STATE CAPITOL
P.O. BOX 942849
SACRAMENTO, CA 94249-0114
(916) 319-2098
FAX (916) 319-2198

CHIEF CONSULTANT
OKSANA G. JAFFE

PRINCIPAL CONSULTANT
M. DAVID RUFF

SENIOR CONSULTANT
CARLOS ANGUIANO

COMMITTEE SECRETARY
SUE HIGHLAND

Assembly
California Legislature

ASSEMBLY COMMITTEE ON
REVENUE AND TAXATION
PHILIP Y. TING, CHAIR
ASSEMBLYMEMBER, NINETEENTH DISTRICT

MEMBERS
WILLIAM P. BROUGH, VICE CHAIR
MATTHEW DABABNEH
MIKE GIPSON
ROGER HERNÁNDEZ
KEVIN MULLIN
JIM PATTERSON
BILL QUIRK
DONALD WAGNER

MATERIALS SUBMITTED BY THE

CALIFORNIA ALTERNATIVE ENERGY AND

ADVANCED TRANSPORATION FINANCING AGENCY

Printed on Recycled Paper

California
Alternative Energy and
Advanced Transportation
Financing Authority

SALES AND USE TAX EXCLUSION PROGRAM

Informational Hearing for the Assembly Revenue and Taxation Committee, "Tax Incentives for Economic Growth."

February 22, 2016

About CAEATFA

- California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA or the Authority)
  - Created in 1980 to provide credit support, access to low-cost financing through private activity tax-exempt bonds, loans, and other forms of financial assistance.
  - Chaired by the Treasurer, members include the Controller, Director of Department of Finance, CA Energy Commission Chairman, and CPUC President.

- Statutory goals include:
  - reducing greenhouse gas emissions,
  - increasing the deployment of sustainable and renewable energy sources,
  - implementing measures that increase the efficiency of the use of energy,
  - creating high quality employment opportunities, and lessening the state's dependence on fossil fuels.

Program created at a time when other STEs did not exist

- CAEATFA issued the first sales and use tax exclusion (STE) in 2009 to Tesla under its then existing statutory authority.
- In 2010, SB 71 (Padilla) was enacted, providing a targeted exclusion to projects of Alternative Source (AS) and Advanced Transportation (AT) product manufacturers.
- Program was intended to assist companies developing emerging technologies, which by their nature may not be successful or even make it to market.
- Applicants had to convey title of equipment to CAEATFA and receive it back again before putting the equipment to use.
- Authority was required to notify the legislature when awards approved exceeded $100 MM in STE exclusions for a given calendar year, but could continue to approve applications.

Types of projects eligible under program grew while funding was restricted

- SB 1128 (Padilla) added Advanced Manufacturing (AM) as an eligible type of project to the program in 2012.
  - AM projects are eligible based on the manufacturing process utilized, rather than the product manufactured.
- SB 1128 also set a $100 MM cap on the amount of STE that could be awarded in a calendar year.
- AB 1269 (Dababneh, 2015) extended the sunset date of AM projects from July 1, 2016 to January 1, 2021 (the current sunset date of the entire program).
- AB 199 (Eggman, 2015) added manufacturing projects that utilize recycled feedstock (RF) to the program. Regulations to establish evaluation methods are being developed.

Examples of potentially qualifying technologies

- Alternative Source
  - Solar photovoltaics
  - Energy Efficiency – LED Lightbulbs
  - Biogas
  - Energy Storage
- Advanced Manufacturing
  - Micro- and nano electronics
  - Integrated computational materials engineering
  - Nanotechnology
  - Additive Manufacturing
  - Industrial biotechnology

  Common examples: Aerospace, Telecommunications, Pharmaceuticals
- Advanced Transportation
  - Electric Vehicles
  - Electric Vehicle Batteries or Components
- Recycled Feedstock
  - Materials Recovery Facilities (MRFs)
  - Composters
  - Tire Recyclers
  - Mattress Recyclers

Overview of the application process

Application Submission

- Application submitted 60 days prior to a Board meeting
- Application Fee of .0005 of Qualified Property (QP) i.e., equipment
- Accepted on a rolling basis

Application Evaluation

- Staff reviews the application to determine fiscal and environmental benefits of the proposed project
- Evaluation is an iterative process between staff and the applicant
- Staff evaluates and provides recommendation

Board Review

- Board reviews staff recommendation
- Board resolution authorizes Executive Director to enter into a legal agreement with the applicant
- Up to $100 MM in STE awards per calendar year (approx. $1.2 B in QP purchases)

Post-Approval Process

- Approved applicant enters into legal agreement with the Authority
- Total administrative fee of .004 of QP
- Semi-annual reporting of purchases of project activity
- 3 Years to purchase equipment (standard)

Nature of an STE award

- CAEATFA makes a finding that the proposed facility is a "project" and that the applicant is a "participating party." This may enable the approved applicant to not pay sales and use tax on equipment purchased for a project. Transaction between approved applicant and vendor is not considered a taxable "sale" under sales and use tax law. (Rev. & Tax Code § 6010.8)

- CAEATFA does not provide actual funds to applicants.

- Award is provided on the front end of projects because the STE must be used when purchasing equipment.

- STE does not cost the state unless purchases are made.

- Due to "functional use" requirement under sales and use tax law, the award cannot be provided on the back end once a project is complete or has met particular milestones.

Comparing BOE & CAEATFA Programs

	BOE Exemption	CAEATFA Exclusion
Eligible Participants	NAICS Codes 3111 to 3399, inclusive, 541711, or 541712	Alternative Source, Advanced Transportation, Advanced Manufacturing, Recycled Feedstock
Exempt Tax Rate	4.1875%	Full rate, including local and district taxes, 7.5-10.0%; statewide average is 8.42%
Legal Mechanism	Exemption from the state's share of sales tax	Transaction excluded from being considered a sale
Application Requirement	No	Yes
Fees	None	Application fee (.0005) and administrative fee (.004), if approved, of the total equipment purchases
Program Cap	$200 MM in purchases per year per business	$100 MM in exclusions per calendar year for the entire program
Program Sunset Date	June 30, 2022	January 1, 2021

Requirements for evaluating an STE application

- When the legislature approved SB 71, it required CAEATFA to evaluate projects based on a number of factors, including:
  - Expansion of manufacturing in California,
  - Job creation,
  - Environmental and fiscal benefits,
  - Extent to which the anticipated benefit to the state from the project equals or exceeds the projected benefit to the participating party from the sales and use tax exclusion.

Projects are evaluated by a net benefits test to estimate the benefits and costs

- Net benefits test is based on business plan data provided by the applicant and checked by staff for internal consistency and plausibility.

- The estimated marginal (rather than aggregate) increase in fiscal and environmental benefits to the state from the project are weighed against the estimated cost of the STE to the state.

Examples of Data Requested
Specific capital equipment that will be purchased and its expected cost
Expected full time equivalent and construction jobs
Projected number of units produced per year
Expected revenue
Projected labor and material costs
Estimated annual state tax liability
Energy generation capacity (AS/AT)
Process improvements (AM)

Lower cost of purchasing equipment, incentivizes additional purchases

- Apply economic theory that Applicants are incentivized to purchase more equipment than would be the case in the absence of the STE.

- Any increase in economic output due to STE (marginal increase) is predicted to result in economic, fiscal, and environmental benefits.
  - Examples of primary effects: increased purchases of raw materials or production of environmentally beneficial product.
  - Examples of secondary effects: increased employment at suppliers or increased property, income or sales tax revenue.

- Economic model predicts size of various benefits over the life of the project, monetizes non-monetary benefits (e.g., GHG reductions), and discounts future benefits to estimate their net present value.

Environmental benefits

- AS and AT projects create products that have measurable environmental benefits.
  - The dollar value of pollutants such as CO2, NOx, and SO2 are determined through relevant research literature, expert analysis, or information provided by other state agencies.

- AM projects do not necessarily create environmental benefits that are quantifiable in terms of dollars.
  - Applicants are assigned points based on the efficiency savings of the manufacturing process relative to industry standard.

- RF projects – under development.

Net benefits result

- Analysis results in net benefits score where applicants must score a minimum of 1,000 total points. Points scale to the size of the request, i.e., 1,000 points equals the value of the STE.
- Environmental benefits thresholds are 100 for AS/AT and 20 for AM.
- Additional points are given for the marginal increase in jobs due to the STE; extent of unemployment in project area; etc.

Net Benefits and Final Score

		Points
Fiscal Benefits (TFB)	$502,648	999
Environmental Benefits (TPB)	$337,905	672
Total Cost	($503,057)	
Net Benefits	**$337,497**	
Net Benefits Score	1,671	

Other Scoring Factors

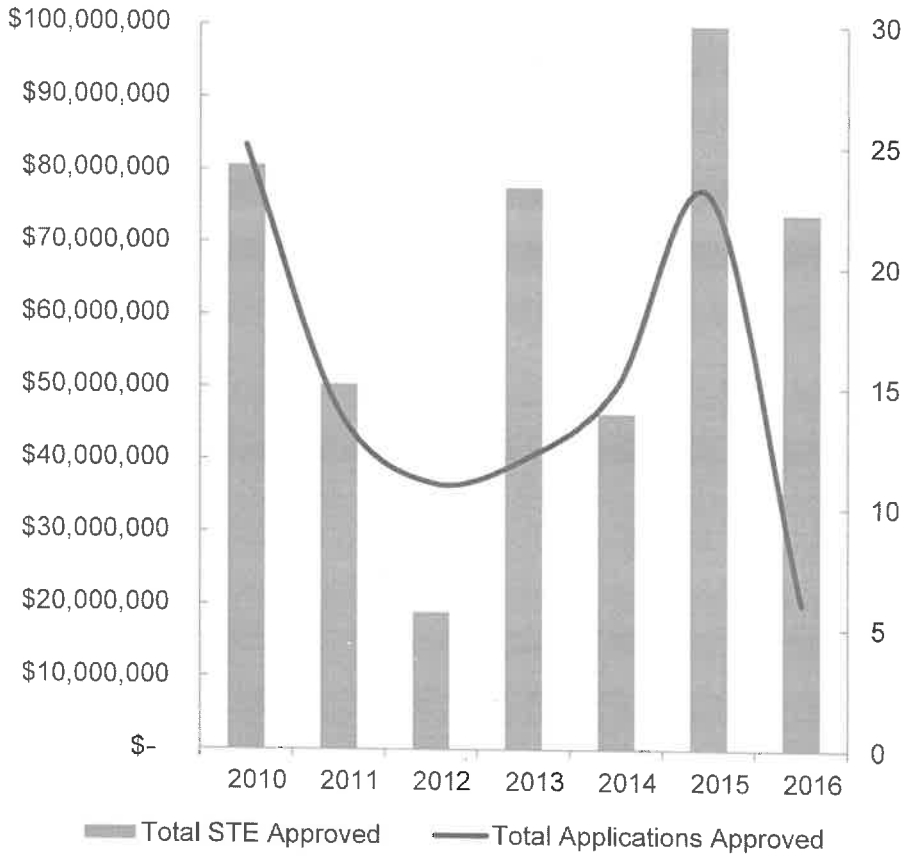
Unemployment	
Facility Unemployment Rate	14%
Unemployment Score	*20.05507474*
New Jobs	
Total facility FTEs	9
Marginal additional jobs	1
Sales tax exclusion/job	$799,232
New Jobs Score	*0*
Construction Jobs	
Total construction FTEs	19
Marginal additional jobs	1
Sales tax exclusion/job	$387,725
Construction Jobs Score	*0*
Emerging Green Industry	
Emerging Green Industry Score	*0*
Process Improvement	
Energy Improvement	0
Water Improvement	0
Atmospheric Emissions Improvement	0
Waterborne waste improvement	0
Industrial solid waste improvement	0
Post consumer solid waste	0
Process Improvement Score	*0*
Non-CA Environmental Benefits	
Annual out of state pollution benefit/unit	$0.00
Annual out of state pollution cost/unit	$0.00
Lifetime Net out of state pollution benefit/unit	$0.00
Total out of state pollution benefit (life of facility)	$0.00
Non-CA Environmental Benefits Score	*0*
Sub-total other factors	20
Total Additional Points	20
Final Score	**1,691**

Award compliance is established in a legal agreement

- Applicants have 3 years to use the STE, but can request extensions from the CAEATFA Board.
- Applicants must submit annual reports on the status of the project and biannual reports of purchases. Conveyance and reconveyance of title of equipment before use is no longer required.
- In certain circumstances, CAEATFA may request the applicant to repay the STE or rescind the award to prevent further use.
- Since the Board of Equalization administers sales and use tax law, CAEATFA has no enforcement authority beyond its contracts.
- CAEATFA cannot utilize recovered awards from applicants approved in a previous year due to the $100 MM cap. Only current year awards can be utilized if recovered.

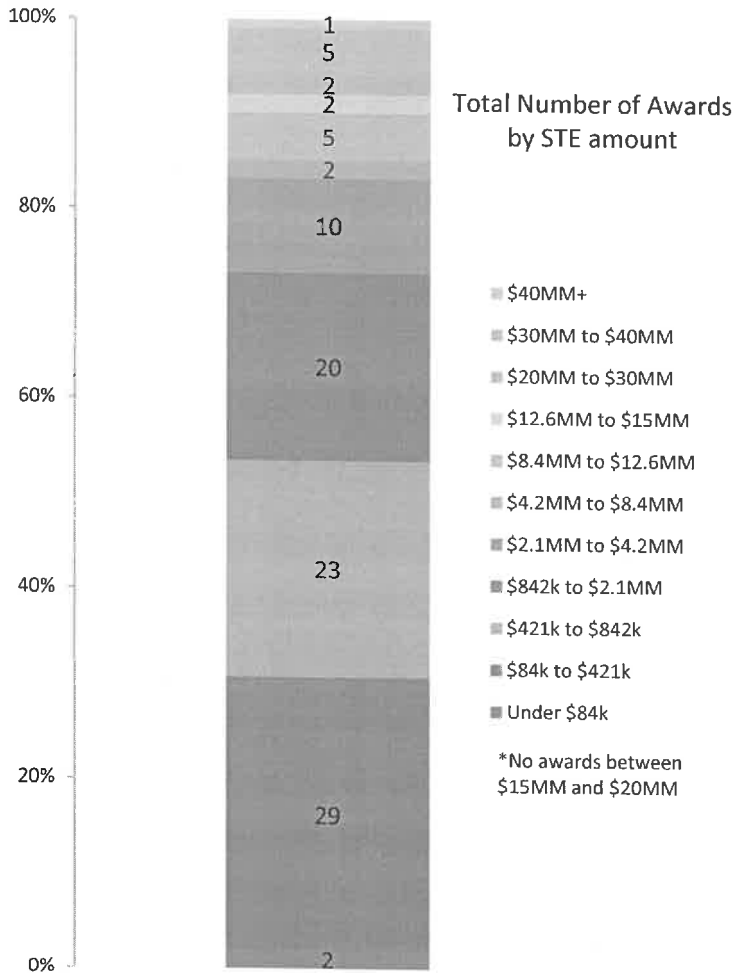
Program demand has varied over the history of the program

- The program experienced pent up demand upon launch in 2010
- Decline in program demand likely attributable to economic recession and solar manufacturing downturn
- Increased demand for the program may be due to continued economic recovery, legislation adding new categories of eligible parties, and large STE applications, resulting in hitting the cap for the first time in 2015

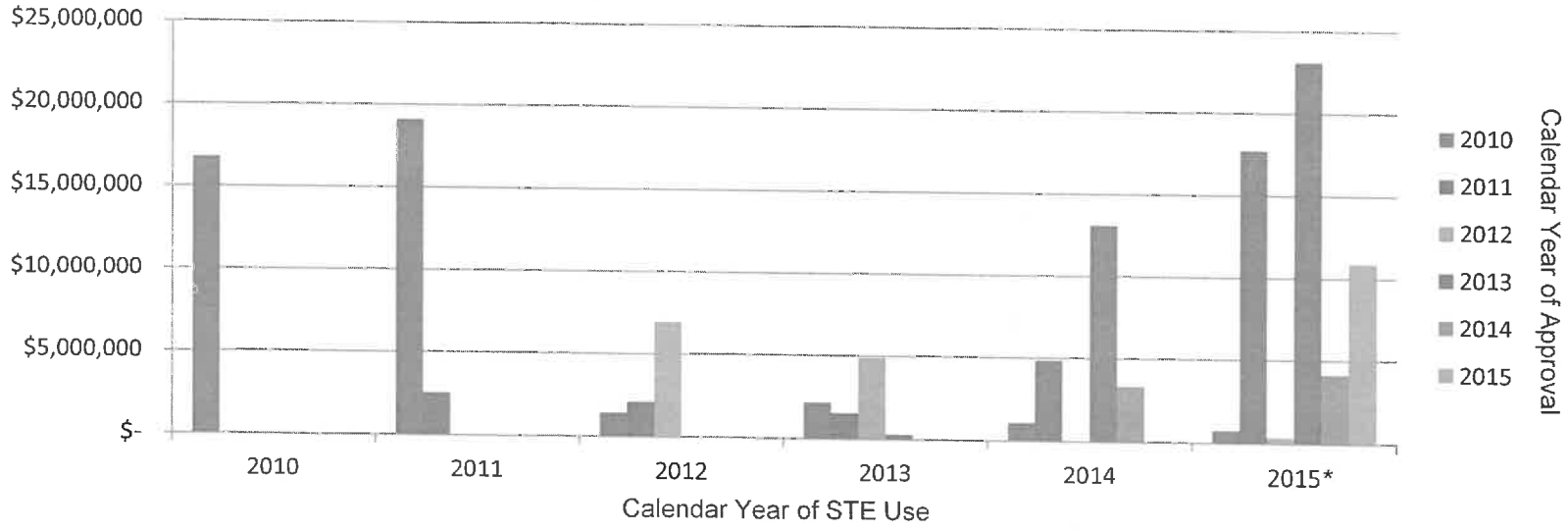


The composition of the applicant pool, in terms of size, has remained consistent

- Small projects of less than $2.1 MM in STE make up almost 75% of approved applications, however, without large projects greater than $15 MM, CAEATFA would likely not reach cap.
- Currently projects are not capped in the amount they can request. Historically this has not been an issue.
- Projects greater than $20 MM include Tesla (x3), Atieva, CE&P, Lockheed, Space X, and Solyndra. Atieva is the only award to exceed $40 MM.



Applicants take longer than expected to use funds or don't move forward at all



Approval Year	Total $ Approved per Cohort	Total STE Spent per Cohort	Percent of STE Spent	# of Active Projects
2010	$ 80,628,785	$ 41,230,815	51%	2
2011	$ 50,370,566	$ 29,725,419	59%	3
2012	$ 18,827,212	$ 12,325,393	65%	7
2013	$ 77,656,455	$ 36,490,626	47%	10
2014	$ 46,363,658	$ 5,686,076	12%	13
2015	$ 100,000,000	$ 10,883,978	10%	20
2016	$ 74,036,271	$ -	0%	6

* 2015 calendar year figures are not final due to pending reports.

Structure of the program includes a number of policy challenges

- A very diverse set of applicants (with varying degrees of benefits to the state) are all vying for the same funds. It is not clear if the legislature wishes to prioritize certain types of projects.

- The upfront nature of the STE award means that some awards will go unused, however, CAEATFA does not have the statutory authority to utilize recovered STE awards beyond the current calendar year. Once a calendar year ends, STE awarded is gone forever.
  - Award cannot be given on the back-end after project is complete due to sales and use tax law governing reimbursements.

Recent policy challenges may be alleviated through the regulatory process

- After examining program data, placing a per-project application cap may reduce the chance of oversubscription, however, any year with more than three large projects would likely be oversubscribed.

- CAEATFA can use objective project criteria to rank applications when the program is oversubscribed, such as, the extent of unemployment in a project area, whether the project type has already received awards, or whether the company maintains a headquarters in California.

Regulatory changes may have a limited impact compared to statutory changes

- Increasing the $100 MM in STE per calendar year award cap will reduce the chance of oversubscription and allow CAEATFA to assist projects throughout the year (small and large) and provide a high degree of certainty for businesses.

- Allowing CAEATFA to roll-forward un-awarded STE allocation into future calendar years will similarly help CAEATFA avoid oversubscription and allow increased efficiency in the use of the STE cap.

- A one-time increase to the cap, based on the approximate un-awarded STE allocation from 2010 through 2014, of $225 MM would immediately allow CAEATFA to address the current pent up demand.

Without a cap increase, the program is likely to be oversubscribed in 2016 and 2017

- CAEATFA suspended acceptance of new applications in November 2015 while the regulations for AB 199 projects are developed and additional program revisions are made.
- There is only $25 MM remaining in 2016.
- AB 199 projects will get the first shot at remaining funds, however, demand may exceed supply.
- Large projects currently in pipeline may take a considerable portion of future program cap.

Next steps for the STE program

- Regulatory Modifications
  - Create a draft proposal for new program guidelines, to be shared at a public stakeholder workshop (March).
    - Incorporate AB 199 projects
    - Consider instituting a project cap
    - Streamline application process
  - Use feedback to inform revisions to program regulations (March/April).
  - Begin the regulatory process (April/May).

- Legislative Proposals
  - Raise Program Cap – Awarded vs. Used
  - Create Roll-over function for un-awarded funds
  - Create Roll-over function for un-used funds
  - Make language regarding contractors and subcontractors consistent with the BOE partial exemption program.

CONTACT INFORMATION

Deana Carrillo
Executive Director
(916) 651-5102
Deana.Carrillo@treasurer.ca.gov

Alejandro Ruiz
Program Manager
(916) 651-5101
Alejandro.Ruiz@treasurer.ca.gov

CAEATFA REPORT OF THE SALES AND USE TAX EXCLUSION (STE)
FINANCING APPLICATIONS CONSIDERED AND APPROVED
As of February 1, 2016

	Application Number	Date of Board Consideration	Applicant Name	City	County	Use of Proceeds	QP Amount	STE Amount (Anticipated)[1]	STE Used to Date[1]	QP Amount Conveyed	% Conveyed	Estimated Environmental Benefit[2]	Estimated Fiscal Benefit[2]	Estimated Net Benefit[2]	Expected Total Jobs	Expected Total Jobs from STE[2]
ALTERNATIVE SOURCE AND ADVANCED TRANSPORTATION APPLICATIONS PREVIOUSLY APPROVED - ACTIVE																
1	10-SM002	11/17/2010	ABEC Bidart Stockdale, LLC	Bakersfield	Kern	Biogas Capture & Production	$ 1,131,584	$ 102,974	$ 90,622	$ 1,118,793.65	98.87%	$ 228,808	$ 73,809	$ 199,643	26	3
2	10-SM004	11/17/2010	First Solar, Inc.	Santa Clara	Santa Clara	Solar Photovoltaic Manufacturing	$ 37,700,000	$ 3,430,700	$ 3,409,567	$ 37,692,991.15	99.98%	$ 1,668,971	$ 1,971,559	$ 209,831	174	17
3	10-SM007	11/17/2010	The Solaria Corporation	Fremont	Alameda	Solar Photovoltaic Manufacturing	$ 7,800,000	$ 709,800	$ 375,885	$ 4,474,134.55	57.36%	$ 834,403	$ 1,564,665	$ 1,689,268	180	17
4	10-SM009	11/17/2010	Nanosolar Inc.	San Jose	Santa Clara	Solar Photovoltaic Manufacturing	$ 140,187,900	$ 12,757,099	$ 4,306,412	$ 52,035,063.31	37.83%	$ 10,527,415	$ 6,992,728	$ 4,763,045	410	36
5	10-SM013	11/17/2010	NuvoSun Incorporated	Milpitas	Santa Clara	Solar Photovoltaic Manufacturing	$ 20,000,000	$ 1,820,000	$ 1,736,128	$ 19,996,322.73	99.98%	$ 2,137,232	$ 2,584,509	$ 2,911,741	169	18
6	10-SM015	11/17/2010	Bloom Energy Corporation	Sunnyvale	Santa Clara	Solid Oxide Fuel Cell Systems Manufacturing	$ 37,447,693	$ 3,407,740	$ 2,465,021	$ 31,349,899.28	83.72%	$ 562,054	$ 11,144,189	$ 8,298,503	1,004	83
7	10-SM026	12/15/2010	Ameresco Butte County LLC	Paradise	Butte	Landfill Gas Capture and Production	$ 1,085,554	$ 98,785	$ 62,105	$ 759,609.60	69.98%	$ 71,701	$ 185,955	$ 138,870	12	1
8	10-SM022	12/15/2010	Ameresco Forward LLC	Manteca	San Joaquin	Landfill Gas Capture and Production	$ 2,227,596	$ 202,711	$ 119,409	$ 1,447,555.97	64.98%	$ 37,823	$ 277,169	$ 112,281	11	1
9	10-SM023	12/15/2010	Ameresco Johnson Canyon LLC	Gonzales	Monterey	Landfill Gas Capture and Production	$ 766,293	$ 69,733	$ 53,372	$ 658,910.18	85.99%	$ 33,124	$ 168,912	$ 132,303	12	1
10	10-SM024	12/15/2010	Ameresco San Joaquin LLC	Linden	San Joaquin	Landfill Gas Capture and Production	$ 1,723,486	$ 156,837	$ 113,649	$ 1,378,738.49	80.00%	$ 99,894	$ 419,234	$ 362,292	12	1
11	10-SM025	12/15/2010	Ameresco Vasco Road LLC	Livermore	Alameda	Landfill Gas Capture and Production	$ 1,828,264	$ 166,367	$ 112,036	$ 1,358,330.76	74.30%	$ 66,258	$ 333,415	$ 233,306	11	1
12	10-SM026	12/15/2010	BioFuels Point Loma, LLC	San Diego	San Diego	Treatment Biogas Capture and Production	$ 6,236,024	$ 567,478	$ 449,162	$ 5,512,427.97	88.40%	$ 120,126	$ 509,292	$ 61,939	25	3
13	10-SM027	12/15/2010	Alta Devices, Inc.	Sunnyvale	Santa Clara	Solar Photovoltaic Manufacturing	$ 40,845,000	$ 3,716,895	$ 1,108,616	$ 13,653,587.60	33.43%	$ 561,404	$ 5,025,666	$ 1,870,175	322	37
14	10-SM028	12/15/2010	California Institute of Technology	Pasadena	Los Angeles	Development of Solar Fuel Generator Systems	$ 13,400,000	$ 1,219,400	$ 996,694	$11,899,375.73	88.80%	$ -	$ 702,662	$ (516,738)	133	15
15	10-SM012	12/15/2010	SunPower Corporation	Milpitas	Santa Clara	Solar Photovoltaic Manufacturing	$ 8,000,000	$ 728,000	$ 704,816	$ 7,745,227.00	96.82%	$ 903,595	$ 1,877,730	$ 2,053,325	94	11
16	11-SM001	1/25/2011	Leyden Energy, Inc.	Fremont	Alameda	Lithium Ion Battery Manufacturing	$ 1,306,525	$ 118,894	$ 99,647	$ 1,213,372.59	92.87%	$ 21,400	$ 944,754	$ 847,260	26	2
17	11-SM002	1/25/2011	MiaSolé	Sunnyvale	Santa Clara	Solar Photovoltaic Manufacturing	$ 26,092,000	$ 2,374,372	$ 881,599	$ 10,883,941.14	41.71%	$ 3,246,564	$ 1,361,913	$ 2,236,206	56	3
18	11-SM003	1/25/2011	Alameda-Contra Costa Transit District	Emeryville	Alameda	Demonstration Hydrogen Fuel Production	$ 5,387,950	$ 490,303	$ 362,320	$ 4,473,087.00	83.02%	$ 16,040	$ 274,173	$ (200,090)	6	1
19	10-SM010	12/15/2010 2/22/2011	Simbol, Inc.	Calipatria, Niland, Brawley	Imperial	Lithium and Battery Material Manufacturing	$ 42,484,174	$ 3,866,060	$ 164,278	$ 1,938,796.14	4.56%	$ 558,363	$ 9,552,414	$ 6,244,717	212	23
20	11-SM006	3/22/2011	Mt. Poso Cogeneration Company, LLC	Bakersfield	Kern	Biomass Processing and Fuel Production	$ 14,374,000	$ 1,308,034	$ 1,164,294	$ 14,373,999.93	100.00%	$ 197,027	$ 3,470,273	$ 2,359,266	97	11
21	11-SM005	6/28/2011	Recology East Bay	Oakland	Alameda	Biomass Processing and Fuel Production	$ 3,703,090	$ 336,981	$ -	$ -	0.00%	$ 111,243	$ 506,852	$ 281,113	46	5
22	11-SM009	6/28/2011	DTE Stockton, LLC	Stockton	San Joaquin	Biomass Processing and Fuel Production	$ 10,120,000	$ 920,920	$ 823,638	$ 10,119,999.91	100.00%	$ 2,221,793	$ 4,297,636	$ 5,598,509	62	7
23	11-SM010	7/26/2011	SCS Energy	Fresno	Fresno	Biogas Capture & Production	$ 3,155,300	$ 255,579	$ 247,020	$ 3,049,631.77	96.65%	$ 40,230	$ 271,233	$ 55,884	9	1
24	11-SM012	8/23/2011	CE Obsidian Energy, LLC	Imperial	Imperial	Geothermal Brine Extraction	$ 174,453,978	$ 14,130,772	$ -	$ -	0.00%	$ 7,487,143	$ 11,697,269	$ 5,053,640	381	39
25	11-SM014	8/23/2011	SoloPower Inc.	San Jose	Santa Clara	Solar Photovoltaic Manufacturing	$ 8,411,240	$ 681,310	$ 494,484	$ 6,104,736.00	72.58%	$ 419,024	$ 375,484	$ 313,197	40	1
26	11-SM019	11/15/2011	Zero Waste Energy Development Company, LLC	San Jose	Santa Clara	Biogas Capture & Production	$ 17,156,875	$ 1,389,707	$ 942,179	$ 11,273,784.04	65.71%	$ 1,355,423	$ 2,233,575	$ 2,199,291	174	17
27	11-SM016	12/13/2011	Tesla Motors, Inc	Hawthorne, Palo Alto, Menlo Park	Los Angeles, Santa Clara, San Mateo	Electric Vehicle Manufacturing	$ 292,000,000	$ 23,652,000	$ 6,809,801	$ 81,246,304.34	27.82%	$ 2,386,636	$ 35,023,610	$ 13,758,246	1,237	108

CAEATFA REPORT OF THE SALES AND USE TAX EXCLUSION (STE)
FINANCING APPLICATIONS CONSIDERED AND APPROVED
As of February 1, 2016

	Application Number	Date of Board Consideration	Applicant Name	City	County	Use of Proceeds	QP Amount	STE Amount (Anticipated)[1]	STE Used to Date[1]	QP Amount Conveyed	% Conveyed	Estimated Environmental Benefit[2]	Estimated Fiscal Benefit[2]	Estimated Net Benefit[2]	Expected Total Jobs	Expected Total Jobs from STE[2]
28	12-SM001	2/21/2012	Soraa, Inc.	Fremont	Alameda	Energy Efficient LED Lighting Manufacturing	$ 57,002,457	$ 4,617,199	$ 1,590,122	$ 18,973,341.55	33.29%	$ 30,775,968	$ 2,368,664	$ 28,527,434	180	14
29	12-SM003	3/20/2012	Stion Corporation	San Jose	Santa Clara	Solar Photovoltaic Manufacturing	$ 6,417,810	$ 519,843	$ 490,542	$ 6,056,069.00	94.36%	$ 277,896	$ 253,546	$ 11,600	28	3
30	12-SM006	5/15/2012	John Galt Biogas Inc.	Galt	Sacramento	Biogas Capture & Production	$ 1,025,769	$ 83,087	$ 61,712	$ 735,018.76	71.66%	$ 112,933	$ 128,931	$ 158,777	19	2
31	12-SM004	5/15/2012	Soitec Solar Industries LLC	San Diego	San Diego	Concentrated Photovoltaic Manufacturing	$ 104,481,342	$ 8,154,889	$ 7,351,987	$ 90,047,264.86	86.27%	$ 3,706,841	$ 10,302,813	$ 5,554,765	399	44
32	12-SM007	5/15/2012	Reflexite Soitec Optical Technology LLC	San Diego	San Diego	Concentrated Photovoltaic Manufacturing	$ 24,500,000	$ 1,984,500	$ 2,005,024	$ 24,200,004.00	98.78%	$ 357,750	$ 1,704,725	$ 77,975	114	8
33	12-SM008	6-19/2012	North Star Biofuels LLC	Watsonville	Santa Cruz	Biodiesel Production	$ 4,115,500	$ 343,866	$ 343,220	$ 4,115,500.00	100.00%	$ 84,522	$ 2,616,810	$ 2,367,976	30	1
34	12-SM010	10/16/2012	Electric Vehicles International, LLC	Stockton	San Joaquin	Electric Vehicle Manufacturing	$ 5,744,962	$ 465,342	$ 256,836	$ 3,170,809.00	55.19%	$ 83,283	$ 906,571	$ 524,512	114	8
35	12-SM011	10/16/2012	Clean World Partners LLC	Sacramento	Sacramento	Biomass Processing and Fuel Production	$ 11,796,759	$ 955,837	$ -	$ -	0.00%	$ 204,651	$ 977,083	$ 226,196	24	3
36	12-SM009	10/16/2012	ABEC New Hope LLC	Galt	Sacramento	Biogas Capture & Production	$ 2,633,359	$ 213,302	$ 84,096	$ 1,004,734.92	38.15%	$ 41,150	$ 208,573	$ 36,421	22	3
37	12-SM012	11/13/2012	Zero Waste Energy, LLC	Marina	Monterey	Biogas Capture & Production	$ 1,187,000	$ 96,147	$ 94,295	$ 1,126,586.53	94.91%	$ 18,139	$ 95,062	$ 17,054	5	1
38	12-SM013	11/13/2012	Oberon Fuels, Inc.	Brawley	Imperial	Biogas Capture & Bio DME Production	$ 13,500,000	$ 1,093,500	$ 47,558	$ 568,195.71	4.21%	$ 423,866	$ 679,196	$ 9,561	17	3
39	13-SM001	1/15/2013	CleanWorld	Davis	Yolo	Biomass Processing and Fuel Production	$ 5,851,298	$ 480,754	$ 459,934	$ 5,462,393.90	93.35%	$ 106,588	$ 506,088	$ 122,923	24	3
40	13-SM002	3/19/2013	Buster Biofuels, LLC	Escondido	San Diego	Biodiesel Production	$ 1,905,343	$ 159,477	$ 133,670	$ 1,587,535.14	83.32%	$ 103,496	$ 786,032	$ 730,051	32	2
41	13-SM004	4/16/2013	EJ Harrison and Sons Rentals, Inc.	Oxnard	Ventura	Biogas Capture & Production	$ 1,212,095	$ 101,432		$ -	0.00%	$ 19,311	$ 108,487	$ 26,345	6	1
42	13-SM005	4/16/2013	Vitriflex, Inc.	Milpitas	Santa Clara	Photovoltaic Solar Component Manufacturing	$ 16,330,000	$ 1,366,821	$ 372,404	$ 4,422,852.69	27.08%	$ 1,256,397	$ 886,066	$ 775,642	47	4
43	13-SM007	6/18/2013	ABEC Bidart-Old River, LLC	Bakersfield	Kern	Biomass Capture & Production	$ 6,284,045	$ 523,464	$ 328,667	$ 3,926,731.88	62.79%	$ 351,613	$ 523,038	$ 351,188	28	2
44	13-SM009	8/20/2013	North State Rendering Co Inc.	Oroville	Butte	Biomass Processing and Fuel Production Facility	$ 7,355,324	$ 615,641	$ 531,807	$ 6,316,000.00	85.87%	$ 305,075	$ 422,917	$ 112,351	12	2
45	13-SM010	9/17/2013	Central Valley Ag Power, LLC	Oakdale	Stanislaus	Biomass Processing and Fuel Production Facility	$ 3,481,313	$ 291,386	$ -	$ -	0.00%	$ 38,218	$ 394,801	$ 141,634	23	2
46	13-SM011	10/15/2013	Blue Line Transfer, Inc.	S. San Francisco	San Mateo	Biomass Processing and Fuel Production Facility	$ 4,976,469	$ 416,530	$ 326,788	$ 3,881,088.00	77.99%	$ 43,980	$ 423,841	$ 51,291	20	3
47	13-SM013	11/19/2013	Crimson Renewable Energy, LP	Bakersfield	Kern	Biomass Processing and Fuel Production Facility	$ 14,065,000	$ 1,177,241	$ 467,037	$5,550,046.96	39.46%	$ 136,306	$ 2,737,899	$ 1,696,964	38	2
48	13-SM015	12/17/2013	Tesla Motors, Inc.	Fremont, Palo Alto, Hawthorne	Alameda, Santa Clara, Los Angeles	Electric Vehicle Manufacturing	$ 415,000,000	$ 34,735,500	$ 11,256,907	$ 133,692,479.92	32.22%	$ 4,847,406	$ 54,306,869	$ 24,418,775	2,050	115
49	14-SM004	5/20/2014	Pixley Biogas, LLC	Pixley	Tulare	Biogas Capture and Production	$ 3,363,238	$ 283,185	$ 270,061	$3,207,375.84	95.37%	$ 287,308	$ 321,007	$ 325,130	9	2
50	14-SM005	5/20/2014	MSB Investors, LLC	Santa Barbara	Santa Barbara	Biogas Capture and Production	$ 17,696,003	$ 1,490,003	$ -	$ -	0.00%	$ 319,442	$ 1,392,985	$ 222,423	75	5
51	14-SM006	5/20/2014	Recology, Inc.	Vacaville	Solano	Biogas Capture and Production	$ 25,967,035	$ 2,186,424	$ -	$ -	0.00%	$ 271,168	$ 2,747,503	$ 832,247	57	8
52	14-SM007	5/20/2014	E&J Gallo Winery	Livingston	Merced	Biogas Capture and Production	$ 17,592,381	$ 1,481,278	$ 1,020,406	$ 12,700,350.36	72.19%	$ 356,059	$ 1,120,550	$ 4,670	57	8
53	14-SM010	8/19/2014	AltAir Paramount, LLC	Paramount	Los Angeles	Renewable Diesel Production	$ 16,325,984	$ 1,374,648	$ 890,768	$ 10,578,191.06	64.80%	$ 287,233	$ 6,023,164	$ 4,935,750	141	3

CAEATFA REPORT OF THE SALES AND USE TAX EXCLUSION (STE)
FINANCING APPLICATIONS CONSIDERED AND APPROVED
As of February 1, 2016

	Application Number	Date of Board Consideration	Applicant Name	City	County	Use of Proceeds	QP Amount	STE Amount (Anticipated)[1]	STE Used to Date[2]	QP Amount Conveyed	% Conveyed	Estimated Environmental Benefit[3]	Estimated Fiscal Benefit[4]	Estimated Net Benefit[5]	Expected Total Jobs	Expected Total Jobs from STE[6]
54	14-SM014	8/19/2014	Mendota Bioenergy, LLC	Mendota	Fresno	Biogas Capture & Production	$ 2,200,000	$ 185,240	$ 10,045	$ 119,300.00	5.42%	$ 165,281	$ 304,456	$ 285,037	40	2
55	14-SM011	9/16/2014	Rialto Bioenergy Facility, LLC	Bloomington	San Bernardino	Biogas Capture & Production	$ 14,732,168	$ 1,239,607	$ -	$ -	0.00%	$ 765,232	$ 1,662,628	$ 1,188,254	35	3
56	14-SM012	9/16/2014	Anaheim Energy, LLC	Anaheim	Orange	Biogas Capture & Production	$ 19,143,601	$ 1,611,891	$ 93,153	$ 1,106,329.02	5.78%	$ 568,979	$ 1,938,411	$ 895,499	40	5
57	14-SM019	10/21/2014	Solexel, Inc.	Milpitas	Santa Clara	Solar Photovoltaic Manufacturing	$ 20,500,000	$ 1,726,100	$ 1,726,100	$ 20,500,000.00	100.00%	$ 1,261,678	$ 475,809	$ 11,387	128	11
58	14-SM022	12/16/2014	Bowerman Power LFG, LLC	Irvine	Orange	Landfill Gas Capture and Production	$ 7,030,000	$ 591,926	$ 520,311	$ 6,179,466.25	87.90%	$ 273,723	$ 1,091,792	$ 773,589	30	3
59	14-SM023	1/20/2015	WM Renewable Energy, LLC	Novato	Marin	Biogas Capture & Production	$ 2,004,360	$ 168,767	$ 39,630	$470,670.40	23.48%	$ 71,130	$ 347,143	$ 249,507	19	1
60	14-SM025	2/17/2015	Silevo, Inc.	Fremont	Alameda	Solar Photovoltaic Manufacturing	$ 106,551,184	$ 8,971,610	$ 5,824,877	$ 69,179,058.21	64.93%	$ 3,402,597	$ 9,175,513	$ 3,606,500	319	33
61	15-SM006	4/21/2015	California Renewable Power, LLC	Perris	Riverside	Biogas Capture and Production	$ 13,079,755	$ 1,101,315	$ 934,815	$ 11,102,317.40	84.88%	$ 137,747	$ 1,833,848	$ 876,329	48	4
62	15-SM006	6/16/2015	Efficient Drivetrains, Inc.	Milpitas	Santa Clara	Advanced Transportation	$ 5,008,800	$ 421,741	$ -	$ -	0.00%	$ 1,434,548	$ 970,990	$ 1,983,797	57	4
63	15-SM009	7/21/2015	Las Gallinas Valley Sanitary District	San Rafael	Marin	Alternative Source	$ 788,757	$ 66,413	$ 66,413	$ 788,757.00	100.00%	$ 10,707	$ 44,765	$ (10,941)	7	0
64	15-SM014	10/20/2015	Madera Renewable Energy, LLC	Madera	Madera	Biogas Capture & Production	$ 1,999,507	$ 168,358	$ -	$ -	0.00%	$ 418,611	$ 201,299	$ 451,481	7	1
65	15-SM015	10/20/2015	Hanford Renewable Energy, LLC	Hanford	Kings	Biogas Capture & Production	$ 3,748,012	$ 315,583	$ -	$ -	0.00%	$ 974,447	$ 435,837	$ 1,094,701	9	1
66	15-SM013	12/15/2015	ABEC #2 LLC	Buttonwillow	Kern	Biogas Capture & Production	$ 5,990,614	$ 504,410	$ -	$ -	0.00%	$ 180,513	$ 618,883	$ 294,986	14	0
67	11-SM016	12/15/2015	Tesla Motors, Inc.	Hawthorne, Palo Alto, Menlo Park	Los Angeles, Santa Clara, San Mateo	Electric Vehicle Manufacturing	$ 463,625,000	$ 39,037,225	$ -	$ -	0.00%	$ 4,766,289	$ 61,843,129	$ 27,572,193	1,439	41
68	16-SM001	1/19/2016	Atieva USA Inc	Menlo Park, Tracy, Sacramento	San Mateo, San Joaquin, Sacramento	Electric Vehicle Manufacturing	$ 530,750,000	$ 44,689,150	$ -	$ -	0.00%	$ 5,593,675	$ 137,469,584	$ 98,374,109	1,547	98
69	16-SM005	1/19/2016	Escondido Bioenergy Facility, LLC	Escondido	San Diego	Biogas Capture and Production	$ 1,900,000	$ 159,980	$ -	$ -	0.00%	$ 28,355	$ 344,260	$ 212,635	11	1
						SUBTOTAL:	$ 2,905,846,710	$ 244,998,805	$ 65,691,939	$ 787,527,839.39	-	$ 100,755,600	$ 415,415,988	$ 271,193,106	12,242	922
TOTAL OF ACTIVE APPLICATIONS APPROVED AND CONSIDERED (ALTERNATIVE SOURCE AND ADVANCED TRANSPORTATION)							$ 2,905,846,710	$ 244,998,805	$ 65,691,939	$ 787,527,839.39	-	$ 100,755,600	$ 415,415,988	$ 271,193,106	12,242	922
ADVANCED MANUFACTURING APPLICATIONS FOR CONSIDERATION FEBRUARY 16, 2016																
1	16-SM002	2/16/2016	The Gill Corporation and Its Subsidiary, Castle Industries	El Monte, Ontario	Los Angeles, San Bernardino	Aerospace	$ 8,472,000	$ 713,342	$ -	$ -		$ -	$ 2,371,545		608	36
						SUBTOTAL	$ 8,472,000	$ 713,342	$ -	$ -		$ -	$ 2,371,545	$ -	608	36
ADVANCED MANUFACTURING APPLICATIONS PREVIOUSLY APPROVED - ACTIVE																
1	13-SM012	12/17/2013	CE&P Imperial Valley 1, LLC	Brawley	Imperial	Industrial Biotechnology	$ 444,811,275	$ 37,230,704	$ -	$ -	0%	$ -	$ 51,344,220	$ -	650	84
2	13-SM014	12/17/2013	Boxer Industries, Inc.	Redwood City	San Mateo	Advanced Materials	$ 6,553,000	$ 548,486	$ 420,466	$ 4,993,661.25	76%	$ -	$ 539,522	$ -	12	1
3	14-SM001	2/18/2014	Enovix Corporation	Fremont	Alameda	Lithium Ion Battery Production	$ 16,234,215	$ 1,358,804	$ 233,641	$ 2,776,241.25	17%	$ -	$ 1,920,567	$ -	55	4
4	14-SM008	6/17/2014	Niagara Bottling, LLC	San Bernardino	San Bernardino	Computational Materials Engineering – Water Bottling	$ 30,000,000	$ 2,526,000	$ 2,423,376	$ 28,781,191.38	96%	$ -	$ 7,988,338	$ -	86	6

CAEATFA REPORT OF THE SALES AND USE TAX EXCLUSION (STE)
FINANCING APPLICATIONS CONSIDERED AND APPROVED
As of February 1, 2016

	Application Number	Date of Board Consideration	Applicant Name	City	County	Use of Proceeds	QP Amount	STE Amount (Anticipated)[1]	STE Used to Date[1]	QP Amount Converted	% Converted	Estimated Environmental Benefit [2]	Estimated Fiscal Benefit[2]	Estimated Net Benefit[2]	Expected Total Jobs	Expected Total Jobs from STE[2]
5	14-SM009	7/15/2014	nanoPrecision Products, Inc.	El Segundo	Los Angeles Ventura	Advanced Materials	$ 7,963,792	$ 670,566	$ 370,391	$ 4,398,946.80	55%	$ -	$ 840,081	$ -	50	4
6	14-SM013	9/16/2014	Lockheed Martin Corporation	Palmdale, Helendale	Los Angeles, San Bernardino	Advanced Materials	$ 345,296,354	$ 29,073,953	$ -	$ -	0%	$ -	$ 38,053,138	$ -	1,213	91
7	14-SM021	1/20/2015	Pacific Ethanol Madera, LLC	Madera	Madera	Industrial Biotechnology - Corn Oil Production	$ 4,763,500	$ 401,087	$ 271,375	$ 3,222,977.51	68%	$ -	$ 988,793	$ -	3	0
8	15-SM005	4/21/2015	GKN Aerospace Chem-Tronics, Inc.	Santa Ana	Orange	Advanced Materials	$ 118,687,529	$ 9,993,490	$ 882,312	$ 10,478,764.39	9%	$ -	$ 8,483,497	$ -	231	13
9	15-SM003	5/19/2015	Weber Metals, Inc.	Paramount	Los Angeles	Advanced Materials	$ 167,661,606	$ 14,117,107	$ 49,771	$ 591,100.00	0%	$ -	$ 35,048,735	$ -	192	18
10	15-SM005	6/16/2015	U.S. Corrugated of Los Angeles, Inc.	Santa Fe Springs	Los Angeles	Integrated Computational Materials	$ 23,969,087	$ 2,018,197	$ 2,018,197	$ 23,969,087.00	100%	$ -	$ 7,825,890	$ -	160	13
11	15-SM007	6/16/2015	The Monadnock Company	Industry	Los Angeles	Advanced Materials	$ 6,475,000	$ 545,195	$ 30,590	$ 363,300.02	6%	$ -	$ 1,847,167	$ -	299	10
12	15-SM008	7/21/2015	Hi Shear Corporation	Torrance	Los Angeles	Advanced Materials	$ 39,385,000	$ 3,316,217	$ 306,366	$ 3,638,553.00	9%	$ -	$ 3,432,623	$ -	1,117	43
13	15-SM011	8/18/2015	Orbital ATK, Inc.	Northridge	Los Angeles	Advanced Materials	$ 16,275,154	$ 1,370,368	$ -	$ -	0%	$ -	$ 3,648,303	$ -	320	10
14	15-SM012	9/15/2015	Rolls-Royce High Temperature Composites, Inc.	Huntington Beach	Orange	Advanced Materials	$ 8,728,000	$ 734,898	$ 167,506	$ 1,989,386.97	23%	$ -	$ 788,866	$ -	105	6
15	15-SM010	10/20/2015	Kurma Automotive LLC	Moreno Valley	Riverside	Integrated Computational Materials Engineering	$ 38,194,860	$ 3,216,007	$ 207,987	$ 2,470,154.94	6%	$ -	$ 3,142,400	$ -	205	16
16	15-SM016	10/20/2015	Space Exploration Technologies Corp.	Hawthorne	Los Angeles	Additive Manufacturing	$ 360,169,639	$ 30,326,284	$ 84,139	$ 999,278.00	0%	$ -	$ 40,537,040	$ -	4,200	183
17	15-SM017	11/17/2015	Space Systems/Loral LLC	Palo Alto	Santa Clara	Micro and Nanoelectronics	$ 5,586,000	$ 470,341	$ -	$ -	0%	$ -	$ 812,787	$ -	354	3
18	15-SM020	12/15/2015	Millennium Space Systems, Inc.,	El Segundo	Los Angeles	Advanced Materials	$ 4,284,672	$ 360,769	$ -	$ -	0%	$ -	$ 1,389,088	$ -	55	4
19	16-SM003	1/19/2016	Kite Pharma, Inc.	El Segundo	Los Angeles	Industrial Biotechnology	$ 13,763,050	$ 1,158,849	$ -	$ -	0%	$ -	$ 5,393,473	$ -	305	18
20	16-SM004	1/19/2016	rPlanet Earth, LLC	Vernon	Los Angeles	Micro and Nano Electronics	$ 119,800,000	$ 10,087,160	$ -	$ -	0%	$ -	$ 34,955,481	$ -	625	59
21	16-SM006	1/19/2016	California Safe Soil	McClellan	Sacramento	Industrial Biotechnology	$ 3,750,000	$ 315,750	$ -	$ -	0%	$ -	$ 1,923,748	$ -	22	2
						SUBTOTAL:	$ 1,658,801,733	$ 139,437,322	$ 7,466,118	$ 88,672,642.51	-	$ -	$ 214,024,528	$ -	9,612	527
TOTAL OF ACTIVE APPLICATIONS APPROVED AND CONSIDERED (ADVANCED							$ 1,667,273,733	$ 140,150,664	$ 7,466,118	$ 88,672,642.51	-	$ -	$ 216,396,073	$ -	10,220	563

APPLICATIONS PREVIOUSLY APPROVED - INACTIVE																
1	10-SM003	11/17/2010	ABEC Bidart Old River, LLC	Bakersfield	Kern	Biogas Capture & Production	$ 4,738,000	$ 431,158	$ -	$ -	0.00%	$ 3,080,806	$ 438,844	$ 3,088,491	50	6
2	10-SM005	11/17/2010	Gallo Cattle Company	Atwater	Merced	Biogas Capture & Production	$ 1,245,000	$ 113,295	$ -	$ -	0.00%	$ 791,959	$ 130,374	$ 809,038	30	3

CAEATFA REPORT OF THE SALES AND USE TAX EXCLUSION (STE)
FINANCING APPLICATIONS CONSIDERED AND APPROVED
As of February 1, 2016

	Application Number	Date of Board Consideration	Applicant Name	City	County	Use of Proceeds	QP Amount	STE Amount (Anticipated)[1]	STE Used to Date[2]	QP Amount Conveyed	% Conveyed	Estimated Environmental Benefit [2]	Estimated Fiscal Benefit[2]	Estimated Net Benefit[2]	Expected Total Jobs	Expected Total Jobs from STE[2]
3	10-SM006	11/17/2010	**Solyndra LLC**	Fremont	Alameda	Solar Photovoltaic Manufacturing	$ 381,776,000	$ 34,741,616	$ 25,127,322	$ 277,309,757.00	72.64%	$ 22,202,363	$ 20,765,274	$ 8,226,021	2,084	225
4	10-SM011	11/17/2010	**Stion Corporation**	San Jose	Santa Clara	Solar Photovoltaic Manufacturing	$ 105,473,402	$ 9,598,080	$ -	$ -	0.00%	$ 3,512,324	$ 6,207,404	$ 121,648	493	47
5	10-SM014	11/17/2010	**Calsolar Inc.**	Sunnyvale	Santa Clara	Solar Photovoltaic Manufacturing	$ 39,000,000	$ 3,549,000	$ -	$ -	0.00%	$ 1,971,609	$ 1,975,797	$ 398,407	273	13
6	10-SM016	12/15/2010	**Quantum Fuel Systems Technologies Worldwide, Inc.**	Irvine	Orange	Solar Photovoltaic Manufacturing	$ 8,945,858	$ 814,073	$ -	$ -	0.00%	$ 508,282	$ 5,895,371	$ 5,589,780	94	11
7	10-SM018	12/15/2010	**Green Vehicles, Inc.**	Salinas	Monterey	Electric Vehicle Manufacturing	$ 3,708,050	$ 337,433	$ -	$ -	0.00%	$ 65,608	$ 3,018,494	$ 2,746,669	126	14
8	10-SM019	12/15/2010	**Soliant Energy, Inc.**	Monrovia	Los Angeles	Solar Photovoltaic Manufacturing	$ 9,966,500	$ 906,952	$ -	$ -	0.00%	$ 1,142,989	$ 1,709,894	$ 1,945,932	38	5
9	10-SM021	12/15/2010	**SGE Crazy Horse LLC**	Salinas	Monterey	Landfill Gas Capture and Production	$ 1,558,460	$ 141,820	$ -	$ -	0.00%	$ 103,093	$ 432,228	$ 393,501	12	1
10	11-SM007	5/18/2011	**Amonix, Inc.**	Seal Beach	Orange	Solar Photovoltaic Manufacturing	$ 2,278,900	$ 207,380	$ -	$ -	0.00%	$ 244,895	$ 557,789	$ 595,304	153	2
11	11-SM015	8/23/2011	**Amonix, Inc**	Seal Beach, Milpitas	Orange, Santa Clara	Solar Photovoltaic Manufacturing	$ 7,879,667	$ 638,251	$ -	$ -	0.00%	$ 740,148	$ 2,884,021	$ 2,985,916	200	12
12	10-SM001	11/17/2010	**Bowerman Power LFG, LLC**	Irvine	Orange	Landfill Gas Capture & Production	$ 9,240,000	$ 840,840	$ -	$ -	0.00%	$ 398,492	$ 1,008,052	$ 565,704	30	3
13	14-SM002	3/18/2014	**CleanWorld**	San Bernardino	San Bernardino	Biomass Processing and Fuel Production	$ 6,698,715	$ 564,032	$ -	$ -	0.00%	$ 163,486	$ 858,211	$ 457,665	26	3
14	14-SM024	3/17/2015	**Haas Automation, Inc.**	Oxnard	Ventura	Advanced Materials	$ 81,426,200	$ 6,856,086	$ -	$ -	0.00%	$ -	$ 38,174,218	$ -	1,235	51
15	15-SM004	6/16/2015	**T2Energy, LLC**	Vista	San Diego	Industrial Biotechnology	$ 4,737,500	$ 398,898	$ -	$ -	0.00%	$ -	$ 1,881,553	$ -	48	3
TOTAL OF INACTIVE APPROVED APPLICATIONS							$ 668,672,252	$ 60,138,914	$ 25,127,322	$ 277,309,757.00	-	$ 34,926,953	$ 85,937,524	$ 27,924,076	$ 4,892	$ 399
TOTAL (ACTIVE & INACTIVE) APPLICATIONS APPROVED AND CONSIDERED							$ 5,241,792,695	$ 442,200,393	$ 98,285,379	$ 1,153,518,230.90	-	$ 135,681,453	$ 717,749,585	$ 299,117,192	27,354	1,394

Total STE Used to Date (Active and Inactive Approved Applications): $ 98,285,379

[1] Under the Program the value of a specific project's sales and use tax exclusion is calculated using the statewide sales and use tax average. The statewide average was estimated at 9.1% through June 2011 and changed to 8.1% in July 2011, 8.37% in January 2013, and 8.42% in March 2014.
[2] These benefits are estimates that are calculated under the Program's evaluation system at the time of Board approval. Applicants are required to provide annual reports to CAEATFA on actual project activity.

STATE CAPITOL
P.O. BOX 942849
SACRAMENTO, CA 94249-0114
(916) 319-2098
FAX (916) 319-2198

CHIEF CONSULTANT
OKSANA G. JAFFE

PRINCIPAL CONSULTANT
M. DAVID RUFF

SENIOR CONSULTANT
CARLOS ANGUIANO

COMMITTEE SECRETARY
SUE HIGHLAND

Assembly
California Legislature

ASSEMBLY COMMITTEE ON
REVENUE AND TAXATION
PHILIP Y. TING, CHAIR
ASSEMBLYMEMBER, NINETEENTH DISTRICT

MEMBERS
WILLIAM P. BROUGH, VICE CHAIR
MATTHEW DABABNEH
MIKE GIPSON
ROGER HERNÁNDEZ
KEVIN MULLIN
JIM PATTERSON
BILL QUIRK
DONALD WAGNER

MATERIALS SUBMITTED BY THE

STATE BOARD OF EQUALIZATION

Printed on Recycled Paper

Assembly Revenue and Taxation Committee Informational Hearing Talking Points 2/22/16

- The Board of Equalization administers California's Sales and Use Tax Law, which includes a 4.1875% partial (state only) sales and use tax exemption for qualifying manufacturers' and research firms' purchases of qualifying property.

- This partial exemption is more readily available than the CAETFA exclusion; as long as the entity meets the law's requirements, it automatically qualifies for the partial exemption, and obtains the exemption simply by providing its vendors with an exemption certificate.

- The partial exemption is available until July 1, 2022.

To be eligible for this partial exemption, qualifying businesses must meet three conditions:

- Be primarily engaged in certain types of business, in other words, be a "qualified person."
- Purchase "qualified property."
- Use that qualified property in a manner specified in statute

To be a "qualified person," a business must be engaged 50 percent or more of the time in specific industries within the North American Industry Classification System published by the United States Office of Management and Budget.

These industries generally include those *primarily* engaged in the business of

- All forms of manufacturing, or
- Research and development in biotechnology, or
- Research and development in physical, engineering, and life sciences.

The BOE has adopted a regulation to further explain what "primarily engaged" means, which considers several key factors such as an entity's gross revenues, or employee salaries and wages, the production's value, or the number of full-time employees .

A "qualified person" **does not** include:

Certain apportioning trades or businesses that derive more than 50 percent of their gross business receipts from an **agricultural business activity, an extractive business activity, a savings and loan activity, or a banking or financial business activity.**

"Qualified tangible personal property" includes, but is not limited to:

- Machinery and equipment (including component parts and contrivances such as belts, shafts, moving parts, and operating structures).
- Equipment or devices used or required to operate, control, regulate, or maintain the machinery, such as software.

- Pollution control equipment that meets state or local standards.
- Special purpose buildings and foundations used as an integral part of the manufacturing, processing, refining, fabricating, or recycling process, or that constitute a research or storage facility used during those processes.

"Qualified tangible personal property" **does not** include:

- Consumables with a useful life of less than one year.
- Furniture, inventory, and equipment used in the extraction process, or equipment used to store finished products that have completed the manufacturing, processing, refining, fabricating, or recycling process.
- Tangible personal property used primarily in administration, general management, or marketing.

Qualified Uses

The property must be used primarily (more than 50% of the time) in one of the following manners:

- Any stage of the manufacturing, processing, refining, fabricating, or recycling process
- Research and development
- To maintain, repair, measure, or test any qualified tangible personal property described by the above, or

- For use by a contractor purchasing that property for use in the performance of a construction contract for a qualified person, provided that the qualified person uses that real property as an integral part of the manufacturing process or as a related research or storage facility.
- The law provides that operational equipment (such as computers, tablets, printers, servers) used to run the manufacturing equipment are eligible for the exemption when they are used for qualifying activities.

When the Exemption Does Not Apply

- If the property is removed from California within one year or used in a non-qualifying manner.
- Qualifying purchases exceed $200 million in a calendar year.

How "qualified persons" claim the partial exemption

- The qualified purchaser is required to complete an exemption certificate and provide it to his or her suppliers.
- Suppliers retain the certificates and claim the partial exemption on the sales and use tax return where they report the sale and remaining amount of tax due.
- Qualified purchasers that purchase from out-of-state sellers that didn't collect California's applicable sales or use tax are required to report the purchase and remit the remaining amount of use tax due on their sales and use tax return.

Differences between BOE and CAEATFA-administered Provisions

	BOE Exemption	CAEATFA Exclusion[1]
Authority	Revenue and Taxation Code Section 6377.1	Revenue and Taxation Code Section 6010.8
Eligible Persons	Persons primarily engaged in manufacturing, or biotechnology research and development, or physical, engineering, and life science research and development; excludes certain agricultural and extractive businesses that apportion income	Advanced manufacturers, manufacturers of advanced transportation technologies, manufacturers of alternative source products, components or systems, or recycled feedstock processors
Exemption/Exclusion Rate	4.1875%	All applicable state, local and district rate (8.46% average rate in California)
Sunset Date	07/01/22	07/1/21
Application/Fee Requirement	No	Yes– application fee of 1/20th of 1% ($250 minimum, $10,000 maximum) and administrative fee of 4/10ths of 1% ($15,000 minimum, $350,000 maximum) of total amount of qualified property
Limitation	Only first $200 million of purchases annually by each qualified person (about $169,200 tax)	$100 million annually in tax by all program participants

[1] An "exclusion" means the transfer of the property is neither a "sale" nor a "purchase" and is therefore excluded from the application of the sales and use tax. An "exemption" involves a retail sale that, absent an exemption in law, would otherwise be subject to the tax.

STATE CAPITOL
P.O. BOX 942849
SACRAMENTO, CA 94249-0114
(916) 319-2098
FAX (916) 319-2198

CHIEF CONSULTANT
OKSANA G. JAFFE

PRINCIPAL CONSULTANT
M. DAVID RUFF

SENIOR CONSULTANT
CARLOS ANGUIANO

COMMITTEE SECRETARY
SUE HIGHLAND

Assembly
California Legislature

ASSEMBLY COMMITTEE ON
REVENUE AND TAXATION
PHILIP Y. TING, CHAIR
ASSEMBLYMEMBER, NINETEENTH DISTRICT

MEMBERS
WILLIAM P. BROUGH, VICE CHAIR
MATTHEW DABABNEH
MIKE GIPSON
ROGER HERNÁNDEZ
KEVIN MULLIN
JIM PATTERSON
BILL QUIRK
DONALD WAGNER

MATERIALS SUBMITTED BY THE

GOVERNOR'S OFFICE OF BUSINESS

AND ECONOMIC DEVELOPMENT

Printed on Recycled Paper

Governor's Office of Business and Economic Development (GO-Biz)

CALIFORNIA COMPETES TAX CREDIT

The California Competes Tax Credit is an income tax credit available to businesses that want to locate in California or stay & grow in California.

Application Periods

- July 20, 2015, to August 17, 2015
  $75 million available
- January 4, 2016, to January 25, 2016
  $75 million available
- March 7, 2016, to March 28, 2016
  $50.9 million available plus any remaining unallocated amount

About the Credit

- 25% reserved for small businesses
- Non-refundable
- Online application
- No fee to apply

Evaluation Factors

- Number of jobs created or retained
- Strategic importance to the state, region, or locality
- Amount of investment
- Incentives available from the state, local government, & other states & sources
- Opportunity for future growth & expansion
- Compensation paid to employees, including wages & fringe benefits
- Extent of unemployment & poverty in current or proposed site location
- Economic impact
- Duration of the proposed project & duration of applicant's commitment to remain in California
- Extent to which the benefit to California exceeds that of the applicant

calcompetes@gov.ca.gov 916-322-4051 www.business.ca.gov

Instructions/FAQs: www.business.ca.gov/calcompetes.aspx Apply Here: www.calcompetes.ca.gov

GOVERNOR'S OFFICE OF BUSINESS AND ECONOMIC DEVELOPMENT

STATE OF CALIFORNIA • OFFICE OF GOVERNOR EDMUND G. BROWN JR.

California Competes Tax Credit

Governor's Economic Development Initiative (GEDI)

Hiring Tax Credit (New Employment Credit)

- Started January 1, 2014
- Administered by Franchise Tax Board
- FAQs at www.ftb.ca.gov

Manufacturing Partial Sales Tax Exemption

- Started July 1, 2014
- Administered by Board of Equalization
- FAQs at www.boe.ca.gov

California Competes Tax Credit

- Started March 2014
- Administered by GO-Biz

The California Competes Tax Credit

California Competes Tax Credit:

- Credit against the income tax due the Franchise Tax Board
- Non-refundable
- 6 tax year carryover
- Legislation signed by Governor Brown in September 2014 allows the credit to reduce tax below the Tentative Minimum Tax (TMT)

Accountability:

- Tied to achieving contractual (hiring / investment) milestones
- Recapture provisions

Evaluation Factors

Credit awards are based on 11 factors:

- Number of jobs created or retained
- Compensation paid to employees
- Amount of investment
- Extent of unemployment or poverty in business area
- Other incentives available in California
- Incentives available in other states
- Duration of proposed project and duration of commitment to remain in this state
- Overall economic impact
- Strategic importance to the state, region, or locality
- Opportunity for future growth and expansion
- Extent the benefit to the state exceeds the amount of the tax credit

Tax Credit Availability

Tentative Amount of Credits Available:

- $200 million in each fiscal year 2015/16 – 2017/18

Note:

- No more than 20% may go to any one applicant per fiscal year
- 25% of total amount each fiscal year reserved for small businesses

Application Periods

The Director of GO-Biz sets the application periods each fiscal year

Fiscal Year 2015-2016:

July 20, 2015 – August 17, 2015

- $75 million available

January 4, 2016 – January 25, 2016

- $75 million available

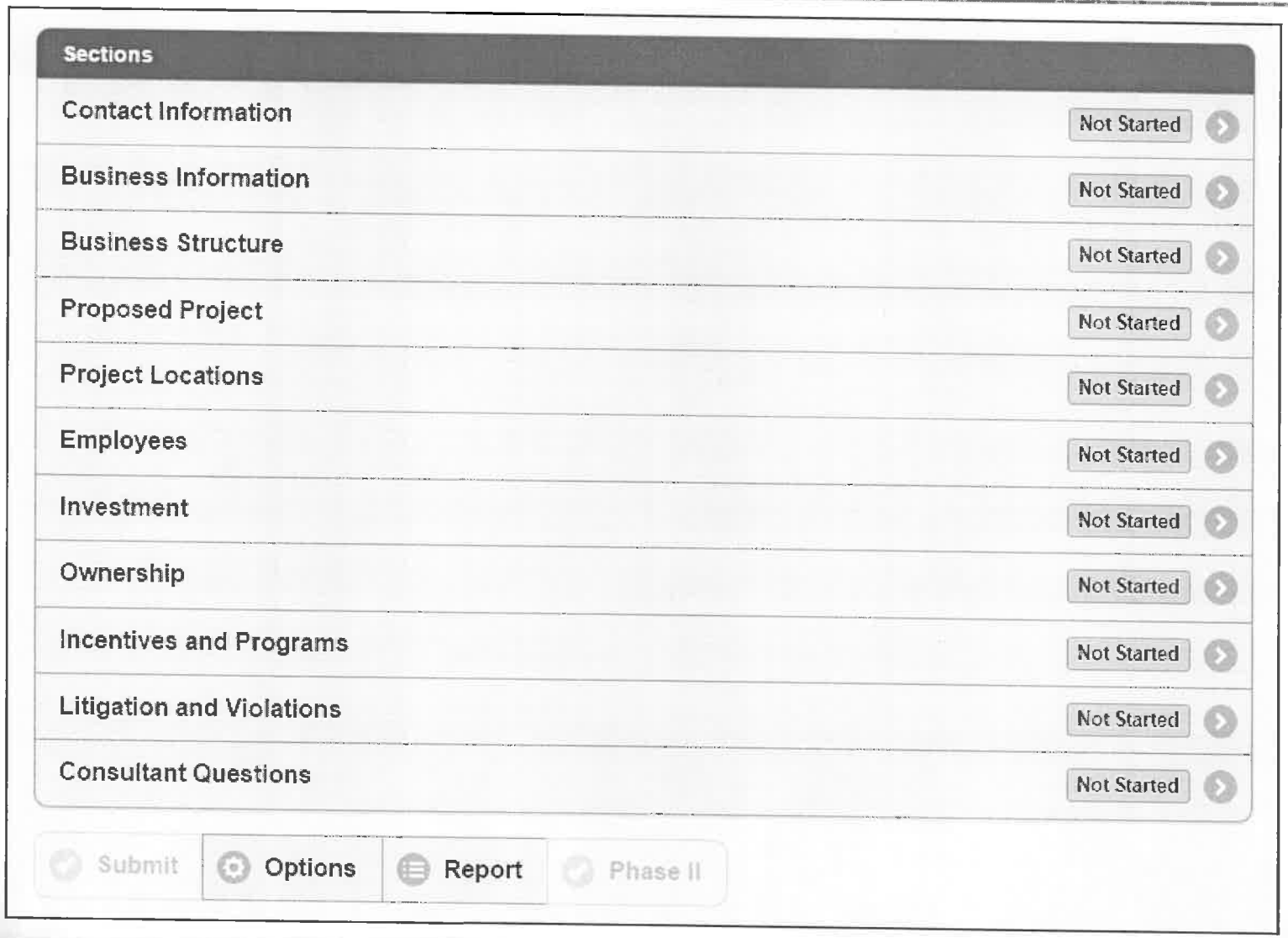
March 7, 2016 – March 28, 2016

- $50.9 million plus unallocated amounts from previous application periods

Application Process

- Online application submission: https://www.calcompetes.ca.gov
- Notices and technical assistance: www.business.ca.gov/CalCompetes.aspx
- Unsuccessful applicants may resubmit applications in the next application period in the same fiscal year after updating the **Employees** and **Investment** sections and **Current Tax Year**
- All applications expire at the end of each fiscal year

The Application



Two Phase Evaluation Process

- Phase I is an automated process in which the applicant's requested tax credit, aggregate employee compensation, and aggregate investment are evaluated to determine a cost-benefit ratio (return on investment) for the state
- Phase II evaluates applicants based on eight additional factors including the Phase I ratio calculation

Note:

- Applications from small businesses will be compared to applications from other small businesses
- Applicants certifying that absent award of the credit the project will/may occur in another state will be moved to Phase II

Phase I Evaluation

Cost-Benefit Ratio:

$$\frac{\text{Amount of Credit Requested}}{\text{Aggregate Employee Compensation} + \text{Aggregate Investment}}$$

Note:

- Applications with the most advantageous cost-benefit ratio will be moved to Phase II
- There will be a review of the top 200% of applicants

Phase II Evaluation

- Phase I information
- Extent of unemployment / poverty
- Other incentives available
- Economic impact
- Strategic importance
- Number of retained employees
- Opportunity for growth/expansion
- Salary / benefits
- Other information requested

Note: Evaluated factors are in no particular order

Agreements

Terms and conditions of the agreements include:

- Minimum employee compensation and retention period
- Credit distribution period
- Recapture provisions if applicant fails to meet commitments

Tax credit agreements must be approved by California Competes Tax Credit Committee

- Committee Members: State Treasurer, Director of the Department of Finance, two legislative appointees, and the Director of GO-Biz (Chair)

Post Committee Approval

GO-Biz is required to post on its website the following information:

- The name of each applicant awarded a credit
- The projected amount of investment by each awardee
- The projected number of jobs to be created or retained
- The amount of the credit allocated to the awardee
- The amount of the credit recaptured from the awardee, if applicable

Oversight / Accountability

Franchise Tax Board (FTB)

- Access to application and all documentation
- Will review books/records for agreement compliance unless the recipient is a small business
- May review books/records for agreement compliance if the recipient is a small business

Material Breach

- FTB informs GO-Biz
- Committee approves or denies recapture

Awardees

Nearly $223 million in tax credits awarded to date

- Commitments of 42,000 jobs and $10.2 billion in investments
- Awardees include:

California Competes Tax Credit

Questions?

Apply: www.CalCompetes.ca.gov
Email: CalCompetes@gov.ca.gov
Phone: (916) 322-4051

Governor's Office of Business & Economic Development
1325 J Street, Suite 1800
Sacramento, CA 95814
www.business.ca.gov/CalCompetes.aspx

California Competes Tax Credit: Aggregated Statistics

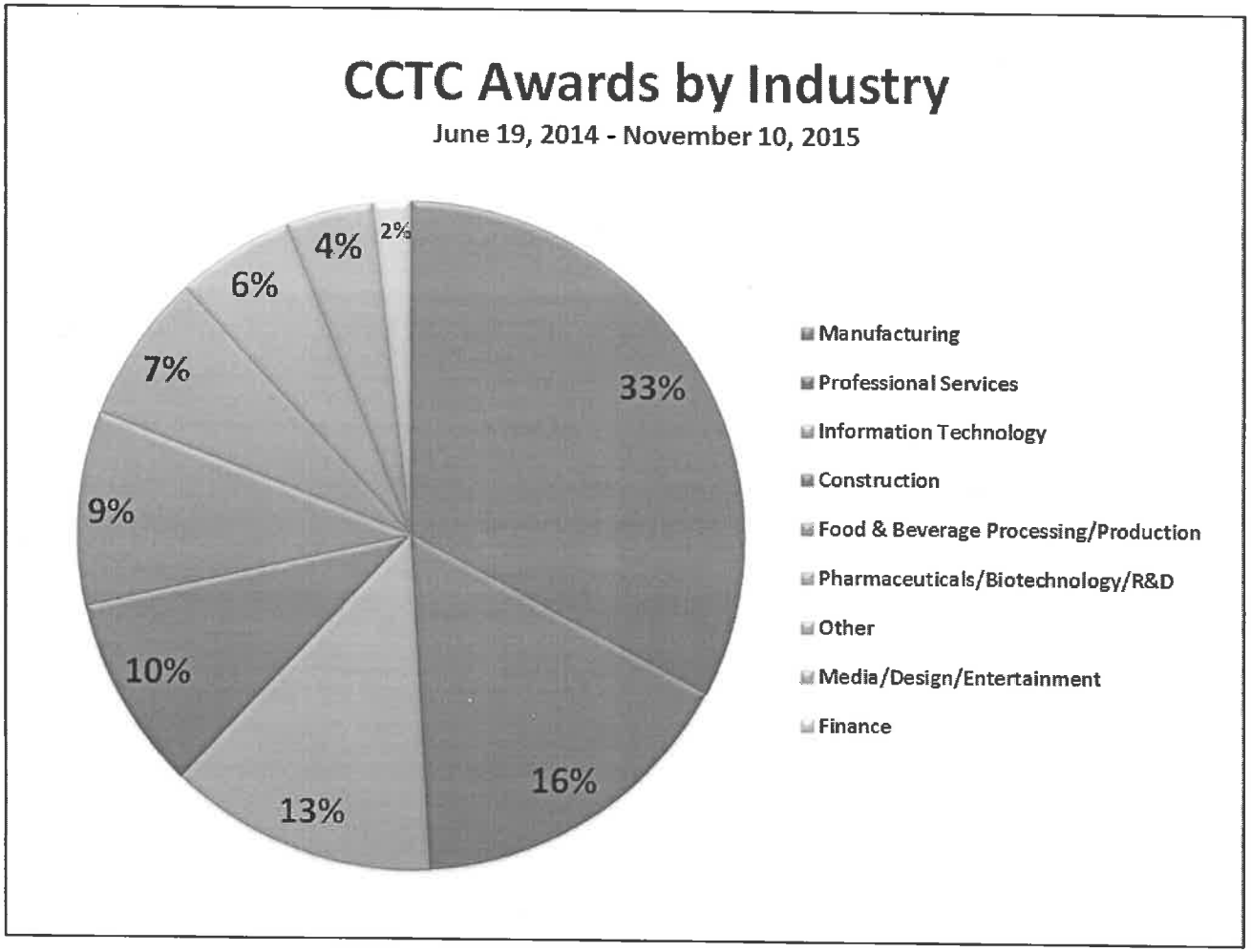
June 19, 2014 – November 10, 2015

As of November 2015	Number of Awardees	Number of Jobs Committed	Amount of Investment Committed	Credit Awarded	Credit Recaptured
Non-Small Businesses	212	36,038	$8,967,133,574	$168,202,983	$816,667
Small Businesses	118	6,314	$1,320,513,677	$54,699,031	$53,333
Total Businesses	330	42,352	$10,287,647,251	$222,902,014	$870,000

Fiscal Year (FY)	Total Credit Available	Total Credit Requested	Number of Non-Small Business Applications	Number of Small Business Applications	Number of Non-Small Businesses Awarded	Number of Small Businesses Awarded
FY 13-14: Application Period 1	$30,000,000	$561,454,983	262	134	18	11
FY 14-15: Application Period 1	$45,000,000	$329,333,538	228	58	31	25
FY 14-15: Application Period 2	$75,000,000	$289,800,949	177	76	66	27
FY 14-15: Application Period 3	$30,000,000	$320,181,186	187	80	38	25
FY 15-16: Application Period 1	$75,000,000	$268,876,560	205	136	59	30

As of November 2015	Average Cost Per Job	Average Return on Investment
Non-Small Businesses	$4,667	$53
Small Businesses	$8,663	$24
Total Businesses	$5,263	$46

The *Cost Per Job* value is generated by dividing the total amount of tax credit awarded by the total amount of jobs committed.

The *Return on Investment* is generated by dividing the total amount of investment committed by the total amount of tax credit awarded.

California Competes Tax Credit: Aggregated Statistics