IMPERIAL COUNTY

LITHIUM INNOVATION & COMPETITIVENESS PROGRAM

LiNC

DRAFT

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Table of Contents

Definition of Terms

SB 125

SB 125 refers to Senate Bill No. 125 adopted by the California Legislature and approved by the Governor in 2022. This bill adopted numerous amendments to the California Code, including the Lithium Extraction Tax Law, codified in Revenue and Taxation Code §§ 47000 et seq (statutory references in this document are to the Revenue and Taxation Code unless otherwise specified). In particular, this tax law requires any person who extracts lithium from geothermal fluid, spodumene ore, rock, minerals, clay, or any other naturally occurring substance in this state to pay a lithium extraction excise tax upon each metric ton of extracted lithium carbonate equivalent.

Capital Investment (CAPEX)

Capital Investment (CAPEX) means eligible expenditures for the acquisition, design, engineering, construction, and installation of long-lived assets necessary to develop and operate a qualifying project, as defined by the LiNC Program.

County of Imperial

Imperial County, located in southeastern California bordering Mexico and Arizona, spans approximately 4,482 square miles in the Colorado Desert. Its economy is primarily agricultural, producing crops like alfalfa and lettuce, and benefits from cross-border trade with Mexico. With a diverse population of around 179,702 as of the 2020 census, the county faces challenges such as high unemployment and environmental issues related to the Salton Sea. Major transportation routes include Interstate 8 and State Route 111, and the region is served by Imperial County Airport and various educational institutions, including Imperial Valley College. The county seat is El Centro.

Direct Lithium Extraction (DLE)

Direct lithium extraction (DLE) from geothermal brine involves pumping hot, mineral-rich water from underground, passing it through filters or membranes to selectively extract lithium ions, and then concentrating and purifying these ions into lithium compounds like lithium carbonate or lithium hydroxide for battery production. The remaining brine is re-injected back into the Earth, making the process environmentally friendly by utilizing existing geothermal resources and reducing the need for traditional mining.

Final Investment Decision (FID)

The formal authorization by a company's governing body or authorized executive to proceed with construction of a commercial-scale project and commit the capital necessary for its development. For purposes of the LiNC Program, the County may require documentation demonstrating that FID has occurred, including Board resolutions, financing commitments, executed EPC contracts, public announcements, SEC filings, or other evidence acceptable to the County.

Lithium

Lithium is a soft, silvery-white metal that is highly reactive and the lightest solid element. It is primarily used in rechargeable lithium-ion batteries, which power a wide range of devices from smartphones to electric vehicles (EVs). In a net-zero future, lithium plays a crucial role in the transition to clean energy by enabling the widespread adoption of EVs and the storage of renewable energy from sources like solar and geothermal. Lithium batteries are essential for reducing greenhouse gas emissions by replacing fossil fuel-powered vehicles, providing reliable energy storage solutions that support the stability and efficiency of renewable energy systems by evening out variable and intermittent off-peak electricity generation.

Lithium Carbonate Equivalent
Lithium Carbonate Equivalent (LCE) is a standardized measure used in the lithium industry to quantify the amount of lithium content in various compounds and products. It converts different forms of lithium, such as lithium hydroxide or lithium chloride, into a common unit based on lithium carbonate (Li_2CO_3) to simplify comparisons and valuations. This standardization helps in assessing the total lithium content in resources, production, and market analysis, facilitating better understanding and consistency across the industry.

Lithium Valley
In 2023, a Lawrence Berkeley National Lab study conducted in partnership with the US Department of Energy found that there is 17 million+ metric tons of lithium available in the geothermal brine in the northern area of Imperial County, California. The area has since been coined “Lithium Valley”. Lithium Valley is sustainable solution to the Country’s need for a domestic supply of lithium to power batteries in the transition to an electrified, net-zero future.

Producer
Section 47002(h) defines “Producer” as any person who extracts lithium from geothermal fluid, spodumene ore, rock, minerals, clay, or any other naturally occurring substance in this state.

Lithium Valley Directly Affected Communities
Directly Affected Communities include: Bombay Beach, City of Brawley, City of Calipatria, Niland and City of Westmorland. At its discretion, the Board of Supervisors may expand this list when presented with evidence of another Imperial County community directly affected by the lithium extraction activities.

Lithium Valley Indirectly Affected Communities
Indirectly Affected Communities include: Bard, City of Calexico, Desert Shores, City of El Centro, Heber, City of Holtville, City of Imperial, Ocotillo, Palo Verde, Salton City, Salton Sea Beach, Seeley, Winterhaven, Vista Del Mar. At its discretion, the Board of Supervisors may expand this list when presented with evidence of another Imperial County community indirectly affected by the lithium extraction activities.

All Affected Communities
All Affected Communities include the communities listed in Directly Affected Communities and Indirectly Affected Communities identified above.

Executive Summary

Imperial County is home to one of the world's largest known lithium brine resources and is uniquely positioned to become a national leader in domestic critical mineral production. As the United States works to strengthen domestic critical mineral supply chains, states and countries around the world are aggressively competing to attract private investment through financial incentives, tax policies, workforce development initiatives, infrastructure investments, and other economic development programs. The communities that establish commercial lithium production first will have the greatest opportunity to anchor downstream industries, including lithium processing, chemical conversion, battery manufacturing, recycling, equipment suppliers, and other supporting businesses, creating long-term economic growth that becomes increasingly difficult for competing regions to attract once supply chains are established.

The **Lithium Innovation and Competitiveness (LiNC) Program** is a proposed economic development initiative designed to strengthen Imperial County's competitiveness by providing limited, performance-based incentives for qualifying commercial-scale lithium extraction projects. The program is intended to accelerate private investment during a critical stage of industry development, helping establish the commercial foundation necessary to attract additional investment, strengthen domestic supply chains, create high-quality jobs, and generate long-term public revenues for Imperial County.

The LiNC Program includes two complementary incentive components:

- **Construction Sales and Use Tax Reimbursement**, which reimburses a portion of the County's local 1% share of eligible sales and use tax generated by a project's taxable construction purchases.
- **SB 125 Capital Investment Reimbursement**, which reimburses a portion of eligible capital investment costs using only the County's share of Lithium Extraction Excise Tax revenues generated by that project after commercial lithium production begins.

The program also includes two incentive categories: the **Early Investment Incentive** and the **Standard Incentive**. The Early Investment Incentive recognizes that projects making investment decisions during the earliest stage of industry development face greater uncertainty while helping establish the commercial, technical, and supply chain foundation needed for long-term industry success. The Standard Incentive continues to encourage commercial lithium development after the initial foundation has been established. Although all direct lithium extraction projects within the Salton Sea Known Geothermal Resource Area continue to face unique technical and commercial challenges, including variations in reservoir conditions, brine chemistry, and well performance, differentiated incentive levels recognize the relative investment risk associated with developing a new industry while continuing to encourage long-term investment in Lithium Valley.

The LiNC Program is designed to protect taxpayers through strong fiscal safeguards. The program does not provide upfront grants or cash payments, and reimbursements are earned only after projects satisfy program requirements and generate measurable public benefits. All incentives are subject to reimbursement percentages, maximum payment caps, Board-approved reimbursement agreements, public hearings, and the transparency requirements of California Government Code Section 53083. The program cannot reimburse revenues that the County does not receive, and reimbursements under the SB 125 Capital Investment Reimbursement are funded solely from Lithium Extraction Excise Tax revenues generated by the participating project.

This document provides an overview of the proposed LiNC Program, explains how each incentive operates, summarizes the applicable legal framework, and answers frequently asked questions regarding program administration, taxpayer protections, and eligibility requirements. The objective of the LiNC Program is not to reduce taxes, but to strategically reinvest a limited portion of project-generated revenues to accelerate private investment during a critical market window, establish a competitive domestic lithium industry, and deliver long-term economic and fiscal benefits that substantially exceed the value of the incentives provided. Through this approach, Imperial County seeks to position Lithium Valley as the cornerstone of a vertically integrated domestic critical minerals supply chain while ensuring transparency, accountability, and responsible stewardship of public resources.

Overview of LiNC Program

The LiNC Program is Imperial County's proposed economic development incentive program designed to encourage commercial-scale lithium extraction while protecting long-term public revenues.

Rather than providing upfront grants or subsidies, the LiNC Program strategically reinvests a limited portion of project-generated tax revenues after a project demonstrates successful commercial development. The program is intended to improve Imperial County's competitiveness during a critical period when domestic lithium supply chains are being established and companies are making long-term investment decisions.

The LiNC Program consists of two performance-based incentive programs, each of which is available under either the Early Investment Incentive or Standard Incentive category.

Program Structure

Incentive Category	Eligible Projects	Funding Source	Purpose
Construction Sales and Use Tax Reimbursement	Qualifying commercial-scale lithium extraction, processing, and conversion projects	County's local 1% share of eligible sales and use tax **paid by the applicant** during construction	Helps offset significant upfront construction costs and encourages investment in Imperial County.
SB 125 Capital Investment Reimbursement	Qualifying commercial-scale lithium extraction projects	County's share of Lithium Excise Tax paid by the applicant after commercial production begins. Does not impact allocations to the Salton Sea, Cities, Tribes, or Lithium Community Benefit Program	Reinvests a portion of project-generated excise tax revenue toward eligible capital investment costs while preserving long-term public revenue.

Incentive Categories

The LiNC Program includes two incentive categories designed to recognize the different levels of investment uncertainty associated with developing a new commercial lithium industry. Projects that commit to investment during the earliest stage of Lithium Valley's development face greater commercial, technical, and financing uncertainty while helping establish the commercial foundation needed to attract additional private investment and downstream supply chain development.

Both incentive categories require applicants to:

- Be a qualifying commercial-scale project eligible for the requested incentive.
- Execute a Board-approved reimbursement agreement.
- Comply with all applicable Program requirements.

Eligibility for the Early Investment or Standard Investment Incentive is determined by the project's ability to meet the applicable FID, permitting, and construction milestones identified below.

Lithium Innovation and Competitiveness (LiNC) Program

	Early Investment Incentive	Standard Investment Incentive
Designed To	Encourage investment during the critical early stage of Lithium Valley's development.	Continue encouraging commercial-scale investment as the local industry matures while maintaining momentum in industry development.
Project Qualifications	Commercial-scale lithium projects that: • Achieve Final Investment Decision and approved grading permit by December 31, 2026 • Submit full construction plans to the County by March 31, 2027	Commercial-scale lithium projects that: • Achieve Final Investment Decision by December 31, 2028 • Receive building permit and start construction by December 31, 2029
Construction Sales & Use Tax Reimbursement		
Reimbursement Incentive	**Reimbursement of 0.75% of the Sales and Use Tax paid by the applicant**	**Reimbursement of 0.50% of the Sales and Use Tax paid by the applicant**
Funding Source	County's local 1% share of eligible Sales and Use Tax **paid by the applicant** during construction	County's local 1% share of eligible Sales and Use Tax **paid by the applicant** during construction
Reimbursement Schedule	• Paid quarterly over five (5) years, beginning in the first year the facility reaches commercial operation. • If commercial operations are not reached, no taxes are reimbursed	• Paid quarterly over five (5) years, beginning in the first year the facility reaches commercial operation. • If commercial operations are not reached, no taxes are reimbursed
Maximum Total Reimbursement	Up to $2million per year for 5 years Maximum total = $10 million	Up to $2million per year for 5 years Maximum total = $10 million
SB 125 Capital Investment Reimbursement		
Reimbursement Incentive	**Reimbursement of 50%** of eligible capital investment costs that the applicant has paid to the Lithium Extraction Excise Tax (SB 125)	**Reimbursement of 25%** of eligible capital investment costs that the applicant has paid to the Lithium Extraction Excise Tax (SB 125)
Funding Source	County's share of Lithium Excise Tax paid by the applicant after commercial production begins. Does not impact allocations to the Salton Sea, Cities, Tribes, or Lithium Community Benefit Program	County's share of Lithium Excise Tax paid by the applicant after commercial production begins. Does not impact allocations to the Salton Sea, Cities, Tribes, or Lithium Community Benefit Program
Reimbursement Schedule	Anticipated to be paid quarterly following the County's receipt of Lithium Extraction Excise Tax revenues from the State, after all required statutory and Board-approved allocations have been made. Payment timing is subject to the State's distribution schedule and the terms of the reimbursement agreement.	Anticipated to be paid quarterly following the County's receipt of Lithium Extraction Excise Tax revenues from the State, after all required statutory and Board-approved allocations have been made. Payment timing is subject to the State's distribution schedule and the terms of the reimbursement agreement.
Maximum Total Reimbursement	Up to $5million per year for 20 years Maximum total = $100 million	Up to $2.5million per year for 20 years Maximum total = $50 million

Program Requirements

To participate in the LiNC Program, applicants must:

- Be a qualifying commercial-scale lithium extraction, processing, or conversion project that supports the development of Lithium Valley's domestic critical minerals supply chain.
- Submit a complete LiNC Program application.
- Provide an independent Fiscal and Economic Impact Analysis.
- Demonstrate compliance with all applicable Program eligibility requirements.
- Obtain approval from the Imperial County Board of Supervisors during a public hearing.
- Execute the terms of their reimbursement agreement before receiving any incentives.

The Board of Supervisors may, in its discretion, approve reasonable extensions to applicable Program eligibility deadlines upon a finding of good cause, including unforeseen circumstances or delays beyond the reasonable control of the applicant.

LiNC Funding Sources

Construction Sales and Use Tax Reimbursement

Existing Law: Qualifying lithium projects pay the applicable 7.75% sales and use tax on taxable construction purchases. Of that amount, only the County's local 1.00% share is allocated to Imperial County for general governmental purposes. The remaining 6.75% is distributed pursuant to State law to the State of California and other local programs, including public safety, transportation, and other voter-approved purposes.

LiNC Program: The Construction Sales and Use Tax Reimbursement incentive applies to **only the County's 1.00% General Operations share** of sales and use tax generated by a qualifying project's taxable construction purchases. Depending on the applicable incentive level, the County would reimburse **0.50% to 0.75% of the taxable purchase price**, compared with the **7.75% total sales and use tax rate** paid on those purchases.

The incentive is intended to help offset significant early-stage capital investment costs, encourage private investment in Imperial County, and improve the County's competitiveness during the early development of Lithium Valley. Reimbursements are earned **only from taxes generated by the participating project** and do not reduce or impact the remaining **6.75%** distributed to the State and other local programs.

Sales and Use Tax on Construction Purchases	Allocation
State General Fund	3.9375%
Public Safety Fund – Prop 172	0.50%
Local Revenue Fund 1991 (Health and Social Services)	0.50%
Local Revenue Fund 2021 (Public Safety, Health, Behavioral Health)	1.0625%
Transportation Fund	0.25%
Imperial County Measure D	0.50%
County General Operations (Bradley-Burns)	1.0%
Total Unincorporated Imperial County Rate	7.75%

SB 125 Capital Investment Reimbursement

Senate Bill 125 established a tiered Lithium Extraction Excise Tax of $400, $600, and $800 per metric ton of lithium carbonate equivalent (LCE). The applicable rate is based on a project's cumulative lifetime lithium production. As a project reaches higher cumulative production thresholds, it moves into the next tax tier. Once cumulative production exceeds 30,000 metric tons of LCE, all subsequent lithium extraction is taxed at the highest statutory rate, subject to annual inflation adjustments.

The statute also requires these rates to be adjusted annually using the California Consumer Price Index (CPI). As a result, by the time commercial lithium production begins in Imperial County, the applicable tax rates are expected to be higher than the original statutory amounts. Because the examples in this document illustrate a typical project over an approximately 20-year operating life, during which tax rates will continue to increase with inflation, a simplified illustrative rate of $1,000 per metric ton is used throughout the examples. This assumption represents a reasonable long-term planning value that simplifies the calculations and should not be interpreted as the actual tax rate that will apply in any given year or to any specific project.

Illustrative Example: How the SB 125 Capital Investment Reimbursement Works

The following example is provided for illustration purposes only. Actual reimbursement amounts will depend on a project's lithium production, the applicable Lithium Extraction Excise Tax rate in effect at the time of production, and the terms of the Board-approved reimbursement agreement.

COUNTY OF IMPERIAL

SB 125 Capital Investment Reimbursement

County of Imperial | Industry | State of California | Local Retained Revenue

Illustrative Lithium Project Assumptions

- Project's annual lithium production: **20,000 metric tons** (LCE)
- Illustrative Lithium Extraction Excise Tax rate: **$1,000 per metric ton**

STEP 1. Company Pays SB 125 State Excise Tax

- 20,000MT extracted x $1,000 per MT =
- Annual Lithium Excise Tax owed: **$20,000,000**
- Company pays $20,000,000 to State of California

STEP 2. State Distributes SB 125 Allocations

- State of California distributes SB 125 allocations
- 20% of the tax to the California Department of Fish and Wildlife for Salton Sea restoration **= $4,000,000**
- 80% of the tax to the County of Imperial **= $16,000,000**

STEP 3. County Distributes SB 125 Allocations

The County receives the $16 million allocation then distributes according to the County's adopted Lithium Excise Tax Funding Plan

- **Directly & Indirectly Affected Communities (30%) = $4,800,000**
- **Lithium Community Benefits Program (10%) = $1,600,000**
- **County of Imperial (60%) = $9,600,000**

STEP 4. County Reinvests a Portion of its Allocation

Under the Early Investment Incentive, the SB 125 Capital Investment Reimbursement equals 50% of the County's Allocation that was paid by the participating applicant. There is no impact to other categories:

- **County Allocation Available for Reinvestment $9,600,000**
- **Early Investment Reimbursement (50%) = $4,800,000**
- **County Retained Revenue = $4,800,000**

Total Local Revenue Retained from One Year of Project Paid SB 125 Excise Tax

$15,200,000

- **Directly & Indirectly Affected Communities = $4,800,000**
- **County of Imperial = $4,800,000**
- **Lithium Community Benefits Program = $1,600,000**
- **Salton Sea Restoration = $4,000,000**

Key Takeaway
The LiNC Program is intentionally structured so that community benefits come first. SB 125 funding for the Salton Sea, directly affected communities, indirectly affected communities, and the Lithium Community Benefits Program is distributed before any reimbursement is calculated. Only the County's remaining discretionary allocation is eligible for reinvestment. This means the County, not the community, bears the financial cost of the incentive while preserving all required community benefit allocations.

Without commercial lithium production, none of the revenues illustrated in this example would be generated. The LiNC Program is intended to accelerate investment that creates new revenues for the County, the Salton Sea, and Imperial County communities while ensuring that community benefit allocations remain fully protected.

Why is the LiNC Program Needed

Imperial County is home to one of the world's largest known lithium brine resources and is uniquely positioned to become a leader in domestic critical mineral production. However, **having the resource alone does not guarantee development.** Companies investing billions of dollars in commercial lithium extraction, processing, and conversion projects evaluate opportunities around the world based on project economics, permitting certainty, infrastructure, workforce availability, market access, tax policy, and financial incentives.

Capital is mobile, and investors allocate funding to jurisdictions that offer the strongest overall investment environment. While Imperial County possesses an exceptional resource and significant competitive advantages, successful development ultimately depends on attracting private investment during a critical period when companies are making long-term decisions about where to locate commercial facilities and establish supply chains.

Today, states across the United States and countries around the world are actively competing to attract lithium investment. Many offer direct grants, tax incentives, infrastructure funding, workforce development programs, and other financial tools designed to improve project economics and reduce investment risk. Without a competitive investment environment, lithium projects and the downstream industries they attract may choose to develop elsewhere, resulting in lost jobs, reduced economic activity, and forgone public revenues for Imperial County.

The LiNC Program is designed to strengthen Imperial County's competitiveness by strategically reinvesting a limited portion of project-generated revenues to encourage commercial development during this critical window of opportunity. By accelerating investment today, the County seeks to establish the foundation for a vertically integrated domestic critical minerals supply chain that generates long-term economic growth, workforce opportunities, and sustainable public revenues for future generations.

Imperial Valley Competes in a Global Market

Region	*Financial Incentives*	*Workforce Programs*	*Infrastructure Support*	*Tax Incentives*
Arkansas	✓	✓	✓	✓
Nevada	✓	✓	✓	✓
Chile	✓	✓	✓	✓
Argentina	✓	✓	✓	✓
Australia	✓	✓	✓	✓
Imperial County	*Limited*	✓	*Limited*	*Proposed*

Key Takeaways

- Imperial Valley possesses a world-class lithium resource but currently has higher projected production costs than many competing jurisdictions.
- Companies evaluate projects globally and often invest where long-term economics are most competitive.
- Financial incentives are commonly used by competing jurisdictions to improve project feasibility and attract private capital.
- Improving competitiveness today increases the likelihood that commercial lithium production and the jobs, tax revenues, and supply chain investments it supports occurs in Imperial County.

Global Commercial Lithium Project Pipeline

As commercial lithium projects move forward around the world, downstream industries including lithium processing, battery manufacturing, recycling, equipment suppliers, and other supporting businesses are making long-term decisions about where to locate their facilities.

These industries frequently choose to locate near established sources of lithium production to reduce transportation costs, improve supply chain reliability, and create operational efficiencies. Once those investments are made, attracting them to another region becomes significantly more difficult.

Project	Country/Region	Approx. LCE Capacity (MT/yr)	Status	Expected Initial Commercial Production
Greenbushes	Australia	260,000	Operating	Operating
Salar de Atacama	Chile	180,000	Operating	Operating
Wodgina	Australia	100,000	Operating	Operating
Pilgangoora	Australia	91,000	Operating	Operating
Chaerhan Salt Lake	Qinghai, China	58,000	Operating	Operating
Arcadia	Zimbabwe	53,000	Operating / Expansion	Operating
Golmud (Zangge)	Qinghai, China	11,000	Operating	Operating
Cauchari-Olaroz	Argentina	40,000	Ramp-Up	2023–Present
Zabuye Salt Lake	Tibet, China	10,000	Ramp-Up	2024–2025
Lijiagou	Sichuan, China	45,000	Ramp-Up	2025
Mt Holland	Australia	44,000	Commissioning	2025–2026
Goulamina	Mali	67,000	Ramp-Up	2025–2026
Sal de Oro	Argentina	50,000	Ramp-Up	2026
Sandawana	Zimbabwe	80,000	Construction	2026–2027
Kamativi	Zimbabwe	50,000	Development	2026–2027
Rincon	Argentina	60,000	Development	2027–2028
Rhyolite Ridge	Nevada, USA	22,000	Construction	2028
Standard Lithium Smackover	Arkansas, USA	45,000	Development	2028–2030
Andover	Western Australia	147,000	Development	~2030
Jadar	Serbia	58,000	Development	2029–2030
Exxon Smackover	Arkansas, USA	100,000	Development	~2030
Jiezechaka Expansion	Tibet, China	44,000	Development	~2030
Standard Lithium Smackover Expansion	Arkansas, USA	45,000	Future Expansion	Early 2030s
Thacker Pass Full Buildout	Nevada, USA	160,000	Multi-Phase Expansion	Early-Mid 2030s

Source: *Imperial County analysis based on publicly available technical reports, feasibility studies, investor presentations, company announcements, U.S. Geological Survey publications, and International Energy Agency data. Project capacities, development status, and anticipated production dates are approximate and subject to change as projects advance. Project capacities, development status, and anticipated commercial production dates represent publicly available information as of August 11, 2026 and may change as projects advance through permitting, financing, engineering, and construction.*

The LiNC Program is designed to encourage early commercial development during this critical window of opportunity so Imperial County can compete for the broader domestic critical minerals supply chain.

Without Development, There Is No New Revenue

The LiNC Program is intended to accelerate private investment during a critical period when the domestic lithium industry is still taking shape. By strategically reinvesting a limited portion of project-generated revenues, Imperial County seeks to improve its competitiveness, attract commercial lithium production, and generate substantially greater long-term economic and fiscal benefits than would be realized if projects were developed elsewhere.

Without commercial lithium development, the revenues illustrated throughout this document, including funding for the Salton Sea, community benefit programs, and the County will never be generated.

Frequently Asked Questions

Section 1 – Understanding the Program

What is the LiNC Program?

The **Lithium Innovation and Competitiveness (LiNC) Program** is a proposed economic development initiative designed to strengthen Imperial County's competitiveness in attracting private investment to Lithium Valley. The program provides limited, performance-based incentives for qualifying commercial-scale lithium extraction projects that help establish and expand a vertically integrated domestic critical minerals industry. The LiNC Program is intended to support projects that create long-term jobs, attract additional private investment, strengthen domestic supply chains, and generate sustainable public revenue while maintaining Imperial County's position as a leader in responsible critical mineral development.

Who is Eligible to Participate in the LiNC Program?

The LiNC Program is intended for commercial-scale lithium extraction, processing, or conversion projects located within Imperial County that meet the eligibility requirements established by the County.

To be considered for participation, a project must, at a minimum:

- Be a commercial-scale lithium extraction project located within Imperial County.
- Meet the eligibility criteria and application deadlines established for the applicable LiNC Program incentive.
- Demonstrate the ability to generate long-term economic benefits for Imperial County, including investment, employment, and tax revenue.
- Enter into a reimbursement agreement approved by the Imperial County Board of Supervisors.
- Comply with all applicable federal, state, and local laws, regulations, permits, and program requirements.

Each application will be evaluated individually, and any reimbursement agreement must be approved by the Board of Supervisors following a public hearing in accordance with California Government Code Section 53083.

Why Does the LiNC Program Include an Early Investment Incentive and a Standard Incentive?

The LiNC Program is designed to encourage early private investment while maintaining long-term fiscal responsibility. It recognizes that not all investment decisions occur under the same market conditions. Companies that commit to developing commercial-scale lithium projects during the earliest stage of industry development assume greater uncertainty while helping establish the commercial, technical, regulatory, and supply chain foundation for a new domestic critical minerals industry. As the industry matures, later projects continue to play an important role but benefit from the foundation established through those earlier investments.

Early Investment Incentive

The Early Investment Incentive is intended to encourage projects that make investment decisions during a critical period in the development of Lithium Valley. These projects help:

- Demonstrate the commercial viability of Lithium Valley.
- Establish critical infrastructure and supporting supply chains.
- Build workforce capacity and technical expertise.
- Develop regulatory experience and investment confidence.
- Attract additional private investment.
- Position Imperial County to attract downstream industries before they locate in competing regions.
- Accelerate the development of a vertically integrated domestic critical minerals supply chain.

Because these projects assume greater investment uncertainty and help establish the commercial, technical, regulatory, and supply chain foundation needed for long-term industry growth, they are eligible for enhanced incentive levels.

Standard Incentive

The Standard Incentive continues to encourage commercial-scale lithium development after the initial industry foundation has been established. These projects help:

- Expand commercial lithium production.
- Support continued private investment.
- Increase processing, manufacturing, and recycling opportunities.
- Strengthen workforce development.
- Grow a larger, more resilient domestic critical minerals supply chain.

Although these projects benefit from the commercial, technical, regulatory, and supply chain foundation established through earlier investments, direct lithium extraction from geothermal brine within the Salton Sea Known Geothermal Resource Area remains technically and commercially complex. Variations in reservoir conditions, brine chemistry, well performance, site-specific geology, and direct lithium extraction technologies continue to present project-specific risks. For this reason, the LiNC Program continues to provide performance-based incentives for qualifying projects while recognizing that the overall investment uncertainty is generally lower than during the earliest stage of industry development.

What are the Incentives within the LiNC Program?

The LiNC Program includes two complementary, performance-based incentives designed to improve Imperial County's competitiveness while protecting long-term public revenues.

Construction Sales and Use Tax Reimbursement

This incentive reimburses a percentage of the County's local 1% share of eligible sales and use tax generated by a project's taxable construction purchases. It is intended to help offset the significant upfront capital costs associated with developing commercial-scale lithium extraction facilities while encouraging companies to invest in Imperial County.

SB 125 Capital Investment Reimbursement
This incentive reimburses a percentage of eligible capital investment (CAPEX) costs using a portion of the County's share of Lithium Extraction Excise Tax revenues generated by the project after commercial lithium production begins. Because reimbursements are funded from future tax revenues generated by the project itself, no reimbursement is available unless the project successfully reaches commercial production and begins paying the Lithium Extraction Excise Tax.

Early Investment Incentive and Standard Incentive
Both incentive components are available under the Early Investment Incentive and Standard Incentive categories. The Early Investment Incentive recognizes projects that make investment decisions during a critical window when Imperial County is establishing the commercial foundation for a domestic critical minerals industry. The Standard Incentive continues to encourage commercial-scale lithium development as the local industry matures. Together, these incentive categories are intended to accelerate early investment, attract downstream supply chain development, and strengthen Imperial County's long-term competitiveness while maintaining responsible stewardship of public resources.

Can a Project Qualify for Both LiNC Incentives?

Yes, provided the project independently satisfies the eligibility requirements for each incentive. The Construction Sales and Use Tax Reimbursement and the SB 125 Capital Investment Reimbursement are separate incentive programs that support different public policy objectives and are funded from different revenue sources. They do not reimburse the same tax payment or use the same source of public funds.

Do Either of the Incentive Programs Impact Funding to Schools?

No. Neither LiNC incentive reduces or redirects funding allocated to schools. The Construction Sales and Use Tax Reinvestment applies only to a portion of the County’s local 1.00% General Operations share of sales and use tax generated by the participating project. State and other statutory portions of the sales and use tax remain unaffected, including revenues dedicated to education.

Similarly, the SB 125 Capital Investment Reimbursement is funded solely from the County’s own allocation of Lithium Extraction Excise Tax revenues after all required and Board-approved distributions have been made. **No school or education funding is used to fund either LiNC incentive.**

Section 2 – Why is the County Creating the Program?

Why are Incentive Programs Being Considered for Lithium Development?

Imperial County competes with other states and countries for investment in critical mineral development. Companies evaluating where to invest often compare project costs, permitting timelines, infrastructure availability, workforce readiness, tax policies, and financial incentives before making final investment decisions. The first commercial lithium projects assume greater financial risk because they invest before supporting infrastructure, supply chains, workforce capacity, and market certainty are fully established. Early projects help demonstrate the commercial viability of the region and create conditions that encourage additional investment.

The LiNC Program is intended to provide limited, temporary incentives that improve Imperial County's competitiveness during the early stages of industry development while supporting long-term economic growth and future public revenues.

Why Is the Early Investment Incentive Available Only Through March 2027?

The Early Investment Incentive is intended to encourage investment during the earliest stage of Lithium Valley's development, when attracting the first commercial-scale lithium projects is most critical to establishing a competitive domestic critical minerals industry.

The global lithium supply chain is developing rapidly, with companies making long-term decisions about where to locate lithium processing, battery manufacturing, recycling, equipment suppliers, and other supporting industries. These investments often cluster near established sources of lithium production to improve supply chain reliability, reduce transportation costs, and create operational efficiencies. Without commercial lithium production in Imperial County, many downstream industries may choose to locate in competing regions, making it significantly more difficult to attract those investments in the future.

The December 31, 2026, and March 31, 2027, milestones for eligibility reflect the County's determination that the current period represents a critical window for securing early investment while the domestic lithium supply chain is still being established. By accelerating commercial lithium production during this period, Imperial County strengthens its ability to attract additional private investment, expand the domestic supply chain, create high-quality jobs, and generate long-term public revenues. As the local industry matures, the need for enhanced early-stage incentives is expected to diminish, while the Standard Incentive continues to support long-term industry growth.

Will the Program Incentives Change Based on the Lithium Market?

No. The LiNC Program is designed to provide predictable, performance-based incentives that help projects secure the financing needed to reach construction and commercial operation.

Commercial-scale lithium projects must obtain equity, debt, and other financing years before they begin producing lithium. Investors evaluate these projects based on their expected performance across a range of future market conditions, including both higher and lower lithium prices. If program incentives were available only when lithium prices were low, or were reduced when prices improved, they would provide less certainty during the financing process and would be less effective in helping projects move forward.

In addition, many lithium producers sell their products under long-term offtake agreements or negotiated commercial contracts, rather than at publicly reported spot market prices. As a result, published market prices may not reflect the actual price received by a specific project. Tying incentives to market prices could create administrative complexity, inconsistent outcomes among projects, and uncertainty for both the County and project developers.

For these reasons, reimbursement percentages are established in advance through a Board-approved reimbursement agreement and are not adjusted based on future fluctuations in the lithium market. Instead, the LiNC Program protects taxpayers through reimbursement caps, performance requirements, public oversight, and incentives that are earned only after projects generate measurable public benefits.

Section 3 – SB 125

What is the Lithium Extraction Excise Tax?

The Lithium Extraction Excise Tax was established by Senate Bill 125 (2022). Beginning in 2027, commercial lithium extraction facilities operating in Imperial County will pay an excise tax on lithium extracted from geothermal brine. Unlike property tax or sales tax, the Lithium Extraction Excise Tax is a production-based tax that applies only after a project begins commercially producing lithium. Revenue generated by the tax is distributed according to state law to benefit Imperial County, directly and indirectly affected communities, and Salton Sea restoration and management activities.

Does Lithium Extraction in Other States Also Pay the Lithium Extraction Excise Tax?

No. The Lithium Extraction Excise Tax established by Senate Bill 125 applies only to commercial lithium extraction from geothermal brines within Imperial County. Other states have different tax structures, permitting processes, royalty systems, and incentive programs. Many competing jurisdictions offer financial incentives, tax credits, infrastructure assistance, workforce grants, or other economic development tools to attract critical mineral investment. The LiNC Program is intended to help Imperial County remain competitive while continuing to generate long-term public benefits for local residents.

Who Determined Which Communities are Considered Directly or Indirectly Affected?

SB 125 Section 47100(a)(2)(A) defines directly and indirectly affected communities to include:

Directly Affected Communities:	Indirectly Affected Communities:	
Bombay Beach	Bard	Ocotillo
The City of Brawley	The City of Calexico	Palo Verde
The City of Calipatria	Desert Shores	Salton City
Niland	The City of El Centro	Salton Sea Beach
The City of Westmorland	Heber	Seeley
	The City of Holtville	Winterhaven
	The City of Imperial	Vista Del Mar

SB 125 did not specifically designate the Quechan Tribe or the Torres Martinez Tribe as a community affected by lithium extraction activities. However, SB 125 gives the County discretion to identify other communities affected by lithium extraction activities (i.e. Section 47100(a)(2)(A) ["including, but not limited to…"]). Both Quechan Tribe and Torres Martinez Tribe reservations are located within Imperial County, California and would be affected by lithium extraction activities. The Fort Yuma-Quechan Reservation is located in southeastern Imperial County near the communities of Winterhaven and Bard, and the Torrez-Martinez Reservation is located on the northwest shores of the Salton Sea near the communities of Salton Sea Beach and Desert Shores, and would be affected by lithium extraction similar to other Indirectly Affected Communities explicitly listed in SB 125. The County has designated the Quechan Tribe and Torres Martinez Tribe as Indirectly Affected Communities and added the Tribes to the All-Affected Communities category within the County's funding plan. Additionally, the County of Imperial has allocated tribal and cultural affairs funding within the Lithium Community Benefits Program, which is part of the overall funding plan.

How is Tax Revenue from SB 125 Allocated?

Senate Bill 125 establishes how Lithium Extraction Excise Tax revenue is distributed before any funds are available for local programs.

- **20%** of all Lithium Extraction Excise Tax revenue is allocated by State law to the Salton Sea Restoration Fund, which is administered by the State of California for Salton Sea restoration activities.
- **80%** of the tax revenue is distributed to the County of Imperial, where it must be deposited into a separate fund and administered in accordance with SB 125.

SB 125 further requires that at least 30% of the County's 80% allocation be distributed to communities that are directly and indirectly affected by lithium extraction activities.

To implement these statutory requirements, the Imperial County Board of Supervisors adopted the Lithium Excise Tax Funding Plan (Exhibit A), which establishes the County's allocation framework. Under the current Funding Plan, the County's 80% allocation is distributed as follows:

Category	**Allocation**
Directly Affected Communities	15%
All-Affected Communities	15%
Lithium Community Benefits Program	10%
County Allocation	60%

Which SB 125 Allocation Categories Are Impacted by the LiNC Program?

The LiNC Program **does not reduce or reallocate funding** designated for Directly Affected Communities, Indirectly Affected Communities, Tribal and Cultural Affairs, or the Lithium Community Benefits Program. Those allocations remain unchanged under the County's adopted SB 125 Funding Plan.

The SB 125 Capital Investment Reimbursement is funded only from the County Allocation (60%) after all required statutory and Board-adopted community allocations have been made. No reimbursement is made from the State's 20% Salton Sea Restoration allocation or from any community benefit allocation.

As a result, the LiNC Program does not reduce funding available for community programs. Instead, it allows the County to strategically reinvest a limited portion of its own discretionary share of Lithium Extraction Excise Tax revenues generated by the participating project to encourage additional private investment, strengthen Imperial County's competitiveness, and increase long-term tax revenues for the benefit of residents.

Will the LiNC Program Reduce the Allocation of Tax to the Directly Affected and Indirectly Affected Categories?

No. The LiNC Program would apply only to the portion of Lithium Extraction Excise Tax revenues allocated to Imperial County. The statutory allocations established by Senate Bill 125 for directly affected communities, indirectly affected communities, and Salton Sea restoration would remain unchanged.

Why Doesn't the County Simply Reduce the Lithium Extraction Excise Tax?

The County does not have the authority to change or waive the Lithium Extraction Excise Tax established by Senate Bill 125. The tax is established by State law. Instead, the LiNC Program reinvests a limited portion of the County's share of tax revenues after they have been paid, improving Imperial County's competitiveness while preserving the tax structure adopted by the California Legislature.

What Happens if the State of California Changes Senate Bill 125?

The SB 125 Capital Investment Reimbursement component of the LiNC Program is based on the provisions of Senate Bill 125 and the Lithium Extraction Excise Tax as they exist when the program is adopted. If the California Legislature amends SB 125 or modifies the Lithium Extraction Excise Tax, the Imperial County Board of Supervisors may evaluate whether changes to the LiNC Program are appropriate to ensure the program continues to achieve its intended purpose and remains fiscally responsible. In addition, reimbursement agreements may include provisions addressing material changes in state law that affect the funding source or administration of the program. Any modifications would be considered in accordance with the terms of the reimbursement agreement and applicable law.

Section 4 – Sales & Use Tax

How Does Construction Sales & Use Tax Reinvestment Work?

During construction, a project purchases taxable equipment and materials. A portion of the sales and use tax generated by those purchases is allocated to Imperial County. Under the LiNC Program, qualifying projects may earn reimbursement based only on a percentage of their own eligible County tax contribution, subject to program limits and performance requirements. Taxes generated by other businesses or residents are not used to calculate the reimbursement.

What is the Difference in Sales Tax and Use Tax?

California imposes a Sales and Use Tax.

- **Sales tax** generally applies when taxable goods are purchased from a California retailer.
- **Use tax** generally applies when taxable goods are purchased from an out-of-state retailer for use in California and California sales tax was not collected at the time of purchase.

Although they apply in different situations, both taxes are imposed at the same rate and generate revenue for state and local governments. Construction projects often incur both sales tax and use tax because equipment and materials may be purchased from vendors located both inside and outside California

How is the 7.75% Sales and Use Tax Allocated in Imperial County?

Under the proposed LiNC Program, only the County's own 1.00% local allocation generated by an eligible project's construction purchases would be considered for reimbursement.
No State tax revenue or other locally dedicated tax revenues would be affected.

What Regulation Allows for Sales and Use Tax to be Rebated?

California law recognizes that local governments may use economic development incentives, including agreements that reimburse a portion of locally received sales and use tax revenues, provided they comply with state transparency and reporting requirements.

Government Code Section 53083, enacted by **Assembly Bill 562 (2013)**, requires local agencies to provide public notice and conduct a public hearing before approving an economic development subsidy of $100,000 or more. Prior to approval, the agency must prepare a report identifying:

- The recipient of the subsidy
- The public purpose served by the subsidy
- The projected tax revenue generated
- The estimated number of jobs to be created

The report must also remain publicly available on the local agency's website for the duration of the subsidy.

Additionally, Assembly Bill 2854 (2023) established annual transparency and reporting requirements for local agencies that enter into Bradley-Burns Local Sales and Use Tax sharing agreements. Agencies must annually report information to the California Department of Tax and Fee Administration (CDTFA), including:

- The parties to each agreement
- The percentage of local sales and use tax subject to reimbursement
- The total amount of sales and use tax reimbursed
- The duration of the agreement

These statutes demonstrate that California law contemplates local sales and use tax sharing agreements while requiring transparency, public disclosure, and accountability.

Section 5 – LiNC Program Administration

Do All Lithium Companies Automatically Qualify to Receive LiNC Program Incentives?

No. Participation in the LiNC Program is not automatic. Eligible projects must submit an application to Imperial County demonstrating that they meet the program's eligibility requirements and provide the information necessary for the County to evaluate the request.

Consistent with California Government Code Section 53083, approval of any qualifying economic development subsidy requires:

- Submission of project information and supporting documentation.
- Preparation of a public report describing the proposed incentive, its public purpose, projected tax revenues, and estimated jobs to be created.
- Public notice and a public hearing before the Imperial County Board of Supervisors.
- Approval by the Board of Supervisors through a public action.

Participation in the LiNC Program is subject to Board approval and execution of a reimbursement agreement. Meeting the eligibility requirements does not guarantee that an incentive will be approved.

Can Processing or Conversion Facilities Participate in the LiNC Program?

Yes. Processing and conversion facilities may qualify for the Construction Sales and Use Tax Reinvestment component of the LiNC Program. The SB 125 Capital Investment Reimbursement is available only to qualifying lithium extraction projects because it is funded from Lithium Extraction Excise Tax revenues generated by those projects.

What Happens if a Project Approved in the LiNC Program Never Reaches Commercial Operation?

A project does **not** receive incentive payments simply because it is approved for participation in the LiNC Program. Reimbursements are performance-based and are only made after the project meets the requirements established in its reimbursement agreement. If a project does not reach commercial operation, it would not become eligible to receive scheduled reimbursement payments under the program. Likewise, if a project fails to meet the terms, conditions, or performance milestones established in its agreement, reimbursement payments may be reduced, delayed, or terminated in accordance with the agreement. For projects participating in the SB 125 Capital Investment Reimbursement component of the LiNC Program, reimbursement is funded solely from the County's share of Lithium Extraction Excise Tax revenues generated by that project. If a project never reaches commercial lithium production, it will not pay the Lithium Extraction Excise Tax, the County will not receive excise tax revenue from that project, and no reimbursement would be available.

Simply put, if no lithium is commercially produced, no excise tax is collected, and no reimbursement is paid. The LiNC Program is designed to ensure that public incentives are tied to successful project delivery and measurable public benefits rather than future projections alone.

How are Reimbursement Amounts Calculated?

Reimbursement amounts are calculated using objective formulas established by the LiNC Program and documented in each project's reimbursement agreement. Incentive amounts are based on actual, verified tax revenues generated by the project or eligible capital investment costs incurred by the project, not estimates.

Construction Sales and Use Tax Reimbrusement, the reimbursement is calculated as a percentage of the County's local 1% share of eligible sales and use tax generated by the applicant's taxable construction purchases. Reimbursements are subject to the applicable program percentage, maximum reimbursement cap, and payment schedule.

SB 125 Capital Investment Reimbursement component, reimbursement is calculated as a percentage of the County's share of Lithium Extraction Excise Tax revenues generated by that project and may only be used to reimburse verified eligible capital investment costs. Reimbursements are subject to the applicable program percentage, maximum reimbursement cap, and any program term limits.

All reimbursement requests are subject to County review and verification before payment.

Key Principles

- Reimbursements are based on **actual revenues received** or **verified eligible costs**, not projections.
- Payments are subject to the reimbursement percentages and maximum program caps.
- Reimbursements cannot exceed the limits established in the reimbursement agreement.
- The County verifies eligibility and supporting documentation before issuing reimbursement payments.

What Defines Eligible Capital Investment Costs that Could be Reimbursed?

Eligible capital investment costs are long-term investments made by a project to construct and place a commercial lithium extraction facility into operation. Only capital investments specifically identified as eligible in the LiNC Program and the project's reimbursement agreement may be considered for reimbursement.

Examples of eligible capital investment costs may include:

- Site preparation and permanent site improvements
- Roads, utility extensions, and other infrastructure improvements
- Water, wastewater, and stormwater infrastructure
- Electrical infrastructure, substations, and transmission interconnections
- Permanent buildings and industrial facilities
- Process equipment and permanently installed machinery
- Environmental mitigation or monitoring infrastructure required for project development
- Other Board-approved capital investments that support commercial operation

Operating expenses, routine maintenance, employee salaries, financing costs, and other non-capital expenditures are not eligible for reimbursement.

Eligible capital investment costs are limited to those categories expressly identified in the approved reimbursement agreement with a company. The Board of Supervisors may further define or modify eligible capital investment categories through the LiNC Program guidelines or an approved reimbursement agreement. All reimbursement requests must be supported by documentation and are subject to County review and verification before payment.

Can a Project Receive More in Incentives than it Contributes to the County?

No**.** The LiNC Program is designed so that reimbursements are tied directly to revenues generated by the project and are subject to reimbursement percentages, program caps, and Board-approved agreements. The County cannot reimburse tax revenues it never receives, and no incentive is paid unless the project satisfies the requirements established by the program.

How Does a Company Apply for the LiNC Program?

The LiNC Program is administered collaboratively by the County Executive Office and the Workforce and Economic Development Department. Interested applicants must contact the County Executive Office to obtain and submit a Program application and all required supporting documentation. Applications will be reviewed for compliance with Program requirements, and all incentive agreements are subject to consideration and approval by the Imperial County Board of Supervisors at a public hearing**.**

Who Approves Reimbursement Agreements?

All reimbursement agreements under the LiNC Program must be approved by the Imperial County Board of Supervisors during a public meeting.

Before any agreement may be approved, the County must comply with the public notice, reporting, and public hearing requirements established by California Government Code Section 53083. This includes preparing a public report that describes the proposed incentive, its public purpose, the anticipated economic benefits, and other information required by state law. Following the public hearing, the Board of Supervisors has the discretion to:

- Approve the reimbursement agreement.
- Approve the agreement with modifications.
- Continue the item for additional review or public input.
- Deny the request.

Approval of a reimbursement agreement is at the sole discretion of the Board of Supervisors.

Can the Board Modify or Discontinue the Program in the Future?

Yes. The LiNC Program is a County economic development program established through County policy. The Imperial County Board of Supervisors retains the authority to amend, suspend, or discontinue the program at any time through future Board action, subject to applicable laws and any contractual obligations established in previously approved reimbursement agreements. Any proposed changes to the program would be considered during a public meeting of the Board of Supervisors and would be subject to applicable public notice and transparency requirements.

Modifying or discontinuing the LiNC Program would impact future applications but would not automatically alter the terms of reimbursement agreements that have already been approved and executed by the County. Existing agreements would continue to be governed by their contractual terms and applicable law.

How Does the LiNC Program Protect Taxpayers?

The LiNC Program is designed to encourage private investment while protecting public funds through performance-based incentives, reimbursement limits, and public oversight. Incentives are earned only after projects meet specific requirements and generate measurable public benefits.

Key Taxpayer Protections Include:

- **No upfront payments.** The LiNC Program does not provide grants or cash payments before a project delivers results.

- **Performance-based reimbursements.** Incentives are tied to actual tax revenues generated or verified eligible capital investments, not estimates or projections.
- **Project-generated funding.** The SB 125 Capital Investment Reimbursement is funded only from the County's share of Lithium Extraction Excise Tax revenues generated by the participating project. If a project does not produce lithium commercially, no excise tax is collected and no reimbursement is paid.
- **Limited reimbursement.** All incentives are subject to reimbursement percentages, maximum payment caps, and Board-approved reimbursement agreements.
- **Public review and approval.** Every reimbursement agreement requires public notice, a public hearing, and approval by the Imperial County Board of Supervisors in accordance with California Government Code Section 53083.
- **Economic benefit analysis.** Each application is evaluated to ensure the anticipated public benefits, including jobs, private investment, and long-term tax revenues, justify the proposed incentive.
- **County verification.** All reimbursement requests are reviewed and verified by the County before payment is issued.
- **Transparency and accountability.** Reimbursement agreements and required reports are public records and are subject to ongoing reporting requirements established by California law.

The LiNC Program is intended to create a positive return on public investment by using limited, performance-based incentives to accelerate projects that generate substantially greater long-term economic and fiscal benefits for Imperial County than the value of the incentives provided.

Is the County Writing Checks Before Projects are Built?

No. The LiNC Program does not provide upfront grants, loans, or cash payments to projects before they are constructed. Both incentives are performance-based, meaning reimbursements are earned only after a project satisfies the requirements established in its reimbursement agreement. For the Construction Sales and Use Tax Reinvestment, reimbursements are based on the County's local 1% share of eligible sales and use tax actually generated by the project's taxable construction purchases. Payments begin only after the project reaches commercial operation and are distributed over the reimbursement period established in the agreement.

For the SB 125 Capital Investment Reimbursement, reimbursements are funded solely from the County's share of Lithium Extraction Excise Tax revenues generated by the project after commercial lithium production begins. If a project never produces lithium commercially, no excise tax is collected, and no reimbursement is paid.

The LiNC Program is designed to ensure that public incentives are earned through successful project development and measurable economic benefits, rather than provided in advance based on future expectations.

EXHIBIT A

IMPERIAL COUNTY

LITHIUM EXCISE TAX FUNDING PLAN

SEPTEMBER 10, 2024

Table of Contents

Disclosure

The County of Imperial Lithium Excise Tax Funding Plan is based solely on estimations and projections and is considered speculative. While the plan references legal sections that govern the tax amount, as of this writing (September 10, 2024), there are no producers of commercial scale lithium within the County of Imperial. Caution is advised to any person, group or government agency regarding when or if the revenues described and discussed in this Funding Plan come to fruition. This document should be read in conjunction with SB 125, and any subsequently enacted legislation. Should any inconsistencies arise between this document and any existing or subsequently adopted statutory requirements, the statutory language controls.

Definition of Terms

SB 125

SB 125 refers to Senate Bill No. 125 adopted by the California Legislature and approved by the Governor in 2022. This bill adopted numerous amendments to the California Code, including the Lithium Extraction Tax Law, codified in Revenue and Taxation Code §§ 47000 et seq (statutory references in this document are to the Revenue and Taxation Code unless otherwise specified). In particular, this tax law requires any person who extracts lithium from geothermal fluid, spodumene ore, rock, minerals, clay, or any other naturally occurring substance in this state to pay a lithium extraction excise tax upon each metric ton of extracted lithium carbonate equivalent.

County of Imperial:

Imperial County, located in southeastern California bordering Mexico and Arizona, spans approximately 4,482 square miles in the Colorado Desert. Its economy is primarily agricultural, producing crops like alfalfa and lettuce, and benefits from cross-border trade with Mexico. With a diverse population of around 179,702 as of the 2020 census, the county faces challenges such as high unemployment and environmental issues related to the Salton Sea. Major transportation routes include Interstate 8 and State Route 111, and the region is served by Imperial County Airport and various educational institutions, including Imperial Valley College. The county seat is El Centro.

Direct Lithium Extraction (DLE)

Direct lithium extraction (DLE) from geothermal brine involves pumping hot, mineral-rich water from underground, passing it through filters or membranes to selectively extract lithium ions, and then concentrating and purifying these ions into lithium compounds like lithium carbonate or lithium hydroxide for battery production. The remaining brine is re-injected back into the Earth, making the process environmentally friendly by utilizing existing geothermal resources and reducing the need for traditional mining.

Lithium

Lithium is a soft, silvery-white metal that is highly reactive and the lightest solid element. It is primarily used in rechargeable lithium-ion batteries, which power a wide range of devices from smartphones to electric vehicles (EVs). In a net-zero future, lithium plays a crucial role in the transition to clean energy by enabling the widespread adoption of EVs and the storage of renewable energy from sources like solar and geothermal. Lithium batteries are essential for reducing greenhouse gas emissions by replacing fossil fuel-powered vehicles, providing reliable energy storage solutions that support the stability and efficiency of renewable energy systems by evening out variable and intermittent off-peak electricity generation.

Lithium Carbonate Equivalent

Lithium Carbonate Equivalent (LCE) is a standardized measure used in the lithium industry to quantify the amount of lithium content in various compounds and products. It converts different forms of lithium, such as lithium hydroxide or lithium chloride, into a common unit based on lithium carbonate (Li_2CO_3) to simplify comparisons and valuations. This standardization helps in assessing the total lithium content in resources, production, and market analysis, facilitating better understanding and consistency across the industry.

Lithium Valley

In 2023, a Lawrence Berkeley National Lab study conducted in partnership with the US Department of Energy found that there is 17 million+ metric tons of lithium available in the geothermal brine in the northern area of Imperial County, California. The area has since been coined “Lithium Valley”. Lithium Valley is sustainable solution to the Country’s need for a domestic supply of lithium to power batteries in the transition to an electrified, net-zero future.

Producer
Section 47002(h) defines "Producer" as any person who extracts lithium from geothermal fluid, spodumene ore, rock, minerals, clay, or any other naturally occurring substance in this state.

Lithium Valley Directly Affected Communities
Directly Affected Communities include: Bombay Beach, City of Brawley, City of Calipatria, Niland and City of Westmorland. At its discretion, the Board of Supervisors may expand this list when presented with evidence of another Imperial County community directly affected by the lithium extraction activities.

Lithium Valley Indirectly Affected Communities
Indirectly Affected Communities include: Bard, City of Calexico, Desert Shores, City of El Centro, Heber, City of Holtville, City of Imperial, Ocotillo, Palo Verde, Salton City, Salton Sea Beach, Seeley, Winterhaven, Vista Del Mar. At its discretion, the Board of Supervisors may expand this list when presented with evidence of another Imperial County community indirectly affected by the lithium extraction activities.

All Affected Communities
All Affected Communities include the communities listed in Directly Affected Communities and Indirectly Affected Communities identified above.

Quality of Life Advisory Committee
The Imperial County Quality of Life Advisory Committee (QLAC) is a Committee which recommends projects for inclusion in the Community Benefit Program (an allocation category of the excise tax disbursements) that improve the quality of life for residents in Imperial County. Examples include green spaces, resident support services, transportation services, educational enhancements, scholarships, tribal programs, recreation, entertainment, and health and wellness improvements.

Additional statutory definitions are provided under Revenue and Taxation Code Section 47002.

SB 125 - The Lithium Extraction Excise Tax

Tax Rates – 2023 to 2024

Section 47010(a) states that beginning January 1, 2023, a Producer will be required to pay a lithium extraction excise tax for each metric ton of lithium carbonate equivalent extracted from geothermal fluid, spodumene ore, rock, minerals, clay, or any other naturally occurring substance in this state. The tax schedule is as follows:

Lifetime Cumulative Metric Tons of Lithium Carbonate Equivalent Extracted	Tax Rate per Metric Ton Extracted
20,000 or less	$400
20,001 to 30,000	$600
30,001 and over	$800

Lithium and lithium compounds can be extracted in different forms and methods, for this reason, SB 125 uses lithium carbonate equivalent (also known as LCE). All lithium and compounds extracted will be converted to LCE by multiplying the tonnage of lithium and lithium compounds by the appropriate conversion factor:

Lithium Compound	Conversion Factor
Lithium (Li)	5.323
Lithium oxide (Li_2O)	2.473
Lithium chloride (LiCl)	0.871
Lithium bromide (LiBr)	0.425
Lithium hydroxide monohydrate ($LiOH.H_2O$)	0.880
Butyllithium (C_4HgLi)	0.576
Lithium carbonate (Li_2CO_3)	1.000

A company's rate will be based on their lifetime cumulative metric tons of lithium carbonate equivalent extracted. As an example, if Company A extracted 5,000 metric tons in year 1, 20,000 metric tons in year 2, and 20,000 metric tons in year 3, they would pay the following tax:

Year	Company X – Metric Tons of LCE Extracted	Company X Lifetime Cumulative Extraction Total	Tax Rate per Metric Ton Extracted	Tax Owed
Year 1 Q4	5,000	5,000	$400	$2,000,000
Year 2 Q1	5,000	10,000	$400	$2,000,000
Year 2 Q2	10,000	20,000	$400	$4,000,000
Year 2 Q3	5,000	25,000	$600	$3,000,000
Year 2 Q4	5,000	30,000*	$600	$3,000,000
Year 3 Q1	5,000	35,000	$800	$4,000,000
Year 3 Q2	15,000	50,000	$800	$12,000,000

* Any future extraction after 30,000 metric tons (cumulatively) would be taxed at $800/metric ton.

Section 47010(b)(2) further provides that where the permit (ownership) of a mine, lithium extraction facility, or well changes, the cumulative amount of lithium carbonate extracted previously reported by the producer shall be assumed to be 30,000 metric ton.

Tax Rates – 2025 and Forward

Section 47010(c) states that, beginning January 1, 2025, "the lithium extraction tax rate shall be adjusted annually by the department [California Department of Tax and Fee Administration] consistent with increases and decreases in the cost of living, as measured by the California Consumer Price Index issued by the Department of Industrial Relations or successor agency, rounded to the nearest dollar. The first adjustment pursuant to this subdivision shall be an amount equal to the increase or decrease in the California Consumer Price Index for all urban consumers (CPI-U) from June 2023 to June 2024. Subsequent annual adjustments shall cover subsequent 12-month periods. The adjusted rate shall apply beginning the following January 1."

Allocation of Excise Tax Funds

Allocation of Funds per SB 125	Percentage
Salton Sea Restoration Fund	20%
County of Imperial	80%

20% Salton Sea Restoration Allocation (State of California or State Allocation)

Section 47100(b) requires that 20% of the lithium excise tax is allocated to the Lithium Subaccount within the Salton Sea Restoration Fund created in Fish and Game Code Section 2951, which is managed by the California Natural Resources Agency. As of August 2024, no plan has been released by the State regarding how these funds will be used. Any questions should be directed to the California Director of Fish and Wildlife or the Salton Sea Restoration Fund management team.

80% County of Imperial Distribution/Allocation (County Allocation)

Section 47100(a)(1) allocates 80% of the lithium tax to be disbursed to the County of Imperial and provides the following direction: "Each county shall establish for deposit of these revenues an account or fund separate from the other accounts and funds of the county." Section 47100(a)(2)(A) further provides that: "Of the amount disbursed to the County of Imperial pursuant to this subdivision, the county shall establish a method to distribute an amount not less than 30% of that disbursed amount to the County of Imperial communities that are most directly and indirectly impacted by the lithium extraction activities, including, but not limited to, the following communities:"

Directly Affected Communities:

Bombay Beach
The City of Brawley
The City of Calipatria
Niland
The City of Westmorland

Indirectly Affected Communities:

Bard
The City of Calexico
Desert Shores
The City of El Centro
Heber
The City of Holtville
The City of Imperial
Ocotillo
Palo Verde
Salton City
Salton Sea Beach
Seeley
Winterhaven
Vista Del Mar

Section 47100(a)(2)(B) states that the County of Imperial shall annually, on a date and in a manner determined by the California Department of Tax and Fee Administration, report to the department the communities to which funding was distributed pursuant to Section 47100(a)(2)(A).

Tribal Communities in Imperial County

SB 125 did not specifically designate the Quechan Tribe or the Torres Martinez Tribe as a community affected by lithium extraction activities. However, SB 125 gives the County discretion to identify other communities affected by lithium extraction activities (i.e. Section 47100(a)(2)(A) ["including, but not limited to…"]). Both Quechan Tribe and Torres Martinez Tribe reservations are located within Imperial County, California and would be affected by lithium extraction activities. The Fort Yuma-Quechan Reservation is located in southeastern Imperial County near the communities of Winterhaven and Bard, and the Torrez-Martinez Reservation is located on the northwest shores of the Salton Sea near the communities of Salton Sea Beach and Desert Shores, and would be affected by lithium extraction similar to other Indirectly Affected Communities explicitly listed in SB 125. The County has designated the Quechan Tribe and Torres Martinez Tribe as Indirectly Affected Communities and added the Tribes to the All-Affected Communities category within the County's funding plan. Additionally, the County of Imperial has allocated tribal and cultural affairs funding within the Lithium Community Benefits Program, which is part of the overall funding plan.

Population Data and Reporting

Population data for all cities and communities (except tribes) is sourced from: https://data.census.gov/. The County will typically use census county divisions (CCD) and census designated places (CCP) where appropriate based on census data available. Tribal population will be verified directly with the tribes with federal support data. The County has discretion to choose the most appropriate source of population data, and if additional population data from verified state or federal sources becomes available, the County will use the data to update the population statistics, to be used for the following year. No retroactive funding will be provided for the previous year.

The County of Imperial is required to annually report, on a date and in a manner determined by the Department of Tax and Fee Administration, the communities to which funding was distributed. (Section 47100(a)(2)(B).)

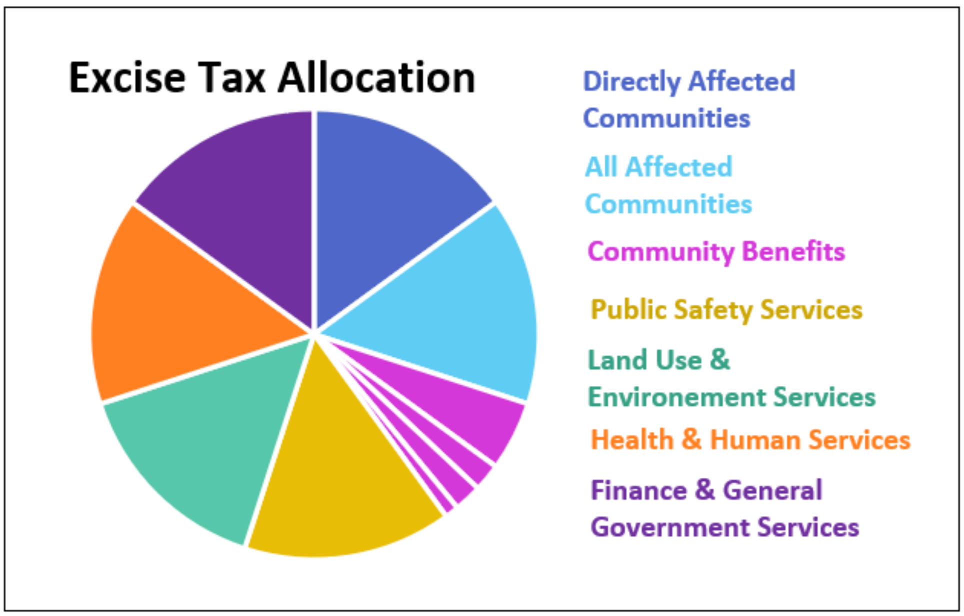
County of Imperial Lithium Excise Tax Allocation Structure

Distribution of Funds per SB 125	Percentage	Metric Tons	Tax Per Metric Ton	Revenue Example*
Salton Sea Recovery (Managed by State of CA)	20%	20,000	$400	$1,600,000
County of Imperial Distribution (Managed locally)	80%	20,000	$400	$6,400,000

* Revenue Example is displayed only as an example and is based on the 2024 established State tax rates

15/15 Funding Plan with Example

County of Imperial's Distribution	Revenue Example: $6,400,000	
Directly Affected Communities	15%	$960,000
All Affected Communities	15%	$960,000
Lithium Community Benefits Program		
Imperial County Quality of Life Projects	5%	$320,000
Community Endowment	2%	$128,000
Tribal and Cultural Affairs	2%	$128,000
Industry and Upskilling Scholarships	1%	$64,000
County of Imperial		
Public Safety Services	15%	$960,000
Land Use and Environment Services	15%	$960,000
Health and Human Services	15%	$960,000
Finance and General Government Services	15%	$960,000
Total Allocation of the County's Distribution	100%	$6,400,000



*Community allocations will be reviewed every three years and may be modified at that time. Any modifications must be made during an Imperial County Board of Supervisors public meeting with a 4/5 vote of approval. County of Imperial allocations are targeted to be 15% to each service division; however, department allocations will be determined annually by the Board of Supervisors based on overall County and Lithium Valley development needs

Directly Affected Communities

Directly Affected Communities will receive 15% of the disbursement of the County's 80% allocation under Section 47100(a)(1). Allocations to each community are determined by a combination of population and geographic distance to the lithium resource outlined in the examples below. A location priority bonus is applied to Calipatria (4,500 population bonus), Niland (2,500 population bonus), and Westmorland (2,000 population bonus) due to their geographic proximity to the lithium resource. For purposes of the allocation formula, the geographic proximity is added by adding a population "bonus" to the communities when calculating percentage of population. This creates a mechanism to account for both location and population.

Directly Affected Communities will receive an additional allocation as part of the All-Affected Communities category, which also receives 15% of the County's 80% allocation under Section 47100(a)(1). Use of funds dispersed to each community will be managed independently by each community, however, a record of all funds spent will be required to be submitted to the State of California annually and will be public record. The funds for townships and unincorporated communities will be managed by the County of Imperial through local advisory committees, who will determine their town's priorities for using the funds.

Disbursement Example Based on the County of Imperial Receiving $6,400,000

Directly Affected Communities

Location	Population	% of Pop	15% Allocation	Amount
Bombay Beach	231	0.51%	$960,000	$4,935.46
Brawley	26,416	58.79%	$960,000	$564,394.20
Calipatria	**6,515**	14.50%	$960,000	$139,197.01
Location Priority Bonus	4,500	10.02%	$960,000	$96,145.29
Niland	**756**	1.68%	$960,000	$16,152.41
Location Priority Bonus	2,500	5.56%	$960,000	$53,414.05
Westmorland	**2014**	4.48%	$960,000	$43,030.36
Location Priority Bonus	2,000	4.45%	$960,000	$42,731.24
Total Population* (w/bonus)	**44,932**	**100%**		**$960,000.00**

* Actual population is 35,932 — Note: Totals may not be exact due to rounding

All-Affected Communities

Location	Population	% of Pop	15% Allocation*	Amount
Bombay Beach	231	0.15%	$912,500	$3,735.10
Brawley	26,416	16.62%	$912,500	$143,739.27
Calipatria	6,515	4.10%	$912,500	$37,333.96
Niland	756	0.48%	$912,500	$6,542.13
Westmorland	2014	1.27%	$912,500	$13,268.32

* Further explanation of why $912,500 is used instead of $960,000 is provided on the following page

Directly Affected Community Totals	
Bombay Beach	$8,631.10
Brawley	$708,123.27
Calipatria	$272,725.96
Niland	$76,046.13
Westmorland	$98,996.32

Indirectly Affected Communities

Indirectly affected communities receive an allocation of funds within the All-Affected Communities category.

All-Affected Communities

All-Affected Communities include indirectly affected communities and directly affected communities. All-Affected Communities will receive a base allocation of $2,500 from the 15% allocation. The remaining allocation will be based on population percentage of All-Affected Communities (not including the Location Priority Bonus from the Directly-Affected Communities calculation). In the example below, there are 19 communities receiving allocations, 19 x $2,500 equals $47,500. In this example, $47,500 is subtracted from the 15% allocation of $960,000 to equal $912,500, then each community receives an additional allocation from the $912,500 based on their population percentage.

All-Affected Communities				
Location	**Population**	**% of Pop**	**15% Allocation**	**Amount***
Bombay Beach	231	0.14%	$912,500	$3,735.10
Brawley	26,416	15.48%	$912,500	$143,739.27
Calipatria	6,515	3.82%	$912,500	$37,333.96
Niland	756	0.44%	$912,500	$6,542.13
Westmorland	2014	1.18%	$912,500	$13,268.32
Calexico	38,633	22.64%	$912,500	$209,060.29
Desert Shores	1,128	0.66%	$912,500	$8,531.11
El Centro	44,322	25.97%	$912,500	$239,477.85
Heber CDP	6,896	4.04%	$912,500	$39,371.06
Holtville CCD	7,700	4.51%	$912,500	$43,669.84
Imperial	20,263	11.87%	$912,500	$110,840.83
Ocotillo CDP	215	0.13%	$912,500	$3,649.55
Palo Verde CDP	152	0.09%	$912,500	$3,312.70
Salton City CDP (includes Vista Del Mar)	5,155	3.02%	$912,500	$30,062.40
Salton Sea Beach CDP	508	0.30%	$912,500	$5,216.14
Seeley CDP	1,729	1.01%	$912,500	$11,744.50
Winterhaven-Bard CCD	2,698	1.58%	$912,500	$16,925.48
Quechan Tribe	2,475	1.45%	$912,500	$15,733.16
Torres Martinez Tribe	2,859	1.68%	$912,500	$17,786.31

*Amount includes $2,500 base allocation prior to population allocation. Totals may not be exact due to rounding.
Note: to accurately account for the population of the Winterhaven-Bard CCD region, census data is being used for Winterhaven-Bard CCD instead of Bard and Winterhaven individually. Vista Del Mar is within the Salton City CDP.

Disbursements of Funds

Disbursements will be made directly to communities on a quarterly basis following disbursement from the State to the County. Unincorporated communities and township funds will be managed by the County of Imperial and used in those respective communities. Advisory groups may recommend projects to the Board of Supervisors for approval. Recommended projects may be physical improvements or social programs within the unincorporated community other than direct distributions of funds to residents of the unincorporated community. Disbursement of the funds does not constitute approval of any specific project; projects approved to use such funds shall be subject to their own clearance under the California Environmental Quality Act (CEQA). Note: Disbursement time from the State is unknown at this time.

Lithium Community Benefits Program

The Lithium Community Benefits Program is intended to be an additional benefit to the community using a portion of the excise tax distributed from the extraction of lithium in Imperial County. All funds must be used for projects or scholarships in Imperial County. Projects selected should improve the quality of life for residents in Imperial County. No more than 25% of funds may be used in any one community each calendar year without special approval by the Imperial County Board of Supervisors. No funds may be used to fund litigation against the County. Funds allocated will be public. The Board of Supervisors must approve any disbursements under the Lithium Community Benefits Program by a majority vote. Approval of disbursements does not constitute approval of any specific project; projects approved to use such funds shall be subject to their own clearance under the California Environmental Quality Act (CEQA).

Lithium Community Benefits Program	Percent From the County of Imperial's Distribution
Imperial County Quality of Life Projects	5%
Community Endowment	2%
Tribal and Cultural Affairs	2%
Industry and Upskilling Scholarships	1%

Imperial County Quality of Life Projects

Quality of Life Projects may include things like green spaces, resident support services, childcare services, transportation services, educational enhancements, scholarships, recreation, entertainment, beautification projects, infrastructure, and health and wellness improvements.

Quality of Life Advisory Committee

The Lithium Community Benefits Program will be managed by an Imperial County Quality of Life Advisory Committee (QLAC) in coordination with the Imperial County Board of Supervisors. QLAC meetings will be open to the public, who may attend and share ideas for community improvements. The purpose of the QLAC is to recommend projects that improve the quality of life for residents in Imperial County. The QLAC may provide recommended project and allocation plans to the Imperial County Board of Supervisors for approval, which must be voted on during QLAC's public meetings. QLAC's recommendation must be supported by a majority vote of the committee (except for the "Tribal and Cultural Affairs" component recommendation specified below). QLAC will be comprised of fourteen (14) representatives from the following areas, which are based on the Department of Energy's community benefit agreement recommendations with the addition of agriculture due to its significance in Imperial County:

- **Agriculture** (1)
- **Community Based Organizations** (4)
  - Health
  - Local (Community Resident)
  - Food Insecurity
  - Youth
- **Economic Development** (1)
- **Education** (1)
- **Environmental** (1)
- **Faith-Based** (1)
- **Labor** (1)
- **Small Business/Chamber** (1)
- **Tribes located in Imperial County** (2)
- **Imperial County Supervisor as Chair** (1)

QLAC Committee Members

QLAC members must be residents of Imperial County and apply for a two-year seat in their respective category. The first QLAC committee will be staggered to have one, two, and three years, which will establish a revolving board. QLAC members will have an equal vote to determine the recommendation(s) of QLAC funds to the Imperial County Board of Supervisors (except for Tribal and Cultural Affairs allocation, discussed below). Individuals will self-nominate for their respective category using an application form provided by the County of Imperial. To represent any given category, individuals must work in that category or be a member of the category. The QLAC committee will be selected by a majority vote of the Imperial County Board of Supervisors from the applications received. If no applications are received for any given category, a second representative may be selected by the Board of Supervisors from a different category, however, no one category may have more than three representatives.

Community Endowment

The community endowment will create a framework to build financial longevity in the region that can grow over the years. From the lithium excise tax allocation, 2% will be invested in an Imperial County community endowment. Annually, up to 10% can be withdrawn from the endowment fund to support the Lithium Community Benefits Program. QLAC may provide recommendations on the expenditure of the endowment fund. Use of funds withdrawn must be used in Imperial County to advance quality of life initiatives and must have majority approval from the Imperial County Board of Supervisors. Details for the endowment structure will be shared once selected.

Tribal and Cultural Affairs

The County of Imperial has allocated funds within its allocation to support and advance tribal and cultural affairs. These funds can be used for a variety of tribal projects or services including but not limited to projects on tribal reservations within the County of Imperial, cultural preservation projects in the County, special exhibits, improvements to tribal infrastructure in the County, and tribal scholarships. Recommendations of the QLAC for allocation of tribal funds must be supported by at least one tribal representative on QLAC. QLAC tribal representatives must be a member of a Native American tribe, and priority will be given to tribes with reservations within the County of Imperial, however, representatives may also coordinate with additional tribes on project/funding ideas to be presented to the Imperial County Board of Supervisors.

Industry and Upskilling Scholarships

The extraction of lithium in Imperial County will significantly grow workforce needs across the region, especially within the lithium and geothermal industry. The County of Imperial has allocated 1% of the lithium excise tax for scholarships and upskilling within the industry to create a pathway for residents who would like to develop new skillsets to work in the industry. Additional details to be added as the program is developed.

County of Imperial Departments

The County of Imperial will target allocating 15% of the lithium excise tax to each of its four service divisions. Allocation within each division will be at the discretion of the County Board of Supervisors, based on priority of services needed within each respective division. At the discretion of the Board of Supervisors, funds may be allocated at different percentages within the County of Imperial to ensure the development needs of the County and Lithium Valley. Allocation does not constitute approval of any specific project; projects approved to use such funds shall be subject to their own clearance under the California Environmental Quality Act (CEQA). The departments within each division are listed below:

Public Safety Services

Departments: Child Support Services, District Attorney, Fire, Probation/Corrections, Public Defender, Sheriff

Examples of Services in this Division

Fire protection services in remote areas of the County as well as emergency support for cities, law enforcement in unincorporated areas, operating and maintaining county detention facilities, conduct child support collection & distribution services to meet children's needs, investigating and prosecuting criminals, help offenders reintegrate into society while following court-imposed conditions

Health and Human Services

Departments: Behavioral Health Services, Social Services, Public Administration, Public Health, Veterans, Workforce and Economic Development

Examples of Services in this Division

Workforce training support, job placement services, health services for the community, support of veterans, help older adults live independently, provide services, such as therapy and rehabilitation, to improve mental health or treat substance use disorders

Land Use & Environment Services

Departments: Agriculture Commissioners, Library, Planning, Cooperative Extension, Air Pollution Control District, Public Works, Airport

Examples of Services in this Division

Operating and maintaining countywide weights and measures, support and growth of the County airport, roads, bridges and public works improvements, connect people to information, resources, and educational services, ensures the efficient development of the County

Finance & General Government Services

Departments: Assessors, Clerk Recorders, County Counsel, Clerk of the Board, CEO/Budget Finance, Human Resources, Auditors, Treasure Tax Collector, Fleet, Information & Technical Services, Elections/ROV, Procurement

Examples of Services in this Division

Governance and leadership over programs and strategy for the County, administer election services and maintain campaign finance disclosures, assess real estate and personal property, maintain vital records and public documents

Frequently Asked Questions

Disbursement of Funds

How often will the County of Imperial disperse the tax allocation?

Disbursement time from the state is unknown at this time and could take up to a year, however, disbursements will be made directly to communities on a quarterly basis following disbursement from the state to the county.

Will the disbursement amounts change every year?

Yes, the disbursement amounts may change since they are directly correlated to the amount of lithium extracted. The tax rate per metric ton is determined by SB 125.

How often will you update population size for the allocations?

Population information will be reviewed and updated annually.

Can the allocation categories change?

SB 125 allocates 80% of the lithium extraction tax to be disbursed to the County of Imperial and 30% of the 80% will be disbursed from the County to directly and indirectly affected communities. The County of Imperial allocation categories will be reviewed by the Board of Supervisors every three years and can be modified during a public board meeting. Any modifications must be made during an Imperial County Board of Supervisors public meeting with a 4/5 vote of approval. County of Imperial allocations are targeted to be 15% to each business divisions; however, department allocations will be determined annually by the Board of Supervisors based on overall County and Lithium Valley development needs.

Cities and Townships

Why do the directly affected communities get two allocations?

Directly affected cities are geographically closer to the lithium resource and are anticipated to be more directly impacted by infrastructure and development needs.

Why is there a location priority bonus?

The location priority bonus provides a distribution mechanism for the three cities that are geographically closest to the lithium resource to receive an additional allocation because they are anticipated to be the most impacted by lithium extraction out of the directly affected communities. The bonus ensures that smaller cities receive a priority allocation based on location rather than population.

How will cities spend the disbursement they are allocated?

Each incorporated city will be responsible for determining the use of their allocation. As outlined in SB 125, this disbursement will be reported annually to the State of California and will be public record.

What if I don't agree with how my community is spending its allocation?

If you have questions or concerns regarding how your city or tribe is spending its allocation, you are encouraged to speak with your local city or tribal council. If your community is unincorporated and managed by an advisory council in conjunction with the County of Imperial, please contact the County for questions or concerns.

Will townships or unincorporated areas benefit from the tax?

Unincorporated and township funds will be managed by the County of Imperial and dispersed to designated advisory groups for use in those respective communities.

Geothermal Energy

Geothermal Energy

Geothermal energy is natural heat of the Earth, the energy, in whatever form, below the surface of the earth present in. This heat can be used to produce electricity, heat buildings, and for other purposes. It is a clean and renewable source of energy because the Earth's heat is constantly being produced and is not depleted by use.

Geothermal Power Production

Geothermal power production generates electricity by using the Earth's natural heat. Wells are drilled deep into the Earth to access hot rocks or underground reservoirs of hot water, which turn into steam. This steam rises and typically drives a turbine connected to a generator, producing electricity. Afterward, the steam is cooled back into water and re-injected into the Earth to be reheated, making the process sustainable and continuous.

Imperial County’s Good Neighbor CBA and the Lithium Community Benefits Program

Is the County’s Good Neighbor CBA part of the Lithium Community Benefits Program?

An Imperial County Good Neighbor Community Benefit Agreement (CBA) is a separate agreement between a company and the County of Imperial that highlights a company or developer’s commitments to the Imperial County community. For companies who extract lithium, the excise tax funds from that company that are anticipated to be paid (or have been paid) may be listed within the Good Neighbor CBA as an ancillary benefit the company brings to the community.

Imperial County’s Allocation

How will the County of Imperial Spend their allocation?

The County of Imperial will target allocating 15% of the lithium excise tax to each of its four service divisions. Allocation within each division will be at the discretion of the County Board of Supervisors, based on priority of services needed within each respective division. At the discretion of the Board of Supervisors, funds may be allocated at different percentages within the County of Imperial to ensure the development needs of the County and Lithium Valley.

Will the development needs of Lithium Valley and the surrounding area be prioritized with this funding?

Building the services and infrastructure needed to develop and advance Lithium Valley is a priority for the County of Imperial.

Lithium Community Benefits Program

What is the Lithium Community Benefits Program?

The Lithium Community Benefits Program is intended to be an additional benefit to the local community using a portion of the excise tax distributed from the extraction of lithium in Imperial County. This 10% allocation was not designated by SB 125. The County of Imperial opted to direct 10% of the 80% distribution the County receives to be designated for a special Lithium Community Benefits Program. The Lithium Community Benefits Program is guided by projects and initiatives that the community shared during community engagement events from 2021 – 2024 on the suggested use of lithium extraction funds.

What types of projects are considered quality of life projects?

Quality of Life Projects may include things like green spaces, resident support services, childcare services, transportation services, educational enhancements, scholarships, recreation, entertainment, beautification projects, infrastructure, and health and wellness improvements.

What communities will receive quality of life projects?

Quality of Life Projects may occur in any community or area within Imperial County.