a. Should CARB adopt the interpretation of "doing business in California" found in the Revenue and Tax Code section 23101?

CARB should adopt the definition in Revenue and Tax Code section 23101(a) of "actively engaging in any transaction for the purpose of financial or pecuniary gain or profit." A less stringent definition could incentivize businesses to reduce their California operations to avoid compliance, potentially harming the state's economic interests while undermining the environmental goals of the regulation.

b. Should federal and state government entities that generate revenue be included in the definition of a "business entity" that "does business in California?"

Yes, including government entities would provide valuable data for multiple stakeholders:

- Policymakers can better understand how different ownership structures affect emissions patterns
- Government entities can gain deeper insight into their environmental impact
- Bondholders, equity holders, and the public can access important environmental performance data about these institutions

c. Should SB 253 and 261 cover entities that are owned in part or wholly owned by a foreign government?

Yes, including foreign government-owned entities serves two critical purposes:

1. It provides transparency about the environmental impact of foreign-owned entities operating in the United States
2. It helps resolve international emissions accounting challenges by clarifying attribution across different countries

d. Should entities that sell energy or other goods and services into California through separate markets be covered?

Yes, covering entities participating in markets like the energy imbalance market or extended day-ahead market is essential. This coverage:

- Enables accurate tracking of carbon emissions from energy purchases through these markets
- Provides stakeholders with comprehensive emissions data to verify calculations

- Helps identify potential accounting discrepancies or misrepresentation in market-based calculations

Recommendations for Identifying Covered Businesses

a. For private companies, what databases or datasets should CARB rely on to identify reporting entities?

CARB should implement a multi-tiered identification system:

Self-Identification Process:

- Companies meeting the revenue threshold should self-certify annually
- Self-certification should include:
    - Simple attestation of meeting the $1 billion threshold
    - Signature from corporate officer
    - No requirement to submit financial documentation for self-certification

Documentation Requirements:

- Financial documentation should only be required when:
    - Entity claims it doesn't meet threshold after receiving enforcement notice
    - Entity seeks exemption from reporting requirements
- Acceptable documentation for proving revenue below threshold:
    - Federal tax returns
    - State tax filings
    - Audited financial statements
    - SEC filings (for public companies)
    - Certified accountant attestation
- Maintain confidentiality protocols for submitted documentation
- Allow for redaction of non-revenue information

Compliance Verification:

- Send notification letters to entities that appear to meet thresholds but haven't self-identified
- Use data sources below to identify potential non-reporting entities
- Establish investigation procedures for entities that appear to meet criteria but fail to report
- Create clear process for entities to demonstrate they don't meet thresholds

1. Revenue Estimation Methods:

For entities with $1 billion+ annual revenue threshold:

- Direct revenue data from financial databases where available
- Industry-specific proxy calculations:
    - Employee count × average industry compensation (derived from SEC filings)

    - Transaction volume × typical industry margins
    - Facility size × industry revenue per square foot
    - Complaint volume × industry revenue per complaint benchmark
    - Legal filing frequency × typical industry revenue correlations
    - Import volume × industry-standard valuations

Benchmark Validation:

- Compare proxy calculations against public company 10-K filings in same industry:
    - Revenue per employee
    - Revenue per square foot
    - Revenue per import volume
    - Operating margins
    - Cost structures
- If California Department of Revenue tax records are available:
    - Validate against reported state tax payments
    - Cross-reference with industry-standard effective tax rates
    - Compare reported in-state revenue percentages
    - Analyze trends in tax payments over time All proxy calculations should be calibrated using regression analysis against these public company benchmarks.

Primary Financial & Business Databases:

- Bloomberg
- Morningstar
- Dun & Bradstreet
- CrunchBase
- DiffBot
- LinkedIn (for subsidiary and operational verification)

Government & Regulatory Sources:

- California Secretary of State Business Search
- California Franchise Tax Board records
- Local zoning records and permit databases
- Court records of business entities involved in California legal proceedings
- Consumer complaint databases
- Industry-specific regulatory databases (e.g., CAISO, CPUC, DBO)
- Lists of regulated entities from other California agencies
- U.S. Customs and Border Protection data for California ports:
    - Import volumes and declared values
    - Shipping frequency and container counts
    - Customs broker relationships
    - Port of entry documentation

Supplementary Sources:

- SEC N-PORT filings (monthly mutual fund holdings)
- Government pension fund holdings (e.g., CalPERS)
- UCC filings and FINRA bond data
- Local business permit registrations across California municipalities
- AI-powered search tools (e.g., Perplexity, DeepSeek) for real-time verification

b. How should CARB track parent/subsidiary relationships?

CARB should implement a comprehensive tracking system:
Required Self-Reporting:

- Implement standardized ownership structure reporting templates
- Require annual submission of corporate relationship forms
- Include fields for:
    - Direct and indirect ownership percentages
    - Control relationships
    - Operational influence measures
    - Changes in ownership structure
- Mandate updates when significant changes occur

2. Verification Sources:

Primary Sources:

- SEC 10-K filings for public companies
- EPA databases (EnviroFacts, Toxic Release Inventory, EQuis)
- Existing CARB databases

Supplementary Commercial Databases:

- CrunchBase
- DiffBot
- Bloomberg
- OpenCorporates

Analysis Methods:

- Deploy network analysis tools to map and visualize corporate relationships
- Implement automated detection of ownership pattern changes
- Use machine learning algorithms to identify potential missing relationships
- Cross-reference self-reported data with third-party sources

General: Standards in Regulation

a. How do we ensure CARB's regulations address California-specific needs while staying aligned with external standards?

CARB should:

1. Conduct systematic comparisons between corporate emissions reports and facility-level data from the mandatory greenhouse gas emission reporting program
2. Host regular stakeholder workshops including:
    - Environmental organizations

- Representatives from communities most impacted by climate change
- Subject matter experts to evaluate reporting discrepancies

b. How could CARB ensure reporting under the laws minimizes duplication of effort?

CARB should:

1. Actively engage with emissions accounting software vendors
2. Provide reference implementations including:
    - Open source code examples
    - Standardized calculation spreadsheets
    - Technical documentation
3. Focus on standardizing underlying calculation methodologies to enable consistent reporting across different platforms

c. Should reporting entities be required to use consistent reporting methods year-over-year?

While consistency in reporting methods can aid trend analysis, CARB should prioritize comparability across entities. To achieve this:

1. Establish standardized baseline reporting requirements
2. Require entities using simplified reporting methods to include worst-case scenario calculations
3. Allow method changes when they improve accuracy or align with updated best practices, but require clear documentation of methodology changes and their impacts