

Date of Hearing: April 1, 2024

ASSEMBLY COMMITTEE ON TRANSPORTATION
Lori D. Wilson, Chair
AB 2400 (Luz Rivas) – As Introduced February 12, 2024

SUBJECT: California Alternative Energy and Advanced Transportation Financing Authority Act

SUMMARY: Extends the sunset the California Alternative Energy and Advanced Transportation Financing Authority’s sales and use tax exclusions for qualifying projects, including those that promote California-based manufacturing, California-based jobs, advanced manufacturing, reduction of greenhouse gases, or reduction in air and water pollution or energy consumption by five years to January 1, 2031.

EXISTING LAW:

- 1) Establishes California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA) in the Office of State Treasurer, which provides financing through conduit or revenue bonds, loan guarantees, loan loss reserves, and a state and local sales and use tax exemption for facilities that use alternative energy sources and technologies or engage in advanced manufacturing. (Public Resources Code (PRC) 26000)
- 2) Directs CAEATFA to administer a state and local sales and use tax exemption for renewable technology projects, including tangible personal property where at least 50% of its use is to process recycled feedstock intended to be reused in the production of another project, or using recycled feedstock in the production of another product or soil amendment, subject to an application and evaluation process, and board approval, and to administer a similar state and local sales and use tax for advanced manufacturing. Sunsets these provisions on January 1, 2026. (PRC 26003)
- 3) Allows CAEATFA to allocate exemptions to successful applicants for programs up to \$100 million annually; however, CAEATFA must evaluate all applicants to determine whether the net environmental and economic benefits received by the state will outweigh forgone sales and use tax revenue, and can only allocate exemptions to projects that demonstrate such a benefit. (PRC 26011.8)

FISCAL EFFECT: Unknown

COMMENTS:

In March 2010, SB 71 (Padilla, Chapter 10, Statutes of 2010) directed CAEATFA to implement the Sales and Use Tax Exclusion Program (STE Program). The legislation authorized CAEATFA to approve eligible projects for an STE on equipment and machinery (qualified property) used for the “design, manufacture, production, or assembly” of either advanced transportation technologies or alternative energy source products, components or systems, as defined.

The purpose of this program is twofold: to promote the creation of California-based manufacturing jobs that will stimulate the California economy, and to incentivize the manufacturing of green technologies that will help reduce greenhouse gases, as well as reductions in air and water pollution or energy consumption. An additional STE incentive for projects that manufacture, refine, extract, process, or recover lithium is available for years 2022, 2023, and 2024.

In previous years, CAEATFA awarded \$100 million in STE annually to certain manufacturers to assist them in purchasing machinery and equipment to retain and expand high-end manufacturing across the State – growing jobs, regions and communities, and the green economy. In 2022, CAEATFA was authorized an additional \$15 million in STE to assist lithium extraction projects, bringing the total to \$115 million in STE for the year.

As noted, until 2022, the STE Program was limited to awarding \$100 million in STE each calendar year, therefore, to ensure a broad distribution of awards, the annual allocation was divided into three different pools of STE: (1) \$20 million STE small-project pool for projects requesting \$2 million or less in STE, (2) \$65 million STE general pool (capped at \$10 million in STE), and (3) \$15 million STE large-project pool for applicants with projects requesting more than \$10 million in STE from the general pool.

CAEATFA staff evaluates the fiscal and environmental benefits that stem directly from the STE. Only the anticipated marginal additional production (and resulting fiscal and environmental benefits) associated with the sales and use tax exclusion are included for purposes of evaluating applications.

The estimated net benefit over the life of the program is over \$1 billion as of December 2022. From the STE Program's inception through December 31, 2022, CAEATFA approved a total of 303 project applications, of which 80 are active, 148 are complete, and 75 did not move forward. The 228 active and complete projects were approved for a total of \$9.7 billion in anticipated qualified property purchases estimated to result in approximately \$816.6 million in STE. These projects are located across 38 counties and are estimated to result in the retention and creation of 102,381 jobs. Under the program's evaluation process, 4,946 of these jobs are attributable to the STE Program. The projects are anticipated to produce an estimated \$234 million in environmental benefits and \$1.67 billion in fiscal benefits, resulting in approximately \$1.1 billion in net benefits to the state. The program has been fully subscribed since 2015, awarding the full \$100 million in annual STE and in 2022, an additional \$15 million in STE authorized for lithium extraction projects.

According to the author, "California has committed to the nation's most aggressive climate goals in history. The state aims to reduce carbon emissions and increase renewable energy by 2045. In order for California to meet its target goals, the state's green technology supply will need to meet the state's demand.

Providing tax incentives to green technology manufacturers will ensure that homes and businesses have the necessary equipment to become more energy efficient. AB 2400 seeks to extend the sunset of an already existing tax incentive program for green manufacturers until January 1, 2031. CAEATFA was established to advance the state's goals of 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. CAEATFA works towards these goals by strategically targeting public funds to leverage private capital investment and spur market transformation.”

The California Manufacturers & Technology Association (CMTA) in support writes “AB 2400 will extend a vital tool for California manufacturers. By providing financial assistance to these innovative companies, California will be able to retain and expand our in-state manufacturing capabilities. CAEATFA has proven impactful in creating new jobs and advancing the State towards its energy goals. California can create an influx of new production investment if we simply remove one of the tax burdens to scale up operations. For these reasons, CMTA supports the legislation.”

Committee comments: Staff has no concerns with extending the sunset of this program by five years to 2031. This program has delivered net fiscal and environmental benefits to the state.

Previous legislation:

AB 209 (Committee on Budget), Chapter 251, Statutes of 2022 authorized the STE Program to award an additional \$15 million in STE for projects that manufacture, refine, extract, process, or recover lithium for years 2022, 2023, and 2024.

AB 1583 (Eggman), Chapter 690, Statutes of 2019 extended CAEATFA’s sunset for sales and use tax exclusion from January 1, 2021 to January 1, 2026.

AB 176 (Cervantes), Chapter 672, Statutes of 2019 requires consideration of the extent to which a project will result in the loss of permanent, full-time jobs in California, and collection of wage data for each classification of full-time employees proposed to be hired or not retained.

AB 199 (Eggman), Chapter 768, Statutes of 2015 further expanded the scope of the STE Program to include projects that process or utilize recycled feedstock.

SB 1128 (Padilla), Chapter 677, Statutes of 2012 expanded the STE Program to include Advanced Manufacturing projects and placed an annual limit of \$100 million for the STE Program for manufacturers.

REGISTERED SUPPORT / OPPOSITION:

Support

American Council of Engineering Companies of California
Bioenergy Association of California
California Business Properties Association
California Business Roundtable
California Chamber of Commerce
California Manufacturers and Technology Association
California Retailers Association
California State Treasurer
Electrochaea Corporation
Los Angeles County Sanitation Districts
NAIOP of California, the Commercial Real Estate Development Association

Orange County Taxpayers Association
Raven SR
Resource Recovery Coalition of California
TSS Consultants

Opposition

None on file

Analysis Prepared by: Farra Bracht / TRANS. / (916) 319-2093