

## Assembly Bill No. 1422

### CHAPTER 540

An act to amend Sections 26003 and 26011.8 of the Public Resources Code, and to repeal Section 1 of Chapter 677 of the Statutes of 2012, relating to energy.

[Approved by Governor October 4, 2013. Filed with  
Secretary of State October 4, 2013.]

#### LEGISLATIVE COUNSEL'S DIGEST

AB 1422, Committee on Jobs, Economic Development, and the Economy. California Alternative Energy and Advanced Transportation Financing Authority: participating party.

(1) Existing law, the California Alternative Energy and Advanced Transportation Financing Authority Act, establishes the California Alternative Energy and Advanced Transportation Financing Authority and requires the authority to establish programs to provide financial assistance to participating parties for projects, as defined, related to sustainable and renewable energy sources, energy efficiency, and advanced transportation projects. The act provides financial assistance, in the form of a sales and use tax exclusion, to participating parties for these types of projects.

This bill would redefine "project" to include, but not be limited to, machinery and equipment utilized in the state, and, for purposes of the sales and use tax exclusion, would redefine "project" to mean tangible personal property that is utilized in the state for the design, manufacture, production, or assembly of advanced manufacturing, advanced transportation technologies, or alternative source products, components, or systems. The bill would clarify that for purposes of the sales and use tax exclusion, an entity located outside of the state, including an entity located overseas, is considered to be a participating party and is eligible to apply for financial assistance if the participating party commits to, and demonstrates that the participating party will be opening a manufacturing facility in the state. The bill would also make technical, nonsubstantive changes to these provisions.

(2) Existing law requires the authority to evaluate project applications based on certain criteria, including, but not limited to, the extent to which the project will create new, permanent jobs in California and the extent to which the project results in a reduction in greenhouse gases, a reduction in air or water pollution, an increase in energy efficiency, or a reduction in energy consumption. Existing law requires the authority to work with the University of California or the California State University to perform a peer review of these criteria, as specified.

This bill would repeal the requirement to perform a peer review.

(3) Existing law requires the Governor’s Office of Business and Economic Development to review and identify efficient and cost-effective methods for the state to create jobs in advanced manufacturing, as specified, and to report its findings to the Legislature on or before January 1, 2017.

This bill would repeal this reporting requirement.

*The people of the State of California do enact as follows:*

SECTION 1. Section 26003 of the Public Resources Code, as amended by Section 5 of Chapter 677 of the Statutes of 2012, is amended to read:

26003. (a) As used in this division, unless the context otherwise requires:

(1) (A) “Advanced manufacturing” means manufacturing processes that improve existing or create entirely new materials, products, and processes through the use of science, engineering, or information technologies, high-precision tools and methods, a high-performance workforce, and innovative business or organizational models utilizing any of the following technology areas:

- (i) Microelectronics and nanoelectronics, including semiconductors.
- (ii) Advanced materials.
- (iii) Integrated computational materials engineering.
- (iv) Nanotechnology.
- (v) Additive manufacturing.
- (vi) Industrial biotechnology.

(B) “Advanced manufacturing” includes any of the following:

(i) Systems that result from substantive advancement, whether incremental or breakthrough, beyond the current industry standard, in the production of materials and products. These advancements include improvements in manufacturing processes and systems that are often referred to as “smart” or “intelligent” manufacturing systems, which integrate computational predictability and operational efficiency.

(ii) (I) Sustainable manufacturing systems and manufacturing technologies that minimize the use of resources while maintaining or improving cost and performance.

(II) Sustainable manufacturing systems and manufacturing technologies do not include those required to be undertaken pursuant to state or federal law or regulations, air district rules or regulations, memoranda of understanding with a governmental entity, or legally binding agreements or documents. The State Air Resources Board shall advise the authority to ensure that the requirements of this clause are met.

(2) (A) “Advanced transportation technologies” means emerging commercially competitive transportation-related technologies identified by the authority as capable of creating long-term, high value-added jobs for Californians while enhancing the state’s commitment to energy conservation, pollution and greenhouse gas emissions reduction, and transportation efficiency.

(B) “Advanced transportation technologies” does not include those projects required to be undertaken pursuant to state or federal law or regulations, air district rules or regulations, memoranda of understanding with a governmental entity, or legally binding agreements or documents. The State Air Resources Board shall advise the authority regarding projects that are excluded pursuant to this subparagraph.

(3) (A) “Alternative sources” means devices or technologies used for a renewable electrical generation facility, as defined in paragraph (1) of subdivision (a) of Section 25741, a combined heat and power system, as defined in Section 2840.2 of the Public Utilities Code, distributed generation and energy storage technologies eligible under the self-generation incentive program pursuant to Section 379.6 of the Public Utilities Code, as determined by the Public Utilities Commission, or a facility designed for the production of renewable fuels, the efficient use of which reduce the use of fossil or nuclear fuels, and energy efficiency devices or technologies that reduce the need for new electric generation and reduce emissions of toxic and criteria pollutants and greenhouse gases.

(B) “Alternative sources” does not include a hydroelectric facility that does not meet state laws pertaining to the control, appropriation, use, and distribution of water, including, but not limited to, the obtaining of applicable licenses and permits.

(4) “Authority” means the California Alternative Energy and Advanced Transportation Financing Authority established pursuant to Section 26004, and any board, commission, department, or officer succeeding to the functions of the authority, or to which the powers conferred upon the authority by this division shall be given.

(5) “Cost” as applied to a project or portion of the project financed under this division means all or part of the cost of construction and acquisition of all lands, structures, real or personal property or an interest in the real or personal property, rights, rights-of-way, franchises, easements, and interests acquired or used for a project; the cost of demolishing or removing any buildings or structures on land so acquired, including the cost of acquiring any lands to which those buildings or structures may be moved; the cost of all machinery, equipment, and furnishings, financing charges, interest prior to, during, and for a period after, completion of construction as determined by the authority; provisions for working capital; reserves for principal and interest and for extensions, enlargements, additions, replacements, renovations, and improvements; the cost of architectural, engineering, financial, accounting, auditing and legal services, plans, specifications, estimates, administrative expenses, and other expenses necessary or incident to determining the feasibility of constructing any project or incident to the construction, acquisition, or financing of a project.

(6) “Financial assistance” includes, but is not limited to, loans, loan loss reserves, interest rate reductions, proceeds of bonds issued by the authority, bond insurance, loan guarantees or other credit enhancements or liquidity facilities, contributions of money, or a combination thereof, as determined by, and approved by the resolution of, the board.

(7) (A) “Participating party” means a person, federal or state agency, department, board, authority, or commission, state or community college, or university, or a city or county, regional agency, public district, school district, or other political entity engaged in the business or operations in the state, whether organized for profit or not for profit, that applies for financial assistance from the authority for the purpose of implementing a project.

(B) (i) For purposes of Section 6010.8 of the Revenue and Taxation Code, “participating party” means an entity specified in subparagraph (A) that seeks financial assistance pursuant to Section 26011.8.

(ii) For purposes of Section 6010.8 of the Revenue and Taxation Code, an entity located outside of the state, including an entity located overseas, is considered to be a participating party and is eligible to apply for financial assistance pursuant to Section 26011.8 if the participating party commits to, and demonstrates that, the party will be opening a manufacturing facility in the state.

(iii) It is the intent of the Legislature by adding clause (ii) to clarify existing law and ensure that an out-of-state entity or overseas entity is eligible to apply for financial assistance pursuant to Section 26011.8.

(8) (A) “Project” means a land, building, improvement to the land or building, rehabilitation, work, property, or structure, real or personal, stationary or mobile, including, but not limited to, machinery and equipment utilized in the state, whether or not in existence or under construction, that utilizes, or is designed to utilize, an alternative source, or that is utilized for the design, technology transfer, manufacture, production, assembly, distribution, or service of advanced transportation technologies or alternative source components.

(B) “Project,” for purposes of Section 26011.8 and Section 6010.8 of the Revenue and Taxation Code, means tangible personal property that is utilized in the state for the design, manufacture, production, or assembly of advanced manufacturing, advanced transportation technologies, or alternative source products, components, or systems.

(9) “Revenue” means all rents, receipts, purchase payments, loan repayments, and all other income or receipts derived by the authority from a project, or the sale, lease, or other disposition of alternative source or advanced transportation technology facilities, or the making of loans to finance alternative source or advanced transportation technology facilities, and any income or revenue derived from the investment of money in any fund or account of the authority.

(b) This section shall become inoperative on July 1, 2016, and, as of January 1, 2017, is repealed, unless a later enacted statute, that becomes operative on or before January 1, 2017, deletes or extends the dates on which it becomes inoperative and is repealed.

SEC. 2. Section 26003 of the Public Resources Code, as added by Section 6 of Chapter 677 of the Statutes of 2012, is amended to read:

26003. (a) As used in this division, unless the context otherwise requires:

(1) (A) “Advanced transportation technologies” means emerging commercially competitive transportation-related technologies identified by

the authority as capable of creating long-term, high value-added jobs for Californians while enhancing the state's commitment to energy conservation, pollution and greenhouse gas emissions reduction, and transportation efficiency.

(B) "Advanced transportation technologies" does not include those projects required to be undertaken pursuant to state or federal law or regulations, air district rules or regulations, memoranda of understanding with a governmental entity, or legally binding agreements or documents. The State Air Resources Board shall advise the authority regarding projects that are excluded pursuant to this subparagraph.

(2) (A) "Alternative sources" means devices or technologies used for a renewable electrical generation facility, as defined in paragraph (1) of subdivision (a) of Section 25741, a combined heat and power system, as defined in Section 2840.2 of the Public Utilities Code, distributed generation and energy storage technologies eligible under the self-generation incentive program pursuant to Section 379.6 of the Public Utilities Code, as determined by the Public Utilities Commission, or a facility designed for the production of renewable fuels, the efficient use of which reduce the use of fossil or nuclear fuels, and energy efficiency devices or technologies that reduce the need for new electric generation and reduce emissions of toxic and criteria pollutants and greenhouse gases.

(B) "Alternative sources" does not include a hydroelectric facility that does not meet state laws pertaining to the control, appropriation, use, and distribution of water, including, but not limited to, the obtaining of applicable licenses and permits.

(3) "Authority" means the California Alternative Energy and Advanced Transportation Financing Authority established pursuant to Section 26004, and any board, commission, department, or officer succeeding to the functions of the authority, or to which the powers conferred upon the authority by this division shall be given.

(4) "Cost" as applied to a project or portion of the project financed under this division means all or part of the cost of construction and acquisition of all lands, structures, real or personal property or an interest in the real or personal property, rights, rights-of-way, franchises, easements, and interests acquired or used for a project; the cost of demolishing or removing any buildings or structures on land so acquired, including the cost of acquiring any lands to which those buildings or structures may be moved; the cost of all machinery, equipment, and furnishings, financing charges, interest prior to, during, and for a period after, completion of construction as determined by the authority; provisions for working capital; reserves for principal and interest and for extensions, enlargements, additions, replacements, renovations, and improvements; the cost of architectural, engineering, financial, accounting, auditing and legal services, plans, specifications, estimates, administrative expenses, and other expenses necessary or incident to determining the feasibility of constructing any project or incident to the construction, acquisition, or financing of a project.

(5) “Financial assistance” includes, but is not limited to, loans, loan loss reserves, interest rate reductions, proceeds of bonds issued by the authority, bond insurance, loan guarantees or other credit enhancements or liquidity facilities, contributions of money, or a combination thereof, as determined by, and approved by the resolution of, the board.

(6) (A) “Participating party” means a person, federal or state agency, department, board, authority, or commission, state or community college, or university, or a city or county, regional agency, public district, school district, or other political entity engaged in the business or operations in the state, whether organized for profit or not for profit, that applies for financial assistance from the authority for the purpose of implementing a project.

(B) (i) For purposes of Section 6010.8 of the Revenue and Taxation Code, “participating party” means an entity specified in subparagraph (A) that seeks financial assistance pursuant to Section 26011.8.

(ii) For purposes of Section 6010.8 of the Revenue and Taxation Code, an entity located outside of the state, including an entity located overseas, is considered to be a participating party and is eligible to apply for financial assistance pursuant to Section 26011.8 if the participating party commits to, and demonstrates that, the party will be opening a manufacturing facility in the state.

(iii) It is the intent of the Legislature by adding clause (ii) to clarify existing law and ensure that an out-of-state entity or overseas entity is eligible to apply for financial assistance pursuant to Section 26011.8.

(7) (A) “Project” means a land, building, improvement to the land or building, rehabilitation, work, property, or structure, real or personal, stationary or mobile, including, but not limited to, machinery and equipment utilized in the state, whether or not in existence or under construction, that utilizes, or is designed to utilize, an alternative source, or that is utilized for the design, technology transfer, manufacture, production, assembly, distribution, or service of advanced transportation technologies or alternative source components.

(B) “Project,” for purposes of Section 26011.8 and Section 6010.8 of the Revenue and Taxation Code, means tangible personal property that is utilized in the state for the design, manufacture, production, or assembly of advanced transportation technologies or alternative source products, components, or systems.

(8) “Revenue” means all rents, receipts, purchase payments, loan repayments, and all other income or receipts derived by the authority from a project, or the sale, lease, or other disposition of alternative source or advanced transportation technology facilities, or the making of loans to finance alternative source or advanced transportation technology facilities, and any income or revenue derived from the investment of money in any fund or account of the authority.

(b) This section shall become operative on July 1, 2016.

SEC. 3. Section 26011.8 of the Public Resources Code, as amended by Section 12 of Chapter 677 of the Statutes of 2012, is amended to read:

26011.8. (a) The purpose of this section is to promote the creation of California-based manufacturing, California-based jobs, advanced manufacturing, the reduction of greenhouse gases, or reductions in air and water pollution or energy consumption. In furtherance of this purpose, the authority may approve a project for financial assistance in the form of the sales and use tax exclusion established in Section 6010.8 of the Revenue and Taxation Code.

(b) For purposes of this section, “project” means a project as defined in subparagraph (B) of paragraph (8) of subdivision (a) of Section 26003.

(c) The authority shall publish notice of the availability of project applications and deadlines for submission of project applications to the authority.

(d) The authority shall evaluate project applications based upon all of the following criteria:

(1) The extent to which the project develops manufacturing facilities, or purchases equipment for manufacturing facilities, located in California.

(2) The 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.

(3) The extent to which the project will create new, permanent jobs in California.

(4) To the extent feasible, the extent to which the project, or the product produced by the project, results in a reduction of greenhouse gases, a reduction in air or water pollution, an increase in energy efficiency, or a reduction in energy consumption, beyond what is required by federal or state law or regulation.

(5) The extent of unemployment in the area in which the project is proposed to be located.

(6) Any other factors the authority deems appropriate in accordance with this section.

(e) At a duly noticed public hearing, the authority shall approve, by resolution, project applications for financial assistance.

(f) Notwithstanding subdivision (j), and without regard to the actual date of any transaction between a participating party and the authority, any project approved by the authority by resolution for the sales and use tax exclusion pursuant to Section 6010.8 of the Revenue and Taxation Code before March 24, 2010, shall not be subject to this section.

(g) The Legislative Analyst’s Office shall report to the Joint Legislative Budget Committee on the effectiveness of this program, on or before January 1, 2019, by evaluating factors, including, but not limited to, the following:

(1) The number of jobs created by the program in California.

(2) The number of businesses that have remained in California or relocated to California as a result of this program.

(3) The amount of state and local revenue and economic activity generated by the program.

(4) The types of advanced manufacturing, as defined in paragraph (1) of subdivision (a) of Section 26003, utilized.

(5) The amount of reduction in greenhouse gases, air pollution, water pollution, or energy consumption.

(h) The exclusions granted pursuant to Section 6010.8 of the Revenue and Taxation Code for projects approved by the authority pursuant to this section shall not exceed one hundred million dollars (\$100,000,000) for each calendar year.

(i) (1) The authority shall study the efficacy and cost benefit of the sales and use tax exemption as it relates to advanced manufacturing projects. The study shall include the number of jobs created, the costs of each job, and the annual salary of each job. The study shall also consider a dynamic analysis of the economic output to the state that would occur without the sales and use tax exemption. Before January 1, 2017, the authority shall submit to the Legislature, consistent with Section 9795 of the Government Code, the result of the study.

(2) Before January 1, 2015, the authority shall, consistent with Section 9795 of the Government Code, submit to the Legislature an interim report on the efficacy of the program conducted pursuant to this section. The study shall include recommendations on program changes that would increase the program's efficacy in creating permanent and temporary jobs, and whether eligibility for the program should be extended or narrowed to other manufacturing types. The authority may work with the Legislative Analyst's Office in preparing the report and its recommendations.

(j) (1) Except as provided in paragraph (2), this section shall become inoperative on July 1, 2016, and, as of January 1, 2017, is repealed, unless a later enacted statute, that becomes operative on or before January 1, 2017, deletes or extends the dates on which it becomes inoperative and is repealed. The sale or purchase of tangible personal property of a project approved before June 30, 2016, shall continue to be excluded from sales and use taxes pursuant to Section 6010.8 of the Revenue and Taxation Code for the period of time set forth in the authority's resolution approving the project pursuant to this section.

(2) Notwithstanding paragraph (1), the authority's obligation to submit to the Legislature a report pursuant to paragraph (2) of subdivision (i) shall remain operative until the submission of the report.

SEC. 4. Section 26011.8 of the Public Resources Code, as added by Section 13 of Chapter 677 of the Statutes of 2012, is amended to read:

26011.8. (a) The purpose of this section is to promote the creation of California-based manufacturing, California-based jobs, the reduction of greenhouse gases, or reductions in air and water pollution or energy consumption. In furtherance of this purpose, the authority may approve a project for financial assistance in the form of the sales and use tax exclusion established in Section 6010.8 of the Revenue and Taxation Code.

(b) For purposes of this section, "project" means a project as defined in subparagraph (B) of paragraph (7) of subdivision (a) of Section 26003.

(c) The authority shall publish notice of the availability of project applications and deadlines for submission of project applications to the authority.

(d) The authority shall evaluate project applications based upon a net benefits test that includes all of the following criteria:

(1) The extent to which the project develops manufacturing facilities, or purchases equipment for manufacturing facilities, located in California.

(2) The 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.

(3) The extent to which the project will create new, permanent jobs in California.

(4) To the extent feasible, the extent to which the project, or the product produced by the project, results in a reduction of greenhouse gases, a reduction in air or water pollution, an increase in energy efficiency, or a reduction in energy consumption, beyond what is required by federal or state law or regulation.

(5) The extent of unemployment in the area in which the project is proposed to be located.

(6) Any other factors the authority deems appropriate in accordance with this section.

(e) At a duly noticed public hearing, the authority shall approve, by resolution, project applications for financial assistance.

(f) Notwithstanding subdivision (j), and without regard to the actual date of any transaction between a participating party and the authority, any project as defined in paragraph (7) of subdivision (a) of Section 26003 approved by the authority by resolution for the sales and use tax exclusion pursuant to Section 6010.8 of the Revenue and Taxation Code before March 24, 2010, shall not be subject to this section.

(g) The Legislative Analyst's Office shall report to the Joint Legislative Budget Committee on the effectiveness of this program, on or before January 1, 2019, by evaluating factors, including, but not limited to, the following:

(1) The number of jobs created by the program in California.

(2) The number of businesses that have remained in California or relocated to California as a result of this program.

(3) The amount of state and local revenue and economic activity generated by the program.

(4) The amount of reduction in greenhouse gases, air pollution, water pollution, or energy consumption.

(h) The exclusions granted pursuant to Section 6010.8 of the Revenue and Taxation Code for projects approved by the authority pursuant to this section shall not exceed one hundred million dollars (\$100,000,000) for each calendar year.

(i) The authority shall make every effort to expedite the operation of this section, and shall adopt regulations for purposes of implementing the section as emergency regulations in accordance with Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code. For purposes of that Chapter 3.5, including Section 11349.6 of the Government Code, the adoption of the regulations shall be considered by

the Office of Administrative Law to be necessary for the immediate preservation of the public peace, health and safety, and general welfare.

(j) This section shall become operative on July 1, 2016, and shall remain in effect only until January 1, 2021, and as of that date is repealed. The sale or purchase of tangible personal property of a project approved before January 1, 2021, shall continue to be excluded from sales and use taxes pursuant to Section 6010.8 of the Revenue and Taxation Code for the period of time set forth in the authority's resolution approving the project pursuant to this section.

SEC. 5. Section 1 of Chapter 677 of the Statutes of 2012 is repealed.