

Item 0690-101-3228 is added to Section 2.00 of the Budget Act of 2017, to read:

0690-101-3228—For local assistance, Office of Emergency Services, payable from the Greenhouse Gas Reduction Fund.....25,000,000

Schedule:

1. 0385-Special Programs and Grant Management.....25,000,000

Provisions:

1. The funds appropriated in this item shall be used for local assistance grants to fire departments within Very High Fire Hazard Severity Zones, to support activities directly related to the reduction of greenhouse gas emissions caused by uncontrolled wildfires and regional response and readiness, including, but not limited to, pre-deployment of local resources or additional staffing to meet the requirements for state resources called up for disaster response based upon the predicted scale of the emergency event under the mutual aid system.
2. The funds appropriated in this item shall be available for encumbrance or expenditure until June 30, 2019.

Item 0860-001-3063 of Section 2.00 of the Budget Act of 2017 is repealed.

Item 3340-001-0318 of Section 2.00 of the Budget Act of 2017 is amended to read:

3340-001-0318—For support of California Conservation Corps, payable from the Collins-Dugan California Conservation Corps Reimbursement Account~~40,983,000~~ 45,983,000

Schedule:

(1) 2360-Training and Work Program~~40,983,000~~ 45,983,000
 (2) 9900100-Administration6,777,000
 (3) 9900200-Administration—Distributed-6,777,000

Provisions:

1. Notwithstanding Section 14316 of the Public Resources Code, the Department of Finance may make a loan from the General Fund to the Collins-Dugan California Conservation Corps Reimbursement Account in the amount of 25 percent of the reimbursements anticipated in the Collins-Dugan California Conservation Corps Reimbursement Account, not to exceed an aggregate total of \$7,300,000, to meet cashflow needs from delays in collecting reimbursements. Any loan made by the Department of Finance pursuant to this provision shall only be made if the California Conservation Corps has a valid contract or certification signed by the client agency that demonstrates that sufficient funds will be available to repay the loan. All moneys so transferred shall be repaid to the General Fund as soon as possible, but not later than one year from the date of the loan.
2. Notwithstanding Section 28.50, the Department of Finance may augment this item to reflect increases in reimbursements to the Collins-Dugan California Conservation Corps Reimbursement Account received from another officer, department, division, bureau, or other agency of the state that has requested services from the California Conservation

Corps. Any augmentation that is deemed to be necessary on a permanent basis shall be submitted for review as a part of the regular budget process.

3. Notwithstanding Section 28.00, the Department of Finance may augment this item to reflect increases in reimbursements to the Collins-Dugan California Conservation Corps Reimbursement Account received from a local government, the federal government, or nonprofit organizations requesting emergency services from the California Conservation Corps after it has notified the Legislature through a letter to the Joint Legislative Budget Committee. Any augmentation that is deemed to be necessary on a permanent basis shall be submitted for review as a part of the regular budget process.

Item 3340-001-3063 of Section 2.00 of the Budget Act of 2017 is repealed.

Item 3340-001-3228 is added to Section 2.00 of the Budget Act of 2017, to read:

3340-001-3228—For support of California Conservation Corps, payable from the Greenhouse Gas Reduction Fund.....5,195,000

Schedule:

- (1) 2360-Training and Work Program5,195,000
- (2) 9900100-Administration960,000
- (3) 9900200-Administration—Distributed-960,000

Provisions:

1. The funds appropriated in this item are available pursuant to Section 4213.05 of the Public Resources Code.
2. The funds appropriated in this item are intended to replace those originally appropriated in Item 3340-001-3063, Chapter 14 of the Statutes of 2017. Any funds encumbered pursuant to Item 3340-001-3063, Chapter 14 of the Statutes of 2017, shall be disencumbered from that item and re-encumbered to this item. Similarly, any funds expended pursuant to Item 3340-001-3063, Chapter 14 of the Statutes of 2017, shall be moved and recorded as expenditures from this item instead.

Item 3360-101-3228 is added to Section 2.00 of the Budget Act of 2017, to read:

3360-101-3228—For local assistance, State Energy Resources Conservation and Development Commission, payable from the Greenhouse Gas Reduction Fund.....66,000,000

Schedule:

- (1) 2390019-Research and Development.....60,000,000
- (2) 2390028-Renewable Energy.....6,000,000

Provisions:

1. Notwithstanding any other law, funds appropriated in Schedule (1) shall be used to provide grants, loans, or any financial incentives to food processors to implement projects that reduce greenhouse gas emissions.
2. Notwithstanding any other law, funds appropriated in Schedule (2) shall be used to support renewable energy projects in the agricultural sector.
3. The funds appropriated in this item shall be available for encumbrance or expenditure until June 30, 2019, for support or local assistance, and shall be available for liquidation until June 30, 2023. Not more than five percent of the amount appropriated in this item may be used for administrative costs.

Item 3540-001-3063 of Section 2.00 of the Budget Act of 2017 is repealed.

Item 3540-001-3228 is added to Section 2.00 of the Budget Act of 2017, to read:

3540-001-3228—For support of Department of Forestry and Fire Protection, payable from the Greenhouse Gas Reduction Fund.....200,000,000

Schedule:

(1) 2465-Fire Protection..... 200,000,000

Provisions:

- 1. The funds appropriated in this item shall be used for state and local healthy forest and fire prevention programs and projects that improve forest health and reduce greenhouse gas emissions caused by uncontrolled wildfires, including, but not limited to, vegetation management, forest overgrowth reduction, biomass energy generation, and measures to ensure future wildfires are more consistent with historic regenerative fire regime.**
- 2. Of the amount appropriated in this item, up to \$195,000,000 shall be available for the following:**
 - (a) Local assistance grants that benefit habitable structures within the state responsibility areas, including public education, that are provided by counties and other local agencies, including special districts, with state responsibility areas within their jurisdictions.**
 - (b) Grants to Fire Safe Councils, or certified local conservation corps for fire prevention projects and activities in the state responsibility areas.**
 - (c) Grants to qualified nonprofit organizations with a demonstrated ability to satisfactorily plan, implement, and complete a fire prevention project applicable to the state responsibility areas.**
 - (d) Inspections by the Department of Forestry and Fire Protection and local fire departments for compliance with defensible space requirements around habitable structures in state responsibility areas, as required by Section 4291 of the Public Resources Code, and in Very High Fire Severity Zones, as required by Chapter 6.8 of Part 1 of Division 1 of Title 5 of the Government Code (commencing with Section 51175).**
 - (e) Public education to reduce fire risk in the state responsibility areas. Fire severity and fire hazard mapping by the Department of Forestry and Fire Protection in the state responsibility areas.**
 - (f) Other fire prevention projects in the state responsibility areas, authorized by the Board of Forestry and Fire Protection.**
- 3. Notwithstanding any other law, of the amount appropriated in this item, no less than ten percent shall be granted to city, county, city and county, special district or other political subdivisions of the state providing fire protection.**
- 4. Of the amount appropriated in this item, no less than \$5,000,000 shall be made available to the California Conservation Corps for fire prevention projects and activities in the state responsibility areas.**
- 5. The funds appropriated in this item shall be available for encumbrance or expenditure until June 30, 2020, and shall be available for liquidation until June 30, 2022.**

Item 3540-002-3228 is added to Section 2.00 of the Budget Act of 2017, to read:

3540-002-3228—For support of Department of Forestry and Fire Protection, payable from the Greenhouse Gas Reduction Fund.....74,805,000

Schedule:

- (1) 2465-Fire Protection.....63,487,000
- (2) 2470-Resource Management.....10,404,000
- (3) 2475-Board of Forestry and Fire Protection.....914,000

Provisions:

1. The funds appropriated in this item are available pursuant to Section 4213.05 of the Public Resources Code.
2. The Director of Finance may adjust amounts in Schedule (1) to provide equivalent fire protection base funding changes to contract counties in accordance with Section 4130 of the Public Resources Code.
3. The funds appropriated in this item are intended to replace those originally appropriated in Item 3540-001-3063, Chapter 14 of the Statutes of 2017. Any funds encumbered pursuant to Item 3540-001-3063, Chapter 14 of the Statutes of 2017, shall be disencumbered from that item and re-encumbered to this item. Similarly, any funds expended pursuant to Item 3540-001-3063, Chapter 14 of the Statutes of 2017 shall be moved and recorded as expenditures from this item instead.

Item 3900-001-3228 of Section 2.00 of the Budget Act of 2017 is amended to read:

3900-001-3228—For support of State Air Resources Board, payable from the Greenhouse Gas Reduction Fund.....~~17,384,000~~ 35,384,000

Schedule:

- (1) 3510-Cimate Change.....17,384,000
- (2) 3530-Community Air Protection.....18,000,000

Provisions:

1. The funds appropriated in Schedule (2) shall be used for implementation of Chapter 136 of the Statutes of 2017 (AB 617) and shall be available for encumbrance or expenditure until June 30, 2019, and shall be available for liquidation until June 30, 2021.

Item 3900-001-3237 of Section 2.00 of the Budget Act of 2017 is amended to read:

3900-001-3237—For support of State Air Resources Board, payable from the Cost of Implementation Account, Air Pollution Control Fund.....~~48,247,000~~ 49,597,000

Schedule:

- (1) 3510-Climate Change.....~~48,247,000~~ 49,597,000

Provisions:

1. Of the amount appropriated in this item, up to \$1,350,000 shall be used for implementation of Chapter 135 of the Statutes of 2017 (AB 398).

Item 3900-101-0115 of Section 2.00 of the Budget Act of 2017 is amended to read:

3900-101-0115—For local assistance, State Air Resources Board, payable from the Air Pollution Control Fund.....~~68,682,000~~ 83,682,000

Schedule:

- (1) 3515-Subvention.....68,682,000
- (2) 3500-Mobile Source.....15,000,000

Provisions:

1. Notwithstanding any other law, the funds appropriated in Schedule (2) shall be used to reduce agricultural sector emissions by providing grants, rebates, and other financial incentives for agricultural harvesting equipment, heavy-duty trucks, agricultural pump engines, tractors, and other equipment used in agricultural operations.
2. The funds appropriated in Schedule (2) shall be available for encumbrance or expenditure until June 30, 2019, and shall be available for liquidation until June 30, 2021. Not more than five percent of the amount appropriated in Schedule (2) may be used for administrative costs.

Item 3900-101-3117 is added to Section 2.00 of the Budget Act of 2017, to read:

3900-101-3117—For local assistance, State Air Resources Board, payable from the Alternative and Renewable Fuel and Vehicle Technology Fund.....20,000,000

Schedule:

- (1) 3500-Mobile Source.....20,000,000

Provisions:

1. Notwithstanding any other law, the funds appropriated in this item shall be used to reduce agricultural sector emissions by providing grants, rebates, and other financial incentives for agricultural harvesting equipment, heavy-duty trucks, agricultural pump engines, tractors, and other equipment used in agricultural operations.
2. The funds appropriated in this item shall be available for encumbrance or expenditure until June 30, 2019, for support or local assistance, and shall be available for liquidation until June 30, 2021. Not more than five percent of the amount appropriated in this item may be used for administrative costs.

Item 3900-101-3119 of Section 2.00 of the Budget Act of 2017, is amended to read:

3900-101-3119—For local assistance, State Air Resources Board, payable from the Air Quality Improvement Fund.....~~28,640,000~~ 43,640,000

Schedule:

- (1) 3500-Mobile Source.....~~28,640,000~~ 43,640,000

Provisions:

1. Notwithstanding any other law, \$15,000,000 of the funds appropriated in this item shall be used to reduce agricultural sector emissions by providing grants, rebates, and other financial incentives for agricultural harvesting equipment, heavy-duty trucks, agricultural pump engines, tractors, and other equipment used in agricultural operations.

2. The funds specified in Provision 1 shall be available for encumbrance or expenditure until June 30, 2019, for support or local assistance, and shall be available for liquidation until June 30, 2021. Not more than five percent of the amount appropriated in this item may be used for administrative costs.

Item 3900-101-3228 is added to Section 2.00 of the Budget Act of 2017, to read:

3900-101-3228—For local assistance, State Air Resources Board, payable from the Greenhouse Gas Reduction Fund.....944,500,000

Schedule:

- | | |
|--|-------------|
| (1) 3500-Mobile Source..... | 85,000,000 |
| (2) 3510-Climate Change..... | 527,500,000 |
| (3) 3530-Community Air Protection..... | 332,000,000 |

Provisions:

1. Notwithstanding any other law, the funds appropriated in Schedule (1) shall be used to reduce agricultural sector emissions by providing grants, rebates, and other financial incentives for agricultural harvesting equipment, heavy-duty trucks, agricultural pump engines, tractors, and other equipment used in agricultural operations.
2. The funds appropriated in Schedule (2) shall be used as follows:
 - (a) Up to \$125,000,000 shall be used for the Zero-Emission Freight Equipment Pilot Commercial Deployment Project.
 - (b) Up to \$132,500,000 shall be used for the Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project.
 - (c) Up to \$140,000,000 shall be used for the Clean Vehicle Rebate Project.
 - (d) Up to \$125,000,000 shall be used for the Enhanced Fleet Modernization Program and Plus-Up Pilot Project, replacement of school buses, and light-duty equity pilot projects authorized pursuant to Chapter 530 of the Statutes of 2014 (SB 1275).
 - (e) Up to \$5,000,000 shall be used for black carbon woodsmoke programs.
3. The funds appropriated in Schedule (3) shall be used as follows:
 - (a) Up to \$300,000,000 shall be available for financial incentives to reduce mobile and stationary sources of criteria air pollutants or toxic air contaminants consistent with community emissions reduction programs developed pursuant to Section 44391.2 of the Health and Safety Code.
 - (b) Up to \$27,000,000 shall be available to support local air districts' implementation of Chapter 136 of the Statutes of 2017 (AB 617).
 - (c) Up to \$5,000,000 shall be used for technical assistance grants to community-based organizations pursuant to subdivision (d) of Section 44391.2 of the Health and Safety Code.
4. The funds appropriated in this item shall be available for encumbrance or expenditure until June 30, 2019, for support or local assistance, and shall be available for liquidation until June 30, 2021. Not more than five percent of the funds allocated to each project specified in Provisions 1, 2, and 3(a) shall be used for administrative costs.

Item 3970-101-3228 is added to Section 2.00 of the Budget Act of 2017, to read:

3970-101-3228—For local assistance, Department of Resources Recycling and Recovery, payable from the Greenhouse Gas Reduction Fund.....40,000,000

Schedule:

(1) 3700-Waste Reduction and Management.....40,000,000

Provisions:

1. The funds appropriated in this item shall be used for Waste Diversion and Greenhouse Gas Reduction Financial Assistance programs as specified in Section 42999 of the Public Resources Code.
2. The funds appropriated in this item shall be available for encumbrance or expenditure until June 30, 2019, for support and local assistance, and shall be available for liquidation until June 30, 2021. Not more than five percent of the amount appropriated in this item may be used for administrative costs.

Item 4700-101-3228 is added to Section 2.00 of the Budget Act of 2017, to read:

4700-101-3228—For local assistance Department of Community Services and Development, payable from the Greenhouse Gas Reduction Fund.....20,000,000

Schedule:

(1) 4180-Energy Programs.....20,000,000

Provisions:

1. The funds appropriated in this item shall be used for low-income weatherization programs.
2. The funds appropriated in this item shall be available for encumbrance or expenditure until June 20, 2019, for support or local assistance, and shall be available for liquidation until June 30, 2021. Not more than five percent of the amount appropriated in this item may be used for administrative costs.

Item 6440-001-3228 is added to Section 2.00 of the Budget Act of 2017, to read:

6440-001-3228—For support of University of California, payable from the Greenhouse Gas Reduction Fund.....2,500,000

Schedule:

(1) 5440-Support.....2,500,000

Provisions:

1. The funds appropriated in this item shall be available for research and development of new energy technologies and storage.
2. The Regents of the University of California may spend the funds appropriated in this item only after the uses have been determined through a competitive process that is transparent, inclusive, and fair

Item 8570-101-3228 is added to Section 2.00 of the Budget Act of 2017, to read:

8570-101-3228—For local assistance, Department of Food and Agriculture, payable from the Greenhouse Gas Reduction Fund.....104,000,000

Schedule:

(1) 6590-General Agricultural Activities.....104,000,000

Provisions:

1. Of the amount appropriated in this item, \$99,000,000 shall be used for dairy digester research and development, and alternative manure management.
2. Of the amount appropriated in this item, \$5,000,000 shall be used for the Healthy Soils Program, including no-till and compost applications.
3. The funds appropriated in this item shall be available for encumbrance or expenditure until June 30, 2019, for support or local assistance, and shall be available for liquidation until June 30, 2021. Not more than five percent of the amount appropriated in this item may be used for administrative costs.

Section 15.14 is added to the Budget Act of 2017, to read:

Section 15.14. (a) Notwithstanding any other law, the Director of Finance may proportionally reduce appropriations from the Greenhouse Gas Reduction Fund in the Budget Act of 2017, upon a determination that available proceeds from the cap and trade auctions are not sufficient to fully support the appropriations from the Greenhouse Gas Reduction Fund.

(b) The following state operations appropriations shall not be subject to the restrictions specified in subdivision (a): 3340-001-3228, 3540-002-3228, 3900-001-3228

LEGISLATIVE COUNSEL'S DIGEST

Bill No.
as introduced, _____.
General Subject: Public resources.

(1) Existing law requires the University of California, from certain funds appropriated in the Budget Act of 2016, to make one-time expenditures totaling \$2,200,000 per campus for activities to expand or accelerate economic development in the state. Existing law provides that a campus of the University of California may not expend the funds unless an external advisory body designated by the Regents of the University of California certifies that the chancellor of the campus has demonstrated that the funds will only be used for the cost of activities that support the expansion or acceleration of economic development in the state, including providing certain benefits to entrepreneurs.

This bill, subject to that certification by the advisory body, would additionally authorize the use of these funds for activities associated with research and development of new energy technologies and storage.

(2) Existing sales and use tax laws impose taxes on retailers measured by the gross receipts from the sale of tangible personal property sold at retail in this state, or on the storage, use, or other consumption in this state of tangible personal property purchased from a retailer for storage, use, or other consumption in this state, and provide various exemptions from those taxes.

Existing law partially exempts from those taxes, on and after July 1, 2014, and before July 1, 2030, the gross receipts from the sale of, and the storage, use, or other consumption of, qualified tangible personal property purchased by a qualified person for purchases not exceeding \$200,000,000, for use primarily in manufacturing, processing, refining, fabricating, or recycling of tangible personal property, as specified; qualified tangible personal property purchased for use by a qualified person to be used primarily in research and development, as provided; qualified tangible personal property purchased for use by a qualified person to be used primarily to maintain, repair, measure, or test any qualified tangible personal property, as provided; and qualified tangible personal property purchased by a contractor purchasing that property for use in the performance of a construction contract for the qualified person, that will use that property as an integral part of specified processes. Existing law, on and after January 1, 2018, and before July 1, 2030, additionally exempts from those taxes the sale of, and the storage, use, or other consumption of, qualified tangible personal property purchased for use by a qualified person to be used primarily in the generation or production, as defined, or storage and distribution, as defined, of electric power.

Existing law, on and after January 1, 2018, and before July 1, 2030, expands the definition of a qualified person to include, among others, a person primarily engaged in the business of electric power generation or electric power distribution and further expands that definition by not excluding from the definition of a qualified person, specified persons conducting an agricultural business activity.



Existing law requires the department to cancel any outstanding and unpaid deficiency determination and any related penalties and interest and prohibits the department from issuing any deficiency determination or notice of determination, with respect to unpaid sales and use tax on qualified property with a useful life, as defined, that was purchased or leased on or after July 1, 2014, and before January 1, 2018. Existing law also requires any amounts paid by a qualified person pursuant to such determination to be refunded by the department to the qualified person.

Under existing law, no later than each March 1 next following a calendar year for which these provisions provide an exemption, the California Department of Tax and Fee Administration (department) is required to provide to the Joint Legislative Budget Committee and the Department of Finance a report of the total dollar amount of exemptions taken for the immediately preceding calendar year. Existing law requires an amount equal to the total dollar amount, notwithstanding the definition of "useful life," as reported by the department, with the concurrence of the Department of Finance, to be transferred from the Greenhouse Gas Reduction Fund to the General Fund.

This bill would instead require the department to provide the report by May 1. The bill, no later than each May 1 next following calendar years 2018 through 2030, inclusive, would instead require the department to provide to the Joint Legislative Budget Committee and to the Department of Finance a report of the revenue value, as defined, of the total dollar amount of exemptions taken for sales to, or purchases by, specified qualified persons, including a person primarily engaged in the business of electric power generation or electric power distribution and a qualified person conducting an agricultural business activity for the immediately preceding calendar year, as provided. The bill, for the purposes of these provisions, would define the revenue value of an amount of exemptions as the estimated revenue loss to the General Fund from the allowance of those exemptions.

This bill, from calendar years 2018 through 2030, inclusive, would require an amount that equals the revenue value of the total dollar amount of exemptions, as reported by the department pursuant to the aforementioned report relating to specified qualified persons, with the concurrence of the Department of Finance, to be transferred from the Greenhouse Gas Reduction Fund to the General Fund, no later than each June 30 next following that calendar year, as described. The bill would require the total dollar amount to be transferred to the General Fund to exclude any amounts attributable to any cancellations the department made of any outstanding and unpaid deficiency determinations and any refunds, as specified.

This bill, no later than each May 1 next following calendar years 2022 through 2030, inclusive, would require the department to provide to the Joint Legislative Budget Committee and to the Department of Finance a report of the revenue value of the total dollar amount of exemptions taken under these provisions, for all qualified persons for the immediately preceding calendar year, as provided.

This bill, for calendar years 2022 through 2030, inclusive, would provide for an additional amount to be transferred from the Greenhouse Gas Reduction Fund to the General Fund, not to exceed the difference between the revenue value of the total dollar amount of exemptions reported for all qualified persons and the revenue value of the dollar amount of exemptions reported for the above-mentioned specified qualified persons, as specified. The bill would provide for the amount transferred to be determined



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by the Director of Finance, unless a different amount is otherwise specified in the Budget Act for that fiscal year.

(3) The Administrative Procedure Act governs the procedure for the adoption, amendment, or repeal of regulations by state agencies and for the review of those regulatory actions by the Office of Administrative Law. Existing law exempts from the provisions of the Administrative Procedure Act the development of guidelines governing eligibility for, and the award and administration of, funds from the Greenhouse Gas Reduction Fund appropriated by the Budget Act of 2016 by agencies that receive an appropriation from the fund. Existing law requires those agencies to conduct public outreach at meetings and workshops before adopting those guidelines.

This bill would make the above exemption and requirement applicable to guidelines governing eligibility for, and the award and administration of, funds from the Greenhouse Gas Reduction Fund appropriated by the Budget Act of 2017.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.



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An act to amend Section 92965 of the Education Code, and to amend Section 6377.1 of the Revenue and Taxation Code, relating to public resources.



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THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 92965 of the Education Code is amended to read:

92965. (a) With funds appropriated in Item 6440-001-0001 of Section 2.00 of the Budget Act of 2016, the University of California shall make one-time expenditures for activities to expand or accelerate economic development in the state state, including activities associated with the research and development of new energy technologies and storage, in ways that are aligned with other efforts to support innovation and entrepreneurship.

(b) From the funds specified in subdivision (a), two million two hundred thousand dollars (\$2,200,000) shall be allocated to each of the following campuses of the University of California:

- (1) Berkeley.
- (2) Davis.
- (3) Irvine.
- (4) Los Angeles.
- (5) Merced.
- (6) Riverside.
- (7) San Diego.
- (8) San Francisco.
- (9) Santa Barbara.
- (10) Santa Cruz.

(c) The Regents of the University of California shall designate an external advisory body, whose members have demonstrated expertise in innovation and entrepreneurship, to encourage the effective use of the funds specified in subdivision (b) through planning and oversight.

(d) A campus shall not expend the funds specified in subdivision (b) until the external advisory body has certified that the chancellor of the campus has demonstrated all of the following:

(1) That the funds will be used only for the costs of activities that support the expansion or acceleration of economic development in the state, including activities associated with research and development of new energy technologies and storage, such as any of the following benefits for entrepreneurs:

- (A) Business training.
- (B) Mentorship.
- (C) Proof-of-concept grants.
- (D) Work space.
- (E) Laboratory space.
- (F) Equipment.
- (G) Research and development.

(2) That the funds will be spent only after the uses and beneficiaries have been determined through a transparent, inclusive, and fair process.

(3) That private funds will also be used for these activities, with the intent that the amount of private funds will be at least equal to the amount specified in subdivision (b).



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(4) That any financial benefit that results from the use of these funds, including any revenues generated with these funds be accounted for and also used on these activities.

(5) That a credible plan has been developed to support any ongoing activities beyond the one-time expenditures of these funds.

(e) The external advisory body shall notify the Director of Finance and the Legislature, no fewer than 10 days before providing certification pursuant to subdivision (d) of its intent to do so.

(f) (1) On or before November 30, 2017, the Regents of the University of California shall report to the Director of Finance and the Legislature on the specific activities at each campus supported by these funds.

(2) The report shall be submitted to the Legislature pursuant to Section 9795 of the Government Code.

SEC. 2. Section 6377.1 of the Revenue and Taxation Code is amended to read:

6377.1. (a) Except as provided in subdivision (e), on or after July 1, 2014, and before July 1, 2030, there are exempted from the taxes imposed by this part the gross receipts from the sale of, and the storage, use, or other consumption in this state of, any of the following:

(1) Qualified tangible personal property purchased for use by a qualified person to be used primarily in any stage of the manufacturing, processing, refining, fabricating, or recycling of tangible personal property, beginning at the point any raw materials are received by the qualified person and introduced into the process and ending at the point at which the manufacturing, processing, refining, fabricating, or recycling has altered tangible personal property to its completed form, including packaging, if required.

(2) Qualified tangible personal property purchased for use by a qualified person to be used primarily in research and development.

(3) Qualified tangible personal property purchased for use by a qualified person to be used primarily to maintain, repair, measure, or test any qualified tangible personal property described in paragraph (1) or (2).

(4) Qualified tangible personal property purchased for use by a contractor purchasing that property for use in the performance of a construction contract for the qualified person, that will use that property as an integral part of the manufacturing, processing, refining, fabricating, or recycling process, the generation or production, or storage and distribution, of electric power, or as a research or storage facility for use in connection with those processes.

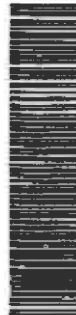
(5) Qualified tangible personal property purchased for use by a qualified person to be used primarily in the generation or production, or storage and distribution, of electric power.

(b) For purposes of this section:

(1) "Department" means the California Department of Tax and Fee Administration.

(2) "Fabricating" means to make, build, create, produce, or assemble components or tangible personal property to work in a new or different manner.

(3) "Generation or production" means the activity of making, producing, creating, or converting electric power from sources other than a conventional power source, as defined in Section 2805 of the Public Utilities Code.



(4) "Manufacturing" means the activity of converting or conditioning tangible personal property by changing the form, composition, quality, or character of the property for ultimate sale at retail or use in the manufacturing of a product to be ultimately sold at retail. Manufacturing includes any improvements to tangible personal property that result in a greater service life or greater functionality than that of the original property.

(5) "Primarily" means 50 percent or more of the time.

(6) "Process" means the period beginning at the point at which any raw materials are received by the qualified person and introduced into the manufacturing, processing, refining, fabricating, or recycling activity of the qualified person and ending at the point at which the manufacturing, processing, refining, fabricating, or recycling activity of the qualified person has altered tangible personal property to its completed form, including packaging, if required. Raw materials shall be considered to have been introduced into the process when the raw materials are stored on the same premises where the qualified person's manufacturing, processing, refining, fabricating, or recycling activity is conducted. Raw materials that are stored on premises other than where the qualified person's manufacturing, processing, refining, fabricating, or recycling activity is conducted shall not be considered to have been introduced into the manufacturing, processing, refining, fabricating, or recycling process.

(7) "Processing" means the physical application of the materials and labor necessary to modify or change the characteristics of tangible personal property.

(8) (A) "Qualified person" means:

(i) Prior to January 1, 2018, a person that is primarily engaged in those lines of business described in Codes 3111 to 3399, inclusive, 541711, or 541712 of the North American Industry Classification System (NAICS) published by the United States Office of Management and Budget (OMB), 2012 edition.

(ii) On and after January 1, 2018, and before July 1, 2030, a person that is primarily engaged in those lines of business described in Codes 3111 to 3399, inclusive, ~~22111~~ 221111 to 221118, inclusive, 221122, 541711, or 541712 of the North American Industry Classification System (NAICS) published by the United States Office of Management and Budget (OMB), 2012 edition.

(B) Notwithstanding subparagraph (A), "qualified person" shall not include either of the following:

(i) Prior to January 1, 2018, an apportioning trade or business that is required to apportion its business income pursuant to subdivision (b) of Section 25128 or a trade or business conducted wholly within this state that would be required to apportion its business income pursuant to subdivision (b) of Section 25128 if it were subject to apportionment pursuant to Section 25101.

(ii) On and after January 1, 2018, and before July 1, 2030, an apportioning trade or business, other than a trade or business described in paragraph (1) of subdivision (c) of Section 25128, that is required to apportion its business income pursuant to subdivision (b) of Section 25128, or a trade or business, other than a trade or business described in paragraph (1) of subdivision (c) of Section 25128, conducted wholly within this state that would be required to apportion its business income pursuant to subdivision (b) of Section 25128 if it were subject to apportionment pursuant to Section 25101.



(9) (A) "Qualified tangible personal property" includes, but is not limited to, all of the following:

(i) Machinery and equipment, including component parts and contrivances such as belts, shafts, moving parts, and operating structures.

(ii) Equipment or devices used or required to operate, control, regulate, or maintain the machinery, including, but not limited to, computers, data-processing equipment, and computer software, together with all repair and replacement parts with a useful life of one or more years therefor, whether purchased separately or in conjunction with a complete machine and regardless of whether the machine or component parts are assembled by the qualified person or another party.

(iii) Tangible personal property used in pollution control that meets standards established by this state or any local or regional governmental agency within this state.

(iv) (I) Prior to January 1, 2018, 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. Buildings used solely for warehousing purposes after completion of those processes are not included.

(II) On and after January 1, 2018, and before July 1, 2030, 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, or the generation or production or storage and distribution of electric power. Buildings used solely for warehousing purposes after completion of those processes are not included.

(B) "Qualified tangible personal property" shall not include any of the following:

(i) Consumables with a useful life of less than one year.

(ii) 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.

(iii) Tangible personal property used primarily in administration, general management, or marketing.

(10) "Refining" means the process of converting a natural resource to an intermediate or finished product.

(11) "Research and development" means those activities that are described in Section 174 of the Internal Revenue Code or in any regulations thereunder.

(12) "Storage and distribution" means storing or distributing through the electric grid, but not transmission of, electric power to consumers regardless of source.

(13) (A) "Useful life" for tangible personal property that is treated as having a useful life of one or more years for state income or franchise tax purposes shall be deemed to have a useful life of one or more years for purposes of this section. "Useful life" for tangible personal property that is treated as having a useful life of less than one year for state income or franchise tax purposes shall be deemed to have a useful life of less than one year for purposes of this section. For the purposes of this paragraph, tangible personal property that is deducted under Sections 17201 and 17255 or Section 24356 shall be deemed to have a useful life of one or more years.

(B) The ~~board~~ department shall cancel any outstanding and unpaid deficiency determination and any related penalties and interest and shall not issue any deficiency determination or notice of determination, with respect to unpaid sales and use tax on



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qualified property with a useful life, as defined in subparagraph (A), that was purchased or leased on or after July 1, 2014, and before January 1, 2018. Any amounts paid by a qualified person pursuant to such determination shall be refunded by the department to the qualified person. Any cancellation or refund described in this subparagraph is contingent upon a qualified person making a request to the department, in a manner prescribed by the department, by June 30, 2018.

(c) An exemption shall not be allowed under this section unless the purchaser furnishes the retailer with an exemption certificate, completed in accordance with any instructions or regulations as the department may prescribe, and the retailer retains the exemption certificate in its records and furnishes it to the department upon request.

(d) (1) Notwithstanding the Bradley-Burns Uniform Local Sales and Use Tax Law (Part 1.5 (commencing with Section 7200)) and the Transactions and Use Tax Law (Part 1.6 (commencing with Section 7251)), the exemption established by this section shall not apply with respect to any tax levied by a county, city, or district pursuant to, or in accordance with, either of those laws.

(2) Notwithstanding subdivision (a), the exemption established by this section shall not apply with respect to any tax levied pursuant to Section 6051.2, 6051.5, 6201.2, or 6201.5, pursuant to Section 35 of Article XIII of the California Constitution, or any tax levied pursuant to Section 6051 or 6201 that is deposited in the State Treasury to the credit of the Local Revenue Fund 2011 pursuant to Section 6051.15 or 6201.15.

(e) (1) The exemption provided by this section shall not apply to either of the following:

(A) Any tangible personal property purchased during any calendar year that exceeds two hundred million dollars (\$200,000,000) of purchases of qualified tangible personal property for which an exemption is claimed by a qualified person under this section. For purposes of this subparagraph, in the case of a qualified person that is required to be included in a combined report under Section 25101 or authorized to be included in a combined report under Section 25101.15, the aggregate of all purchases of qualified personal property for which an exemption is claimed pursuant to this section by all persons that are required or authorized to be included in a combined report shall not exceed two hundred million dollars (\$200,000,000) in any calendar year.

(B) The sale or storage, use, or other consumption of property that, within one year from the date of purchase, is removed from California, converted from an exempt use under subdivision (a) to some other use not qualifying for exemption, or used in a manner not qualifying for exemption.

(2) If a purchaser certifies in writing to the seller that the tangible personal property purchased without payment of the tax will be used in a manner entitling the seller to regard the gross receipts from the sale as exempt from the sales tax, and the purchase exceeds the two-hundred-million-dollar (\$200,000,000) limitation described in subparagraph (A) of paragraph (1), or within one year from the date of purchase, the purchaser removes that property from California, converts that property for use in a manner not qualifying for the exemption, or uses that property in a manner not qualifying for the exemption, the purchaser shall be liable for payment of sales tax, with applicable interest, as if the purchaser were a retailer making a retail sale of the tangible personal property at the time the tangible personal property is so purchased,



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removed, converted, or used, and the cost of the tangible personal property to the purchaser shall be deemed the gross receipts from that retail sale.

(f) This section shall apply to leases of qualified tangible personal property classified as "continuing sales" and "continuing purchases" in accordance with Sections 6006.1 and 6010.1. The exemption established by this section shall apply to the rentals payable pursuant to the lease, provided the lessee is a qualified person and the tangible personal property is used in an activity described in subdivision (a).

(g) (1) Upon the effective date of this section, the Department of Finance shall estimate the total dollar amount of exemptions that will be taken for each calendar year, or any portion thereof, for which this section provides an exemption.

(2) (A) No later than each ~~March 1~~ May 1 next following a calendar year for which this section provides an exemption, the department shall provide to the Joint Legislative Budget Committee and to the Department of Finance a report of the total dollar amount of exemptions taken under this section for the immediately preceding calendar year. The report shall compare the total dollar amount of exemptions taken under this section for that calendar year with the department's estimate for that same calendar year. If that total dollar amount taken is less than the estimate for that calendar year, the report shall identify options for increasing exemptions taken so as to meet estimated amounts.

~~(B) No later than June 30 of that same calendar year, that total dollar amount, notwithstanding subparagraph (A) of paragraph (13) of subdivision (b), as reported by the department, with the concurrence of the Department of Finance, shall be transferred from the Greenhouse Gas Reduction Fund to the General Fund.~~

(B) (i) No later than each May 1 next following calendar years 2018 through 2030, inclusive, the department shall provide to the Joint Legislative Budget Committee and to the Department of Finance a report of the revenue value of the total dollar amount of exemptions taken pursuant to subdivision (a) for sales to, or purchases by, qualified persons described in clause (ii) for the immediately preceding calendar year.

(ii) The report required under this subparagraph shall only include the revenue value of the total dollar amount of exemptions allowed to the following:

(I) A qualified person that is primarily engaged in those lines of business described in Codes 221111 to 221118, inclusive, and 221122 of the North American Industry Classification System (NAICS) published by the United States Office of Management and Budget (OMB), 2012 edition.

(II) A qualified person that is both of the following:

(ia) A person that is primarily engaged in those lines of business described in Codes 3111 to 3399, inclusive, 541711, and 541712 of the North American Industry Classification System (NAICS) published by the United States Office of Management and Budget (OMB), 2012 edition.

(ib) A person that is an apportioning trade or business as described in paragraph (1) of subdivision (c) of Section 25128, that is required to apportion its business income pursuant to subdivision (b) of Section 25128, or a trade or business as described in paragraph (1) of subdivision (c) of Section 25128, conducted wholly within this state that would be required to apportion its business income pursuant to subdivision (b) of Section 25128 if it were subject to apportionment pursuant to Section 25101.

(C) No later than each May 1 next following calendar years 2022 through 2030, inclusive, the department shall provide to the Joint Legislative Budget Committee and



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to the Department of Finance a report of the revenue value of the total dollar amount of exemptions taken under this section for the immediately preceding calendar year, and for calendar year 2022, the period shall cover July 1 to December 31, 2022.

(3) (A) An amount that equals the revenue value of the total dollar amount of exemptions, as reported by the department pursuant to subparagraph (B) of paragraph (2), with the concurrence of the Department of Finance, shall be transferred from the Greenhouse Gas Reduction Fund to the General Fund, no later than each June 30 next following the calendar year described in subparagraph (B) of paragraph (2). Any amount attributable to any cancellations the department made of any outstanding and unpaid deficiency determinations and any refunds under subparagraph (B) of paragraph (13) of subdivision (b) shall be excluded from the transfer of the amount described in subparagraph (B). The transfers to the General Fund shall be accrued to the fiscal year in which the revenue loss occurred.

(B) (i) For calendar years 2022 through 2030, inclusive, an amount not to exceed the difference between the revenue value of the total dollar amount of exemptions as reported by the department pursuant to subparagraph (C) of paragraph (2), and the revenue value of the total dollar amount of exemptions as reported by the department pursuant to subparagraph (B) of paragraph (2), may be transferred from the Greenhouse Gas Reduction Fund to the General Fund, no later than each July 31 following that calendar year described in subparagraph (C) of paragraph (2). The transfers to the General Fund shall be accrued proportionally to the fiscal year in which the revenue loss occurred.

(ii) The amount transferred under this subparagraph for each fiscal year shall be as determined by the Director of Finance, unless a different amount is otherwise specified in the Budget Act for that fiscal year.

(4) For purposes of this subdivision, the "revenue value" of an amount of exemptions shall mean the estimated revenue loss to the General Fund from the allowance of those exemptions.

(h) This section is repealed on January 1, 2031.

SEC. 3. (a) An agency receiving moneys appropriated from the Greenhouse Gas Reduction Fund pursuant to the Budget Act of 2017 shall conduct public outreach at meetings and workshops offering all interested parties an opportunity to comment prior to adopting any guidelines governing eligibility for, and the award and administration of, the funding.

(b) The Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code) shall not apply to guidelines developed pursuant to subdivision (a) for the purposes of allocating moneys appropriated from the Greenhouse Gas Reduction Fund pursuant to the Budget Act of 2017.

