Code _____.

2. Is the Applicant an apportioning trade or business, other than an agricultural trade or business described in subdivision (c)(1) of RTC section 25128, that is required to apportion its business income pursuant to subdivision (b) of RTC section 25128?

☐ YES
☐ NO

3. Is the Applicant a trade or business conducted wholly within this state, other than an agricultural trade or business described in subdivision (c)(1) of RTC section 25128, that would be required to apportion its business income pursuant to subdivision (b) of RTC section 25128 if it were subject to apportionment pursuant to RTC section 25101.

☐ YES
☐ NO

(Application continues the following page)

II. Sales and Use Tax Exclusion (STE) Request

A. Total Estimated Cost of Qualified Property[1]:

_____

1. Should there be any remaining STEs at the end of the year after all Applications submitted have been considered, would the Applicant like to be considered for additional STEs?[2]

   ☐ YES
   ☐ NO

2. Is the Applicant submitting more than one Application or does the Applicant have a parent company with an ownership interest greater than 50% that is submitting more than one Application?[3]

   ☐ YES
   ☐ NO

(Application continues the following page)

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[1] Applicants are limited to $15M in STE per year. Based on the current average sales tax rate of 8.5%, the cost of Qualified Property shall not exceed $176,470,588.24.

[2] The Authority will notify all qualified Applicants in writing regarding the end-of-the-year availability of STE no later than 28 days prior to the last Authority Board meeting of the calendar year in which Applications are considered. For more info, see STE Program Regulations Section 10032(a)(4).

[3] Applicants which have a parent company with an ownership interest greater than 50%, the $15 million cap also applies to the Applicant's parent company and the parent company's subsidiaries or affiliates. For more info, see Program Regulations Section 10032(a)(4).

III. Project Narrative

Each Applicant is required to submit a Project Narrative addressing the following questions. **Alternatively, the Applicant may choose to attach a separate document as the Project Narrative while ensuring all questions are addressed.** If a question is not applicable to your manufacturing category, please state "Not Applicable". Failure to provide all information will delay the review of your Application and may result in the Applicant's disqualification.

A. PROJECT DESCRIPTION

1. Application Eligibility

Advanced Transportation Technology and Alternative Source Applicants – Provide a description of the Advanced Transportation Technology or Alternative Source product, component, or system to be produced.[4]

[4] In the case of a Facility producing property or products that, after further manufacture, will become the Green Component of an Advanced Transportation Technology or Alternative Source product or system, the Applicant must describe both the property or product produced by the Facility and the Green Component of the Advanced Transportation Technology or Alternative Source product or system for which the product produced will be used.

Advanced Manufacturing Applicants – Provide a detailed explanation of how the Project meets the statutory definition of Advanced Manufacturing set out in Public Resources Code Section 26003(a)(1) and the eligibility requirements established by Program regulations.

Please note that the Project Description for Advanced Manufacturing Applicants must directly address items "a–d" below and explicitly describe how the manufacturing process meets the requirements of "a.i–a.iv," and uses at least one of the technology areas listed in item b.

a. How the manufacturing process improves existing or creates entirely new materials, products, and processes through the use of:
   i. Science, engineering, or information technologies; <u>and</u>
   ii. High-precision tools and methods; <u>and</u>
   iii. A high performance workforce, <u>and</u>
   iv. Innovative business or organizational models.

b. How the manufacturing process uses <u>one or more</u> of the following technology areas:
   i. Micro- and nanoelectronics, including semiconductors.
   ii. Advanced materials.
   iii. Integrated computational materials engineering.
   iv. Nanotechnology.
   v. Additive manufacturing.
   vi. Industrial biotechnology.

c. How the manufacturing system results in a substantive advancement, whether incremental or breakthrough, beyond the current industry standard, in the production of materials and products (these advancements include improvements in manufacturing processes and systems that are often referred to as "smart" or "intelligent" manufacturing systems, which integrate computational predictability and operational efficiency).

d. How the proposed Project is a sustainable manufacturing system that minimizes the use of resources while maintaining or improving cost and performance. (See "Environmental Benefits Information" tab in Application Part B.)

Recycling Applicants – Provide a description of how the Project processes Recycled Feedstock that is intended to be reused in the production of another product or is using Recycled Feedstock in the production of another product or soil amendment. Public Resources Code Section 26011.8(b)(2) defines Recycled Feedstock as materials that would otherwise be destined for disposal, having completed their intended end use and product lifecycle. Identify the Recycled Feedstock that is processed, and the product or soil amendment produced utilizing Recycled Feedstock, if applicable.

2. **Facility Status/Timeline**: Provide a description of the current Facility status and a schedule indicating the estimated Facility construction start date through the placed-in-service date for the Qualified Property identified in the Application. Additional facility milestones can be included, as well.

3. **Required Permits/Timeline**: Provide a description of the needed permits and their current status, including expected dates permits will be received.

4. **Financing Sources/Timeline**: Provide a description of the status of funding sources and additional financing necessary for Facility completion. Include information for any sources of government financing, including the provision of financial assistance from any local governments for the Project, as well as any state incentives or state financing the Applicant has applied for or received.

5. **Wage Information**: Provide the wage information requested below using the following wage categories:

- Up to $20,000
- $20,001–$30,000
- $30,001–$40,000
- $40,001–$50,000
- $50,001–$60,000
- $60,001–$70,000
- $70,001–$80,000
- $80,001–$90,000
- $90,001–$100,000
- $100,001–$110,000
- $110,001–$120,000
- Over $120,000

Wages include monetary compensation paid to the employee each year, not including tips, commissions, bonuses, stock options, overtime, or other compensation of any kind.

If a wage category is not applicable, please state "Not Applicable".

a. Average wage of <u>each</u> classification of full-time employees proposed to be hired (for example, if the company will be employing engineers and the average wage for this classification is $88,000, then the company would select the $80,001–$90,000 wage band).

b. Minimum wage of each classification of full-time employees proposed to be hired.

c. Average wage of each classification of full-time employees proposed <u>not</u> to be retained.

d. Minimum wage of each classification of full-time employees proposed not to be retained.

e. If any classification is being eliminated, provide an explanation of why the classification is being eliminated and if any existing employees in the classification will be retrained or reclassified.

(Application continues the following page)

IV. Legal Status Questionnaire

Legal Name of Applicant: _____

1. **Financial Viability**
   Disclose material information relating to any legal or regulatory proceeding or investigation in which the Applicant is or has been a party and which might have a material impact on the financial viability of the project or the Applicant. Such disclosures should include any parent, subsidiary, or affiliate of the Applicant that is involved in the management, operation, or development of the project.

   Response:

2. **Fraud, Corruption, or Serious Harm**
   Please disclose any civil, criminal, or regulatory action in which the Applicant, or any current board members (except for volunteer board members of non-profit entities), partners, limited liability corporation members, senior officers, or senior management personnel has been named a defendant in such action in the past ten years involving fraud or corruption, matters related to employment conditions (including, but not limited to wage claims, discrimination, or harassment), or matters involving health and safety where there are allegations of serious harm to employees, the public or the environment.

   Response:

Disclosures should include civil or criminal cases filed in state or federal court; civil or criminal investigations by local, state, or federal law enforcement authorities; and enforcement proceedings or investigations by local, state or federal regulatory agencies. The information provided must include relevant dates, the nature of the allegation(s),

charters, complaint or filing, and the outcome. As support, the company's litigation log may be included. For a publicly-traded company, the relevant sections of the company's 10K, 8K, and 10Q most recently filed with the Securities and Exchange Commission may be attached in response to question #1. With respect to a response for question #2, previous 10K, 8K, and 10Q filings of the company may be attached if applicable.

I/We attest that we have provided full disclosure as indicated in response to the items #1 and #2 above

_____ _____
Signature of Principal, CEO, or Lead Administrator Date

_____
Print or Type Name

_____ _____
Signature of President or Chair of Governing Board Date

_____
Print or Type Name

(Application continues the following page)

V. Trade Secrets and Confidential Information

If elements of this Application (Part A and Part B) contain information the Applicant considers to be trade secret, confidential, privileged or otherwise exempt from disclosure under the Public Records Act (California Government Code Section 7920.000, et seq.), the Applicant shall assert a claim of exemption at the time of Application by identifying in an accompanying letter each of the items to be restricted.

The asserted claim shall indicate the specific information within the Application to which the claim is made (e.g., Box C4 of Part B, etc.). Upon receipt of a Public Records Act request for documents that may include information the Applicant has identified as trade secret; the Authority shall provide notice to the Applicant and provide the Applicant with three business days to provide the Authority with an explanation as to why the information is not subject to disclosure pursuant to the Public Records Act. The Authority shall consider the claim and the basis for the claim, however, retains the authority to make the final determination as to what information will be released under the Public Records Act. Applicants will be notified by the Authority prior to release of any such information.

If the Applicant chooses to assert such a claim, attach the claim to the Application.

☐ Claim Attached
☐ None Claimed

(Application continues the following page)

VI. Workforce Standards Certification[5]

Effective Date: January 1, 2026

Applicable To: Applicants with 500 or more employees (including parent corporation and subsidiaries)

☐ Not Applicable
☐ Applicable (please complete the remainder of this certification)

Applicant Information

Parent Corporation: _____

Subsidiaries (if applicable): _____

Total Number of Employees (combined): _____

By signing below, the Applicant certifies that, for the duration of the Project, the Applicant and its contractors will:

1. Provide comparatively 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.
3. Adopt mechanisms to include worker voice and agency in the workplace.

I hereby declare that the above certifications are true and accurate to the best of my knowledge and that the Applicant and its contractors will comply with all applicable requirements.

_____
Signature of Applicant's Senior Official

_____
Print or Type Name

_____
Title

_____
Date

[5]Pursuant to Division 16 of the Public Resources Code, Chapter 1, Article 2 Section 26011.8(e)

VII. Survey Questions

To assist CAEATFA in better understanding the STE Program reach and impact, please answer the following (this information is not used in the scoring or evaluation process):

1. **How did the Applicant learn about the Sales and Use Tax Exclusion Program?**

2. **Did the Applicant meet at least one of the following size requirements, on average, over the past three years (check all that apply):**
   a. ☐ 100 or fewer employees, including affiliates
   b. ☐ Annual revenues of less than $15 million, including affiliates
   c. ☐ The U.S. Small Business Administration's size standards for a Small Business matched to the North American Industry Classification System, found in Part 121.201 of Title 13 of the Code of Federal Regulations (1-1-20 Edition)
   d. ☐ None apply

VII. Demographic Survey

This survey is strictly VOLUNTARY and will **not** be used in the scoring of the Application.

Pursuant to California Constitution, Article 1, Section 31, the State shall not discriminate against or grant preferential treatment to any individual or group on the basis of race, sex, color, ethnicity, or national origin in the operation of public employment, public education, or public contracting.

Minority[6]-Owned
A business is considered "Minority-Owned" if at least 51% is owned by one or more minority individuals, and whose management and daily operations are controlled by one or more minority individuals.

Is the Applicant considered a "Minority-owned" business?
☐ YES
☐ NO

Women-Owned
A business is considered "Women-owned" business if at least 51% is owned by one or more women, and whose management and daily business operations are controlled by one or more women.

Is the Applicant considered a "Women-owned" business?
☐ YES
☐ NO

[6]Minority as defined in California Code of Regulations, Title 22, Division 1.8, Chapter 2, Section 7130

VIII. Applicant Certification

We, the undersigned, hereby submit an Application to the California Alternative Energy and Advanced Transportation Financing Authority ("CAEATFA" or the "Authority") for the purpose of securing a sales and use tax exclusion as described herein and have reviewed the CAEATFA Act and submit this Application in compliance with the Act and the implementing regulations.

We agree it is our responsibility to e-mail an electronic version of a complete, signed Application to the email address indicated on the cover sheet, accompanied by one check or electronic payment payable to CAEATFA in the amount per the Application Fee calculation indicated in the regulations within five (5) business days of the applicable Application deadline. We understand that thorough and complete answers and accurate data and information are required. We understand that if additional space is required, each additional page will be clearly labeled.

We understand that CAEATFA may verify the information provided, analyze materials submitted, and request Application-related documentation as well as conduct its own investigation to evaluate the Application. We understand that we have a continuing duty to inform CAEATFA when any information in the Application or supplemental materials is no longer accurate and will immediately supply CAEATFA with updated information.

We have read and understand all Public Resource Code sections relevant to the CAEATFA Sales and Use Tax Exclusion Program. We acknowledge that CAEATFA suggests that we seek advice from legal counsel on matters related to taxation. We acknowledge that all materials and requirements are subject to change by enactment of State legislation.

We agree that if this Application for sales and use tax exclusion is approved by the Authority, the Applicant will enter into a Regulatory Agreement with the Authority. In carrying out the development and operation of the proposed Project, we agree to comply with and will remain in compliance with all applicable State laws and will abide by all CAEATFA Program and regulatory requirements during the term of the Regulatory Agreement. We acknowledge that continued compliance with Program requirements, including ongoing reporting requirements and any costs associated with such requirements for the term of the Regulatory Agreement, is the responsibility of the Applicant.

We understand that at the time of the Authority's approval of the Application, additional fees may be owed to CAEATFA. We represent that we have read the Program regulations regarding fees and all other Program requirements.

We agree to hold the Authority and its members, officers, agents, and employees harmless from any and all matters arising out of or related to our participation in the Sales and Use Tax Exclusion Program, including any action that ultimately results in the required payment of sales and use tax.

We acknowledge that the granting of a sales and use tax exclusion shall not be used by us as evidence of the opinion of, or approval by the Authority or any of its members, officers, agents or employees as to the financial or technical feasibility of the Project or Facility nor of

the capabilities of the Applicant, any of its officers, members, agents or employees to finance, construct and operate the Project.

We declare under penalty of perjury that the information contained in the Application, exhibits, and attachments is true and correct to the best of the undersigned's knowledge and belief. We understand that misrepresentation may result in the rescission of the Authority's approval of the Application, and other actions, which the Authority is authorized to take. We understand that any further or supplemental information or documentation required to be provided shall be accompanied by a declaration under penalty of perjury that the supplemental information or documentation is true and correct to the best of the Applicant's knowledge and belief.

We acknowledge that we have a continuing duty to inform CAEATFA when any information in the Application or supplemental material is no longer accurate and immediately supply CAEATFA with updated information.

We acknowledge that any materials provided to CAEATFA may be considered public records subject to disclosure pursuant to the California Public Records Act (Government Code Sections 7920.000, et seq.).

We acknowledge that State Treasurer's Office (STO) and CAEATFA protocol requires Applicants (and their agents) refrain from advocating or inquiring about the evaluation process unless contacted by either agency. Please direct any necessary contact with the STO or CAEATFA exclusively to Program Manager, Jeannie Yu, at (916) 651-5103 or via email at jeannie.yu@treasurer.ca.gov, unless instructed otherwise by a member of STO or CAEATFA. Failure to adhere to this protocol may result in disqualification.

_____
Signature of Applicant's Senior Official

_____
Print or Type Name

_____
Title

_____
Date

(Application continues the following page)

IX. Application Checklist

Please use this checklist to double-check your electronic application submission.

- ☐ Part A
  - ☐ Applicant Information
  - ☐ Sales and Use Tax Exclusion Request
  - ☐ Project Narrative (may attach separate document)
  - ☐ Legal Status Questionnaire (attach supplemental information, if necessary)
  - ☐ Trade Secrets and Confidential Information (attach separate document, if applicable)
  - ☐ Survey Questions
  - ☐ Demographic Survey (VOLUNTARY)
  - ☐ Applicant Certification
- ☐ Application Fee
  - ☐ Application Fee Waiver Documentation (if applicable): Documentation that the Project was forced to rebuild or relocate due to a fire, flood, storm, or earthquake identified in a state of emergency proclamation made by the California State Governor within two years of the time of application.
- ☐ Part B – Excel Workbook