

CA Treasurer's State Incentive Program for Manufacturers Invest Millions

Everybody has a unique story for getting into this field. Why did you get involved in economic development?

I knew that I wanted to get into public service early on and was very interested in equity issues and the gaps between the *haves* and *have nots*. My passion for economic and community development grew in my first job after college when I worked for Phil Angelides and was able to experience first-hand how the state stood at the nexus of public policy and economic investment.



In your economic development work experience, can you think of a specific economic development project or program that you worked on that stood out as making an impact? Can you tell me a little bit about it and when it started?

I'm really proud of the tax incentive program we've developed for certain manufacturers in California – green manufacturers, advanced manufacturers, and recyclers. It was authorized by the legislature in 2010, and provides \$100 million in sales tax exclusion on manufacturing equipment each year for projects that provide a net benefit to the state. The program was recently extended by the legislature, predominantly due to the broad stakeholder support of the program as an effective economic development tool.

We developed a simple, straightforward program that requires some information from applicants on their business plans and projections, assesses the projects' anticipated fiscal and environmental benefits, and provides companies with timely outcomes – while saving manufacturers 7.25% -- 10.50% on equipment and machinery purchases, incentivizing investment in our regional economies and higher-wage employment opportunities.

- Over the program's lifetime, over **220 projects** have been approved to help spur **investment in over \$9.7 billion in manufacturing and recycling equipment** (estimated \$825 million in STE).
- Projects positively impact and span across **rural and urban regions, in 33 counties**.
 - **Over 51% are located in high unemployment counties**
- Projects are anticipated to support **over 54,000 jobs**
- **Helps small businesses** - designed to help new nascent technologies and grow California manufacturing and recycling in a race to the top.
 - **Over 50% of awards are micro** -- under \$1 MM
 - **84% of awards are small** -- under \$5 MM
- Helps private investment - and local public agencies - lower the cost on equipment investment in regional economies, keeping more capital in businesses' pockets to invest in more

equipment or other business needs – and still collecting sales taxes on their commodities when they are sold.

- Anticipated to result in \$1 billion in fiscal benefits and \$68 million in environmental benefits across the State.

A lot of projects/programs have ups and downs. Were there challenges you had to overcome to be successful and rewards working on this project/program?

I think one of the things that is a challenge to balance is the level of business data, reporting, and certainty that is inherently required by public entities in their allocation and oversight of taxpayer funds with incentivizing private businesses and investment that needs to be fluid and pivot with the market. I think we struck the right balance in our program design, and several of recipients have shared that it's been a great experience and a great program.



Two additional challenges come to mind:

- After California dissolved its redevelopment zones, the State put together a substitute business incentive package, which included a broad standardized state sales tax exemption (approximately 4%) for manufactures, without an application process or any fees. We thought the program at CAEATFA would become obsolete, and questioned whether it would still be meaningful to businesses. We discovered that the deeper incentive made a real difference to companies across multiple industries, and the program has actually been oversubscribed since 2015, after the partial exemption was available.
- The Program is currently limited to \$100 million in financial assistance each calendar year. And with the oversubscription, there is pressure to ensure that we are providing assistance to the “right” companies, but given the program is an incentive on the front end and was established in part to help nascent technologies grow in California, we also have to be comfortable that not all projects will move forward – and some awards won't be used. It's a challenging balance from a public policy perspective.

What advice would you give to other economic development professionals when working on a similar project/program?

Stick with it and don't be afraid to do something different, and you can't do it alone so build a great team. It's a little cheesy, but I often tell my staff that we need to be the water to the rock to make a market transformation – and the Grand Canyon is proof that we can do great things.

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