INITIAL STATEMENT OF REASONS

California Alternative Energy and Advanced Transportation Financing Authority

Sections 10031, 10032, 10033, 10035, and 10036

Title 4, Division 13, Article 2 of the California Code of Regulations

INTRODUCTION

The California Alternative Energy and Advanced Transportation Financing Authority ("CAEATFA" or "the Authority") is organized and operating pursuant to Division 16 (commencing with Section 26000) of the California Public Resources Code. Pursuant to the authority vested in it by Public Resources Code Section 26009, the Authority is empowered to adopt regulations necessary to carry out its functions.

These regulations are necessary to implement, make specific, and permanently establish the administrative modifications to the Sales and Use Tax Exclusion ("STE") Program. The program provides vital financial assistance to participating manufacturers and recyclers to advance the State's goals of reducing greenhouse gas emissions, deploying sustainable energy sources, and creating high-quality employment opportunities.

Effective January 1, 2026, Senate Bill 86 (McNerney, Chapter 211, Statutes of 2025) mandated that applicants with 500 or more employees must certify compliance with high-road workforce standards—including comparative good wages, investments in employee training, and mechanisms for worker voice—to receive an STE award. The Authority enacted emergency regulations on April 6, 2026, to immediately implement these statutory mandates, improve and clarify program policies, adjust program fee structures to reflect actual labor performed, streamline program administration, and improve compliance terms. This Certificate of Compliance action seeks to make those emergency modifications permanent.

The regulations described below were finalized after public engagement, including a Board presentation on January 20, 2026, a public stakeholder workshop on January 30, 2026, and careful consideration of all public comments and recommendations.

SECTION-BY-SECTION PUBLIC PROBLEM, PURPOSE, AND JUSTIFICATION

GLOBAL MODIFICATIONS

- Non-substantive edits are being made throughout regulations in the interest of clarity and consistency of language.

<u>Section 10031. Definitions</u>

Updates to defined terms in this section are commonly utilized throughout program documents and regulations to ensure clear administrative application. They are amended to:

- to establish a new acronym definition
- to expand corporate scope clarity
- to renumber or delete various sections

- to remove obsolete structural definitions

<u>Public Problem, Administrative Requirement, or Other Condition or Circumstance that the Regulation is Intended to Address:</u>

The definitions in this Section allow for the administration of this program.

<u>Specific Purpose of the Regulation:</u>

- Section 10031(e)
  To amend Section 10031(e) to explicitly expand the scope of a regulated entity or applicant to include its corporate subsidiaries and affiliates.

- Section 10031(t)
  To amend Section 10031(t) by deleting the reference to a specific statutory subdivision.

- Section 10031(v)
  To amend Section 10031(v) to permit a de minimis amount of power generation equipment—quantified as no more than 10% of the total Qualified Property value—to qualify for the program when ancillary to a facility's primary operational purpose, and to delete an explicit reference to a specific statutory subdivision within the definition.

- Section 10031(x)
  To amend Section 10031(x) to extend the 1% value limitation on Qualified Property purchases that do not contribute directly to the production process to all four eligible program pathways (Alternative Source, Advanced Transportation, Advanced Manufacturing, and Recycled Feedstock). Additionally, to capitalize terms defined in statute and standardize percentage and numerical formatting by adding numerals in parentheses.

- Section 10031(z)
  To amend Section 10031(z) by deleting the reference to a specific statutory subdivision.

- Section 10031(aa)
  To amend Section 10031(aa) to explicitly require that the primary purpose of an Applicant with a Recycled Resource Extraction Project must be the processing of recycled feedstock.

- Section 10031(ac)
  To remove (repeal) Section 10031(ac) to eliminate a definition that pertains to the regulatory provisions that divide the annual Sales and Use Tax Exclusion (STE) allocation into separate competitive funding pools (specifically the Small Project Pool, General Pool, and Large Project Pool).

- Section 10031(ad)
  To amend Section 10031(ad) by deleting the reference to a specific statutory subdivision and renumbering the subsection as Section 10031(ac).

- Section 10031(ae)
  To renumber Section 10031(ae) as Section 10031(ad).

- Section 10031(ae)
  To add Section 10031(ae) to the definitions to establish a formal acronym definition for the sales and use tax exclusion.

Necessity:

Section 10031(e) is amended to include an entity's subsidiaries or affiliates, as multiple related parties often hold interests in a project.

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

Section 10031(v) is amended to allow a de minimis amount—defined as no more than 10% of the Qualified Property—of power generation equipment to qualify when it is ancillary to the Facility's primary purpose. This amendment is necessary to assist Applicants that need to purchase power generation equipment required for production, such as manufacturers that generate electricity to power their production facilities and reduce reliance on fossil fuels in the electricity grid. This section is also amended to remove reference to a specific statutory subdivision to maintain consistency with other definitions that refer to statute.

Section 10031(x) is amended to clarify that purchases under all four eligible pathways, including Recycled feedstock and Advanced Manufacturing, that do not contribute directly to the production process are limited to no more than 1% of the total value of all approved Qualified Property. Previously, this allowance applied only to Advance Transportation and Alternative Source applicants. When the STE Program was first established in 2010, the only two eligible pathways were Alternative Source and Advanced Transportation. The Advanced Manufacturing and Recycled Feedstock pathways were added later, in 2012 and 2015, respectively. This amendment is necessary to extend to all eligible pathways, therefore eliminating biasness and confusion. Additional revisions were made to ensure consistent formatting for percentages and certain written numbers by including numerals in parentheses, and to capitalize terms defined in statute.

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

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

Section 10031(ac) is removed as the proposed amended regulations will no longer use separate funding pools. Current regulations separate the annual calendar of $100 million in STE funding into three project pools ($20 million small pool, general pool, and $15 million large pool). Managing these pools has created significant challenges for staff as each pool had separate dollar amounts, different request thresholds, and different availability windows. This often resulted in complex scenarios—some without clear solutions—and creates a lot of downstream effects (i.e. extra work) especially when the program is oversubscribed and there are several Applicants on the waitlist. Administering a single funding pool will allow staff to streamline the application process and more easily rank Applicants based on their Competitive Criteria score in the event of program oversubscription.

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

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

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

Technical, Theoretical, and/or Empirical Studies, Reports, or Documents:

No additional documents were consulted in updating defined terms.

Alternatives to the Regulations Considered by the Agency and the Agency's Reasons for Rejecting those Alternatives:

Alternative: Implementing More Expansive or Alternative Definitions
Reason for Rejection: The Authority evaluated utilizing alternative definitions or allowing broader interpretations of terms. This alternative was rejected because overly broad definitions would dilute the core statutory focus of the Sales and Use Tax Exclusion (STE) Program, create administrative uncertainty during application reviews, and potentially jeopardize the equitable distribution of the program's $100 million annual statutory cap. The proposed definitions are precisely tailored to align with the Authority's mandates under Public Resources Code Section 26011.8 and Revenue and Taxation Code Section 6010.8 while providing necessary clarity for modern manufacturing projects.

Alternatives to the Proposed Regulation Action that Would Lessen any Adverse Impact on Small Business:

Updating the defined terms has no adverse impact on small business.

Evidence Supporting Finding of No Significant Adverse Economic Impact on any Business:

Updating the defined terms has no adverse impact on business.

Section 10032. Application Requirements.

This section addresses application requirements and is amended to streamline the STE application process and provide greater administrative flexibility. Key changes include adjusting when CAEATFA must announce application periods, allowing more flexibility in how Applications may be submitted, and eliminating the three separate STE funding pools ($20 million small pool, general pool, and $15 million large pool) to reduce program complexity. The Application cap increases from $10 million to $15 million, and prioritization rules are updated accordingly. Several subsections are renumbered and reformatted for consistency. Additional updates clarify completeness requirements, mandate use of the most current Application version, refine scoring criteria for Emerging Strategic Industries, and incorporate a new workforce certification required under SB 86 for Applicants with 500 or more employees.

Section 10032(a)(1)

Public Problem, Administrative Requirement, or Other Condition or Circumstance that the Regulation is Intended to Address: Under the existing regulatory framework, application periods for an upcoming calendar year are required to be finalized and announced prior to the end of the preceding year.

This fixed timing does not account for the potential overlap with late-year statutory changes, emergency regulations, or program updates that may affect application materials, submission systems, or administrative procedures. As a result, the Authority may need additional time to incorporate such changes before finalizing application windows.

This amendment provides flexibility to ensure application periods reflect current program requirements at the time of issuance.

Specific Purpose of the Regulation: To amend Section 10032(a)(1) to modify the timeframe requirements for announcing the Program's application periods, specifically allowing the announcement to be issued into the beginning of the calendar year.

Necessity: This section is amended to reflect updated timing in which application periods for the Program will be announced. Allowing application periods to be announced into the beginning of the year will allow time for CAEATFA to address any program changes or updates that will take effect in the ensuing calendar year.

Technical, Theoretical, and/or Empirical Studies, Reports, or Documents: No technical documents were consulted.

Alternatives to the Regulations Considered by the Agency and the Agency's Reasons for Rejecting those Alternatives: Previous regulations required application periods for an upcoming calendar year to be finalized and announced prior to the conclusion of the preceding year, which forced fixed deadlines that failed to accommodate late-year statutory changes, emergency regulations, or critical system updates.

Alternatives to the Proposed Regulation Action that Would Lessen any Adverse Impact on Small Business: No adverse impact. Participation is voluntary and provides access to financial assistance that may otherwise be unavailable.

Evidence Supporting Finding of No Significant Adverse Economic Impact on any Business: Participation in this program is voluntary so there is no adverse economic impact.

Section 10032(a)(2)

Public Problem, Administrative Requirement, or Other Condition or Circumstance that the Regulation is Intended to Address: Under the existing regulatory framework, this subdivision identifies an outdated program email address for application submissions.

Because the listed email address is currently only being used for general agency inquiries, a new email address was established to prevent missed or misdirected application materials.

This amendment updates the contact information to ensure applications are submitted to a current and monitored inbox by designated staff.

Specific Purpose of the Regulation: To amend Section 10032(a)(2) to update the official program email address designated for the submission of applications.

Necessity: This section is amended to indicate the new email address to which Applications should be submitted.

Technical, Theoretical, and/or Empirical Studies, Reports, or Documents: No technical documents were consulted.

Alternatives to the Regulations Considered by the Agency and the Agency's Reasons for Rejecting those Alternatives: Previous regulations identified a general agency email address, which is used only for general purposes.

Alternatives to the Proposed Regulation Action that Would Lessen any Adverse Impact on Small Business: No adverse impact. Participation is voluntary and provides access to financial assistance that may otherwise be unavailable.

Evidence Supporting Finding of No Significant Adverse Economic Impact on any Business: Participation in this program is voluntary so there is no adverse economic impact.

Section 10032(a)(3)

Public Problem, Administrative Requirement, or Other Condition or Circumstance that the Regulation is Intended to Address: Under the existing regulatory framework, the text contains a duplicative, redundant instruction regarding the Executive Director's authority to modify or reschedule program application windows. Removal of the duplicative section will prevent any potential clarity defects or internal contradictions in the regulations.

Specific Purpose of the Regulation: To delete Section 10032(a)(3) from the regulations to eliminate a redundant provision regarding the modification or rescheduling of application periods.

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

Technical, Theoretical, and/or Empirical Studies, Reports, or Documents: No technical documents were consulted.

Alternatives to the Regulations Considered by the Agency and the Agency's Reasons for Rejecting those Alternatives: Previous regulations maintained duplicative and redundant instructions regarding the Executive Director's authority to modify or reschedule program application windows, which created unnecessary regulatory bloat and potential clarity defects.

Alternatives to the Proposed Regulation Action that Would Lessen any Adverse Impact on Small Business: No adverse impact. Participation is voluntary and provides access to financial assistance that may otherwise be unavailable.

Evidence Supporting Finding of No Significant Adverse Economic Impact on any Business: Participation in this program is voluntary so there is no adverse economic impact.

Section 10032(a)(4)

Public Problem, Administrative Requirement, or Other Condition or Circumstance that the Regulation is Intended to Address: Under the existing regulatory framework, the STE allocation cap is divided into multiple siloed funding pools, including a $20 million carve-out for small projects, which increases administrative complexity and can produce uncertain situations that the current regulations do not address.

The prior requirement that consideration of all small-project applications must be considered by the Board first based on its Competitive Criteria created unnecessary workload during non-oversubscribed periods. Repeal of duplicative provisions has also resulted in residual section markers and outdated cross-references requiring cleanup.

Specific Purpose of the Regulation: To renumber Section 10032(a)(4) as Section 10032(a)(3), to delete the textual reference to the $20 million Small Project Pool, to insert language establishing that all applications will be reviewed and considered in the chronological order they are received unless the Program becomes oversubscribed (triggering an evaluation based on Competitive Criteria scores), and to update an internal section cross-reference.

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

Technical, Theoretical, and/or Empirical Studies, Reports, or Documents: No technical documents were consulted.

Alternatives to the Regulations Considered by the Agency and the Agency's Reasons for Rejecting those Alternatives: Previous regulations split the allocation cap into multiple siloed funding pools, including a $20 million small project carve-out, and mandated Competitive Criteria scoring regardless of demand, which increased administrative complexity, risked stranded allocation space, and forced unnecessary evaluation workloads during non-oversubscribed periods.

Alternatives to the Proposed Regulation Action that Would Lessen any Adverse Impact on Small Business: No adverse impact. Participation is voluntary and provides access to financial assistance that may otherwise be unavailable.

Evidence Supporting Finding of No Significant Adverse Economic Impact on any Business: Participation in this program is voluntary so there is no adverse economic impact.

<u>*Section 10032(a)(5)*</u>

Public Problem, Administrative Requirement, or Other Condition or Circumstance that the Regulation is Intended to Address: Under the existing regulatory framework, the Authority employed a variable allocation cap structure allowing up to $10 million for standard applications and up to $20 million in the first application round. This structure increases administrative complexity and restricts access to the higher threshold, as only a limited amount of funding is available during the first round. Conforming amendments are also needed for formatting and structural cleanup.

Specific Purpose of the Regulation: To renumber Section 10032(a)(5) as Section 10032(a)(4); to increase the standard annual Sales and Use Tax Exclusion (STE) project cap from $10 million to a hard cap of $15 million; and to eliminate the variable first-round cap exception structure by striking references to subsections (A) and (B). Additionally, this amendment replaces repetitive programmatic language with a newly proposed defined acronym and standardizes percentage formatting by adding numerals in parentheses.

Necessity: This section is amended to increase the Application project cap from $10 million to $15 million in STE. Under the current regulations, Applicants seeking more than the general $10 million cap may request up to $20 million during the first Application round of the year (based on availability or competition). Establishing a fixed cap is more effective in ensuring a broader distribution among large companies. Program data indicates that 67% of projects are awarded less than $2 million in STE and 81% awarded are awarded less than $5 million in STE, with the average project size being $3.6 million in STE. Accordingly, this change is not expected to disadvantage smaller companies based on historical trends. This section is also renumbered to Section 10032(a)(4) due to the removal of the former Section

10032(a)(3). It is also amended to remove reference to subsections (A) and (B), as without subsection (B), subsection (A) is no longer necessary. Other amendments include replacing common program language with a newly proposed defined acronym, and updating a percentage to maintain consistent formatting.

Technical, Theoretical, and/or Empirical Studies, Reports, or Documents: No technical documents were consulted.

Alternatives to the Regulations Considered by the Agency and the Agency's Reasons for Rejecting those Alternatives: Previous regulations employed a variable allocation cap structure allowing up to $10 million for standard applications and up to $20 million in the first application round, which increased administrative complexity and restricts access to the higher threshold, as only a limited amount of funding is available during the first round.

Alternatives to the Proposed Regulation Action that Would Lessen any Adverse Impact on Small Business: No adverse impact. Participation is voluntary and provides access to financial assistance that may otherwise be unavailable.

Evidence Supporting Finding of No Significant Adverse Economic Impact on any Business: Participation in this program is voluntary so there is no adverse economic impact.

Section 10032(a)(5)(A)

Public Problem, Administrative Requirement, or Other Condition or Circumstance that the Regulation is Intended to Address: The framework does not clearly establish the manner in which applicants will be notified for potential bonus capacity. It also does not distinguish between the final scheduled Board meeting of the year and the last meeting at which applications may be considered, creating potential timing and notice misunderstanding.

Specific Purpose of the Regulation: To consolidate the substantive text of former Section 10032(a)(5)(A) directly into the main paragraph of renumbered Section 10032(a)(4) and eliminate the separate subsection "(A)" designation. Additionally, to amend this language to incorporate the new $15 million project cap, establish a clear priority order for allocating bonus or leftover STE capacity at the end of the year, and establish a mandatory 28-day advance written notification deadline for eligible applicants prior to the final application-review Board meeting.

Necessity: This section is amended to reflect the new $15 million application project cap and to clarify the order of Application priority if additional STE becomes available during the last application period after all Applications received have been considered—first to those that were capped, followed by those that were uncapped. This proposed amendment also states that Applicants eligible for additional STE will be notified in writing no later than 28 days prior to the last Authority Board meeting of the calendar year in which Applications are considered. Distinguishing the last application Board meeting is necessary because the last scheduled Authority Board meeting of the calendar year (i.e., December) may not be the final Board meeting in which Applications are considered. This section is also amended to remove unnecessary wording and be consolidated with Section 10032(a)(5), as without section subsection (B), subsection (A) is no longer necessary.

Technical, Theoretical, and/or Empirical Studies, Reports, or Documents: No technical documents were consulted.

Alternatives to the Regulations Considered by the Agency and the Agency's Reasons for Rejecting those Alternatives: Previous regulations created timing misalignment and administrative ambiguity regarding surplus capacity distribution prior to the final application-review meeting.

Alternatives to the Proposed Regulation Action that Would Lessen any Adverse Impact on Small Business: No adverse impact. Participation is voluntary and provides access to financial assistance that may otherwise be unavailable.

Evidence Supporting Finding of No Significant Adverse Economic Impact on any Business: Participation in this program is voluntary so there is no adverse economic impact.

Section 10032(a)(5)(B)

Public Problem, Administrative Requirement, or Other Condition or Circumstance that the Regulation is Intended to Address: Under the existing regulatory framework, the Authority's statutory cap is divided into multiple funding pools, including a $15 million large project pool with separate allocation rules and administrative criteria. This fragmented structure creates administrative complexity and operational inefficiencies.

Administering separate funding pools within a single annual allocation cycle requires staff to manage parallel evaluation processes, track multiple deadlines, and address allocation imbalances when capacity remains unused in specific pools. This structure increases administrative workload, slows application processing, and reduces flexibility in responding to real-time demand across the program.

Specific Purpose of the Regulation: To delete Section 10032(a)(5)(B) from the regulations to eliminate the independent allocation rules and administrative criteria associated with the $15 million large project funding pool.

Necessity: This section is removed due to newly proposed amendments eliminating the separate funding pools. Removing the $15 million large pool is necessary to reduce the complexity created by administering multiple funding pools.

Technical, Theoretical, and/or Empirical Studies, Reports, or Documents: No technical documents were consulted.

Alternatives to the Regulations Considered by the Agency and the Agency's Reasons for Rejecting those Alternatives: Previous regulations maintained a separate $15 million large project funding pool with specific allocation rules, which forced staff to manage parallel evaluation processes and parallel deadlines, increasing administrative workload and restricting program flexibility when capacity remained unused.

Alternatives to the Proposed Regulation Action that Would Lessen any Adverse Impact on Small Business: No adverse impact. Participation is voluntary and provides access to financial assistance that may otherwise be unavailable.

Evidence Supporting Finding of No Significant Adverse Economic Impact on any Business: Participation in this program is voluntary so there is no adverse economic impact.

Section 10032(a)(6)

Public Problem, Administrative Requirement, or Other Condition or Circumstance that the Regulation is Intended to Address: Under the existing regulatory framework, this subdivision uses non-standardized phrasing when referencing the program, resulting in inconsistency with newly adopted defined terms and acronyms.

In addition, removal of redundant language in former Section 10032(a)(3) has left this paragraph in a residual position within the regulatory structure, creating a gap in the numerical sequencing of the outline hierarchy.

As a result, the regulatory text contains internal inconsistencies in terminology and organizational structure that reduce clarity and alignment within the section.

Specific Purpose of the Regulation: To renumber Section 10032(a)(6) as Section 10032(a)(5) and to amend the text by replacing commonly used program terminology with the newly defined acronym "STE."

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

Technical, Theoretical, and/or Empirical Studies, Reports, or Documents: No technical documents were consulted.

Alternatives to the Regulations Considered by the Agency and the Agency's Reasons for Rejecting those Alternatives: Previous regulations maintained non-standardized phrasing for the program, and left the paragraph in a residual position within the regulatory structure, which created internal inconsistencies in terminology and broke the numerical sequencing of the outline hierarchy.

Alternatives to the Proposed Regulation Action that Would Lessen any Adverse Impact on Small Business: No adverse impact. Participation is voluntary and provides access to financial assistance that may otherwise be unavailable.

Evidence Supporting Finding of No Significant Adverse Economic Impact on any Business: Participation in this program is voluntary so there is no adverse economic impact.

Section 10032(a)(7)

Public Problem, Administrative Requirement, or Other Condition or Circumstance that the Regulation is Intended to Address: Under the existing regulatory framework, this subdivision contains an internal cross-reference that points to an outdated or relocated regulatory paragraph, creating clarity and traceability issues within the text.

When sections are renumbered or repealed, dependent cross-references may become misaligned, which can create confusion in application review and compliance tracking.

In addition, deletion of redundant language in former Section 10032(a)(3) has left this paragraph in a residual position within the outline structure, resulting in a break in numerical sequencing and reduced consistency in regulatory organization.

Specific Purpose of the Regulation: To renumber Section 10032(a)(7) as Section 10032(a)(6) and to amend an internal section cross-reference within the text.

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

Technical, Theoretical, and/or Empirical Studies, Reports, or Documents: No technical documents were consulted.

Alternatives to the Regulations Considered by the Agency and the Agency's Reasons for Rejecting those Alternatives: Previous regulations maintained an uncorrected internal cross-reference and left the paragraph in a residual position within the outline structure, which created misalignment in application reviews and compliance tracking while breaking the numerical sequencing of the hierarchy.

Alternatives to the Proposed Regulation Action that Would Lessen any Adverse Impact on Small Business: No adverse impact. Participation is voluntary and provides access to financial assistance that may otherwise be unavailable.

Evidence Supporting Finding of No Significant Adverse Economic Impact on any Business: Participation in this program is voluntary so there is no adverse economic impact.

<u>Section 10032(a)(7)(B)(i)(d)</u>

Public Problem, Administrative Requirement, or Other Condition or Circumstance that the Regulation is Intended to Address: Under the existing regulatory framework, this sub-provision uses written numerical figures without accompanying parenthetical numerals, creating formatting inconsistency with other updated sections of this division.

This inconsistency affects the uniform presentation of regulatory thresholds and numerical references across the program, reducing clarity and consistency in the regulatory text.

As a result, the text reflects non-uniform number formatting across sections, which can affect readability and consistency in application of the regulations.

Specific Purpose of the Regulation: To amend Section 10032(a)(7)(B)(i)(d) by inserting parenthetical numerals next to specified written numbers to achieve uniform formatting throughout the text.

Necessity: This section is amended to have consistent number formatting with certain written numbers by including numerals in parentheses.

Technical, Theoretical, and/or Empirical Studies, Reports, or Documents: No technical documents were consulted.

Alternatives to the Regulations Considered by the Agency and the Agency's Reasons for Rejecting those Alternatives: Previous regulations maintained written numerical figures without accompanying parenthetical numerals, which resulted in non-uniform number formatting and inconsistent structural presentation across the division's regulatory thresholds.

Alternatives to the Proposed Regulation Action that Would Lessen any Adverse Impact on Small Business: No adverse impact. Participation is voluntary and provides access to financial assistance that may otherwise be unavailable.

Evidence Supporting Finding of No Significant Adverse Economic Impact on any Business: Participation in this program is voluntary so there is no adverse economic impact.

<u>Section 10032(a)(7)(B)(i)(g)</u>

Public Problem, Administrative Requirement, or Other Condition or Circumstance that the Regulation is Intended to Address: Under the existing regulatory framework, the competitive scoring system awarded seventy-five (75) points for projects designated as an Emerging Strategic Industry (ESI) using a binary structure that provided either full points or zero points.

This approach does not allow for partial points where in-house made subcomponents of a project meet ESI criteria, particularly in cases involving complex manufacturing supply chains where applicants produce qualifying specialized components but not as their end product.

As a result, the scoring structure affect merit in competitive rankings during oversubscribed application periods, and limit the ability of the program to appropriately reflect partial alignment with ESI objectives.

Specific Purpose of the Regulation: To amend Section 10032(a)(7)(B)(i)(g) to replace the binary scoring structure for the Emerging Strategic Industry (ESI) allocation with a proportional scoring framework, establishing that an application may be awarded up to 75 competitive points calculated based on the percentage of the value a qualifying ESI component represents relative to the overall value of the manufactured end product.

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

Technical, Theoretical, and/or Empirical Studies, Reports, or Documents: No technical documents were consulted.

Alternatives to the Regulations Considered by the Agency and the Agency's Reasons for Rejecting those Alternatives: Previous regulations maintained a rigid binary scoring structure that awarded either full points or zero points for ESI status during eligibility evaluations, which failed to accommodate complex manufacturing supply chains where applicants produce a qualifying emerging component that contributes to the overall value of a technology eligible under the program.

Alternatives to the Proposed Regulation Action that Would Lessen any Adverse Impact on Small Business: No adverse impact. Participation is voluntary and provides access to financial assistance that may otherwise be unavailable.

Evidence Supporting Finding of No Significant Adverse Economic Impact on any Business: Participation in this program is voluntary so there is no adverse economic impact.

Section 10032(a)(8)

Public Problem, Administrative Requirement, or Other Condition or Circumstance that the Regulation is Intended to Address: This amendment renumbers the affected section to maintain a consistent and consecutive numbering structure following deletion of former Section 10032(a)(3).

Specific Purpose of the Regulation: To renumber Section 10032(a)(8) as Section 10032(a)(7).

Necessity: This section is renumbered to Section 10032(a)(7) as a result of the former Section 10032(a)(3) being removed

Technical, Theoretical, and/or Empirical Studies, Reports, or Documents: No technical documents were consulted.

Alternatives to the Regulations Considered by the Agency and the Agency's Reasons for Rejecting those Alternatives: Previous regulations maintained the legacy numbering hierarchy, which would have left a gap in the outline sequence following the repeal of Section 10032(a)(3) and disrupted the consecutive numbering structure of the division.

Alternatives to the Proposed Regulation Action that Would Lessen any Adverse Impact on Small Business: No adverse impact. Participation is voluntary and provides access to financial assistance that may otherwise be unavailable.

Evidence Supporting Finding of No Significant Adverse Economic Impact on any Business: Participation in this program is voluntary so there is no adverse economic impact.

Section 10032(b)(4)

Public Problem, Administrative Requirement, or Other Condition or Circumstance that the Regulation is Intended to Address: Under the existing regulatory framework, the timeline for submitting application fees was not consistently anchored to a single application close date, resulting in fee deadlines that varied based on the timing of individual application submission.

This structure required staff to track multiple fee compliance windows across concurrent applications, increasing administrative workload and complicating application processing.

In addition, the prior framework could result in applications submitted early in the cycle being deemed incomplete if associated paper check payments were delayed in transit, even when time remained in the overall application window.

Finally, due to upstream renumbering within this chapter, this subdivision contains an internal cross-reference that is no longer aligned with the correct regulatory paragraph, affecting clarity and citation accuracy.

Specific Purpose of the Regulation: To amend Section 10032(b)(4) to establish that an application is deemed incomplete if the Application Fee is not received within five business days following the applicable application deadline, and to update an internal regulatory section cross-reference.

Necessity: This section is amended to establish that an Application is considered incomplete if the Application Fee is not received within five business days from the applicable application deadline. This amendment creates a single, uniform deadline for all Application Fees, making it less time consuming for staff to track submissions and provides additional time for Applicants who opt to submit a paper check as payment when they apply early in the application window. This section was also amended to update a section reference.

Technical, Theoretical, and/or Empirical Studies, Reports, or Documents: No technical documents were consulted.

Alternatives to the Regulations Considered by the Agency and the Agency's Reasons for Rejecting those Alternatives: Previous regulations anchored the fee submission timeline to individual application submission dates rather than a centralized deadline, which forced staff to track multiple overlapping compliance windows and risked penalizing early applicants if paper checks were delayed in transit.

Alternatives to the Proposed Regulation Action that Would Lessen any Adverse Impact on Small Business: No adverse impact. Participation is voluntary and provides access to financial assistance that may otherwise be unavailable.

Evidence Supporting Finding of No Significant Adverse Economic Impact on any Business: Participation in this program is voluntary so there is no adverse economic impact.

Section 10032(b)(5)

Public Problem, Administrative Requirement, or Other Condition or Circumstance that the Regulation is Intended to Address: Under the existing regulatory framework, there is no requirement for immediate public disclosure of specific applicants following the close of an application window. This results in a delay of post-closure reporting of submitted applications.

As a result, stakeholders do not have timely access to information regarding application activity and overall participation trends during the application cycle, reducing transparency.

In addition, the prior framework did not require publication of applicant corporate size information consistent with the 500-employee threshold established under Senate Bill 86 (SB 86) and codified in Section 20611.8(e) of the Public Resources Code, limiting visibility into applicant distribution by business size.

Specific Purpose of the Regulation: To add Section 10032(b)(5) to mandate the public disclosure and publication of an applicant roster following each application submission deadline, specifying the applicant name, proposed project type, and whether the applicant meets or exceeds the 500-employee threshold under Senate Bill 86.

Necessity: This section is a newly proposed section that is necessary to ensure transparency in the application process. Publishing a list of all Applicants after the submission deadline provides stakeholders with timely information regarding who has applied, the type of project proposed, and whether the Applicant has 500 or more employees with regard to the SB 86 requirements outlined in Section 20611.8(e) of the Public Resources Code.

Technical, Theoretical, and/or Empirical Studies, Reports, or Documents: No technical documents were consulted.

Alternatives to the Regulations Considered by the Agency and the Agency's Reasons for Rejecting those Alternatives: Previous regulations omitted a standardized post-closure public reporting requirement for incoming application pools, which restricted real-time transparency for program stakeholders and failed to align published applicant data with the 500-employee disclosure threshold mandated under Senate Bill 86.

Alternatives to the Proposed Regulation Action that Would Lessen any Adverse Impact on Small Business: No adverse impact. Participation is voluntary and provides access to financial assistance that may otherwise be unavailable.

Evidence Supporting Finding of No Significant Adverse Economic Impact on any Business: Participation in this program is voluntary so there is no adverse economic impact.

Section 10032(c)(1)

Public Problem, Administrative Requirement, or Other Condition or Circumstance that the Regulation is Intended to Address: Under the existing regulatory framework, the regulations do not explicitly codify "Application – Part A" as a required component of the application submission process. This creates inconsistency between the regulatory text and the program's multi-part application structure.

As a result, the contents of a complete application package may be less clearly defined within the regulations, which can affect the Authority's ability to consistently determine whether submissions are complete at the time of filing.

In addition, insertion of this requirement necessitates renumbering of the affected subsection to maintain a consistent and consecutive outline structure within the regulations.

Specific Purpose of the Regulation: To renumber the former Section 10032(c)(1) as Section 10032(c)(2), and to adopt a new Section 10032(c)(1) that explicitly references "Application – Part A" as a mandatory document required as part of the formal application submission process.

Necessity: This section replaces former Section 10032(c)(1), now renumbered as Section 10032(c)(2), and is revised to reference Application – Part A, a document required as part of the application process.

Technical, Theoretical, and/or Empirical Studies, Reports, or Documents: No technical documents were consulted.

Alternatives to the Regulations Considered by the Agency and the Agency's Reasons for Rejecting those Alternatives: Previous regulations omitted an explicit text reference to "Application – Part A" within the required submission components, which left the formal definition of a complete application package ambiguous and created inconsistencies with the program's multi-part filing structure.

Alternatives to the Proposed Regulation Action that Would Lessen any Adverse Impact on Small Business: No adverse impact. Participation is voluntary and provides access to financial assistance that may otherwise be unavailable.

Evidence Supporting Finding of No Significant Adverse Economic Impact on any Business: Participation in this program is voluntary so there is no adverse economic impact.

Section 10032(c)(2)

Public Problem, Administrative Requirement, or Other Condition or Circumstance that the Regulation is Intended to Address: This amendment renumbers subsequent provisions in Section 10032(c)(1) following insertion of a new baseline document requirement to maintain consistent and consecutive numbering.

Specific Purpose of the Regulation: To renumber former Section 10032(c)(1) to Section 10032(c)(2) to accommodate the insertion of a new preceding subdivision.

Necessity: This section was formerly Section 10032(c)(1) and is renumbered to Section 10032(c)(2) as a result of the addition of new Section 10032(c)(1).

Technical, Theoretical, and/or Empirical Studies, Reports, or Documents: No technical documents were consulted.

Alternatives to the Regulations Considered by the Agency and the Agency's Reasons for Rejecting those Alternatives: Previous regulations maintained the legacy numbering sequence for this subdivision, which would have broken consecutive outline sequencing and caused internal numbering collisions following the insertion of the new preceding baseline filing requirement.

Alternatives to the Proposed Regulation Action that Would Lessen any Adverse Impact on Small Business: No adverse impact. Participation is voluntary and provides access to financial assistance that may otherwise be unavailable.

Evidence Supporting Finding of No Significant Adverse Economic Impact on any Business: Participation in this program is voluntary so there is no adverse economic impact.

Section 10032(c)(3)

Public Problem, Administrative Requirement, or Other Condition or Circumstance that the Regulation is Intended to Address: This subdivision references an outdated "Legal Status Questionnaire" form and is amended to reflect updated disclosure requirements and maintain consistent numbering following insertion of the new document requirement in Section 10032(c)(1).

Specific Purpose of the Regulation: To renumber former Section 10032(c)(2) as Section 10032(c)(3), and to amend the text to reference and incorporate by reference the newly updated version of the "Legal Status Questionnaire" form.

Necessity: This section was formerly Section 10032(c)(2) in the original proposal and is renumbered to Section 10032(c)(3) as a result of the addition of new Section 10032(c)(1). This amendment is necessary to reference an updated version of the Legal Status Questionnaire, which is incorporated by reference.

Technical, Theoretical, and/or Empirical Studies, Reports, or Documents: No technical documents were consulted.

Alternatives to the Regulations Considered by the Agency and the Agency's Reasons for Rejecting those Alternatives: Previous regulations incorporated by reference an outdated version of the "Legal Status Questionnaire" form that lacked current statutory disclosure requirements and maintained a legacy section numbering that disrupted outline formatting.

Alternatives to the Proposed Regulation Action that Would Lessen any Adverse Impact on Small Business: No adverse impact. Participation is voluntary and provides access to financial assistance that may otherwise be unavailable.

Evidence Supporting Finding of No Significant Adverse Economic Impact on any Business: Participation in this program is voluntary so there is no adverse economic impact.

Section 10032(c)(4)

Public Problem, Administrative Requirement, or Other Condition or Circumstance that the Regulation is Intended to Address: Under the existing regulatory framework, there is no codified application requirement to implement the workforce certification mandate established by Senate Bill 86 (SB 86), which restricts approval of Sales and Use Tax Exclusion (STE) financial assistance for certain large corporate applicants absent a certification of compliance with specified workforce criteria.

As a result, the regulations do not establish a clear procedural mechanism for collecting and verifying the required certifications during application intake, limiting the Authority's ability to consistently implement the statutory requirement.

This amendment aligns the regulations with Section 20611.8(e) of the Public Resources Code by incorporating the required certification into the application process.

Specific Purpose: To add Section 10032(c)(4) to establish a mandatory workforce standard certification requirement within the application process for any applicant (including its parent corporation or subsidiaries) that employs 500 or more individuals, pursuant to Public Resources Code Section 20611.8(e).

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

Technical, Theoretical, and/or Empirical Studies, Reports, or Documents: No technical documents were consulted.

Alternatives to the Regulations Considered by the Agency and the Agency's Reasons for Rejecting those Alternatives: Previous regulations omitted a clear procedural mechanism and application requirement for collecting and verifying the workforce certifications mandated by Senate Bill 86, which would leave the Authority unable to enforce compliance with Public Resources Code Section 20611.8(e) during intake for large corporate applicants.

Alternatives to the Proposed Regulation Action that Would Lessen any Adverse Impact on Small Business: No adverse impact. Participation is voluntary and provides access to financial assistance that may otherwise be unavailable.

Evidence Supporting Finding of No Significant Adverse Economic Impact on any Business: Participation in this program is voluntary so there is no adverse economic impact.

Section 10032(c)(5)

Public Problem, Administrative Requirement, or Other Condition or Circumstance that the Regulation is Intended to Address: This amendment renumbers subsection (c) following insertion of new requirements in Sections 10032(c)(1) and 10032(c)(4) to maintain consistent and consecutive numbering.

Specific Purpose: To renumber former Section 10032(c)(3) as Section 10032(c)(5) to accommodate the insertion of new regulatory provisions and the structural reorganization of subsection (c).

Necessity: This section is renumbered from Section 10032(c)(3) to Section 10032(c)(5) as a result of new Section 10032(c)(1) and Section 10032(c)(4).

Technical, Theoretical, and/or Empirical Studies, Reports, or Documents: No technical documents were consulted.

Alternatives to the Regulations Considered by the Agency and the Agency's Reasons for Rejecting those Alternatives: Previous regulations maintained the legacy numbering sequence for this subsection, which would have disrupted the consecutive outline framework and caused numbering collisions following the insertion of the new Part A filing and Senate Bill 86 workforce certification requirements.

Alternatives to the Proposed Regulation Action that Would Lessen any Adverse Impact on Small Business: No adverse impact. Participation is voluntary and provides access to financial assistance that may otherwise be unavailable.

Evidence Supporting Finding of No Significant Adverse Economic Impact on any Business: Participation in this program is voluntary so there is no adverse economic impact.

Section 10032(c)(6)

Public Problem, Administrative Requirement, or Other Condition or Circumstance that the Regulation is Intended to Address: This amendment renumbers subsection (c) following insertion of new requirements in Sections 10032(c)(1) and (c)(4) to maintain consistent and consecutive numbering.

Specific Purpose: To renumber former Section 10032(c)(4) as Section 10032(c)(6) to accommodate the insertion of new regulatory provisions and the structural reorganization of subsection (c).

Necessity: This section is renumbered from Section 10032(c)(4) to Section 10032(c)(6) as a result of the addition of new Section 10032(c)(1) and Section 10032(c)(4).

Technical, Theoretical, and/or Empirical Studies, Reports, or Documents: No technical documents were consulted.

Alternatives to the Regulations Considered by the Agency and the Agency's Reasons for Rejecting those Alternatives: Previous regulations maintained the legacy numbering sequence for this subsection, which would have disrupted the consecutive outline framework and caused numbering collisions following the insertion of the new Part A filing and Senate Bill 86 workforce certification requirements.

Alternatives to the Proposed Regulation Action that Would Lessen any Adverse Impact on Small Business: No adverse impact. Participation is voluntary and provides access to financial assistance that may otherwise be unavailable.

Evidence Supporting Finding of No Significant Adverse Economic Impact on any Business: Participation in this program is voluntary so there is no adverse economic impact.

Section 10032(c)(6)(A)(ix)

Public Problem, Administrative Requirement, or Other Condition or Circumstance that the Regulation is Intended to Address: This sub-provision is amended to conform to the updated text-and-parenthetical number formatting used throughout this division to ensure consistency in the presentation of numerical values.

Specific Purpose: To amend Section 10032(c)(6)(A)(ix) to standardize numerical formatting by spelling out written numbers and including the corresponding numeral in parentheses.

Necessity: This section is amended to have consistent number formatting with certain numbers spelled out and the numeral in parentheses.

Technical, Theoretical, and/or Empirical Studies, Reports, or Documents: No technical documents were consulted.

Alternatives to the Regulations Considered by the Agency and the Agency's Reasons for Rejecting those Alternatives: Previous regulations maintained non-standardized numerical text formats within this sub-provision, which created structural presentation inconsistencies and reduced formatting uniformity across the division.

Alternatives to the Proposed Regulation Action that Would Lessen any Adverse Impact on Small Business: No adverse impact. Participation is voluntary and provides access to financial assistance that may otherwise be unavailable.

Evidence Supporting Finding of No Significant Adverse Economic Impact on any Business: Participation in this program is voluntary so there is no adverse economic impact.

Section 10032(c)(6)(C)

Public Problem, Administrative Requirement, or Other Condition or Circumstance that the Regulation is Intended to Address: Under the existing regulatory framework, this subdivision contains an obsolete reference to the former "Small Project Pool," and an incorrect reference to "Applications" rather than "Applicants" in describing restrictions on increasing Qualified Property amounts during periods of oversubscription.

In addition, insertion of the new baseline application requirements in Section 10032(c)(1) and labor certification requirements in Section 10032(c)(4) requires renumbering within this subsection to maintain consistent and consecutive structure.

Specific Purpose: To renumber former Section 10032(c)(4)(C) as Section 10032(c)(6)(C); to amend the text to remove all references to the "Small Project Pool"; and to correct a typographical error by changing the word "Applications" to "Applicants" regarding the restriction on increasing Qualified Property amounts during oversubscription.

Necessity: This section is renumbered to Section 10032(c)(6)(C) as a result of the addition of new Section 10032(c)(1) and Section 10032(c)(4). This section is amended to remove mention of the Small Project Pool due to newly proposed amendments eliminating the separate funding pools, and to fix a typo clarifying that Applicants (not Applications) cannot increase the amount Qualified Property in their Application when the STE Program is oversubscribed.

Technical, Theoretical, and/or Empirical Studies, Reports, or Documents: No technical documents were consulted.

Alternatives to the Regulations Considered by the Agency and the Agency's Reasons for Rejecting those Alternatives: Previous regulations retained an obsolete reference to the repealed Small Project Pool and an incorrect reference to "Applications" rather than "Applicants," which preserved outdated funding pool structures and created linguistic ambiguity regarding who is restricted from inflating Qualified Property amounts during oversubscription.

Alternatives to the Proposed Regulation Action that Would Lessen any Adverse Impact on Small Business: No adverse impact. Participation is voluntary and provides access to financial assistance that may otherwise be unavailable.

Evidence Supporting Finding of No Significant Adverse Economic Impact on any Business: Participation in this program is voluntary so there is no adverse economic impact.

Section 10032(c)(7)

Public Problem, Administrative Requirement, or Other Condition or Circumstance that the Regulation is Intended to Address: This subdivision is amended to conform to the text-and-parenthetical number formatting used throughout this division and renumbered following insertion of new requirements in Sections 10032(c)(1) and (c)(4) to maintain consistent and consecutive structure.

Specific Purpose: To renumber former Section 10032(c)(5) as Section 10032(c)(7), and to amend the text to standardize numerical formatting by spelling out written numbers and adding the corresponding numeral in parentheses.

Necessity: This section is renumbered to from Section 10032(c)(5) to Section 10032(c)(7) as a result of the addition of new Section 10032(c)(1) and Section 10032(c)(4). This section is also amended to have consistent number formatting with certain numbers spelled out and the numeral in parentheses.

Technical, Theoretical, and/or Empirical Studies, Reports, or Documents: No technical documents were consulted.

Alternatives to the Regulations Considered by the Agency and the Agency's Reasons for Rejecting those Alternatives: Previous regulations maintained non-standardized numerical text formats and a legacy numbering structure for this subdivision, which would have disrupted outline consistency and caused numbering collisions following the structural reorganization of subsection (c).

Alternatives to the Proposed Regulation Action that Would Lessen any Adverse Impact on Small Business: No adverse impact. Participation is voluntary and provides access to financial assistance that may otherwise be unavailable.

Evidence Supporting Finding of No Significant Adverse Economic Impact on any Business: Participation in this program is voluntary so there is no adverse economic impact.

Section 10033. Eligibility Requirements and Application Evaluation.

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

Section 10033(c)(1)(C)

Public Problem, Administrative Requirement, or Other Condition or Circumstance that the Regulation is Intended to Address: Under the existing regulatory framework, the fiscal criteria for evaluating project viability are not fully defined, as the regulations require a project to demonstrate viability without specifying the baseline financial metrics or accounting components used to satisfy that standard.

This lack of specificity limits the establishment of a clear, objective benchmark for evaluating whether projected revenues exceed direct production costs, including labor and supplier expenses, resulting in variability in application of the viability determination.

In addition, the existing framework relies on a single-track economic evaluation and does not clearly articulate alternative considerations for projects that may operate at a short-term financial loss but provide broader program benefits, such as job creation, workforce development, or environmental remediation.

Specific Purpose: To amend Section 10033(c)(1)(C) to explicitly clarify that a project's projected revenues must exceed the direct production costs—specifically labor and supplier expenses—associated with that production to meet the standard project viability metric.

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

Technical, Theoretical, and/or Empirical Studies, Reports, or Documents: No technical documents were consulted.

Alternatives to the Regulations Considered by the Agency and the Agency's Reasons for Rejecting those Alternatives: Previous regulations required a project to demonstrate financial viability without making clear that baseline accounting components like labor or supplier expenses are critical to project success.

Alternatives to the Proposed Regulation Action that Would Lessen any Adverse Impact on Small Business: No adverse impact. Participation is voluntary and provides access to financial assistance that may otherwise be unavailable.

Evidence Supporting Finding of No Significant Adverse Economic Impact on any Business: Participation in this program is voluntary so there is no adverse economic impact.

<u>Section 10033(c)(5)(D)</u>

Public Problem, Administrative Requirement, or Other Condition or Circumstance that the Regulation is Intended to Address: Under the existing regulatory framework, the scoring system awards forty (40) points for projects linked to an Emerging Strategic Industry (ESI) using a binary structure that provides either full points or zero points.

This approach does not allow for partial points where in-house made subcomponents of a project meet ESI criteria, particularly in cases involving complex manufacturing supply chains where applicants produce qualifying emerging components but not as their end product.

As a result, the scoring methodology may not fully reflect eligible upstream manufacturing activity, which can affect eligibility determinations for projects that contribute to ESI-related production.

Specific Purpose: To amend Section 10033(c)(5)(D) to transition the Emerging Strategic Industry (ESI) point allocation from a 40-point or 0-point scoring model to a proportional sliding scale of up to 40 points. This allows for the allocation of partial points based on the percentage value of an ESI-qualifying component relative to the overall value of the final assembled end product.

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

Technical, Theoretical, and/or Empirical Studies, Reports, or Documents: No technical documents were consulted.

Alternatives to the Regulations Considered by the Agency and the Agency's Reasons for Rejecting those Alternatives: Previous regulations maintained a rigid binary scoring structure that awarded either full points or zero points for ESI status during eligibility evaluations, which failed to accommodate complex manufacturing supply chains where applicants produce a qualifying emerging component that contributes to the overall value of a technology eligible under the program, and and devalues additional benefits a project can produce.

Alternatives to the Proposed Regulation Action that Would Lessen any Adverse Impact on Small Business: No adverse impact. Participation is voluntary and provides access to financial assistance that may otherwise be unavailable

Evidence Supporting Finding of No Significant Adverse Economic Impact on any Business: Participation in this program is voluntary so there is no adverse economic impact.

<u>Section 10035. Regulatory Agreement and Compliance.</u>

This section addresses Regulatory Agreement terms and requirements, as well as compliance responsibilities. It is amended to establish a fixed term for annual compliance reports; remove the allowance for Applicants to relocate up to 15% of equipment before the end of the purchasing term without sales tax exclusion repayment; provide flexibility regarding when compliance reports are due; extend the 18-month 15% purchase requirement to two years without an option to extend, with failure to meet this requirement resulting in ineligibility for a new award for two years from the requirement deadline; increase the initial three-year purchasing term to five years; prohibit Applicants in suspended status from making changes to an existing award or reapplying; and allow certain post-award changes.

<u>*Section 10035(a)(1)*</u>

Public Problem, Administrative Requirement, or Other Condition or Circumstance that the Regulation is Intended to Address: Under the existing regulatory framework, the thirty (30)-day period for executing a required Regulatory Agreement begins on the date the notice of award is issued, rather than the date of award. This structure may delay the time for which applicants can execute the agreement, especially when notification delivery delay occurs.

In addition, the regulations do not provide a mechanism for extending the execution deadline in circumstances involving administrative or unanticipated delays. As a result, applicants may be unable to complete the agreement within the prescribed timeframe despite continued project viability, which can result in loss of award.

Specific Purpose: To amend Section 10035(a)(1) to anchor the mandatory 30-day timeline for executing the Regulatory Agreement directly to the date of Board approval rather than the date printed on the written notification. Additionally, to authorize the Executive Director to grant a discretionary execution extension of up to 60 days.

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

Regulatory Agreement up to 60 days in order to prevent unintended disqualification of Applicants in the event of unavoidable delays.

Technical, Theoretical, and/or Empirical Studies, Reports, or Documents: No technical documents were consulted.

Alternatives to the Regulations Considered by the Agency and the Agency's Reasons for Rejecting those Alternatives: Previous regulations anchored the mandatory 30-day execution timeline to the notice issuance date rather than the Board approval date and provided no mechanism for extensions, which risked penalizing applicants for delivery delays and caused unintended disqualifications during complex transactions.

Alternatives to the Proposed Regulation Action that Would Lessen any Adverse Impact on Small Business: No adverse impact. Participation is voluntary and provides access to financial assistance that may otherwise be unavailable

Evidence Supporting Finding of No Significant Adverse Economic Impact on any Business: Participation in this program is voluntary so there is no adverse economic impact.

Section 10035(a)(2)

Public Problem, Administrative Requirement, or Other Condition or Circumstance that the Regulation is Intended to Address: Under the existing regulatory framework, the duration of Regulatory Agreements was determined under a variable term structure, resulting in differing full-term agreement periods among approved applicants.

Because the full-term of the agreement is based on half of the lifespan of the longest-lived equipment noted in the applicant's agreement, some applicants are required to remain subject to reporting and compliance obligations beyond a reasonable period of time for program administration and oversight. It also required the Authority to monitor and administer varying agreement expiration dates, leading to long-term compliance tracking and administrative workload that may not be fully covered by the administrative fees charged.

Specific Purpose: To amend Section 10035(a)(2) to establish a uniform, fixed term of twelve (12) years for all Regulatory Agreements executed under the program, replacing the previous variable term structure.

Necessity: This section is amended to standardize the full-term of all Regulatory Agreements by incorporating a fixed term of 12 years. The prior variable term resulted in some Applicants having unnecessarily long Regulatory Agreement terms, which also required approved Applicants in these cases to continue to report to CAEATFA beyond a reasonable period of time.

Technical, Theoretical, and/or Empirical Studies, Reports, or Documents: No technical documents were consulted.

Alternatives to the Regulations Considered by the Agency and the Agency's Reasons for Rejecting those Alternatives: Previous regulations utilized a variable term structure for Regulatory Agreements, which imposed unnecessarily prolonged reporting and compliance obligations on certain applicants while forcing the Authority to monitor a complex web of varying expiration dates.

Alternatives to the Proposed Regulation Action that Would Lessen any Adverse Impact on Small Business: No adverse impact. Participation is voluntary and provides access to financial assistance that may otherwise be unavailable

Evidence Supporting Finding of No Significant Adverse Economic Impact on any Business: Participation in this program is voluntary so there is no adverse economic impact.

Section 10035(a)(3)(B)

Public Problem, Administrative Requirement, or Other Condition or Circumstance that the Regulation is Intended to Address: Under the existing regulatory framework, applicants were required to maintain and operate all STE qualified property within California for the duration of the Regulatory Agreement.

This requirement is difficult to monitor and enforce because it requires ongoing tracking of the location and use of qualified property over multiple years. In addition, the restriction may limit operational flexibility for participating businesses without providing a corresponding benefit to program administration or oversight.

Specific Purpose: To remove (repeal) Section 10035(a)(3)(B) to eliminate the regulatory mandate requiring applicants to continuously maintain and operate all STE qualified equipment exclusively within the State of California for the duration of the Regulatory Agreement.

Necessity: This section is removed as a result of CAEATFA determining that the requirement that Applicants maintain and operate equipment in California was difficult to enforce and did not serve a needed program purpose.

Technical, Theoretical, and/or Empirical Studies, Reports, or Documents: No technical documents were consulted.

Alternatives to the Regulations Considered by the Agency and the Agency's Reasons for Rejecting those Alternatives: Previous regulations mandated that applicants continuously maintain and operate all Sales and Use Tax Exclusion (STE) qualified property exclusively within California for the duration of the Regulatory Agreement, which restricted business operational flexibility and imposed an unenforceable long-term tracking burden on program staff.

Alternatives to the Proposed Regulation Action that Would Lessen any Adverse Impact on Small Business: No adverse impact. Participation is voluntary and provides access to financial assistance that may otherwise be unavailable

Evidence Supporting Finding of No Significant Adverse Economic Impact on any Business: Participation in this program is voluntary so there is no adverse economic impact.

Section 10035(a)(3)(C)

Public Problem, Administrative Requirement, or Other Condition or Circumstance that the Regulation is Intended to Address: Under the existing regulatory framework, this subdivision implements the requirements set forth in Section 10035(a)(3)(B). Because that section is being repealed, this subdivision is no longer necessary and is removed to maintain consistency within the regulations.

Specific Purpose: To remove (repeal) Section 10035(a)(3)(C) in its entirety due to its operational and structural dependency on the newly repealed Section 10035(a)(3)(B).

Necessity: This section is removed as it is not needed without Section 10035(a)(3)(B).

Technical, Theoretical, and/or Empirical Studies, Reports, or Documents: No technical documents were consulted.

Alternatives to the Regulations Considered by the Agency and the Agency's Reasons for Rejecting those Alternatives: Previous regulations retained these sub-provisions, which would have left obsolete, non-functional text in the regulatory framework following the repeal of the primary equipment location mandate under Section 10035(a)(3)(B).

Alternatives to the Proposed Regulation Action that Would Lessen any Adverse Impact on Small Business: No adverse impact. Participation is voluntary and provides access to financial assistance that may otherwise be unavailable

Evidence Supporting Finding of No Significant Adverse Economic Impact on any Business: Participation in this program is voluntary so there is no adverse economic impact.

Section 10035(a)(3)(D)

Public Problem, Administrative Requirement, or Other Condition or Circumstance that the Regulation is Intended to Address: Under the existing regulatory framework, this subdivision implements requirements associated with Sections 10035(a)(3)(B) and 10035(a)(3)(C).

Because those provisions are being repealed, this subdivision is no longer necessary and is removed to maintain consistency within the regulations.

Specific Purpose: To remove (repeal) Section 10035(a)(3)(D) in its entirety due to its structural and operational dependency on the newly repealed Sections 10035(a)(3)(B) and 10035(a)(3)(C).

Necessity: This section is removed as it is not needed without Section 10035(a)(3)(C).

Technical, Theoretical, and/or Empirical Studies, Reports, or Documents: No technical documents were consulted.

Alternatives to the Regulations Considered by the Agency and the Agency's Reasons for Rejecting those Alternatives: Previous regulations retained this subdivision, which would have left obsolete, non-functional text in the regulatory framework following the repeal of the underlying equipment mandates under Sections 10035(a)(3)(B) and 10035(a)(3)(C).

Alternatives to the Proposed Regulation Action that Would Lessen any Adverse Impact on Small Business: No adverse impact. Participation is voluntary and provides access to financial assistance that may otherwise be unavailable

Evidence Supporting Finding of No Significant Adverse Economic Impact on any Business: Participation in this program is voluntary so there is no adverse economic impact.

Section 10035(a)(3)(E)

Public Problem, Administrative Requirement, or Other Condition or Circumstance that the Regulation is Intended to Address: Under the existing regulatory framework, this subdivision implements requirements associated with Section 10035(a)(3)(B).

Because Section 10035(a)(3)(B) is being repealed, this subdivision is no longer necessary and is removed to maintain consistency within the regulations.

Specific Purpose: To remove (repeal) Section 10035(a)(3)(E) in its entirety due to its operational and structural dependency on the newly repealed Section 10035(a)(3)(B).

Necessity: This section is removed as it is not needed without Section 10035(a)(3)(B).

Technical, Theoretical, and/or Empirical Studies, Reports, or Documents: No technical documents were consulted.

Alternatives to the Regulations Considered by the Agency and the Agency's Reasons for Rejecting those Alternatives: Previous regulations retained this subdivision, which would have left obsolete, non-functional text in the regulatory framework following the repeal of the underlying equipment location mandate under Section 10035(a)(3)(B).

Alternatives to the Proposed Regulation Action that Would Lessen any Adverse Impact on Small Business: No adverse impact. Participation is voluntary and provides access to financial assistance that may otherwise be unavailable

Evidence Supporting Finding of No Significant Adverse Economic Impact on any Business: Participation in this program is voluntary so there is no adverse economic impact.

Section 10035(a)(3)(F)

Public Problem, Administrative Requirement, or Other Condition or Circumstance that the Regulation is Intended to Address: Under the existing regulatory framework, repeal of paragraphs (B), (C), (D), and (E) requires renumbering of this subdivision to maintain a consistent and consecutive outline structure.

In addition, the existing reporting requirement does not clearly define the applicable reporting periods or submission schedule. This lack of specificity may create uncertainty for reporting entities.

Specific Purpose: To renumber former Section 10035(a)(3)(F) as Section 10035(a)(3)(B) due to the repeal of preceding subdivisions (B), (C), (D), and (E); and to amend the text to explicitly define and clarify the exact reporting periods and parameters for the required semi-annual reports.

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

Technical, Theoretical, and/or Empirical Studies, Reports, or Documents: No technical documents were consulted.

Alternatives to the Regulations Considered by the Agency and the Agency's Reasons for Rejecting those Alternatives: Previous regulations relied on an ill-defined reporting schedule that left specific semi-annual reporting periods ambiguous for participating entities, while maintaining a legacy outline position that would have broken consecutive sequencing following the repeal of paragraphs (B) through (E).

Alternatives to the Proposed Regulation Action that Would Lessen any Adverse Impact on Small Business: No adverse impact. Participation is voluntary and provides access to financial assistance that may otherwise be unavailable

Evidence Supporting Finding of No Significant Adverse Economic Impact on any Business: Participation in this program is voluntary so there is no adverse economic impact.

Section 10035(b)(1)

Public Problem, Administrative Requirement, or Other Condition or Circumstance that the Regulation is Intended to Address: Under the existing regulatory framework, there are two procurement requirements, both with deadlines that have been proven difficult for several applicants to meet timely.

The eighteen (18)-month deadline for completing the initial fifteen percent (15%) procurement milestone may be insufficient for projects affected by permitting, interconnection, or construction delays.

In addition, the three (3)-year completion period for all Qualified Property purchases may not align with longer project timelines.

The framework also does not hold accountable Applicants who fail to meet the minimum procurement requirement after approval, which results in allocated capacity going unused.

Specific Purpose: To amend Section 10035(b)(1) to:

- Extend the mandatory timeframe for applicants to complete their initial 15% Qualified Property purchase milestone from 18 months to two (2) years.
- Establish a strict two-year program lockout penalty, rendering applicants who fail to meet this 15% milestone ineligible to apply for additional sales and use tax exclusions (STE) for two (2) years from the missed deadline.
- Extend the maximum total timeframe allowed for applicants to complete all remaining Qualified Property purchases from three (3) years to five (5) years.

Necessity: This section is amended to increase the period of time granted to Applicants to complete at least 15% of purchases of Qualified Property, from 18 months to two years. When the program was first established milestone requirements, Applicants were required to purchase at least 25% of Qualified Property within one year; however, because many Applicants encountered permitting and other regulatory issues, CAEATFA lowered the threshold to 15% within one year. Following that change, stakeholders indicated that the revised requirement was still too difficult to meet, which led CAEATFA to extend the 15% purchase requirement to 18 months, with the allowance of including executed purchases. During the COVID-19 pandemic, many Applicants subject to the 18-month requirement requested additional time, with those requesting extensions averaging a total of 3.5 years for the requirement period.

In addition, this section is amended to state that Applicants that do not meet the 15% purchase requirement within two years are not eligible to apply for additional sales tax exclusions for a period of two years from the date of the requirement deadline. This is necessary to ensure that the available sales tax exclusion amounts are available to Applicants that are ready to make Qualified Property purchases. The added two-year penalty for not meeting the 15% requirement also discourages Applicants from applying prematurely and increases the likelihood that award terms will be successfully completed.

Lastly, this section is amended to increase the amount of time Applicants are allowed to make all Qualified Property purchases from three years to five years. Program data shows that approximately 31% of all Applicants have requested additional time beyond the three-year period, with the average total purchasing timeframe at 5.5 years. The most common reasons for the extension requests often reflect issues outside the Applicants' control, such as the COVID-19 pandemic (24%), permitting and regulatory issues (28%), financing issues (24%), construction delays (15%), and interconnection delays (9%). The additional time is therefore necessary and reflects real-world challenges stakeholders face in trying to develop viable projects.

Technical, Theoretical, and/or Empirical Studies, Reports, or Documents: No technical documents were consulted.

Alternatives to the Regulations Considered by the Agency and the Agency's Reasons for Rejecting those Alternatives: Previous regulations maintained an 18-month window for the initial 15% procurement milestone and a three-year total purchase completion deadline, which failed to align with real-world infrastructure timelines and left the program without an enforcement mechanism to prevent premature applications or free up stranded allocation capacity. Although CAEATFA considered removing the 15% purchase requirement milestone, the agency determined it was more prudent to retain a mechanism that holds companies accountable given public support was provided.

Alternatives to the Proposed Regulation Action that Would Lessen any Adverse Impact on Small Business: No adverse impact. Participation is voluntary and provides access to financial assistance that may otherwise be unavailable

Evidence Supporting Finding of No Significant Adverse Economic Impact on any Business: Participation in this program is voluntary so there is no adverse economic impact.

Section 10035(b)(1)(A)

Public Problem, Administrative Requirement, or Other Condition or Circumstance that the Regulation is Intended to Address: Under the existing regulatory framework, this sub-provision establishes a process for granting extensions of time for the initial property purchase milestone.

Because the applicable purchase timeframe has been extended to a five (5)-year period in parent paragraph (b)(1), the extension process is largely duplicative of the underlying compliance schedule. Additionally, maintaining an extension mechanism increases administrative processing and tracking requirements and allows applicants to proceed with an STE award for an extended period of time without demonstrating meaningful project progress.

Specific Purpose: To remove (repeal) Section 10035(b)(1)(A) in its entirety, eliminating the formal regulatory mechanism and procedural framework through which applicants could request administrative extensions of time to fulfill their property purchase milestones.

Necessity: This section is removed as CAEATFA determined that the prior process for requesting extensions was ineffective and resulted in unnecessary workload and higher program costs without knowing if projects will produce benefits to the state. Additionally, granting extensions gave applicants too much time to complete their projects, resulting which prevents the state from realizing the benefits stated in the application in a timely manner.

Technical, Theoretical, and/or Empirical Studies, Reports, or Documents: No technical documents were consulted.

Alternatives to the Regulations Considered by the Agency and the Agency's Reasons for Rejecting those Alternatives: Previous regulations maintained a separate administrative process for granting milestone extensions, which created a duplicative relief framework alongside the newly expanded five-year purchasing timeline and generated unnecessary processing workload and higher program costs.

Alternatives to the Proposed Regulation Action that Would Lessen any Adverse Impact on Small Business: No adverse impact. Participation is voluntary and provides access to financial assistance that may otherwise be unavailable

Evidence Supporting Finding of No Significant Adverse Economic Impact on any Business: Participation in this program is voluntary so there is no adverse economic impact.

Section 10035(b)(1)(B)

Public Problem, Administrative Requirement, or Other Condition or Circumstance that the Regulation is Intended to Address: Under the existing regulatory framework, this subdivision establishes evidentiary criteria and procedural requirements for evaluating extension requests under Section 10035(b)(1)(A).

Because that extension mechanism is being repealed, this section is no longer necessary and is removed to maintain consistency within the regulations.

Specific Purpose: To remove (repeal) Section 10035(b)(1)(B) in its entirety as the three-year purchasing term has been extended to five years in Section 10035(b)(1).

Necessity: This section is removed as CAEATFA determined that the prior process for requesting extensions was ineffective and resulted in unnecessary workload and higher program costs without guaranteeing that benefits will be produced as a result of providing additional time. Additionally, granting extensions gave applicants too much time to complete their projects, resulting which prevents the state from realizing the benefits stated in the application in a timely manner.

Technical, Theoretical, and/or Empirical Studies, Reports, or Documents: No technical documents were consulted.

Alternatives to the Regulations Considered by the Agency and the Agency's Reasons for Rejecting those Alternatives: CAEATFA considered whether continuing to provide extensions was appropriate. However, without extensions, an STE award would simply expire without allowing the unused capacity to benefit other applicants. Removing the extension process and replacing the threeyear purchasing term with a firm fiveyear standard will better assess company readiness and project success, ensuring the state can realize the anticipated benefits.

Previous regulations retained these procedural evidentiary requirements, which would have left obsolete, non-functional regulatory text in place following the repeal of the primary administrative extension mechanism under Section 10035(b)(1)(A).

Alternatives to the Proposed Regulation Action that Would Lessen any Adverse Impact on Small Business: No adverse impact. Participation is voluntary and provides access to financial assistance that may otherwise be unavailable

Evidence Supporting Finding of No Significant Adverse Economic Impact on any Business: Participation in this program is voluntary so there is no adverse economic impact.

Section 10035(b)(2)(A)

Public Problem, Administrative Requirement, or Other Condition or Circumstance that the Regulation is Intended to Address: Under the existing regulatory framework, this subdivision contains an enforcement and compliance provision that has been superseded by updated milestone accountability requirements established in a separate section.

Because the enforcement framework has been consolidated elsewhere in the regulations, retaining this subdivision would create duplication and inconsistency within the chapter. This amendment removes the obsolete provision to maintain a clear and non-duplicative enforcement structure.

Specific Purpose: To remove (repeal) Section 10035(b)(2)(A) to eliminate a compliance or enforcement provision that is being structurally reorganized and superseded by the addition of a new standalone Section 10035(b)(3).

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

Technical, Theoretical, and/or Empirical Studies, Reports, or Documents: No technical documents were consulted.

Alternatives to the Regulations Considered by the Agency and the Agency's Reasons for Rejecting those Alternatives: Previous regulations retained this compliance subdivision, which would have preserved a duplicative and conflicting enforcement structure within the chapter after those accountability mechanisms were consolidated under the new standalone Section 10035(b)(3).

Alternatives to the Proposed Regulation Action that Would Lessen any Adverse Impact on Small Business: No adverse impact. Participation is voluntary and provides access to financial assistance that may otherwise be unavailable

Evidence Supporting Finding of No Significant Adverse Economic Impact on any Business: Participation in this program is voluntary so there is no adverse economic impact.

Section 10035(b)(3)

Public Problem, Administrative Requirement, or Other Condition or Circumstance that the Regulation is Intended to Address: Under the existing regulatory framework, the provisions governing the transfer, assignment, or reassignment of STE awards following corporate mergers, acquisitions, or asset transfers are not fully defined within a single, integrated structure.

In the absence of clear requirements, the regulations do not explicitly address whether and how project obligations may be transferred to successor entities, including the assumption of ongoing compliance and reporting responsibilities following a change in ownership.

Specific Purpose: To establish a dedicated standalone section governing the transfer, assignment, or reassignment of STE awards and project assets resulting from corporate mergers, acquisitions, or asset sales. This section prohibits the transfer or assignment of a project prior to the expiration of the Regulatory Agreement unless the successor entity acquires all, or substantially all, of the applicant's project assets and formally executes a written agreement to assume all compliance duties and responsibilities.

Necessity: This section is established to replace deleted Section 10035(b)(2)(A) and clarifies assignment responsibilities when an Applicant is acquired or merges with another business. This section states that a project cannot be transferred or assigned before the expiration of the Regulatory Agreement unless the new owner acquires all, or substantially all, of the Applicant's project assets, and that Board approval is necessary. It also clarifies that the new owner must agree to assume all duties and responsibilities in the Regulatory Agreement. If the new owner refuses to enter into a Regulatory Agreement with CAEATFA, the Applicant may be required to repay the sales and use tax exclusion received. This provision is necessary so that CAEATFA can track projects, evaluate whether originally projected benefits are realized, and assess program effectiveness. is established to make reassignment of awards its own distinct section. This section is necessary to clarify the process by which Applicants can transfer Qualified Property in the event of an asset sale, and that the new owner must be willing to assume all of the duties and responsibilities set out in the Regulatory Agreement.

Technical, Theoretical, and/or Empirical Studies, Reports, or Documents: No technical documents were consulted.

Alternatives to the Regulations Considered by the Agency and the Agency's Reasons for Rejecting those Alternatives: Previous regulations left post-merger or post-acquisition award transfers poorly defined across fragmented sections, lacking an explicit requirement for successor entities to execute an asset-backed assumption agreement.

Alternatives to the Proposed Regulation Action that Would Lessen any Adverse Impact on Small Business: No adverse impact. Participation is voluntary and provides access to financial assistance that may otherwise be unavailable

Evidence Supporting Finding of No Significant Adverse Economic Impact on any Business: Participation in this program is voluntary so there is no adverse economic impact.

Section 10035(b)(4)

Public Problem, Administrative Requirement, or Other Condition or Circumstance that the Regulation is Intended to Address: Under the existing regulatory framework, this subdivision requires renumbering following establishment of a standalone corporate asset assignment framework in paragraph (b)(3), which affects the structure of this section.

The existing reporting requirement mandates submission of annual compliance reports in January, which may not align with the availability of finalized year-end operational and financial data, affecting the completeness and availability of information needed.

In addition, the regulations do not clearly specify reporting requirements for projects with contract terms that expire mid-year, creating ambiguity regarding the appropriate reporting period for final-year data.

Specific Purpose: To renumber former Section 10035(b)(3) as Section 10035(b)(4) to accommodate the structural addition of the new assignment rules; to amend the annual compliance reporting deadline from January to July of each calendar year; and to explicitly clarify that an Applicant whose Regulatory Agreement expires mid-year must still submit a complete, full calendar year of data for that final reporting cycle.

Necessity: This section is renumbered from Section 10035(b)(3) to Section 10035(b)(4) as a result of the new Section 10035(b)(3) being established. This section is amended to change the annual reporting deadline to later in the year (i.e. from January to July) in order to ensure that Applicants have sufficient time and the data required necessary to complete the reports. This section is also amended to clarify the reporting requirements for Applicants with Regulatory Agreements that expire prior to the end of the calendar year. This ensures that Applicants submit a full year of data in the year the Regulatory Agreement term expires, rather than only the partial data that would result from the actual expiration date.

Technical, Theoretical, and/or Empirical Studies, Reports, or Documents: No technical documents were consulted.

Alternatives to the Regulations Considered by the Agency and the Agency's Reasons for Rejecting those Alternatives: Previous regulations maintained an unaligned January reporting deadline that rushed applicants before year-end data was fully finalized, while providing no explicit protocol for mid-year contract expirations, which risked the submission of incomplete or fragmented partial-year data blocks during the final compliance cycle.

Alternatives to the Proposed Regulation Action that Would Lessen any Adverse Impact on Small Business: No adverse impact. Participation is voluntary and provides access to financial assistance that may otherwise be unavailable

Evidence Supporting Finding of No Significant Adverse Economic Impact on any Business: Participation in this program is voluntary so there is no adverse economic impact.

Section 10035(b)(5)

Public Problem, Administrative Requirement, or Other Condition or Circumstance that the Regulation is Intended to Address: Under the existing regulatory framework, insertion of the corporate asset transfer and award assignment provisions in Section 10035(b)(3) requires renumbering within subsection (b) to maintain a consistent and consecutive structure.
This amendment updates the affected paragraph numbering to reflect the revised organization of subsection (b).

Specific Purpose: To renumber former Section 10035(b)(4) as Section 10035(b)(5) to accommodate the structural addition of the new assignment and transfer provisions in Section 10035(b)(3).

Necessity: This section is renumbered from Section 10035(b)(4) as a result of the new Section 10035(b)(3) being established.

Technical, Theoretical, and/or Empirical Studies, Reports, or Documents: No technical documents were consulted.

Alternatives to the Regulations Considered by the Agency and the Agency's Reasons for Rejecting those Alternatives: Previous regulations maintained the legacy numbering sequence for this subdivision, which would have disrupted the consecutive outline framework and caused numbering collisions following the structural consolidation of the new corporate asset assignment rules.

Alternatives to the Proposed Regulation Action that Would Lessen any Adverse Impact on Small Business: No adverse impact. Participation is voluntary and provides access to financial assistance that may otherwise be unavailable

Evidence Supporting Finding of No Significant Adverse Economic Impact on any Business: Participation in this program is voluntary so there is no adverse economic impact.

Section 10035(b)(6)

Public Problem, Administrative Requirement, or Other Condition or Circumstance that the Regulation is Intended to Address: Under the existing regulatory framework, insertion of the corporate asset transfer and award assignment provisions in Section 10035(b)(3) requires renumbering within subsection (b) to maintain a consistent and consecutive structure.
This amendment updates the affected paragraph numbering to reflect the revised organization of subsection (b).

Specific Purpose: To renumber former Section 10035(b)(5) as Section 10035(b)(6) to accommodate the structural addition of the new corporate transfer and assignment provisions in Section 10035(b)(3).

Necessity: This section is renumbered from Section 10035(b)(5) as a result of the new Section 10035(b)(3) being established.

Technical, Theoretical, and/or Empirical Studies, Reports, or Documents: No technical documents were consulted.

Alternatives to the Regulations Considered by the Agency and the Agency's Reasons for Rejecting those Alternatives: Previous regulations maintained the legacy numbering sequence for this subdivision, which would have broken the consecutive outline framework following the structural consolidation of the new corporate asset assignment rules.

Alternatives to the Proposed Regulation Action that Would Lessen any Adverse Impact on Small Business: No adverse impact. Participation is voluntary and provides access to financial assistance that may otherwise be unavailable

Evidence Supporting Finding of No Significant Adverse Economic Impact on any Business: Participation in this program is voluntary so there is no adverse economic impact.

Section 10035(b)(7)

Public Problem, Administrative Requirement, or Other Condition or Circumstance that the Regulation is Intended to Address:

Under the existing regulatory framework, insertion of the corporate asset transfer provisions in Section 10035(b)(3) requires renumbering within subsection (b) to maintain a consistent and consecutive structure.

In addition, this subdivision contains an internal cross-reference to Section 10035(b)(5), which has been renumbered as Section 10035(b)(6). This amendment updates the reference to ensure accuracy and consistency within the regulatory text.

Specific Purpose: To renumber former Section 10035(b)(6) as Section 10035(b)(7) to accommodate the structural addition of the new corporate transfer provisions in Section 10035(b)(3), and to amend an internal text cross-reference to point accurately to the newly renumbered Section 10035(b)(6) (formerly Section 10035(b)(5)).

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

Technical, Theoretical, and/or Empirical Studies, Reports, or Documents: No technical documents were consulted.

Alternatives to the Regulations Considered by the Agency and the Agency's Reasons for Rejecting those Alternatives: Previous regulations maintained a legacy numbering sequence and an outdated internal cross-reference to Section 10035(b)(5), which would have broken the consecutive outline framework and directed users to an incorrect subdivision following the reorganization of subsection (b).

Alternatives to the Proposed Regulation Action that Would Lessen any Adverse Impact on Small Business: No adverse impact. Participation is voluntary and provides access to financial assistance that may otherwise be unavailable

Evidence Supporting Finding of No Significant Adverse Economic Impact on any Business: Participation in this program is voluntary so there is no adverse economic impact.

Section 10035(b)(8)

Public Problem, Administrative Requirement, or Other Condition or Circumstance that the Regulation is Intended to Address: Under the existing regulatory framework, insertion of the corporate asset transfer and award assignment provisions in Section 10035(b)(3) requires renumbering within subsection (b) to maintain a consistent and consecutive structure.

This amendment updates the affected paragraph numbering to reflect the revised organization of subsection (b).

Specific Purpose: To renumber former Section 10035(b)(7) as Section 10035(b)(8) to accommodate the structural addition of the new corporate transfer and assignment provisions in Section 10035(b)(3).

Necessity: This section is renumbered from Section 10035(b)(7) as a result of the new Section 10035(b)(3) being established.

Technical, Theoretical, and/or Empirical Studies, Reports, or Documents: No technical documents were consulted.

Alternatives to the Regulations Considered by the Agency and the Agency's Reasons for Rejecting those Alternatives: Previous regulations maintained the legacy numbering sequence for this subdivision, which would have disrupted the consecutive outline framework following the structural consolidation of the new corporate asset assignment rules.

Alternatives to the Proposed Regulation Action that Would Lessen any Adverse Impact on Small Business: No adverse impact. Participation is voluntary and provides access to financial assistance that may otherwise be unavailable

Evidence Supporting Finding of No Significant Adverse Economic Impact on any Business: Participation in this program is voluntary so there is no adverse economic impact.

Section 10035(b)(9)

Public Problem, Administrative Requirement, or Other Condition or Circumstance that the Regulation is Intended to Address: Under the existing regulatory framework, insertion of the corporate asset transfer provisions in Section 10035(b)(3) requires renumbering within subsection (b) to maintain a consistent and consecutive structure.

In addition, the existing framework does not clearly restrict applicants under a suspended Regulatory Agreement from submitting new applications or requesting modifications, even when required reporting obligations are not current. This may limit the Authority's ability to ensure compliance with ongoing program requirements.

Finally, the regulations do not explicitly extend certain compliance restrictions to related or affiliated entities, which may allow applications to be submitted by affiliated entities when another related entity is out of compliance under a Regulatory Agreement.

Specific Purpose: To renumber former Section 10035(b)(8) as Section 10035(b)(9) to accommodate the structural addition of Section 10035(b)(3); to amend the text to explicitly clarify that Applicants under a suspended Regulatory Agreement are prohibited from submitting new Applications or receiving approvals for modifications to existing Applications; and to extend this prohibition to any parent companies or subsidiaries of the suspended Applicant.

Necessity: This section is renumbered from Section 10035(b)(8) to Section 10035(b)(9) as a result of the new Section 10035(b)(3) being established and clarifies that Applicants with suspended Regulatory Agreements are not authorized to submit new Applications nor will modifications to existing Applications be approved. Under the Regulatory Agreement, Applicants are required to submit semi-annual and annual reports to CAEATFA as part of their compliance obligations. Applicants who fail to submit these reports prevent CAEATFA from tracking their Qualified Property purchases and calculating the administrative fees associated with their equipment purchases. Applicants that are out of compliance will not be permitted to apply for a new STE award or request modifications to their existing Regulatory Agreement. This section is also amended to specify that the Authority will not accept new applications or requests from any of the Applicant's parent companies or subsidiaries that hold an interest in a company.

Technical, Theoretical, and/or Empirical Studies, Reports, or Documents: No technical documents were consulted.

Alternatives to the Regulations Considered by the Agency and the Agency's Reasons for Rejecting those Alternatives: Previous regulations maintained the legacy numbering sequence and lacked clear restrictions preventing suspended applicants from submitting new applications or modifications, while failing to extend those compliance prohibitions to parent companies or subsidiaries, which allowed non-compliant entities to bypass program accountability through related corporate affiliates.

Alternatives to the Proposed Regulation Action that Would Lessen any Adverse Impact on Small Business: No adverse impact. Participation is voluntary and provides access to financial assistance that may otherwise be unavailable

Evidence Supporting Finding of No Significant Adverse Economic Impact on any Business: Participation in this program is voluntary so there is no adverse economic impact.

Section 10035(b)(10)

Public Problem, Administrative Requirement, or Other Condition or Circumstance that the Regulation is Intended to Address: Under the existing regulatory framework, there is no formal mechanism to process non-material modifications to applications after Board approval, creating an inflexible process for post-approval changes.

Because projects are often approved prior to construction or production, adjustments may occur during implementation, including changes to project location and project technology.

Without a streamlined process for non-material modifications, the Authority may be required to pursue full resubmittal or Board reconsideration for minor changes, increasing administrative burden and reducing operational flexibility.

Specific Purpose: To add Section 10035(b)(10) to explicitly authorize and establish an administrative mechanism for the Authority to review and approve non-material modifications or amendments to previously approved Applications as Projects develop post-award.

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

Technical, Theoretical, and/or Empirical Studies, Reports, or Documents: No technical documents were consulted.

Alternatives to the Regulations Considered by the Agency and the Agency's Reasons for Rejecting those Alternatives: Previous regulations provided no formal mechanism to process non-material modifications after Board approval, forcing the Authority to rely on an inflexible framework that required full application resubmittals or formal Board reconsideration for minor, routine adjustments to project specifications, equipment vendors, or facility designs.

Alternatives to the Proposed Regulation Action that Would Lessen any Adverse Impact on Small Business: No adverse impact. Participation is voluntary and provides access to financial assistance that may otherwise be unavailable

Evidence Supporting Finding of No Significant Adverse Economic Impact on any Business: Participation in this program is voluntary so there is no adverse economic impact.

Section 10035(c)

Public Problem, Administrative Requirement, or Other Condition or Circumstance that the Regulation is Intended to Address: Under the existing regulatory framework, the statutory lookback period for recovering improperly utilized Sales and Use Tax Exclusion (STE) benefits is not aligned with the updated procurement timeline established in paragraph (b)(1).

Because the procurement period has been extended to five (5) years, the existing enforcement window may expire before the completion of all required purchases, limiting the Authority's ability to review compliance over the full project lifecycle.

This amendment aligns the enforcement period with the revised procurement timeline to ensure consistent administration of program requirements.

Specific Purpose: To amend Section 10035(c) to extend the lookback and enforcement window during which the Authority can legally pursue the recovery or clawback of STE financial assistance, directly aligning this recovery timeline with the newly expanded five-year purchasing window established in Section 10035(b)(1).

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

Technical, Theoretical, and/or Empirical Studies, Reports, or Documents: No technical documents were consulted.

Alternatives to the Regulations Considered by the Agency and the Agency's Reasons for Rejecting those Alternatives: Previous regulations maintained an unaligned, shorter lookback period for recovering improperly utilized tax benefits, which would have allowed the enforcement and recovery window to expire before an applicant's newly expanded five-year procurement timeline was complete, leaving the Authority unable to protect public funds over the full project procurement term.

Alternatives to the Proposed Regulation Action that Would Lessen any Adverse Impact on Small Business: No adverse impact. Participation is voluntary and provides access to financial assistance that may otherwise be unavailable

Evidence Supporting Finding of No Significant Adverse Economic Impact on any Business: Participation in this program is voluntary so there is no adverse economic impact.

Section 10036. Fees.

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

Section 10036(a)(2)

Public Problem, Administrative Requirement, or Other Condition or Circumstance that the Regulation is Intended to Address: Under the existing regulatory framework, the application fee structure is based on a rate that has not been adjusted since the program's establishment in 2010, and does not reflect changes in administrative costs over time.

In addition, the complexity of evaluating modern clean technology, advanced manufacturing, and energy projects has increased, requiring more extensive technical review, interagency coordination, and expert consultation during application processing.

As a result, the current fee structure may not fully align with the level of resources required to evaluate and process applications under the program.

Specific Purpose: To amend Section 10036(a)(2) to increase the program's minimum Application Fee from two hundred and fifty dollars ($250) to five hundred dollars ($500).

Necessity: This section is amended to increase the minimum Application Fee from $250 to $500. This amendment is necessary to account for inflation and increased complexity of Applications received by the Authority. As new technologies and sectors emerge, staff often spend significant time researching projects, consulting with Applicants and their teams, coordinating with other government agencies, and working with the program's technical advisor to fully understand certain projects. There has not been an adjustment in the Application Fee since the Program was established in 2010.

Technical, Theoretical, and/or Empirical Studies, Reports, or Documents: No technical documents were consulted.

Alternatives to the Regulations Considered by the Agency and the Agency's Reasons for Rejecting those Alternatives: Previous regulations maintained a legacy $250 minimum application fee that had remained completely unchanged since 2010, failing to account for decades of inflation or the significantly higher staff resources, expert technical consultations, and interagency coordination now required to evaluate complex modern clean-technology projects.

Alternatives to the Proposed Regulation Action that Would Lessen any Adverse Impact on Small Business: No adverse impact. Participation is voluntary and provides access to financial assistance that may otherwise be unavailable

Evidence Supporting Finding of No Significant Adverse Economic Impact on any Business: Participation in this program is voluntary so there is no adverse economic impact.

Section 10036(a)(3)

Public Problem, Administrative Requirement, or Other Condition or Circumstance that the Regulation is Intended to Address: Under the existing regulatory framework, application fee billing and intake procedures do not clearly authorize electronic payment methods, resulting in reliance on paper-based transactions.

In addition, application fee deadlines are tied to the date of individual submission, resulting in variable due dates across applications filed within the same intake window. This structure requires the Authority to track multiple rolling payment deadlines and may create administrative complexity in fee collection and reconciliation.

Specific Purpose: To amend Section 10036(a)(3) to authorize the acceptance of electronic payment methods for program Application Fees and to establish a single, standardized fee submission deadline of five (5) business days following the close of the applicable application period.

Necessity: This section is amended to allow electronic payments to be accepted for Application Fees and to establish a uniform fee deadline of five business days after the applicable application period closes. Under the existing regulations, Applicants must submit the Application Fee within five days of submitting their Application. Because the application window is open for several weeks, fee deadlines vary depending on when an Applicant submits their Application. The proposed change would create a single, consistent fee deadline for all Applicants, making it less time-consuming for staff to track payments, and provide additional time for Applicants who opt to submit a paper check as payment when they apply early in the application window.

Technical, Theoretical, and/or Empirical Studies, Reports, or Documents: No technical documents were consulted.

Alternatives to the Regulations Considered by the Agency and the Agency's Reasons for Rejecting those Alternatives: Previous regulations restricted payment methods to paper-based transactions and relied on a rolling, variable fee deadline tied to individual submission dates, forcing staff to track fragmented payment windows and complicating administrative fee collection and reconciliation.

Alternatives to the Proposed Regulation Action that Would Lessen any Adverse Impact on Small Business: No adverse impact. Participation is voluntary and provides access to financial assistance that may otherwise be unavailable

Evidence Supporting Finding of No Significant Adverse Economic Impact on any Business: Participation in this program is voluntary so there is no adverse economic impact.

<u>Section 10036(a)(4)</u>

Public Problem, Administrative Requirement, or Other Condition or Circumstance that the Regulation is Intended to Address: Under the existing regulatory framework, the application fee structure provides for a seventy-five percent (75%) refund to applicants who withdraw or are not selected during the competitive review process.
Because a substantial portion of application review and scoring occurs prior to withdrawal or selection decisions, this refund structure may not fully align fees with the administrative costs incurred by the Authority during application evaluation.
As a result, the current structure may require the Authority to absorb a portion of application review costs associated with applications that do not proceed through the full selection process.

Specific Purpose: To amend Section 10036(a)(4) to eliminate the seventy-five percent (75%) Application Fee refund provision and to explicitly clarify that an Application Fee refund is only permissible if the Authority has not commenced or conducted any review of the submitted application.

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

Technical, Theoretical, and/or Empirical Studies, Reports, or Documents: No technical documents were consulted.

Alternatives to the Regulations Considered by the Agency and the Agency's Reasons for Rejecting those Alternatives: Previous regulations maintained an automatic 75% refund policy for withdrawn or unselected projects, which forced the Authority to absorb significant staff evaluation and scoring costs after substantial administrative resources had already been expended to review the application.

Alternatives to the Proposed Regulation Action that Would Lessen any Adverse Impact on Small Business: No adverse impact. Participation is voluntary and provides access to financial assistance that may otherwise be unavailable

Evidence Supporting Finding of No Significant Adverse Economic Impact on any Business: Participation in this program is voluntary so there is no adverse economic impact.

Section 10036(b)(4)

Public Problem, Administrative Requirement, or Other Condition or Circumstance that the Regulation is Intended to Address: Under the existing regulatory framework, administrative fees may be paid over the term of the Regulatory Agreement under a deferred payment structure.
Because a significant portion of administrative work occurs at the start of the agreement—such as contract execution, account setup, and initial compliance tracking—the current payment schedule does not align with the timing of program costs.
As a result, fee collection may lag behind the Authority's upfront administrative expenditures, affecting the timing of cost recovery for program administration.

Specific Purpose: To amend Section 10036(b)(4) to restructure the collection timeline for program administrative fees, shifting from a deferred payment model spread entirely over the lifespan of the contract to a front-loaded model that requires applicants to pay either fifteen thousand dollars ($15,000) or fifty percent (50%) of the total calculated Administrative Fee—whichever is greater based on the amount of approved Qualified Property—immediately upon the execution of the Regulatory Agreement.

Necessity: This section is amended to change the timing of the receipt of program administrative fees. Under existing regulations, Applicants pay 100% of these fees over the term of the Regulatory Agreement. However, CAEATFA staff costs are substantially higher at the initiation of the Regulatory Agreement. This change would more closely align the receipt of these fees with the timing of the costs incurred requiring that either $15,000 or 50% of the Administrative Fee, which is greater based on the amount of Qualified Property approved, be paid upon execution of the Regulatory Agreement.

Technical, Theoretical, and/or Empirical Studies, Reports, or Documents: No technical documents were consulted.

Alternatives to the Regulations Considered by the Agency and the Agency's Reasons for Rejecting those Alternatives: Previous regulations relied entirely on a deferred payment schedule spread across the lifespan of the contract, which delayed cost recovery and caused fee collection to lag behind the Authority's heavy upfront expenditures for contract execution, account setup, and initial compliance tracking.

Alternatives to the Proposed Regulation Action that Would Lessen any Adverse Impact on Small Business: No adverse impact. Participation is voluntary and provides access to financial assistance that may otherwise be unavailable

Evidence Supporting Finding of No Significant Adverse Economic Impact on any Business: Participation in this program is voluntary so there is no adverse economic impact.

Section 10036(b)(5)

Public Problem, Administrative Requirement, or Other Condition or Circumstance that the Regulation is Intended to Address: Under the existing regulatory framework, parent paragraph (b)(4) was amended to require payment of fifty percent (50%) of the Administrative Fee at contract execution, with the remaining balance collected over the term of the Regulatory Agreement.
As a result, paragraph (b)(5) must be updated to reflect the revised fee collection structure to ensure consistency across the regulatory text.

Specific Purpose: To amend Section 10036(b)(5) in direct conjunction with the changes made to Section 10036(b)(4) to restructure the collection of the remaining balance of the Administrative Fee, specifying that the remaining fifty percent (50%) of the fee is payable incrementally over the active term of the Regulatory Agreement as Qualified Property purchases are completed.

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

Technical, Theoretical, and/or Empirical Studies, Reports, or Documents: No technical documents were consulted.

Alternatives to the Regulations Considered by the Agency and the Agency's Reasons for Rejecting those Alternatives: Previous regulations maintained the legacy collection language for subsequent fee installments, which would have created an internal contradiction within the fee schedule following the front-loading of the initial 50% payment at contract execution under Section 10036(b)(4).

Alternatives to the Proposed Regulation Action that Would Lessen any Adverse Impact on Small Business: No adverse impact. Participation is voluntary and provides access to financial assistance that may otherwise be unavailable

Evidence Supporting Finding of No Significant Adverse Economic Impact on any Business: Participation in this program is voluntary so there is no adverse economic impact.

Section 10036(b)(5)(B)

Public Problem, Administrative Requirement, or Other Condition or Circumstance that the Regulation is Intended to Address: Under the existing regulatory framework, this subdivision establishes procedures for issuing refunds of Administrative Fee overpayments.
Because the Administrative Fee structure has been revised under Sections 10036(b)(4) and (5) to a pay-as-you-go model based on actual Qualified Property purchases, overpayments of the Administrative Fee are no longer expected under the current framework.
As a result, this refund provision is no longer necessary and is removed to maintain consistency within the regulations.

Specific Purpose: To amend Section 10036(b)(5)(B) to remove (repeal) the administrative provision that authorized the refunding of Administrative Fee overpayments to applicants.

Necessity: This section is amended to remove the provision allowing for refunding of Administrative Fee overpayment; such overpayments cannot occur under the provisions of Sections 10036(b)(4) and 10036(b)(5) as amended as fees are only paid as Qualified Property purchases are made. The removal of refunds is necessary because in some cases applicants have ceased operations, making it difficult to return funds. In addition, the refund process introduces additional administrative steps for staff, and because all refund transactions must be routed through the accounting department, processing these returns can be significantly time consuming.

Technical, Theoretical, and/or Empirical Studies, Reports, or Documents: No technical documents were consulted.

Alternatives to the Regulations Considered by the Agency and the Agency's Reasons for Rejecting those Alternatives: Previous regulations retained an administrative refund mechanism for fee overpayments, which would have left obsolete and contradictory procedural language in place under a restructured, pay-as-you-go collection framework where overpayments are structurally impossible.

Alternatives to the Proposed Regulation Action that Would Lessen any Adverse Impact on Small Business: No adverse impact. Participation is voluntary and provides access to financial assistance that may otherwise be unavailable

Evidence Supporting Finding of No Significant Adverse Economic Impact on any Business: Participation in this program is voluntary so there is no adverse economic impact.

Section 10036(b)(6)

Public Problem, Administrative Requirement, or Other Condition or Circumstance that the Regulation is Intended to Address: Under the existing regulatory framework, this subdivision establishes a legacy fee payment or installment option that is not consistent with the updated Administrative Fee structure in Section 10036(b)(4), which requires an upfront payment of the greater of fifteen thousand dollars ($15,000) or fifty percent (50%) of the total fee at contract execution.

Because the revised framework establishes a mandatory front-loaded payment structure, the prior installment-based option is no longer applicable. As a result, this subdivision is removed to maintain consistency within the regulatory fee collection provisions.

Specific Purpose: To remove (repeal) Section 10036(b)(6) in its entirety, eliminating a legacy fee schedule, installment option, or alternative collection mechanism that has been rendered completely obsolete or superseded by the mandatory front-loaded initial Administrative Fee framework established in Section 10036(b)(4).

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

Technical, Theoretical, and/or Empirical Studies, Reports, or Documents: No technical documents were consulted.

Alternatives to the Regulations Considered by the Agency and the Agency's Reasons for Rejecting those Alternatives: Previous regulations retained this legacy installment option, which would have preserved an obsolete and contradictory alternative payment mechanism that directly conflicted with the newly mandated, front-loaded 50% initial administrative fee required at contract execution under Section 10036(b)(4).

Alternatives to the Proposed Regulation Action that Would Lessen any Adverse Impact on Small Business: No adverse impact. Participation is voluntary and provides access to financial assistance that may otherwise be unavailable

Evidence Supporting Finding of No Significant Adverse Economic Impact on any Business: Participation in this program is voluntary so there is no adverse economic impact.

Section 10036(b)(7)

Public Problem, Administrative Requirement, or Other Condition or Circumstance that the Regulation is Intended to Address: Under the existing regulatory framework, this subdivision requires renumbering following repeal of the preceding legacy fee collection mechanisms to maintain a consistent and consecutive outline structure.

In addition, the existing text does not reflect modern electronic payment methods and is limited to paper-based transactions, such as physical checks. This limitation may slow fee processing and create avoidable administrative burden for both applicants and the Authority.

Specific Purpose: To renumber former Section 10036(b)(7) as Section 10036(b)(6) to maintain outline continuity following the repeal of the legacy initial payment rules in the preceding paragraph, and to amend the text to explicitly authorize the acceptance of electronic payment methods for program Administrative Fees.

Necessity: This section is renumbered from Section 10035(b)(7) to Section 10036(b)(6) as a result of the former Section 10036(b)(6) being removed and is amended to allow electronic payments to be accepted for administrative fees.

Technical, Theoretical, and/or Empirical Studies, Reports, or Documents: No technical documents were consulted.

Alternatives to the Regulations Considered by the Agency and the Agency's Reasons for Rejecting those Alternatives: Previous regulations maintained the legacy outline numbering sequence and restricted administrative fee intake exclusively to paper-based transactions, which would have disrupted consecutive paragraph structure following preceding repeals and forced continued reliance on slow, manual check processing.

Alternatives to the Proposed Regulation Action that Would Lessen any Adverse Impact on Small Business: No adverse impact. Participation is voluntary and provides access to financial assistance that may otherwise be unavailable

Evidence Supporting Finding of No Significant Adverse Economic Impact on any Business: Participation in this program is voluntary so there is no adverse economic impact.

Section 10036(b)(8)

Public Problem, Administrative Requirement, or Other Condition or Circumstance that the Regulation is Intended to Address: Under the existing regulatory framework, this subdivision requires renumbering following repeal of the preceding payment provision to maintain a consistent and consecutive outline structure.

This amendment clarifies that Administrative Fees are non-refundable once paid to ensure consistent administration of program fee requirements, and removes the refund exception as it no longer exists due to the change in Section 10036(b)(5)(B).

Specific Purpose: To renumber former Section 10036(b)(8) as Section 10036(b)(7) to maintain strict outline continuity following the repeal of the legacy initial payment rules, and to explicitly amend the text to clarify that all program Administrative Fees are completely non-refundable once paid to the Authority.

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

Technical, Theoretical, and/or Empirical Studies, Reports, or Documents: No technical documents were consulted.

Alternatives to the Regulations Considered by the Agency and the Agency's Reasons for Rejecting those Alternatives: Previous regulations maintained the legacy outline numbering sequence and left the refund status of administrative fees unstated, which would have preserved a broken numbering structure.

Alternatives to the Proposed Regulation Action that Would Lessen any Adverse Impact on Small Business: No adverse impact. Participation is voluntary and provides access to financial assistance that may otherwise be unavailable

Evidence Supporting Finding of No Significant Adverse Economic Impact on any Business: Participation in this program is voluntary so there is no adverse economic impact.

Section 10036(c)(1)

Public Problem, Administrative Requirement, or Other Condition or Circumstance that the Regulation is Intended to Address: Under the existing regulatory framework, the fee for processing structural modifications to a project's approved documents is set at five hundred dollars ($500), a rate that does not reflect the current administrative effort required to review complex corporate changes.

Modifications such as amendments to Regulatory Agreements, changes to authorizing resolutions, or the addition of corporate affiliates or subsidiaries require detailed review of corporate structure, compliance status, and program eligibility, which may include verification of ownership relationships and good standing.

In addition, the existing framework does not clearly specify standardized documentation requirements for the addition of affiliated entities to an approved award, which may limit consistency in the review process.

As a result, the current fee structure may not align with the level of administrative work required to process these modification requests.

Specific Purpose: To amend Section 10036(c)(1) to increase the administrative fee from five hundred dollars ($500) to two thousand dollars ($2,000) for Applicants requesting a modification to their Regulatory Agreement or authorizing resolution requiring Board approval, or for Applicants requesting to add an additional subsidiary or affiliate to an active Regulatory Agreement subject to Executive Director approval; and to codify the procedural mechanism for adding a subsidiary or affiliate by requiring the submission of a completed Legal Status Questionnaire (LSQ) contingent upon verified programmatic compliance.

Necessity: This section is amended to increase the fee for Applicants requesting a modification to their Regulatory Agreement or authorizing resolution that requires Board approval, or for Applicants requesting to add an additional subsidiary or affiliate to a Regulatory Agreement subject to the approval of the Executive Director from $500 to $2,000. This amendment is necessary to cover the cost of staff labor as even seemingly simple transactions can require more work than anticipated when the initial fee amounts were established. Such work can include, but is not limited to, reviewing a company's and its parent company's financial statements, such as SEC filings if it is a public company, reviewing OSHA documents, verifying registrations, and ensuring companies are in good standing. This section also clarifies that Applicants who wish to add a subsidiary or affiliate to their Regulatory Agreement may do so by submitting a completed Legal Status Questionnaire. Approval by the Executive Director is required and is contingent upon the entity's compliance with program requirements.

Technical, Theoretical, and/or Empirical Studies, Reports, or Documents: No technical documents were consulted.

Alternatives to the Regulations Considered by the Agency and the Agency's Reasons for Rejecting those Alternatives: Previous regulations maintained an inadequate $500 modification fee that failed to recover staff labor costs required for extensive corporate due diligence—such as reviewing SEC filings, evaluating OSHA records, and auditing multi-entity compliance—while lacking a standardized, document-backed framework like the Legal Status Questionnaire (LSQ) to vet newly added subsidiaries or affiliates.

Alternatives to the Proposed Regulation Action that Would Lessen any Adverse Impact on Small Business: No adverse impact. Participation is voluntary and provides access to financial assistance that may otherwise be unavailable

Evidence Supporting Finding of No Significant Adverse Economic Impact on any Business: Participation in this program is voluntary so there is no adverse economic impact.

Section 10036(c)(1)(A)

Public Problem, Administrative Requirement, or Other Condition or Circumstance that the Regulation is Intended to Address: Under the existing regulatory framework, this subdivision establishes a process for requesting a waiver of the initial fifteen percent (15%) purchasing milestone.

Because the waiver option has been removed from the program's compliance framework, this subdivision is no longer applicable. This amendment removes the obsolete waiver process to maintain consistency within the regulatory text.

Specific Purpose: To remove (repeal) Section 10036(c)(1)(A) in its entirety, eliminating the administrative mechanism and any associated processing fees for requesting a waiver of the initial fifteen percent (15%) purchasing requirement.

Necessity: This section is removed as a result of the proposed amendments eliminating the option to waive the 15% purchase requirement.

Technical, Theoretical, and/or Empirical Studies, Reports, or Documents: No technical documents were consulted.

Alternatives to the Regulations Considered by the Agency and the Agency's Reasons for Rejecting those Alternatives: Previous regulations retained the fee and administrative mechanism for requesting a 15% purchasing milestone waiver, which would have preserved an obsolete, contradictory pathway within the fee schedule after the underlying waiver option was completely eliminated from the program's compliance framework.

Alternatives to the Proposed Regulation Action that Would Lessen any Adverse Impact on Small Business: No adverse impact. Participation is voluntary and provides access to financial assistance that may otherwise be unavailable

Evidence Supporting Finding of No Significant Adverse Economic Impact on any Business: Participation in this program is voluntary so there is no adverse economic impact.

Section 10036(c)(1)(B)

Public Problem, Administrative Requirement, or Other Condition or Circumstance that the Regulation is Intended to Address: Under the existing regulatory framework, this subdivision establishes a process and associated fee for requesting waivers or extensions of the initial three-year equipment purchasing term.
Because the purchasing period has been revised to a five-year window, the prior three-year waiver and extension process is no longer applicable.
This amendment removes the obsolete waiver and extension mechanism to maintain consistency within the regulatory text.

Specific Purpose: To remove (repeal) Section 10036(c)(1)(B) in its entirety, eliminating the administrative pathway and any associated processing fees for requesting a waiver or extension of the legacy three-year initial purchasing term.

Necessity: This section is removed as a result of the proposed amendments eliminating the option to waive the three-year initial term.

Technical, Theoretical, and/or Empirical Studies, Reports, or Documents: No technical documents were consulted.

Alternatives to the Regulations Considered by the Agency and the Agency's Reasons for Rejecting those Alternatives: Previous regulations retained the fee and administrative pathway for requesting a three-year purchasing extension, which would have preserved an obsolete, contradictory mechanism within the fee schedule after the underlying three-year term was replaced by the expanded five-year procurement window.

Alternatives to the Proposed Regulation Action that Would Lessen any Adverse Impact on Small Business: No adverse impact. Participation is voluntary and provides access to financial assistance that may otherwise be unavailable

Evidence Supporting Finding of No Significant Adverse Economic Impact on any Business: Participation in this program is voluntary so there is no adverse economic impact.

Section 10036(c)(1)(C)

Public Problem, Administrative Requirement, or Other Condition or Circumstance that the Regulation is Intended to Address: Under the existing regulatory framework, this subdivision establishes a fee structure associated with waiver or extension requests tied to the former three-year purchasing term and the fifteen percent (15%) initial purchasing milestone.

Because both the three-year purchasing term and the fifteen percent (15%) milestone have been removed from the program's compliance framework, this fee structure is no longer applicable.
This amendment removes the obsolete fee provision to maintain consistency within the regulatory text.

Specific Purpose: To remove (repeal) Section 10036(c)(1)(C) in its entirety, eliminating the final vestigial fee provision or administrative track associated with the legacy three-year initial term and the fifteen percent (15%) initial purchasing milestone waivers.

Necessity: This section is removed as a result of the proposed amendments eliminating the option to waive the 15% purchase requirement and the three-year initial term.

Technical, Theoretical, and/or Empirical Studies, Reports, or Documents: No technical documents were consulted.

Alternatives to the Regulations Considered by the Agency and the Agency's Reasons for Rejecting those Alternatives: Previous regulations retained this vestigial fee track for milestone and term extensions, which would have preserved an obsolete fee structure within the regulatory text after both the three-year purchasing window and the 15% milestone were completely removed from the program's compliance framework.

Alternatives to the Proposed Regulation Action that Would Lessen any Adverse Impact on Small Business: No adverse impact. Participation is voluntary and provides access to financial assistance that may otherwise be unavailable

Evidence Supporting Finding of No Significant Adverse Economic Impact on any Business: Participation in this program is voluntary so there is no adverse economic impact.

Section 10036(c)(2)

Public Problem, Administrative Requirement, or Other Condition or Circumstance that the Regulation is Intended to Address: Under the existing regulatory framework, there is not a distinct administrative fee or cost-recovery mechanism associated with processing transfers or assignments of a Regulatory Agreement.

When an STE award is transferred through a merger, acquisition, or asset sale, the Authority must review the incoming entity to confirm continued program compliance and eligibility, which includes verification of corporate structure, good standing, and relevant financial and regulatory disclosures.

Because these reviews require substantial staff and legal resources and because transfers or assignments of awards occur frequently enough, establishing a clear fee mechanism would better support the program.

Specific Purpose: To add Section 10036(c)(2) to establish a flat administrative fee of two thousand dollars ($2,000) for processing a formal ownership transfer or contract assignment of an active Regulatory Agreement, requiring comprehensive staff due diligence and final approval by the Board.

Necessity: This section is established to specify that the fee for a Regulatory Agreement ownership transfer is set at $2,000. This addition is necessary because an award transfer requires staff work for due diligence and approval by the Board. Such work can include, but is not limited to, reviewing a company's and its parent company's financial statements, such as SEC filings if it is a public company, reviewing OSHA documents, verifying registrations, and ensuring companies are in good standing.

Technical, Theoretical, and/or Empirical Studies, Reports, or Documents: No technical documents were consulted.

Alternatives to the Regulations Considered by the Agency and the Agency's Reasons for Rejecting those Alternatives: Previous regulations provided no administrative fee or cost-recovery mechanism for processing ownership transfers or contract assignments, which forced the Authority to absorb the substantial staff labor and legal costs required to perform multi-entity financial due diligence, audit SEC filings, and review OSHA compliance histories for incoming corporate entities.

Alternatives to the Proposed Regulation Action that Would Lessen any Adverse Impact on Small Business: No adverse impact. Participation is voluntary and provides access to financial assistance that may otherwise be unavailable.

Evidence Supporting Finding of No Significant Adverse Economic Impact on any Business: Participation in this program is voluntary so there is no adverse economic impact.

Section 10036(c)(3)

Public Problem, Administrative Requirement, or Other Condition or Circumstance that the Regulation is Intended to Address: Under the existing regulatory framework, insertion of the corporate ownership transfer and contract assignment fee framework in paragraph (c)(2) requires renumbering within this subsection to maintain a consistent and consecutive structure.

In addition, this existing application revision fee does not clearly specify that the fee proposed to be charged applies to end-of-year revision requests as a result of remaining STE allocations.

Finally, this subdivision contains a typographical inconsistency in the capitalization of "board," which is amended to ensure consistent reference to the Authority's governing Board.

Specific Purpose: To renumber former Section 10036(c)(2) as Section 10036(c)(3) to accommodate the structural addition of the new ownership transfer fee provision in Section 10036(c)(2); to amend the text to explicitly clarify that this fee applies to Applicants who revise an active Application to request a supplemental allocation of STE during the end-of-year reallocation process; and to capitalize the word "Board" to maintain proper noun consistency throughout the regulations.

Necessity: This section is renumbered from Section 10036(c)(2) to Section 10036(c)(3) due to the addition of new Section 10036(c)(2). This amendment also clarifies that the fee applies to Applicants who revise their Application for consideration of any additional STE at the end of the year, and it capitalizes the word "Board."

Technical, Theoretical, and/or Empirical Studies, Reports, or Documents: No technical documents were consulted.

Alternatives to the Regulations Considered by the Agency and the Agency's Reasons for Rejecting those Alternatives: Previous regulations maintained the legacy paragraph numbering and left it ambiguous whether revision fees applied to end-of-year competitive reallocation requests, which would have disrupted outline consistency, risked missing cost-recovery opportunities for complex supplemental reviews, and left uncorrected capitalization errors in the text.

Alternatives to the Proposed Regulation Action that Would Lessen any Adverse Impact on Small Business: No adverse impact. Participation is voluntary and provides access to financial assistance that may otherwise be unavailable

Evidence Supporting Finding of No Significant Adverse Economic Impact on any Business: Participation in this program is voluntary so there is no adverse economic impact.

Section 10036(c)(4)

Public Problem, Administrative Requirement, or Other Condition or Circumstance that the Regulation is Intended to Address: Under the existing regulatory framework, insertion of the corporate ownership transfer and contract assignment fee framework in paragraph (c)(2) requires renumbering within this subsection to maintain a consistent and consecutive structure.

In addition, the existing provisions governing miscellaneous administrative fees do not reflect modern electronic payment methods and remain limited to paper-based transactions. This limitation may slow fee processing and create avoidable administrative burden for both applicants and the Authority.

Specific Purpose: To renumber former Section 10036(c)(3) as Section 10036(c)(4) to maintain strict outline continuity following the insertion of the new ownership transfer fee provision in Section 10036(c)(2), and to amend the text to explicitly authorize the acceptance of electronic payment methods for all other miscellaneous modification and administrative fees managed under subsection (c).

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

Technical, Theoretical, and/or Empirical Studies, Reports, or Documents: No technical documents were consulted.

Alternatives to the Regulations Considered by the Agency and the Agency's Reasons for Rejecting those Alternatives: Previous regulations maintained the legacy paragraph numbering and restricted miscellaneous modification and administrative fee intake strictly to paper-based transactions, which would have fractured consecutive outline structure and forced continued reliance on slow, manual check processing.

Alternatives to the Proposed Regulation Action that Would Lessen any Adverse Impact on Small Business: No adverse impact. Participation is voluntary and provides access to financial assistance that may otherwise be unavailable

Evidence Supporting Finding of No Significant Adverse Economic Impact on any Business: Participation in this program is voluntary so there is no adverse economic impact.

ECONOMIC IMPACT ASSESSMENT

Creation or Elimination of Jobs and Businesses within the State of California

The Authority finds that the regulations may have a positive impact on the creation of jobs within California, through manufacturers participating in the Program who may generate additional sales and income, and receive cost savings in which they are able to reinvest those savings into their businesses and hire additional workers. The Authority has not estimated the number of green jobs that may be created as a result of this Program as participation is voluntary.

Creation of New or Elimination of Existing Businesses within the State of California

Because the regulations incentivize manufacturing business owners to establish or relocate operations in the State, the elimination of businesses within California is unlikely. These regulations may have a positive impact on the creation of new businesses within the State of California, particularly through the expansion of the program to include fusion technologies under the Alternative Source eligibility pathway, as by providing a competitive advantage for certain emerging strategic industries.

Expansion of Businesses or Elimination of Existing Businesses Within the State of California

The Authority finds there would be increased economic activity for certain manufacturing businesses eligible for the program, thus potentially expanding such existing businesses. The elimination of existing businesses is unlikely due to the voluntary nature of the program and the cost-saving incentives provided to participants.

Benefits of the Regulations

The goal of the Program is to offer financial assistance to Alternative Source, Advanced Transportation, Advanced Manufacturing, and Recycling projects. By supporting these types of projects, CAEATFA seeks to reduce greenhouse gas emissions and help meet California's ambitious environmental goals, thus improving the health and welfare of California residents and the State's environment. These amendments will have no impact on worker safety.

Small Business

The Authority finds that while the program is voluntary, some participating manufacturers may qualify as small businesses. These regulations do not impose a mandatory compliance burden on small businesses; rather, they streamline the administrative processes and clarify fee structures for any small businesses that choose to apply for and utilize the Sales and Use Tax Exclusion incentive.