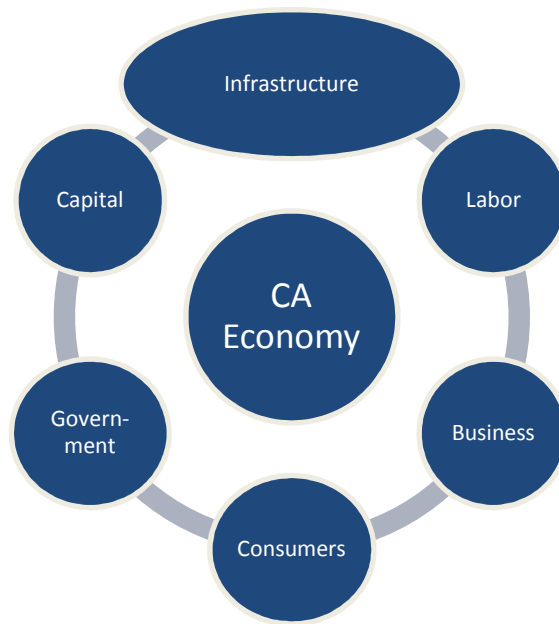


Oversight Hearing of the
Assembly Committee on
Jobs, Economic Development, and the Economy

California's Economic Recovery and the Role of the State Infrastructure and Economic Development Bank



Preliminary Summary Report

Oversight Hearing on Wednesday, March 30, 2011
California State Capitol
Sacramento, California

V. Manuel Pérez, Chair
Assembly Committee on Jobs,
Economic Development, and the Economy

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California's Economic Recovery and the Role of the State Infrastructure and Economic Development Bank

This white paper provides background on the state's economic recovery and the role of the California Infrastructure and Economic Development Bank (I-Bank). The paper was developed for the Assembly Committee on Jobs, Economic Development and the Economy's (JEDE) March 30, 2011 oversight hearing in Sacramento, California. *An agenda and summary of the hearing is provided in Appendix K.*

California workers and businesses are currently facing some of the harshest economic conditions since the Great Depression. Unemployment in California has reached over 12% and is projected to remain above double digits well into 2012. Some areas of the state, however, have already experienced unemployment rates of nearly 30%. It is estimated that over 2.25 million Californians have lost jobs during this recession and bankruptcies among small businesses have been nearly double the national average.

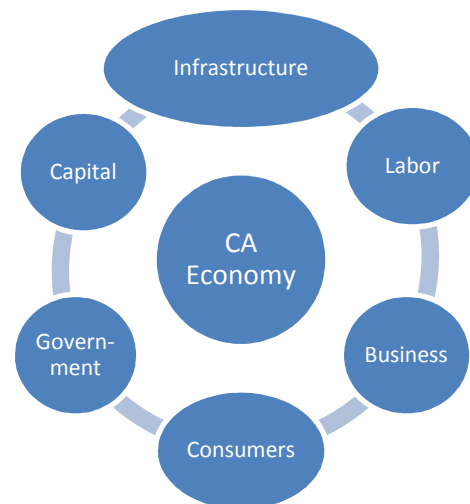
One of California's challenges in moving forward is the state's aging infrastructure and the limitations it imposes on an innovation-based economy. Historically, California has been a leader and held a comparative advantage over other states and nations in the area of innovation and technology. Today, that leadership position is being challenged not only from abroad, but also by other states who are investing in a range of infrastructure and technology supporting activities. During the course of the hearing, testimony will be provided by senior staff of the I-Bank and key stakeholder groups who build and/or rely upon the state's infrastructure development programs to support the California economy.

This was the second in a series of hearings and activities sponsored by JEDE to examine local, state and federal economic recovery efforts. Earlier in the 2011-12 legislative session, JEDE began hosting a monthly roundtable of small business stakeholders to oversee the implementation of the 2010 federal and state Small Business Jobs Acts.

Issues for Consideration

As the diagram to the right illustrates, infrastructure just one driver of the California economy, along with labor, capital, business, government and consumers.

A key step in examining the I-Bank's role in the state's economic recovery and post-recession economy is to set parameters on what is considered infrastructure. State policy makers have used the term in a variety of ways including as reference to both human (soft) and physical infrastructure (hard), i.e. workers, patents, schools, housing,



transportation systems, sewers, hospitals, power plants, and communication systems. While the I-Bank's role is limited to the development of physical infrastructure, having a world class physical infrastructure is essential in supporting human infrastructure networks including those used in finance, health care, manufacturing and education.

During the course of the hearing, Members will hear presentations on the current role of the I-Bank and, more specifically, how it could be used to address the following:

- Complement and enhance existing work by other state entities on clean energy and the state's emerging green economy.
- Catalyze private equity investments in infrastructure.
- Enhance the state's ability to leverage additional existing and proposed federal programs.

On May 3, 2011, JEDE is scheduled to hear several Assembly bills relating to the I-Bank and how its role and structure could be modified to better support the state's economic recovery and competitiveness in the post-recession economy. *Descriptions of these measures are included in Appendix D and a list of preliminary program-level recommendations is provided in Appendix K.*

Organization of this paper

The paper is organized into four sections. The first section provides background on the California economy within a global economic context including information on manufacturing and foreign trade and investment, both of which are highly dependent on the state's infrastructure. The second section provides background on the I-Bank including program descriptions and financial statements. The third section outlines California's infrastructure planning process. The fourth, and final, section includes a list of recommendations from the hearing.

In addition to these sections, the paper includes a number of appendices that may service as useful references to key elements discussed elsewhere in the paper.

- Appendix A includes a summary chart on the California Infrastructure and Economic Development Bank programs.
- Appendix B includes fast facts on the California economy including a map of the state displaying county unemployment for February 2011 (most current data).
- Appendix C includes a map of the state's nine economic regions.
- Appendix D includes a summary of infrastructure related legislation from the current and most recent legislative sessions.

- Appendix E includes a summary of state infrastructure financing programs.
- Appendix F includes a summary of state and federal grant programs available to support the development of infrastructure.
- Appendix G has a copy of an on-line infrastructure funding inquiry form.
- Appendix H provides a copy of the 2009-10 annual report from the Infrastructure Bank.
- Appendix I has a copy of the agenda and summary of the March 30, 2011, oversight hearing.
- Appendix J includes a list of preliminary program-level recommendations from the March 30, 2011, oversight hearing.

Section I – California Economy

This section provides general background on the California economy, including information on the total value of the California economy, key industries, and regional profiles. Extra detail has been provided on manufacturing and the role foreign trade and investment play in the California economy because of the importance of infrastructure to support national and global supply chains. The section concludes with a discussion on California competitiveness, including challenges created by the state's aging infrastructure.

Readers already familiar with California's economic position within the global economy may wish to move directly to Section II – Overview of the I-Bank.

Overview of the California Economy

As California slowly emerges from the recession, double digit unemployment is expected in many areas of the state throughout 2011 and 2012. While the recession has significantly impacted a number of industries, some will likely come back, while others will be replaced or significantly changed as emerging and developed nations transition to a more technology-networked and resource-constrained economy.

The following subsections describe the California economy using the most current data available. Due to lags in the reporting of some economic data, the data ranges from 2007 to 2011. *For quick reference, Appendix B includes a condensed JEDE authored fact sheet on the California economy.*

The California Economy

California is one of the largest and most diversified economies in the world with a state gross domestic product (GDP) of over \$1.9 trillion in 2009. For comparison, global GDP was \$53.3 trillion, with the U.S. (\$13.8 trillion) having the highest GDP of any individual nation, followed by Japan (\$5.0 trillion), China (\$4.9 trillion), Germany (\$3.3 trillion), France (\$2.7 trillion), the United Kingdom (\$2.2 trillion), Italy (\$2.1 trillion), Brazil (\$1.6 trillion), Spain (\$1.5 trillion), and Canada (\$1.3 trillion). Based on these figures from the International Monetary Fund, if California were an independent nation it would rank as the eighth largest economy in the world.

Historically, the state's significance in the global marketplace resulted from a variety of factors, including: its strategic west coast location that provides direct access to the growing markets in Asia; its economically diverse regional economies; its large, ethnically diverse population, representing both a ready workforce and significant consumer base; its access to a wide variety of venture and other private capital; its broad base of small- and medium-sized businesses; and its culture of innovation and entrepreneurship, particularly in the area of high technology.

As the largest state in the U.S., California is home to 12.4% of the nation's population, 10.0% of all jobs, and 13% of the nation's GDP. Historically, economic growth in California has outpaced

the growth rate of the nation as a whole. In 2007, as an example, California's GDP growth rate was 33.9% as compared to the U.S. at 30.4%. Among other economic distinctions, the state has historically led the nation in export-related jobs, small business development, and business start-ups.

Chart 1 provides detail on California's 10 largest private industry sectors based on the number of jobs. The chart also includes information on the growth of jobs within these sectors and annual wage rates in 2007, which is the most recent data available.

Chart 1 – Job Distribution (2007) and Growth by Industry Sector (2001-2007)				
	Industry Sector	% of All Jobs	Job Growth	Annual Average Wage Rate (2007)
1	Retail Trade	10.7	6.7	\$30,887
2	Manufacturing	9.2	-15.1	66,074
3	Health Care and Social Assistance	8.7	8.8	47,913
4	Accommodation and Food Services	8.3	9.0	18,311
5	Professional, Scientific and Technical Services	6.7	3.6	82,067
6	Administrative and Waste Services	6.3	9.0	34,014
7	Construction	5.7	18.1	51,621
8	Other Services	4.6	19.5	25,298
9	Wholesale Trade	4.6	8.6	62,287
10	Finance and Insurance	3.9	15.4	92,139

Source: California Economic Profile, Economic Strategy Panel, 2009

California's Trade and Manufacturing-Based Economy

As noted above, one of the drivers of the California economy is international trade. If California were a country, it would be the 11th largest exporter in the world. Exports from California accounted for more than 11.2% of total U.S. exports in goods, shipping to 220 foreign destinations in 2009.

California's land, air and sea ports of entry serve as key international commercial gateways for products entering the country. California exported \$120 billion in goods in 2009, ranking second to Texas with \$163 billion in export goods. Mexico is California's top trading partner, receiving \$17.4 billion in goods in 2009. The state's second and third largest trading partners are Canada and Japan with \$14.2 billion and \$10.9 billion, respectively. In 2009, 2.6 million people were employed by business related to trade, transportation and utilities.

Manufacturing is California's most export-intensive activity. Overall, manufacturing exports represent 9.4% of California's GDP, and computers and electronic products constitute 54.3% of the state's total manufacturing exports. Nearly one-quarter (23.7%) of all manufacturing workers in California directly depend on exports for their jobs.

From the most recently available data (2008) it is clear that retaining and creating manufacturing jobs remains an important component to the state's economy, responsible for employing 1.5 million workers and contributing \$179 billion to the state's \$1.9 trillion GDP. A robust

manufacturing sector has many benefits, including high wage jobs and its multiplier effect on other industries and businesses. As an example, the Milken Institute estimates that every job created in manufacturing supports at a minimum 2.5 jobs in other sectors. In some industry sectors, such as the electronic computer manufacturing, the multiplier effect is 16 to one.

Manufacturing in California, however, even prior to the current economic recession, faced many challenges maintaining global and domestic competitiveness, including providing a skilled workforce to support the changing needs of manufacturing and goods movement, and maintaining cost-effective productivity in the face of lower safety and wage standards in emerging foreign markets. **Chart 2** provides an illustration of the change in job growth between certain industry sectors and the relevance of those shifts to worker wage rates.



Using slightly more current data that covers 2010, the California Manufacturers and Technology Association estimates that California lost 633,000 manufacturing jobs from its peak in January 2001 to November 2010. While part of this reduction reflects the loss of high-tech jobs in 2001 and 2002 and the current recession, the industry in California as a whole, is suffering. California's loss of manufacturing jobs is not unusual among Western states; it is, however, more severe.

Chart 3 displays changes in manufacturing employment from 2001 to 2010.

Chart 3 – Loss of Manufacturing Jobs – Comparison of Western States				
(2001-2010 seasonally adjusted)				
Arizona	California	Nevada	Oregon	Texas
-30%	-34%	-12%	-29%	-21%
Source: CMTA, based on data from US Bureau of Labor Statistics and California Employment Development Department				

Manufacturing costs in California are estimated by the CMTA, based on data from the US Bureau of Labor Statistics, to be 24% higher than the national average. The quality and development process related to building and maintaining infrastructure is one component of those costs.

Further Impacts of the Recession and Prospects for the Near Future

Since the subprime home mortgage crisis in 2007, California communities have struggled. With the increasing rates of home foreclosure and tightening of the credit markets, many businesses have found their existing lines of credit evaporating. Significant drops in consumer spending have led to workforce reductions and business bankruptcies.

For much of 2009, the number of unemployed workers rose 40 to 60,000 per month, and 2010 ended with a seasonally adjusted unemployment rate of 12.5%, representing 2.25 million people officially identified as unemployed (excludes those that have stopped looking for work, among others). The number of persons unemployed 27 weeks or more increased by 299,000 (156.2%) since December of 2009.

Bankruptcies among California small business have also risen significantly. Equifax is reported to have found that bankruptcies in California rose by 81% between 2009 and 2010, as compared to 44% nationally. An April 2009 study by Bornstein and Song found that more than 1.5 million California workers are at-risk of losing their jobs, and more than 2.1 million California small business jobs may be lost in the second wave of foreclosures related to toxic mortgages. Hispanic small business owners and their employees are expected to be hardest hit, due to the especially high percentage of owners with toxic mortgages (52.6%) relative to the national average (31.9%).

While officially California has emerged from the recession, unemployment is expected to remain high throughout 2011 and 2012. Forecasters, such as those at the University of the Pacific Business Forecasting Center (UOP), have also cautioned that recoveries from recessions that include financial crises are sluggish and that many regions of the state, including such areas as the Central Valley, will likely continue to experience recession-like conditions even as other regions begin to show positive signs of recovery. The following bullets reflect information drawn from UOP's January 2011 forecast.

- California unemployment peaked at 12.6% in the first quarter of 2010, and will remain at or above 12% through the first half of 2011, and above 10% through the end of 2013.

- Payroll jobs bottomed out this summer nearly 1.36 million jobs below their 15.2 million job peak in summer 2007. California will add 255,000 jobs over the next 12 months; less than one-fifth the total lost. Jobs will not recover their pre-recession peak until 2015.
- Growth in state GDP will average a modest 2.8% over the next four years.
- Construction has lost 405,000 jobs since its peak in the winter of 2006, by far the most battered sector through the recession. This cyclical sector will begin growing again, however, adding 20,000 jobs by the end of 2011 and 96,000 additional jobs by the end of 2014.
- Manufacturing jobs have stabilized after a steep fall. Next year could bring the first annual increase in California manufacturing employment in a decade.
- Housing starts remained near the record low levels in 2010 with only multi-family starts in coastal regions showing any significant growth. This will gradually improve with multi-family starts set for a strong rebound in 2011 while the more economically important single-family sector remains depressed. By 2015, housing starts will rebound to over 150,000 units per year with multi-family making up 35-40% of new units compared to 20-25% a decade earlier.

California's Regional Economies

California is not only one of the largest economies in the world, but it is also one of the most economically diverse. The state's economy is comprised of a variety of industry clusters. While many of these clusters are linked through extended economic value chains across the state and world, in general, industry clusters operate within their own regional micro-economies.

To gain a better understanding of the state's multifaceted economy, the California Economic Strategy Panel (ESP), working in collaboration with the Employment Development Department, established the California Regional Economies Project (Regional Economies Project) in 2003. As a first step, the Regional Economies Project undertook an analysis to determine the state's primary economic regions and related trends in workforce and business development. *A map of the state's nine economic regions is provided in Appendix C.*

From this analysis, ESP prepared regional economic profiles, which have become a basic building block for many groups undertaking their own community development activities. As an example, the California Partnership for the San Joaquin Valley, a group established by the Governor's executive order in 2005, used its regional profile as a foundation for the development of its economic and community development action plan. Policymakers also use these profiles for developing and analyzing legislation, initiatives, and other community development activities.

In this subsection, basic information is provided on the state's nine regional economies including dominant industries, business size and workforce. The highest and lowest unemployment figures are also provided for counties in the region. As a baseline for the unemployment figures below, the state unemployment rate, not seasonally adjusted, was 12.3% in March 2011 (down from 12.8% a year prior).

Northern California Region

The Northern California region consists of 11 counties along the north coast, Oregon border, and northeastern Sierra Nevada including Del Norte, Humboldt, Lake, Lassen, Mendocino, Modoc, Nevada, Plumas, Sierra, Siskiyou, and Trinity. These counties are heavily dependent on natural

resources, with the majority of the land consisting of public and privately owned forest and grazing lands. The region as a whole is sparsely populated and underdeveloped.

Top industry sectors in the region include government (28.7%), retail trade (13.3%), and health care and social assistance (10.8%). The fastest growing sub-sectors in the Northern California Region include support activities for mining, air transportation, transportation equipment manufacturing, waste management and remediation services, and performing arts.

Additional information on the Northern California Region can be found at:

http://www.labor.ca.gov/panel/pdf/2009_Northern_California_Region_Economic_Profile.pdf

The March 2011 unemployment rates in the Northern California Region are some of the highest in the state and range from 20.9% in Trinity County to 11.5% in Nevada County.

Northern Sacramento Valley Region

The Northern Sacramento Valley region consists of the counties of Shasta, Tehama, Glenn, Butte, and Colusa. These counties are primarily agriculture-based, with forestry and farm-related manufacturing centered in Shasta County. This

<u>NORTHERN CALIFORNIA REGIONAL BUSINESS SUMMARY</u>		
Job Growth	(2001-2007)	0.9%
Establishment Growth	(2001-2007)	3.2%
Average Wage	(2007, Private Industry)	\$ 30,140
Wage Growth	(2001-2007)	26.5%
Firms with < 100 employees	(2007)	99.4%
Firms with < 50 employees	(2007)	98.1%
Self-employed, not incorporated	(2007)	15.5%
Per Capita Income	(2007)	\$ 31,961
Bachelor's Degree or higher	(2007)	1.3% to 31.5%
Families Living in Poverty	(2007)*	10.2%
* Data not available for all counties.		
Source: Regional Economies Project		

<u>NORTHERN SACRAMENTO VALLEY REGIONAL BUSINESS SUMMARY</u>		
Job Growth	(2001-2007)	7.4%
Establishment Growth	(2001-2007)	11.6%
Average Wage	(2007, Private Industry)	\$ 31,683
Wage Growth	(2001-2007)	25.7%
Firms with < 100 employees	(2007)	99.0%
Firms with < 50 employees	(2007)	97.2%
Self-employed, not incorporated	(2007)	11.0%
Per Capita Income	(2007)	\$ 29,967
Bachelor's Degree or higher	(2007)	11.5% to 23.9%
Families Living in Poverty	(2007)	11.5%
Source: Regional Economies Project		

region differs significantly from its neighboring regions in land ownership and industrial composition.

Top industry sectors in the region include government (22.2%), health care and social assistance (13.3%) and retail trade (12.9%). The fastest growing sub-sectors in the Northern Sacramento Valley Region include furniture manufacturing, wholesale electronic market, financial vehicles, nonstore retail, and waste management and remediation services. More information on the Northern Sacramento Valley Region can be found at:

http://www.labor.ca.gov/panel/pdf/2009_Northern_Sacramento_Valley_Region_Economic_Profile.pdf

The March 2011 unemployment rates in the Northern Sacramento Region are also some of the highest in the state and range from 26.7% in Colusa County to 14.4% in Butte County.

Greater Sacramento Region

The Greater Sacramento region consists of six counties, which are becoming increasingly interdependent:

Sacramento, Yolo, Placer, El Dorado, Sutter, and Yuba.

Although eastern Placer and El Dorado counties are currently more closely aligned with the greater Lake Tahoe area, most of the new growth in those counties is occurring in the western portions.

GREATER SACRAMENTO REGIONAL BUSINESS SUMMARY		
Job Growth	(2001-2007)	10.4%
Establishment Growth	(2001-2007)	30.8%
Average Wage	(2007, Private Industry)	\$ 42,213
Wage Growth	(2001-2007)	23.8%
Firms with < 100 employees	(2007)	98.3%
Firms with < 50 employees	(2007)	96.2%
Self-employed, not incorporated	(2007)	10.4%
Per Capita Income	(2007)	\$ 37,634
Bachelor's Degree or higher	(2007)	10.7% to 40.7%
Families Living in Poverty	(2007)	8.2%

Source: Regional Economies Project

As a result, the economic base is increasingly shifting towards the Sacramento area. Parts of Sutter and Yuba counties are currently more closely aligned with the Northern Sacramento Valley agricultural areas, but much of the new growth is occurring along Highways 65, 70, and 99 in the direction of Sacramento County.

Top industry sectors in the region include government (25.6%), retail trade (11%), and health care and social assistance (9.2%). The fastest growing sub-sectors in the Greater Sacramento Region include other financial vehicles, petroleum and coal product manufacturing, private households, museums and similar institutions, and hospitals. Additional information on the Greater Sacramento Region can be located at:

http://www.labor.ca.gov/panel/pdf/2009_Greater_Sacramento_Region_Economic_Profile.pdf

The March 2011 unemployment rates in the Greater Sacramento Region range from 22.9% in Sutter County to 11.6% in Placer County.

San Joaquin Valley

The San Joaquin Valley region is composed of eight counties that line the southern Central Valley, including Fresno, Kern, Kings, Madera, Merced, San Joaquin, Stanislaus, and Tulare. Each of these counties have local economies based upon agriculture and related industries with 60% of the total region consisting of privately-owned farmland.

SAN JOAQUIN VALLEY REGIONAL BUSINESS SUMMARY

Job Growth	(2001-2007)	11.6%
Establishment Growth	(2001-2007)	16.9%
Average Wage	(2007, Private Industry)	\$ 33,087
Wage Growth	(2001-2007)	26.1%
Firms with < 100 employees	(2007)	98.2%
Firms with < 50 employees	(2007)	95.8%
Self-employed, not incorporated	(2007)	7.1%
Per Capita Income	(2007)	\$ 27,379
Bachelor's Degree or higher	(2007)	12.4% to 18.6%
Families Living in Poverty	(2007)	14.1%

Source: Regional Economies Project

Top industry sectors in the region include government (19.7%); agriculture, forestry, fishing, and hunting (13.8%); and retail trade (10.7%). The fastest growing sub-sectors in the San Joaquin Valley include other information services, forestry and logging, private postal service, beverage product manufacturing and pipeline transportation. Additional information on the Central Valley Region can be located at:

http://www.labor.ca.gov/panel/pdf/2009_San_Joaquin_Valley_Region_Economic_Profile.pdf

The March 2011 unemployment rates in the San Joaquin Valley Region are all double digit and range from 21.4% in Merced County to 17.2% in Madera County.

Bay Area Region

Traditionally, the nine counties that border the San Francisco Bay have comprised the Bay Area region including Alameda, Contra Costa, Marin, Napa, San Benito, San Francisco, San Mateo, Solano, and Sonoma. However, more recently, Santa Cruz and San Benito Counties have

now become more economically dependent upon the Bay Area region than on the Central Coast region and are now considered part of the Bay Area regional economy.

BAY AREA REGIONAL BUSINESS SUMMARY

Job Growth	(2001-2007)	-4.2%
Establishment Growth	(2001-2007)	11.0%
Average Wage	(2007, Private Industry)	\$ 66,934
Wage Growth	(2001-2007)	22.2%
Firms with < 100 employees	(2007)	98.2%
Firms with < 50 employees	(2007)	995.7%
Self-employed, not incorporated	(2007)	9.0%
Per Capita Income	(2007)	\$ 57,687
Bachelor's Degree or higher	(2007)	18.4% to 52.1%
Families Living in Poverty	(2007)	6.1%

Source: Regional Economies Project

Top industry sectors in the region include government (14.7%), manufacturing (10.2%), and retail trade (10.2%). Manufacturing is down 23.6%. The fastest growing sub-sectors in the Bay Area Region include other information services, petroleum and coal product manufacturing,

beverage product manufacturing, and internet service providers. Additional information on the Bay Area Region can be located at:

http://www.labor.ca.gov/panel/pdf/2009_Bay_Area_Region_Economic_Profile.pdf

The March 2011 unemployment rates in the Bay Area Region range from 20.6% in San Benito County to 8% in Marin County.

Central Sierra Region

The seven southeastern counties of the Sierra Nevada represent a distinct geographic and economic region, which includes Alpine, Amador, Calaveras, Inyo, Mono, and Tuolumne. The region is largely government owned, sparsely populated, and

composes a small share of state economic activity. As a result, the region requires a different economic development strategy than neighboring regions.

Top industry sectors in the region include government (33.5%), accommodation and food services (17%), and retail trade (12.1%). The fastest growing sub-sectors in the Central Sierra Region include monetary authorities - central bank, air transportation, wholesale electronic markets, support services for transportation and financial vehicles. Additional information on the Central Sierra Region can be located at:

http://www.labor.ca.gov/panel/pdf/2009_Central_Sierra_Region_Economic_Profile.pdf

The March 2011 unemployment rates in the Central Sierra Region range from 16.1% in Calaveras County to 8.2% in Mono County.

Central Coast Region

The Central Coast region includes three counties – Monterey, San Luis Obispo, and Santa Barbara.

Top industry sectors in the region include government (19.3%);

<u>CENTRAL SIERRA REGIONAL BUSINESS SUMMARY</u>		
Job Growth	(2001-2007)	6.6%
Establishment Growth	(2001-2007)	7.9%
Average Wage	(2007, Private Industry)	\$ 29,190
Wage Growth	(2001-2007)	27.9%
Firms with < 100 employees	(2007)	99.4%
Firms with < 50 employees	(2007)	98.1%
Self-employed, not incorporated	(2007)	10.9%
Per Capita Income	(2007)	\$ 31,961
Bachelor's Degree or higher	(2007)	18.6% to 19.8%
Families Living in Poverty	(2007)*	8.1%
<i>*Data not available for any of the counties.</i>		
Source: Regional Economies Project		

<u>CENTRAL COAST REGIONAL BUSINESS SUMMARY</u>		
Job Growth	(2001-2007)	4.9%
Establishment Growth	(2001-2007)	12.6%
Average Wage	(2007, Private Industry)	\$ 37,325
Wage Growth	(2001-2007)	24.6%
Firms with < 100 employees	(2007)	98.4%
Firms with < 50 employees	(2007)	95.9%
Self-employed, not incorporated	(2007)	9.6%
Per Capita Income	(2007)	\$ 42,762
Bachelor's Degree or higher	(2007)	23.6% to 30.1%
Families Living in Poverty	(2007)	7.4%
Source: Regional Economies Project		

agriculture, forestry, fishing, and hunting (13.3%); accommodation and food services (11.2%); and retail trade (10.9%). The fastest growing sub-sectors in the Central Coast Region include other information services, textile product mills, wholesale electronic markets, transit and ground transportation, and air transportation. Additional information on the Central Coast Region can be located at:

http://www.labor.ca.gov/panel/pdf/2009_Central_Coast_Region_Economic_Profile.pdf

The March 2011 unemployment rates in the Central Coast Region range from 16.5% in Monterey County to 9.6% in Santa Barbara.

Southern California Region

The counties of Los Angeles, Ventura, Orange, San Bernardino, and Riverside comprise an economically interdependent region. According to the Regional Economies Project, Orange

County is different from its northern and eastern neighbors, but not to the extent that a separate region is required.

SOUTHERN CALIFORNIA REGIONAL BUSINESS SUMMARY		
Job Growth	(2001-2007)	7.0%
Establishment Growth	(2001-2007)	28.9%
Average Wage	(2007, Private Industry)	\$ 47,197
Wage Growth	(2001-2007)	22.9%
Firms with < 100 employees	(2007)	98.3%
Firms with < 50 employees	(2007)	96.2%
Self-employed, not incorporated	(2007)	9.1%
Per Capita Income	(2007)	\$ 39,326
Bachelor's Degree or higher	(2007)	17.4% to 34.8%
Families Living in Poverty	(2007)	9.9%

Source: Regional Economies Project

Top industry sectors in the region include government (13.9%), retail trade (10.9%) and manufacturing (10.6%). The fastest growing sub-sectors in the Southern California Region include other information services, private households, wholesale electronic markets, financial vehicles, and support services for mining. Additional information on the Southern California Region can be located at:

http://www.labor.ca.gov/panel/pdf/2009_Southern_California_Region_Economic_Profile.pdf

The March 2011 unemployment rates in the Southern California Region range from 14.1% in Riverside County to 9.1% in Orange County.

Southern Border Region

The Southern Border Region , which

SOUTHERN BORDER REGIONAL BUSINESS SUMMARY		
Job Growth	(2001-2007)	8.5%
Establishment Growth	(2001-2007)	25.2%
Average Wage	(2007, Private Industry)	\$ 46,052
Wage Growth	(2001-2007)	23.8%
Firms with < 100 employees	(2007)	98.1%
Firms with < 50 employees	(2007)	95.6%
Self-employed, not incorporated	(2007)	8.9%
Per Capita Income	(2007)	\$ 43,364
Bachelor's Degree or higher	(2007)	10.6% to 33.5%
Families Living in Poverty	(2007)	8.4%

Source: Regional Economies Project

includes San Diego and Imperial Counties, is the smallest and most diverse economic region in the state. However, according to the Regional Economies Project, the similarities are important for state strategic planning and, therefore, necessitate putting both counties in the same region.

Top industry sectors in the region include government (17.4%), retail trade (11.3%), accommodation and food services (10.1%) and professional scientific and technical services (8.2%). The fastest growing sub-sectors in the Southern Border Region include other information services, private postal services, support services for mining, and financial vehicles. Additional information on the Southern Border Region is located at:
http://www.labor.ca.gov/panel/pdf/2009_Southern_Border_Region_Economic_Profile.pdf

The March 2011 unemployment rates in the Southern Border Region range from 24.6% in Imperial County to 10.2% in San Diego County.

California Competitiveness

Innovation has long been the cornerstone of California's competitive edge. Innovation, by its very nature, requires constant reassessment and, very often, reinvestment of public resources to maintain and enhance a creative environment where businesses and financial partnerships can constantly evolve.

In March 2008, JEDE undertook a survey of California's business climate. Overall, JEDE found that the state's businesses experience higher costs than in many other areas of the nation, consistently ranking California in the top 10 highest cost states. However, the survey also found that even with those costs certain regions of the state remain highly competitive within the national and global marketplace. *A copy of the California business climate survey is available through the JEDE Committee website www.assembly.ca.gov.*

Since the release of the 2008 survey, JEDE policy staff have continued to track California competitiveness issues and report them as part of the monthly Fast Facts. As an example, the 2007 index developed by the Milken Institute and Greenstreet Partners ranked four California metro areas in the top 25 areas that are best to create and sustain innovation-based jobs: Riverside-San Bernardino (3rd), Bakersfield (17th), Vallejo-Fairfield (22nd), and Sacramento–Arden-Arcade–Roseville (25th). In the 2010 index, however, only one California location was ranked in the top 25 communities, that being Hanford-Corcoran.

California has also consistently been a leader in attracting venture capital, although research shows that other states and regions in the world are beginning to close the gap. A 2008 report, "Venture Impact: The Economic Importance of Venture Capital Backed Companies in the U.S. Economy" showed that although California's position remains a leader in both venture-backed employment and revenues, other states are annually increasing their share of venture capital. According to the report, Washington State had the highest annual growth based on job creation, 5.6% compared to California's 2.1%, and revenue growth of 13.4% compared to California's 5.5%. In addition, the report offered the following findings related to venture-backed companies and employment:

- Nationally, venture-backed companies contributed to 12 million jobs and \$3 trillion in revenues in 2008. California was the leader in revenues tied to venture-backed companies with \$997 billion, followed by New York (\$329 billion), Texas (\$222 billion), Pennsylvania (\$206 billion) and Minnesota (\$159 billion).
- The states with the highest employment attributable to venture-backed companies were California (3.9 million jobs), New York (1.7 million jobs), Texas (918,451 jobs), Massachusetts (651,239 jobs), and Georgia (621,181 jobs) in 2008.

Another historic California strength is the state's academic-based research capacity. In a 2006 survey, the University of California ranked second with Caltech third and Stanford fourth among all universities for biotechnology transfer. MIT was ranked first and the University of Florida ranked fifth. California also ranks first among 50 states for patents issued in 2009, when 23,354 total patents were granted. Other top performing states include Texas (6,436 patents), New York (6,127 patents), Washington (4,158 patents), and Massachusetts (4,038 patents).

Other indices reviewed identified additional areas that threaten California's long-term economic strength. In particular, JEDE surveys found that the state will need to make long-term investments in infrastructure, K-12 education, and workforce development. If the state does not regain competitiveness in these areas, California's advantages in entrepreneurship, finance, and technology will further erode.

The most recent study by the state on global competitiveness (February 2008) made similar findings to the reviewed indices, especially as they relate to the need to make improvements to infrastructure and workforce development. More specifically, the Business, Transportation and Housing Agency (BTH) study found that any area where the state "cannot supply high-quality workers – at the right quantity – will tend to encourage industry to outsource, offshore, or move out of state." The BTH study also recommended that the state would benefit from improved infrastructure investments, including investments in broadband coverage, water infrastructure, energy generation and delivery, as well as road, rail, and port infrastructure.

Preparing for the Post-Recession Economy

While forecasting far into the future can be challenging, there are a number of respected research think tanks that have put forward their assessments of the future global, national and state economies.

One area where most economists agree is that the post-recession economy will be both more resource and capital constrained, which will place even greater pressure on the state's infrastructure to support higher levels of service and a smaller per unit price. In response to these types of forecasts, the I-Bank, funded through a Rockefeller Foundation Grant, has been meeting with investors, builders and policy makers who are engaged in infrastructure development to discuss innovative financing techniques and ways in which to remove

unnecessary impediments to infrastructure development. While there are few legislative proposals for new infrastructure financing programs with General Fund dollars so constrained, a significant number of bills have been introduced this session relating to regulatory streamlining of infrastructure-related permitting and processes.

In addition to capital and resource constraints, some analysts have been writing about a great "global rebalancing of economic power," whereby the U.S.' dominant economic position will be challenged by other large economies like those in Japan, China and the European Union. As noted earlier in the section, California has already seen the importance of global manufacturing supply chains, and trade and foreign investment as drivers of state GDP growth.

The Brookings Metropolitan Policy Program has its own assessment of how the great rebalancing will be experienced in the U.S. and has noted four key trends to watch in the post-recession economy. The first trend is that the economy will be more export oriented and second, it will be fueled by new, lower-carbon energy sources. The third trend identified is that the next economy will be based on a higher level of global innovation, which will require "a relentless pace of innovation, adaptation, and embracement of new markets and processes." The fourth key trend is that next economy will be led by major metropolitan areas – not nations and not states.

California's historical dominance in innovation-based industries, existing networked global supply chains, and strong regional economies should give us certain advantages in the post-recession economy. Other aspects of the California economy, however, such as the state's overly complex regulatory system and neglected physical and workforce development infrastructure could limit the state's overall economic growth.

A February 2011 report released by McKinsey & Company (M&C), "Growth and Renewal in the United States: Retooling America's Economic Engine" underscores the importance of policy makers partnering with the private sector in addressing the anticipated challenges of the post-recession economy, including the impact of the loss of the large skilled workforce represented by the retirement of the Baby Boomer generation. There will be an estimated 1.9 million shortfall in technical and analytical workers over the next decade heavily impacting the nation's manufacturing capacity.

M&C suggests that a key strategy to address this challenge is increasing national productivity capacity through innovation, greater efficiency, and the deployment of new technologies and processes within businesses of all sizes. This is suggested in part because the U.S. has already seen the effect that increasing productivity has had on national economic growth. In its report, M&C notes that between 2000 and 2008, increased productivity contributed 80% of the U.S. annual GDP growth.

While some policy makers have expressed concern that overemphasizing productivity -- especially through the use of technology and innovation – could lead to businesses needing fewer workers overall, M&C's research, actually, suggests the opposite. Since 1929, U.S. jobs and productivity have generally grown in tandem for each 10-year measurement period. In other words, the "trade off" between aggregate employment and productivity is a short-term phenomenon.

Another important aspect of the report is the finding that small, company-level innovations across industry sectors can result in measurable, economy-wide gains. Another significant increase in productivity can be achieved through the broad-based application of the next wave of innovation, which is already available for commercialization. These findings can be a game changer for policy makers, as well as business leaders. This means that local businesses, empowered with the right tools, can deliver the innovation gains that are necessary for strong GDP growth, i.e. there is no need to wait for the single, government action or major technology change in order to make meaningful progress in increasing productivity.

In addition to the above recommendations, M&C also emphasizes the link between modern 21st Century infrastructure and increases in productivity. World class infrastructure also plays a key role in business attraction as multinational companies consistently rank the quality of infrastructure among their top four criteria in making investment decisions.

M&C's research shows that as U.S. infrastructure has been in a decline, infrastructure in other countries is rapidly increasing. The 2010-11 Global Competitiveness Report by the World Economic Forum places U.S. infrastructure 23rd in the world, a drop from its rank of seventh in 2000. In developing an economic recovery strategy and setting a successful path into the post-recession economy, the state will also need to address its infrastructure challenges.

Section II – Background on the California Infrastructure and Economic Development bank

This section provides information on the I-Bank including details of its organizational structure, mission and most recent activities. *Appendices H and I include copies of the I-Bank's 2009-10 annual report and related statutes.* In the final subsection, information is provided on other funding resources that are sometimes used in conjunction with I-Bank resources to complete an infrastructure funding package. *Two appendices have been prepared to provide a more specific listing of state infrastructure financing programs and federal and state infrastructure grant programs, Appendices E and F.*

The Business Transportation and Housing Agency

The Business Transportation and Housing Agency (BTH) oversees and coordinates the activities of various departments, offices, and economic development programs, with responsibility for maintaining the strength and efficiency of California's infrastructure and financial markets. These programs provide financial and programmatic regulation important to the economic marketplace, community development, and the safe and efficient flow of commerce.

Among the key economic development programs overseen by BTH are:

- The Small Business Board;
- The Small Business Direct Loan and Guarantee Programs;
- The California Infrastructure and Economic Development Bank;
- Technology related programs;
- The California Welcome Centers;
- California International Trade Promotion Activities;
- Community Development Block Grant Program; and
- Geographically-Targeted Economic Development Area Programs.

BTH also oversees the California Department of Transportation which has responsibility for implementing the Goods Movement Action Plan. More information on BTH may also be found at: <http://www.bth.ca.gov> .

The California Infrastructure and Economic Development Bank

The I-Bank was established in 1994 to promote economic revitalization, enable future development, and encourage a healthy climate for jobs in California. Among other duties, the I-Bank has the authority to issue tax-exempt and taxable revenue bonds. *Appendix A includes a fact sheet on the I-Bank programs and Appendix H has a copy of the I-Banks' 2009-10 Annual report.*

I-Bank activities are governed by a five-member board of directors comprised of the BTH Secretary (chair), State Treasurer, Director Department of Finance, Secretary of the State and Consumer Services Agency, and a Governor's appointee.

The day-to-day operations of the I-Bank are directed by the Executive Director who is an appointee of the Governor and is subject to confirmation by the California State Senate. Currently, the I-Bank has authority for 24 staff members.

Budget Information

With the exception of funds for program support, which are annually approved through the state budget process, all I-Bank Funds are continuously appropriated without regard to fiscal year. The I-Bank does not receive any ongoing General Fund support and, according to its 2009-10 independent audit, its program continues to provide sufficient revenues to support all operating expenses.

The I-Bank is financed through the California Infrastructure and Economic Development Bank Fund (CIEDB Fund) and the California Infrastructure Guarantee Trust Fund, into which fees, interest income and other revenues are deposited and from which I-Bank expenses are paid. The cost of administering the programs of the I-Bank are off-set by these types of program income. Monies in these Funds are held within the California State Treasury or by the bond trustee for The Infrastructure State Revolving Fund (ISRF) bonds. The I-Bank is operated on a revolving fund basis and thereby generates continuous funding for new project investments. **Chart 4** displays the I-Bank's Statement of Revenues, Expenses for the fiscal year ending June 30, 2010.

Chart 4 - Statement of Revenues, Expenditures and Change in Assets			
	California Infrastructure and Economic Development Bank Fund	California Infrastructure Guarantee Trust Fund	Total
OPERATING REVENUES			
<i>Interest on loans receivable</i>	\$10,694,987		\$10,694,987
<i>Total Operating Expenses</i>	\$1,830,283		\$1,830,283
Administrative fees	\$12,525,270		\$12,525,270
OPERATING EXPENSES			
<i>Interest on bond debt</i>	\$546,017		\$546,017
<i>Amortization bond issuance costs</i>	\$99,620		\$99,620
<i>Program support</i>	\$3,545,456		\$3,545,456
Total operating expenses	\$9,491,093		9,491,093
OPERATING INCOME	\$3,034,177		3,034,177

NONOPERATING REVENUE – all from Investment Income	\$231,437	157,074	\$388,511
Change in net assets	\$3,265,614	\$157,074	\$3,422,688
NET ASSETS, beginning of the year	\$239,231,910	\$24,156,758	\$263,388,668
NET ASSETS, end of the year	\$242,497,524	\$24,313,832	\$266,811,356

Source: Independent Audit Report for Year End June 30, 2010

The I-Bank administers two categories of programs: (1) The ISRF which provides direct low-cost financing to public agencies for a variety of public infrastructure projects and (2) Bond Financed Programs which provide financing for manufacturing companies, nonprofit organizations, public agencies and other eligible entities.

Since its creation approximately a decade ago, the I-Bank has loaned over \$400 million to local agencies and has developed a level of expertise in the implementation of successful public infrastructure and financing programs.

Infrastructure State Revolving Fund Program

The Infrastructure State Revolving Fund (ISRF) program provides low-cost financing to public agencies for a wide range of infrastructure projects. ISRF applications can be submitted at any time during the year and are received as a preliminary application and (final) loan application. **Chart 5** shows program activity in 2009-10 fiscal year.

Chart 5 – Infrastructure State Revolving Fund Program Activity 2009-2010		
	Number of Applications	Financing Requested
Preliminary Application	14	\$29,597,760
Loan Applications	4	\$6,020,000

Source: I-Bank Annual Report 2009-2010

Program funding amounts range from \$250,000 to \$10 million per fiscal year. There is also a \$20 million limitation for total funding into a single jurisdiction in a single fiscal year. Subsidized loan terms can be up to 30 years. Repayments are generally made by public agencies from tax increment, enterprise funds and local government general funds. Since its inception, the ISRF has approved more than \$429 million in loans.

The types projects funded through the ISRF include (16 categories total):

- Streets, highways, and public transit;
- Drainage, water supply and flood control, sewage collection and treatment, solid waste collection and disposal, and water treatment and distribution;
- Educational facilities;
- Environmental mitigation measures, parks and recreation facilities;
- Port facilities;
- Defense conversion, public safety; and

- Power and communication facilities.

The ISRF program has a smart growth/healthy community policy overlay, whereby applicants are required to demonstrate, among other things, that projects facilitate the effective and efficient use of existing and future public resources in a manner that promotes both economic development and conservation of natural resources. Project applicants must also show the proposed infrastructure project develops and enhances public infrastructure in a manner that will attract, create, and sustain long-term employment opportunities.

In addition, projects are required to be consistent with the state Environmental Goals and Policy Report (EGPR) and the state Capital and Infrastructure Project Planning Report (CIPPR), if the project applicant is a state entity. Both the EGPR and the CIPPR are discussed in greater detail in the following section relating to state infrastructure planning.

The I-Bank staff are particularly proud of their ISRF program related work and how it has translated into real value to the state. In support of the ISRF loan program the I-Bank went to market three times since 2004 raising over \$150 million. These bonds were issued without the need of a credit enhancement and its added cost, and were initially rated AA, Aa2 and AA. Upon the issuance of the most recent bonds in 2008, Fitch Ratings, Moody's Investors Service and Standard and Poor's, raised the ratings on the ISRF bonds to AA+, citing proactive and strong program oversight and management, and thorough ongoing surveillance of existing loans as the key factors to the bonds' high credit ratings. In the latest fiscal year reported, 2009-10, no ratings agency recalibrated (raised or lowered a rating) any of the ISRF bonds and Fitch reconfirmed its AA+ rating in 2010.

Bond Funded Programs

In addition to the ISRF, the I-Bank administers several conduit tax-exempt and taxable bond financing programs, including the Industrial Development Bond Program (IDB), the 501(c)(3) Revenue Bond Program, and the Exempt Facility Revenue Bond Program. The term "conduit" means that the I-Bank issues debt on behalf of another entity, including manufacturers, private nonprofits, and other government entities.

For the applicant, the approval process for a conduit bond financed project is more involved than a direct loan program, because the project is being evaluated for both its eligibility under the program and its ability to be successfully underwritten and placed within a structured investment vehicle, such as a tax-exempt or taxable bond. I-Bank staff are specially trained to help applicants through the process in conjunction with the bond financing team, which typically includes a bond underwriter, bond counsel and financial advisor. According to the I-Bank, the three step project approval and bond issuance process can be completed within one month for 501(c)(3) Revenue Bond funded projects to up to 90 days for IDBs.

Since 2000, over \$30 billion in conduit revenue bonds have been issued. With such a large bond volume, it is relevant to note that there is no commitment of I-Bank or state funds for any of the conduit revenue bonds. Even in the case of default, the state is not liable. **Chart 6** shows program activity in 2009-10 fiscal year.

Chart 6 – Bond Financed Program Activity 2009-2010		
	Number of Applications	Financing Requested
Preliminary Application	2	\$9,850,000
Applications	13	\$814,310,000
* Preliminary applications only apply to industrial development bonds		
Source: I-Bank Annual Report 2009-2010		

Each of the bond funded programs is discussed below.

Industrial Development Revenue Bond Program

Industrial Development revenue bonds (IDBs) are tax-exempt securities which are issued by a governmental entity to provide money for the acquisition, construction, rehabilitation and equipping of manufacturing and processing facilities for private companies. IDBs can be issued by the I-Bank, local Industrial Development Authorities, or by Joint Powers Authorities.

Projects must be for manufacturing facilities involved in the production or processing of tangible property. Up to 25% of bond moneys can also be used for ancillary office and warehouse space. Land acquisition costs are limited to 25% of bond proceeds. Bond money can also be used to acquire an existing facility if at least 15% of the bond revenues are used to renovate that facility.

All IDBs issued by the I-Bank must be credit enhanced with a letter of credit, or they may be privately placed with a sophisticated investor such as a qualified institutional buyers, or they may be issued unenhanced if the borrower has a stand-alone credit rating of at least "A." No state I-Bank funds are utilized or are at risk in the issuance of bonds by the I-Bank. All funding comes from the capital markets.

Generally, bond financing is limited to a maximum of \$10 million per issue, with the overall per project cost being no greater than \$20 million, with an aggregate total outstanding conduit bond limitation of \$40 million. The project must meet certain public benefit criteria set by the California Debt Limit Allocation Committee, which include such things as the creation or retention of jobs. Prevailing wages are also required to be paid to workers involved in the construction and renovation of an IDB-financed project.

IDB financing is generally 20% to 30% below comparable commercial alternatives, with terms often lasting up to 30 years. Bonds are assumable and comprehensive in that they include land acquisition, construction and equipment.

501(c)(3) Revenue Bond Program

As with IDBs, 501(c)(3) bonds provide for low cost, long-term project financing, with very flexible terms. 501(c)(3) revenue bonds can be issued as both tax-exempt and taxable revenue bonds and can finance capital costs of both facilities and equipment.

In order for a non-profit corporation to access tax-exempt financing, it must have received an Internal Revenue Service determination that it qualifies as a 501(c)(3) organization. Examples of

qualifying organizations include cultural facilities such as museums, libraries, aquariums, and historic preservation sites. Recreational facilities such as community centers, local sports facilities, and research institutes may also qualify. Eligible uses of 501(c)(3) bonds include capital expenditures, refinancing of prior debt, working capital, and cost of bond issuance and other bond-related costs.

Proceeds of the bonds must create public benefits in the community where the project is located by enhancing the economic, social, or cultural quality of life for local residents. Projects must be in California and must be consistent with the applicable general plan or a comprehensive regional plan.

Exempt Facility Revenue Bond Program

The Exempt Facility Revenue Bond Program provides tax-exempt and taxable financing for projects that are government-owned or consist of private improvements within publicly-owned facilities.

Exempt facility bonds typically involve projects such as privately-owned water facilities, ports and airports that serve the general public.

General Purpose Financing Authority

In addition to the programs discussed above, the I-Bank also serves as the state's only general purpose financing authority with broad statutory powers to issue revenue bonds and act on the state's behalf in certain statutorily authorized circumstances. Below is a list of examples of the types of financing by the I-Bank in support of various State entities and programs.

- *Energy Efficiency Bonds.* In April 2003, the California Consumer Power and Conservation Financing Authority (CPA) issued \$28,005,000 in energy efficiency bonds on behalf of the California Energy Commission (CEC). On October 25, 2004, the CPA assigned its rights and responsibilities for these bonds to the I-Bank when the CPA's operations were closed down as a result of budget elimination. In May 2005, the I-Bank issued a second series of revenue bonds in the amount of \$37 million to provide additional funding for the CEC's Energy Efficiency Financing (EEF) Program, which provides low-cost loans up to \$3 million to schools, hospitals and local governments for the installation of energy-saving measures. The bonds are repaid from previously approved EEF loans. Eligible projects include heating, ventilating, air conditioning, equipment control, small co-generation, and photovoltaic systems.
- *California Insurance Guarantee Association Bonds.* In August 2004, the I-Bank issued \$750 million of revenue bonds for the California Insurance Guarantee Association (CIGA) pursuant to authorization contained in Chapter 645, Statutes of 2003 (AB 227). CIGA is an organization created by the California Legislature in 1969 to pay claims of insolvent insurance carriers that are licensed to do business in the State of California. The proceeds of the bonds were used by CIGA to pay claims and related expenses that arose as a result of the insolvencies of insurance companies providing workers' compensation insurance. The bonds

are repaid solely from special and regular premium assessments on workers' compensation premiums paid by insurance companies to CIGA.

- *Toll Bridge Seismic Retrofit Bonds.* In August 2003, the I-Bank issued \$1.16 billion of long-term fixed rate revenue bonds for Caltrans pursuant to authorization in Chapter 907, Statutes of 2001 (AB 1171). The bonds were rated in the “AA” category by all three rating agencies and were repaid solely from revenues and related interest earnings generated by the \$1 per vehicle seismic retrofit surcharge collected on the seven Bay Area State-owned toll bridges. Caltrans used the bond proceeds to fund a portion of the construction of the new East Span of the San Francisco-Oakland Bay Bridge.
- *Clean Water State Revolving Fund (CWSRF) Bonds.* In August 2002, the I-Bank issued \$300 million of fixed-rate revenue bonds to provide additional funding for the CWSRF Program. The CWSRF, which is administered by the State Water Resources Control Board (SWRCB), provides low-cost loans up to \$25 million per year to local agencies, throughout the state, for the construction of wastewater treatment and water recycling facilities. The bonds, which are repaid by 98 previously-approved CWSRF loans from 50 different borrowers, received natural “AAA” ratings from all three rating agencies. The bond issuance represented the first time the state leveraged a federally funded state revolving fund program, and joined over 20 other states that have utilized this innovative financing technique to expand lending capacity.

The I-Bank has also been involved in other unique financings including Tobacco Securitization Bonds, Tribal Compact Asset Securitization Bonds, and Imperial Irrigation District Preliminary Loan Guarantees.

Completing the Funding Package

The California Finance Coordinating Committee (CFCC) is a group of eight state and federal agencies which administer one or more infrastructure financing or grant programs. Formed in 1998, the CFCC members work collaboratively to facilitate and expedite the development of infrastructure projects by helping interested parties identify and combine the resources of various state and federal financing sources with other financing options.

Members of the CFCC include the California Department of Public Health, the California Department of Water Resources, the I-Bank, the State Water Resources Control Board, the U.S. Department of the Interior Bureau of Reclamation, the U.S. Environmental Protection Agency, and the U.S. Department of Agriculture Rural Development.

Among other activities, the CFCC hosts funding fairs throughout the state. The CFCC Funding Fairs provide local governments and other eligible applicants an opportunity to hear directly from potential funders about currently available infrastructure grant, loan and bond financing programs. *Appendices E and F include a list of potential infrastructure programs.* The Funding Fairs also provide an opportunity for attendees to speak directly with program staff about

specific projects and issues affecting their communities. In 2011, five funding fairs will be held. Below is the schedule:

- March 8, 2011 at the Visalia Convention Center Conference
- March 10, 2011 at the County of Los Angeles Department of Public Works
- April 14, 2011 at the City of Arcata Community Center
- May 11, 2011 at the Truckee Town Hall
- May 24, 2011 at the Cal/EPA Headquarters in Sacramento

The May 24, 2011, event will be audio and video webcast. Inquiries can also be made online.

Appendix

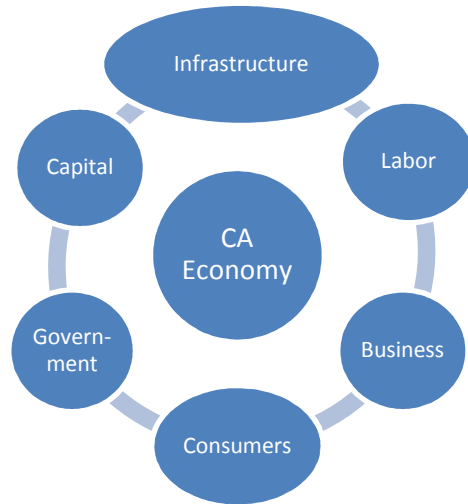
F includes a copy of the on-line multi-program funding inquiry.

The work of the CFCC is very important, as most infrastructure projects require two or more funding sources, as well as increases in local user fees or other private source of capital. Communities, however, still find combining these financial resources difficult, especially in rural areas and small-size cities that may have very limited staff and capacity.

In the 1980's through the 1990's, the Department of Housing and Community Development (HCD) and later the Technology, Trade and Commerce Agency administered the Rural Development Assistance Program (RDAP). Initially, the RDAP was operated as a pilot project in partnership with the federal government. Under the program, technical advisors and loan packagers were assigned to rural communities to assist them in applying for infrastructure funding. Between 1980 and 1982, the state leveraged \$30 million in housing and community facility construction while only investing \$272,000 in state and \$132,000 in federal dollars. HCD estimated over \$130 million in local economic activity was generated, 2,379 jobs were created, and over \$8 million in local and state taxes were paid as a result of this program.

Section III – Finding a Blueprint for California Infrastructure Development

This section provides background on California's economic and community development planning process including infrastructure development. As the **diagram on the right** illustrates, infrastructure development should not be analyzed in isolation of the other drivers of the California economy. Developing and maintaining a cost effective infrastructure network that meets the broad range of California's business and economic needs will require a clear blueprint by which the state can set priorities, define measurable outcomes, and approve various program funding levels. *Two appendices have been prepared to provide a more specific listing of state infrastructure financing programs and federal and state infrastructure grant programs, Appendices E and F.*



Drivers of the State Planning Process

California's community and economic development policy is driven by a number of statutory mandates, the first of which is the Environmental Goals and Policy Report (EGPR). The EGPR is the state's 20-year growth and economic development strategy. Prepared every four years, it serves as a guide for individual department plans and overall state expenditures.

The EGPR analyzes the current context of the state's environmental, economic and social setting; the driving forces behind growth and development; and the outside influences that affect many of the state's actions, policies, and programs. Based on this analysis of existing conditions and influences, the EGPR proposes cross-cutting and integrated goals and policies for the state which will allow it to achieve the overarching mission of sustainable development. Statutorily, the EGPR is also one of the state's main tools for implementing the state planning priorities:

- To promote infill development and equity by rehabilitating, maintaining, and improving existing infrastructure, particularly in underserved areas, and to preserve cultural and historic resources.
- To protect, preserve, and enhance environmental and agricultural resources, including working landscapes, natural lands, recreation lands, and other open spaces.
- To encourage efficient development patterns by ensuring that new infrastructure supports development that uses land efficiently, is built adjacent to existing developed areas, is in an

area planned for growth, is served by adequate transportation and other essential utilities and services, and minimizes ongoing costs to taxpayers.

In proposing an implementation strategy for the state planning principles, the 2003 update to the EGPR proposed fundamental changes in the way that state government conducts itself. The 2003 EGPR Update made a distinction between things that should continue to grow or develop—such as jobs, productivity, wages, capital, savings, profits, information, healthcare, education, knowledge, environmental quality and social equity—and things that should not—such as pollution, waste, poverty, and dependence on non-renewable resources. Unfortunately, the policy recommendations in the 2003 EGPR Update were not specifically pursued. Further, the state failed to meet the deadline for providing an update in November of 2007.

Another important state planning document is the Five-Year Infrastructure Plan (Infrastructure Plan), which is required to be updated each year and submitted to the Legislature at the same time the Governor submits his/her proposed budget. The Infrastructure Plan documents the states' overall need for new, as well as the rehabilitation and expansion of existing, infrastructure. The Infrastructure Plan must be sufficiently detailed to provide a clear understanding of the type and amount of infrastructure proposed to be funded and the state programmatic objectives that will be achieved by this funding.

Among other requirements, the Infrastructure Plan must also be consistent with the state planning priorities and put forth a specific funding proposal to meet the state's current and future infrastructure needs. Submittal of the annual update to the Infrastructure Plan has been spotty with only two issued, one in 2004 and 2008.

Submittal of the annual budget to the Legislature is also supposed to be accompanied by the Governor's annual Economic Report, which reviews the state's current economic development conditions, forecasts trends, and identifies policies and actions that promote growth in employment, productivity, income, and purchasing power of Californians. In conjunction with the Economic Report, the Governor is required to outline issues and make recommendations to increase employment and investment in the state. No formal Economic Report has been submitted to the Legislature since 2000, although a statistical abstract was prepared in 2006.

While Governor Brown's proposed state budget included an assessment of the current economy and recommendations for the realignment of some of the state's economic development activities, it did not include a comprehensive list of policies or recommended actions that would lead to an increase in jobs and investment in California. Given the depth of the current budget crisis and the Governor's undivided attention to its successful resolution, it is anticipated that following the passage of the budget, Governor Brown will release his Economic Report.

In addition to the assessment documents discussed above, the state is required to have a two-year state Economic Development Strategic Plan, which sets state economic goals and recommends the actions necessary to improve the business climate and economy of the state. The Plan also evaluates the adequacy of state and local infrastructure, the effectiveness of the state's economic development programs and identifies strategies to foster job growth and economic development covering all state agencies, offices, boards, and commissions that have economic development responsibilities. The state Economic Development Strategic Plan was last prepared in 2002.

Taken together, these five assessments and strategy requirements are designed to form the foundation for the blueprint of the state's short-, middle-, and long-term economic success. The EGPR sets the overall long-term framework in which individual departments and agencies can develop more detailed plans, including the state transportation and state housing plans. The Infrastructure Plan allows the state to keep track of its infrastructure needs and set a rational infrastructure development agenda that supports the long-term economic and population growth assessments outlined in the EGPR and the state planning priorities. The development of the state Economic Development Strategic Plan is built on the information and policies provided in the EGPR, the Infrastructure Plan, and Economic Report. The timely and regular update of the state Economic Development Strategic Plan also allows the Administration and Legislature to monitor the effectiveness of state programs and services on an ongoing basis.

While some of this information is contained in a variety of state reports, it is unfortunate that California does not have a current and complete set of these economic assessments to help guide the state in its current economic situation.

Section IV – Recommendations on Further Actions

This section provides information on the follow-up actions from the March 30, 2011, hearing. *A summary of the hearing is available in Appendix I and a full list of program level changes is included in Appendix J.*

Recommendations on Further Actions

- 1) Sponsoring additional stakeholder engagement through one or more of the following activities:
 - a) Call for a state Infrastructure Summit for the purpose of prioritizing key actions that can be taken by the public and private sectors to increase California's global competitiveness;
 - b) Host stakeholder roundtables on the link between economic development and infrastructure. Information from roundtables would be used to shape infrastructure package;
 - c) Form a Task Force on the possible roles for the I-Bank including program restructuring;
 - d) Schedule an infrastructure-related agenda item for the next monthly meeting of the JEDE sponsored Federal and State Small Business Jobs Act Roundtables; and
 - e) Hold a follow-up hearing to present information requested from the March 30, 2011 hearing.
- 2) Restructuring current infrastructure development planning and finance process that clearly places enhancement of the state economy as one of the primary policy objectives among other activities:
 - a) Call for an update of the Environmental, Growth and Policy Report and the related economic development, including infrastructure, plans. To the extent funding is not available provide authority for nonprofit stakeholder organizations to facilitate the development of the plan for approval by the Governor and Legislature; and
 - b) Statutorily define a planning process that links sound economic analysis with the development of state economic and workforce development planning and funding priorities, mandatory timely updates, measurable outcomes and integrated approaches.
- 3) Enhancing local technical assistance for rural and small cities to help in putting together competitive infrastructure financing packages.

- 4) Obtaining additional information including:
- a) The development of a matrix of state-level infrastructure development bank models and make further recommendations to the Committee on which elements of alternative models could be applicable to the I-Bank;
 - b) Call for an integrated infrastructure assessment including infrastructure operated by federal, state and local government entities;
 - c) Request JEDE staff to develop a proposal using the I-Bank to smooth recession impacts on the construction jobs during a recession. Having a long-term and funded infrastructure development plan could lessen unemployment among workers who are directly and indirectly employed by development-related businesses;
 - d) Ask the I-Bank for a list of recommended program improvements;
 - e) Ask JEDE staff to prepare information for the committee's review on co-investment models for leveraging more private sector infrastructure funding; and
 - f) Ask the I-Bank to provide additional information on: the mechanics of a typical local infrastructure and conduit bond financed deal; a map of all I-Bank projects; a chart of I-Bank projects by household income served; and, a chart on private sector investment leveraged by fiscal year.



CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK (I-Bank) ¹
Programs Fact Sheet ²
"Financing Facilities That Promote Economic Development"

Program	Public Development Facilities		Economic Development Facilities		
	Infrastructure State Revolving Fund Program	Industrial Development Bond Program	Exempt Facility Bond Program	501(c)(3) Revenue Bond Program	Public Agency Revenue Bond Program ³
Purpose of Program	Direct long-term, low-cost loans for local governmental public infrastructure	Conduit tax-exempt and taxable bond financing for private business expansion	Conduit tax-exempt and taxable bond financing for private businesses that serve the general public	Conduit tax-exempt and taxable bond financing for federally-approved tax-exempt entities	Conduit tax-exempt and taxable bond financing to expand unique programs of specific state and local governmental agencies
Borrower	Cities, counties, redevelopment agencies, special districts and joint powers authorities	Qualified small manufacturing and processing businesses	Privately owned airports, ports, water facilities and other private enterprises that serve the general public	Nonprofit corporations that have a recreational, research, community, educational, cultural, or social welfare purpose	The State, its various departments and divisions and local municipal entities
Projects	16 different categories of public infrastructure (no housing)		Capital costs of facilities and equipment	Capital costs of facilities and equipment	Economic development facilities and/or as established in enabling legislation
Financing Amount	<ul style="list-style-type: none"> \$250,000-\$10 million per applicant per fiscal year \$20 million per jurisdiction per fiscal year 	Not to exceed \$10 million (per Federal tax law)	No limit, but subject to State Treasurer's Office volume cap allocation	No limit	No limit
Financing Terms	Subsidized interest rate Up to 30 year financing	Variable rate demand bonds or fixed rate bonds with terms set by bond borrower and market	Variable rate demand bonds or fixed rate bonds with terms set by bond borrower and market	Variable rate demand bonds or fixed rate bonds with terms set by bond borrower and market	Variable rate demand bonds or fixed rate bonds with terms set by bond borrower and market

¹ I-Bank statutes are found in Government Code Section 63000 et seq.
² As of October 2008
³ As authorized by the Legislature, the I-Bank also has sold state assets in state bond securitization transactions. (Securitizations are the sale of a state asset by the I-Bank to a legislatively established special purpose trust that concurrently sells bonds in the capital markets to generate funds for the payment of the purchase price. Examples include tobacco revenue securitization, and potentially tribal gaming revenue and lottery revenue securitizations (lottery is pending voter approval).)

Appendix A

Public Development Facilities

Economic Development Facilities

	Infrastructure State Revolving Fund Program	Industrial Development Bond Program	Exempt Facility Bond Program	501(c)(3) Revenue Bond Program	Public Agency Revenue Bond Program ³
Source of Program Funding	Initial General Fund Appropriations, ISRF Program Bonds , program loan repayments, interest earnings & I-Bank fees	Bonds are sold in the capital markets or privately placed with a SEC qualified investor	Bonds are sold in the capital markets or privately placed with a SEC qualified investor	Bonds are sold in the capital markets or privately placed with a SEC qualified investor	Bonds are sold in the capital markets
Source of Financing Repayment	Borrower revenues including enterprise funds, tax increment or general funds	Private enterprise borrower revenues (no commitment of I-Bank or State funds)	Private enterprise borrower revenues (no commitment of I-Bank or State funds)	Nonprofit entity revenues (no commitment of I-Bank or State funds)	Public agency revenues (no commitment of I-Bank or State's General Fund)
Program Fees	Origination fee—the greater of 85% of the original loan amount or \$10,000 Annual Fee of 30% of the outstanding loan balance	Issuance Fee—25% of bond amount Annual Fee—\$500	Issuance Fee—Sliding scale from 25%-\$75,000 depending upon the bond amount Annual Fee—\$500	Issuance Fee—Sliding scale from 25%-\$75,000 depending upon the bond amount Annual Fee—\$500	Issuance Fee—Negotiable Annual Fee—Negotiable
Continuous Application Process⁵	Typical process takes 6 months to more than a year, Preliminary Application and Loan Application process	Typical process takes 3 months—requires private activity bond volume allocation from State Treasurer's Office	Typical process takes 3 months—requires private activity bond volume allocation from State Treasurer's Office	Typical process takes less than one month	Typical process varies depending upon the needs of the governmental entity
Project Examples	<ul style="list-style-type: none"> City of Brawley wastewater plant upgrades City of Hawthorne police station City/RDA of Fresno Roading industrial park street/utility improvements Del Norte County waste transfer station Town of Apple Valley library Port of Stockton Rough and Ready Island road and utility improvements 	<ul style="list-style-type: none"> Nature Kist Snacks M.A. Silva Corks, USA, LLC Applied Aerospace Structures Corporation Superior Lithographics, Inc. Alegacy Foodservice & Eaglenware Manufacturing Works US, Inc. 	<ul style="list-style-type: none"> Mercury Air Group, Inc. Pacific Gas and Electric Company 	<ul style="list-style-type: none"> Scipps Research Institute Gladstone Institute California Academy of Sciences Los Angeles County Museum of Natural History Salvation Army Goodwill Industries of San Joaquin Valley Learning With a Difference, Inc., db/a The Westmark School 	<ul style="list-style-type: none"> State Water Resources Control Board's Clean Water State Revolving Fund Energy Commission's Energy Efficiency Loan Programs State School Fund Emergency Apportionment Lease Revenue Bonds Caltrans Bonds for East Span of Bay Bridge

⁴ ISRF Program Revenue Bonds were issued by the I-Bank in 2004, 2005 and 2008 to provide additional funding to make program loans. Program loans are pledged to repay the program bonds.

⁵ The I-Bank Board meets monthly to consider financing requests.

State/Communications_Marketing_Report/Marketing_Materials/Programs_Fact_Sheet

Appendix B

Fast Facts on the California Economy (reflecting April 2011 data)

California is one of the ten largest economies in the world with a 2009 gross state product (GSP) of \$1.89 trillion.¹ According to the RealtyTrac 2010 Year End Report, a total of 341-758 California properties received foreclosure filings, a decrease of nearly 14% from 2009; currently, California has 353,768 foreclosure properties.² The March unemployment rate increased to 12.0% (seasonally adjusted) representing an estimated 2.02 million unemployed workers in California. U.S. unemployment is 8.8% down 1% from February.³

California's Global Economy

- In 2009, California's total GSP was \$1.89 trillion as compared to the United States with a gross domestic product (GDP) of \$14.3 trillion.⁴
- In 2009, California's GSP ranked this state as being the 8th largest economy in the world. The 2009 worldwide GDP in rank order are as follows: United States (\$14.3 trillion), Japan (\$5.10 trillion), China (\$4.90 trillion), Germany (\$3.34 trillion), France (\$2.65 trillion), United Kingdom (\$2.17 trillion), Italy (\$2.11 trillion), Brazil (\$1.57 trillion), Spain (\$1.46 trillion), Canada (\$1.34 trillion) and India (\$1.31 trillion), and the Russian Federation (\$1.23 trillion).⁵

Job Market

- In March 2011 there were 14,049,300 jobs in nonfarm industries, as compared to 13,861,200 in March 2010. California nonfarm payrolls lost 11,600 followed by a revised 84,600 in February and 17,600 job-gain in January.⁶ Although the state has seen some job gains the UCLA Anderson Forecast says unemployment in California won't dip below 10% until the last quarter of 2012.⁷
- Within nonfarm industries, four sectors saw month-over job gains, and seven sectors saw month-over job decline. The sectors with increased employment in March were: education and health services (5,100); information (2,600); professional and business services (1,200); and government (200). Sectors that lost jobs in March were: other services, *6,900); trade, transportation and utilities (4,400); construction (4,300); leisure and hospitality (2,500); financial activities (1,400); manufacturing (1,100); and mining and logging (100).⁸
- In March 2011, California nonfarm businesses were down 11,600 jobs from the prior month, as compared to an increased 216,000 (0.2%) jobs nationwide.⁹
- From March 2010 to March 2011, nonfarm jobs rose in eight of the 11 major industry sectors: professional and business services; educational and health services; trade, transportation and utilities; leisure and hospitality; information, manufacturing construction and mining and logging.¹⁰

Unemployment (March 2011) [These numbers are not seasonally adjusted as compared to the seasonally adjusted unemployment number above.] The monthly unemployment numbers by their nature are not seasonally adjusted.)

- Statewide: 12.3% (Down from 12.8% in 2010)
- Alameda County: 10.8% (Down from 11.5% in 2010)
- Colusa County: 26.7% (Up from 25.4% in 2010)
- Contra Costa: 11.2% (Down from 11.6% in 2010)
- Fresno County: 18.4% (Remained the same at 18.4% 2010)
- Imperial County: 24.6% (Up from 24.5% in 2010)
- Los Angeles County: 12.2% (Down from 12.4% in 2010)
- Riverside County: 14.1 % (Down from 14.7% in 2010)
- Sacramento County: 12.6 % (Down from 12.9% in 2010)
- Santa Clara County: 10.3% (Down from 11.7% in 2010) ¹¹

In-sourcing of Jobs

- Insourcing companies provide 594,100 jobs for California workers. ¹²
- California ranks 1st in the United States in the number of employees supported by U.S. subsidiaries. ¹³
- In 2009, insourcing companies employed 594,100 Californians and accounted for 4% of the state's total private sector employment. ¹⁴ More than 32% subsidiaries in California are in the manufacturing industry, accounting for 193,300 jobs. ¹⁵

Energy Market

- California produces 13% of the natural gas, 38.11% of the crude oil, and 69% of the electricity it uses. The remaining electricity and natural gas is purchased from Canada, the Pacific Northwest, the Rocky Mountain States and the Southwest. The remaining crude oil is imported from Alaska and foreign sources. ¹⁶
- The West Coast, prices for Alaskan North Slope crude oil increased to \$120.00 as of April 7th but has since decreased to \$117.61 as of April 13, 2011, however, they are \$36.03 higher than a year ago. ¹⁷
- Reformulated gasoline production in California, for the week ending April 8, increased 2.9% from the previous week to 6.55 million barrels, falling below the 5-year range and 6% higher than a year ago. Inventories for California reformulated gasoline also decreased 1% and but remains above the top of a five-year range. ¹⁸

California's Innovation Economy

- California ranks 7th among the 50 states in science and technology. Other top states include Massachusetts (1st), Maryland (2nd), Delaware (3rd), Washington (4th), Colorado (5th), and Virginia (6th). The index ranks states based on research and development dollars, number of patents issued, venture capital investment, and business starts.¹⁹
- California ranks 1st among 50 states for patents issued in 2009 when 23,354 total patents were granted. Other top performing states include Texas (6,436 patents), New York (6,127 patents), Washington (4,856 patents), and Massachusetts (4,038 patents).²⁰
- California ranks 1st in start-ups and 1st in new branches in high-tech manufacturing. Other top ranking states include Texas, Florida, New York, and Michigan for start-ups and Texas, Florida, Georgia, and New York in new branches.²¹
- The University of California system ranks 2nd, with Caltech ranking 3rd and Stanford ranking 4th, among all universities in the U.S. for the ability to transfer intellectual property (biotech research and patents) into commercial uses. These rankings are demonstrated in the Technology Transfer and Commercialization Index. Other top ranking universities include MIT (1st) and University of Florida (5th).²²

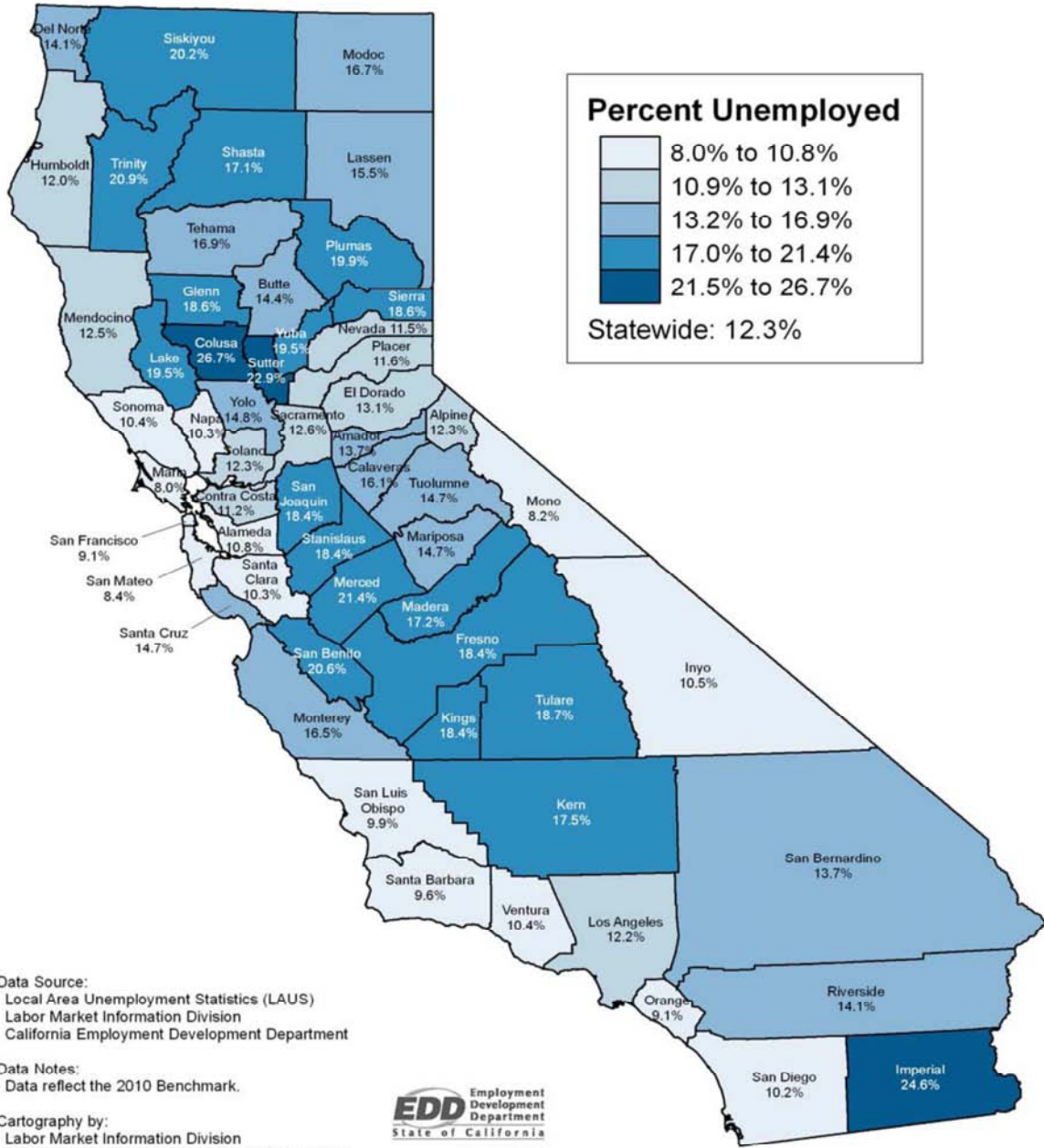
California Trade and Foreign Investment Activity

- California merchandise exports were down for the 8th month in June, 2009 according to the UC Center in Sacramento California's year to date exports of \$56.3 billion are down 23% from \$73.2 billion in 2008.²³
- Exports from California accounted for 11% of total U.S. exports in 2009.²⁴
- California's export shipments of merchandise in 2010 totaled \$143.3 billion.²⁵ If the value of services were added to the export of profit, it is likely that California would rank first in total exports.²⁶
- Small and medium-sized firms generated more than two-fifths (44%) of California's total exports of merchandise in 2008, well above the 31% export share nationally.²⁷
- California's top four export markets in 2010 were Mexico (\$21.0 billion), Canada (\$16.1 billion), China (\$12.5 billion), and Japan (\$12.2 billion) respectively.²⁸
- In 2010, the state's leading export category was computers and electronic products which accounted for 43.1 billion of California's total merchandise exports. Other top merchandize exports are machinery manufacturers (\$14.5 billion), transportation equipment (\$13.0 billion), chemical manufacturers (\$11.6 billion) and miscellaneous manufacturers (11.5 billion).²⁹

On the following page there is a state map with unemployment figures for March 2011 (most recent)..

County Unemployment Rates

March 2011 (Not Seasonally Adjusted)



Data Source:
Local Area Unemployment Statistics (LAUS)
Labor Market Information Division
California Employment Development Department

Data Notes:
Data reflect the 2010 Benchmark.

Cartography by:
Labor Market Information Division
California Employment Development Department
<http://www.labormarketinfo.edd.ca.gov>
April 2011



Appendix C

California Economic Strategy Panel Regions



Appendix D

Summary of Legislation

Current Session

Infrastructure Bank and Economic Development

- AB 696 (Hueso) California Infrastructure and Economic Development Bank: This bill requires projects selected for funding under the Infrastructure State Revolving Fund Program to only be funded, if the project meets specified land use and economic development criteria.
- AB 700 (Blumenfeld) California Infrastructure and Economic Development Bank: this bill establishes an independently administered California Infrastructure and Economic Development Bank and removes the Secretary of the Business, Transportation and Housing Agency (BTH) as chairperson.
- AB 1094 (John A. Pérez) California Infrastructure and Economic Development Bank: This bill expands the membership of the board of directors of the Infrastructure Bank from five to seven members.
- AB 893 (V. Manuel Pérez) California Infrastructure and Economic Development Bank: This bill modernizes the operations of the Infrastructure Bank, such as the inclusion of the economic development community on the Board, mandating outreach to communities, and adding new reporting requirements about the number of jobs created and retained, and the industries served.
- SB 822 (Evans) Infrastructure plan: Existing law requires the Governor, in conjunction with the Governor's Budget, to submit annually to the Legislature a proposed 5-year infrastructure plan containing specified information concerning infrastructure needed by state agencies, public schools, and public postsecondary educational institutions and a proposal for funding the needed infrastructure. This bill makes technical, nonsubstantive changes to this provision.
- SB 907 (Evans) Master Plan for Infrastructure Financing and Development Commission: This bill creates the Master Plan for Infrastructure Financing and Development Commission. Describes the structure of the commission and that its members shall be appointed by the Governor. As well as, allows for staff to be loaned from relevant agencies with exception of the Executive Director that is appointed by the chair of the commission with the approval of the entire membership. The bill also describes the duties of the commission including creating task force committees.

High Speed Rail Authority

In the 2011-12 Legislative Session there appeared to be a significant amount of activity surrounding the High speed Rail Authority.

- AB 16 (Perea) High-Speed Rail Authority: This bill requires the High Speed Authority to make every effort to purchase high-speed train rolling stock and related equipment manufactured in California, consistent with federal and state laws.
- AB 31 (Beall) High-speed Rail Local Master Plan: This bill establishes the High-Speed Rail Local Master Plan Pilot Program only cities and counties that have an approved station may participate in the pilot program. The planning agency or each participating jurisdiction may prepare and adopt by ordinance a master plan for the development of the area surrounding the rail system. The plan may be incorporated into the city's or county's general plan or may a project specific. The bill also requires an EIR be prepared for the area of the development projects.
- AB 41 (Hill) High Speed Rail and conflicts of interest: disqualification: This bill includes members of the High-Speed Rail Authority to be subject to FPPC rules relating to conflict of interest laws and requires members recuse themselves accordingly.
- AB 58 (Galgiani) Executive Staff of High-speed rail: This bill authorizes the Governor to appoint up to 5 deputy directors exempt from civil service who serve at the pleasure of the executive director.
- AB 133 (Galgiani) High-speed rail: This bill requires federal funds made available to the state for high-speed rail, upon appropriation for specified work on one or more rail corridors approved by the Federal Railroad Administration, in a manner consistent with certain provisions of, the bond act.
- AB 145 (Galgiani) High-speed rail authorization: This bill continues the High-Speed Rail Authority in existence to make policy decisions relative to implementation of high-speed rail consistent with Proposition 1A and creates the Department of High-Speed Trains within the Business, Transportation and Housing Agency.
- AB 277 (Galgiani) PUC: high-speed rail power supply: This bill requires the PUC to coordinate with the High-Speed Rail Authority to determine the power supply system requirements for high-speed rail operations.
- AB 615 (Lowenthal, Bonnie) High-speed rail: This bill includes the High-speed Rail Authority to those Departments that do not need approval from the Department of Finance or the State Public Works Board before it can expend funds from an appropriation for capital outlay purposes.
- AB 953 (Jones) High-speed rail: This bill requires the High-speed Rail Authority to contract with the Institute of Transportation Studies at UC Berkeley to complete a revised ridership study, using the ridership methodology of the institute, as well as, requiring the authority to reconsider its adoption of the optimal high-speed rail route based both on the new ridership study and the ridership methodology. The bill also says that no funds from Proposition 1A shall be used.

- AB 1092 (Lowenthal, Bonnie) High-speed rail: This bill requires the High-speed Rail Authority to report biannually to the Legislature beginning March 1, 2012. Reporting in detail on the status of the project, including overall progress, the budget, expenditures to date, as well as, a comparison of the current and project work schedule and the baseline schedule contained in the 2009 business plan.
- SB 22 (La Malfa) Bond Funding Relative to High-speed rail: This bill states the intent of the Legislature to re-examine the bond funding mechanism of the authority relative to the high-speed rail project.

Prior Sessions

- AB 507 (Arambula): This bill requires projects selected for funding under the Infrastructure Revolving Loan Program only be funded if the project meets specified land use and economic development criteria. Status: Held in the Assembly Committee on Appropriations, May 2009.
- AB 1047 (V.Manuel Pérez): This bill establishes a local assistance program, within the I-Bank, to assist small and rural communities obtain bond financing for infrastructure projects. Status: Held in the Assembly Committee on Appropriations, May 2009.
- AB 1380 (Bass): This bill expands the membership of the board of directors of the I-Bank from five to seven members. Status: Held in the Senate Rules Committee, August 2010.
- AB 1272 (Arambula): This bill established a local assistance program, within the I-Bank, to assist small and rural communities obtain bond financing for infrastructure projects. Status: Held in the Assembly Committee on Appropriations, April 2008.
- AB 1410 (Bass): This bill authorizes the I-Bank to use certain federal Community Development Block Grant moneys provided through the federal American Recovery and Reinvestment Act to create credit enhancements, loan guarantees, low-interest loans. Status: Remained with Assembly Committee on Jobs, Economic Development and the Economy, April 2010.

Appendix E

State Infrastructure Financing Programs

Economic Development

State Small Business Loan Guarantee Program

Administered through California Business Transportation and Housing Agency makes direct loans, and loan guarantees and letters of credit through private financial institutions to small businesses.

California Capital Access Program

Administered through the California Pollution Control Board operates a loan loss reserve program through private financial institutions.

Federal Small Business Financing Loan Programs

Operated by the U.S. Small Business Administration, this site is an index of loans available for small businesses.

Small Business Surety Bond Program

Operated by the U.S. Small Business Administration, this program can guarantee bid performance and payment bonds for contracts up to \$1.25 million for small businesses that are unable to obtain bonds through regular commercial channels.

Small Business 7(A) Loan Guaranty Program

Operated by the U.S. Small Business Administration, this program provides loans to small businesses unable to secure financing on reasonable terms through normal lending channels.

USDA Business and Industry Direct Loan Program

Operated by the U.S. Department of Agriculture (USDA), this program provides loans to private parties to be used for improving, developing, or financing business and industry, creating jobs, and improving the economic and environmental climate in rural counties.

USDA Business Programs

Various loans to promote rural economic and business development.

U.S. Small Business Administration

The U.S. Small Business Administration provides financial, technical, and management assistance to help Americans start, run, and grow their businesses.

Energy

California Energy Commission

Provides energy-related financing programs, technical assistance, and energy-reduction informational resources to local jurisdictions and private entities.

Environment

Border Environment Infrastructure Fund

Operated by the North American Development Bank, this fund facilitates financing for the development, execution and operation of environmental infrastructure projects in the U.S.-Mexico border region by combining grant funds with loans or guaranties for projects that would otherwise be financially unfeasible.

Institutional Development Cooperation Program

Operated by the North American Development Bank, this program assists public utilities within 100 kilometers of the U.S.-Mexico border in achieving effective and efficient operation of their water, wastewater treatment, municipal solid waste, and related services.

Loan and Guaranty Program

Operated by the North American Development Bank, this program provides direct financing or loan guarantees for environmental infrastructure projects within 100 kilometers of the U.S.-Mexico border. Projects must involve potable water, wastewater treatment, municipal solid waste, or related areas. Borrowers may be from the public or private sector.

Health Facilities

California Health Facilities Financing Authority (CHFFA)

Operated by the State Treasurer's Office, this Authority provides financial assistance to both public and non-profit healthcare providers in California through loans funded by the issuance of tax-exempt bonds.

Cal-Mortgage Loan Insurance Program

Operated by the Office of Statewide Health Planning Department, this program provides loan insurance for health facilities in order to stimulate the flow of capital into health facilities construction, improvement, expansion, acquisition, and refinancing to foster and meet the need for new, expanded, and modernized public and non-profit health facilities.

Department of Health Services

Through the Primary and Rural Health Care Systems Branch, this Department offers a wide variety of programs, including the Rural Health Services Development Program, designed to improve and make more accessible comprehensive primary and preventive health care services and other public health services for at-risk persons, including the medically uninsured or indigent, and those who would otherwise have either limited or no access to services due to cultural or language barriers.

Housing

California Department of Housing and Community Development (HCD)

A listing and description of HCD's numerous loan and grant programs.

HCD Loan & Grant Program Directory

Infrastructure

California Infrastructure and Economic Development Bank (I-Bank)

The I-Bank was created in 1994 to promote economic revitalization, enable future development, and encourage a healthy climate for jobs in California. The I-Bank has broad authority to issue tax-exempt and taxable revenue bonds, provide financing to public agencies, provide credit enhancements, acquire or lease facilities, and leverage State and Federal funds.

Community Facilities Loan Program

Operated by the U.S. Department of Agriculture, this program provides loans for public community facilities in rural areas and towns.

Ports

California Department of Boating and Waterways

This Department offers several loans for the development of marinas, expansion and/or improvement of boating and ancillary facilities available to the public, and for construction of new small craft harbors or expansion of existing berthing facilities.

Public Schools

Office of Public School Construction

Operated by the Department of General Services, this Office provides links to various programs and services relating to school construction and maintenance.

Deferred Maintenance Program

The State School Deferred Maintenance Program provides State-matching funds, on a dollar-for-dollar basis, to assist school districts with expenditures for major repair or replacement of existing school building components. Funds are also provided for emergency hardship projects where the work must be completed within one year.

State Relocatable Classroom Program

The State Relocatable Classroom Program is designed to meet the needs of districts impacted by excessive growth or unforeseen classroom emergencies. The State Allocation Board allocates funds for the acquisition, installation and relocation of safe relocatable classroom facilities.

Water

Drinking Water State Revolving Fund Program

Operated by the California Department of Health Services, this program provides funding for water related projects including, but not limited to: replacing aging infrastructure, land acquisition, consolidation of a public water system, and planning and designing a drinking water project.

State Water Resources Control Board

The Division of Financial Assistance (Division) administers the implementation of the State

Water Board's financial assistance programs. The State Water Board offers financial assistance through various water quality improvement projects including the construction of municipal sewage and water recycling facilities, remediation for underground storage tank releases, watershed protection projects, and nonpoint source pollution control projects.

Department of Water Resources

This Department provides funding in the forms of loans and grants to local public agencies for water conservation and other water-related projects.

Appendix F

State and Federal Grant Programs

Defense Conversion

Military Airport Program

Operated by the Federal Aviation Administration, this program provides matching grants for military base reuse plans through their Military Airport Program Grants.

Office of Economic Adjustment

Operated by the U.S. Department of Defense, this Office provides matching grants for military base reuse plans.

Economic Development

California Air Resources Board

The California Air Board website provides links to sites that contain financial/grant information for small businesses.

California Community Economic Revitalization Team (CERT)

Operated by the California Resources Agency, this program provides links to Federal and State grant and loan programs.

Energy

Community Development Block Grant (CDBG) Program

Operated by the California Department of Housing and Community Development, this program provides funding for economic development projects, public infrastructure improvements, as well as housing, community and social welfare related projects and activities.

Economic Development Administration (EDA)

Operated by the U.S. Department of Commerce, the EDA provides various economic development and public works related grants through eight EDA programs.

Public Works Development Facilities Program

Operated by the U.S. Department of Commerce, this program provides grants to help distressed communities attract new industry, encourage business expansion, diversify local economies, and generate long-term, private sector jobs.

USDA Business Programs

The U.S. Department of Agriculture Rural Development website provides several links to rural business and economic development grants.

Energy

Border Environment Infrastructure Fund

Operated by the North American Development Bank, this fund facilitates financing for the development, execution and operation of environmental infrastructure projects in the U.S.-Mexico border region by combining grant funds with loans or guaranties for projects that would otherwise be financially unfeasible.

California Energy Commission

This Commission provides various energy-related grants to local jurisdictions and private entities.

Environmental

Institutional Development Cooperation Program

Operated by the North American Development Bank, this program assists public utilities within 100 kilometers of the U.S.-Mexico border in achieving effective and efficient operation of their water, wastewater treatment, municipal solid waste, and related services.

Jobs Through Recycling Grant Program

Operated by the U.S. Environmental Protection Agency, this program provides grants for recycling/reuse businesses that increase the use of recyclable or reusable materials and contribute to economic development and job creation.

Pollution Prevention Incentives for States Grants Program

Operated by the U.S. Environmental Protection Agency, this program provides grants for state, tribal and regional programs that address the reduction or elimination of pollution across all environmental media: air, land, and water.

Environment

Alameda County Waste Management Authority

This Authority provides grants to public agencies, non-profit organizations, private businesses and educational institutions interested in projects that promote source reduction, recycling and the development, marketing and use of recycled content.

California Department of Water Resources

This Department provides funding in the forms of grants and loans to local public agencies for water conservation and other water-related projects.

California Integrated Waste Management Board

This Board provides the following grants: Enforcement Assistance Grants; Household Hazardous Waste Grants; Solid Waste Disposal & Site Cleanup Grants; Farm and Ranch Cleanup Grants; Used Oil Grants; and Tire Grants.

Department of Conservation Nonprofit Grant Program

This program provides grants to nonprofit organizations and governmental agencies, including

school districts, individual schools, special districts and joint power authorities to implement beverage container recycling projects in order to create or expand beverage container recycling collection, recycling infrastructure, and recycling infrastructure, and recycling

Environmental Enhancement and Mitigation (EEM) Program

Operated by the California Resources Agency, this program offers a total of \$10 million to local, state, and federal governmental agencies and nonprofit organizations for projects in three categories: Highway Landscape and Urban Forestry, Resource Lands, and Roadside Recreational.

Solid Waste Program Grants

Operated by the U.S. Environmental Protection Agency, this program provides grants to projects with an emphasis on education and outreach, implementation of solid waste initiatives, and development to facilitate solid waste management programs.

Health

California Rural Health Policy Council

This Council provides contact and general information and links for various social welfare related federal grant programs, including:

- Administration for Children and Families
- Administration of Native Americans
- Centers for Disease Control
- Distance Learning and Telemedicine Loans and Grants
- Housing and Urban Development
- National Telecommunications and Information Administration (NTIA)
- Rural Health Outreach Grant Program
- Rural Network Development Grants
- Rural Telemedicine Grant Program
- Ryan White Title III HIV Planning Grant Program
- Substance Abuse and Mental Health Administration

Housing

Community Development Block Grant (CDBG) Program

Operated by the California Department of Housing and Community Development, this program provides funding for economic development projects, public infrastructure improvements, as well as housing, community and social welfare related projects and activities.

California Department of Housing and Community Development

A complete listing of this Department's numerous grant and loan programs.

Department of Housing and Urban Development (HUD)

This Department offers grants, loans, contracts, and other business opportunities to a wide variety of agencies, organizations and companies in order to build a partnership in creating housing opportunities and building communities.

Rural Housing Service

The U.S. Department of Agriculture Rural Development website includes links to Rural Housing Service programs and services.

Ports

California Department of Boating and Waterways

This Department offers various grants for the construction of launching lanes, shore side or floating restrooms, boarding floats, shore protection, car/trailer parking, utilities, landscaping and irrigation, and other ancillary items.

Public Schools

Public Works Development Facilities Program

Operated by the Department of Commerce, this program provides grants to help distressed communities attract new industry, encourage business expansion, diversify local economies and generate long-term, private sector jobs. Among the types of projects funded are water and sewer facilities primarily serving industry and commerce; access roads to industrial parks or sites; port improvements; and business incubator facilities.

Sewer/ Water Systems (also see Environment)

Public Works Development Facilities Program

Operated by the Department of Commerce, this program provides grants to help distressed communities attract new industry, encourage business expansion, diversify local economies and generate long-term, private sector jobs. Among the types of projects funded are water and sewer facilities primarily serving industry and commerce; access roads to industrial parks or sites; port improvements; and business incubator facilities.

Schools

Department of General Services

Through the Office of Public School Construction, this department offers three grant programs:

1. The Deferred Maintenance Program;
2. The School Facility Program; and
3. The State Relocatable Classroom Program.

Telecommunications

Technology Opportunities Program

Operated by the U.S. Department of Commerce, this program provides matching demonstration grants to help develop information infrastructures and services in rural as well as urban areas.

Public Telecommunications Facilities Program

Operated by the U.S. Department of Commerce, this program provides matching grants for

equipment that disseminates noncommercial educational and cultural programs to the American public.

Telecommunications Program

Operated by the U.S. Department of Agriculture, this program provides financing to promote the construction of telecommunications infrastructure in rural areas.

Transportation

California Office of Traffic Safety

This Office provides grants to improve traffic safety on area streets and highways, and increase safety awareness.

Federal Transit Administration (FTA) Grants and Contracts

Provides links to various FTA funding opportunities for transportation projects.

FTA Capital Grant Program

Operated by the Federal Transit Administration (FTA), this program provides grants to assist with the financing of capital projects that will benefit the country's transit systems. The three categories of projects are:

1. Bus and bus-related facilities;
2. Modernization of fixed guideway systems; and
3. Construction of new fixed guideway systems and extensions.

FTA Metropolitan Planning Program

Operated by the Federal Transit Administration (FTA), this program provides financial assistance, through the states, to Metropolitan Planning Organizations (MPO) to support the costs of preparing long-range transportation plans required as a condition of obtaining Federal Capital Program and Urbanized Area Formula Program grants for transit projects.

Airports Financial Assistance Division

Operated by the Federal Aviation Administration (FAA), this Division provides Airport Improvement Grants to public agencies, districts, and authorities.

Airport Improvement Program

Operated by the Federal Aviation Administration (FAA), this program provides grants for airport projects.

Federal Highway Administration

Operated by the U.S. Department of Transportation, this Administration provides funding for various transportation-related infrastructure development projects.

Transportation and Community and System Preservation Pilot Program

Operated by the U.S. Department of Transportation, this program provides grants to investigate the relationship between transportation and community and system preservation and private sector-based initiatives.

Water

Border Environment Infrastructure Fund

Operated by the North American Development Bank, this fund facilitates financing for the development, execution and operation of environmental infrastructure projects in the U.S.-Mexico border region by combining grant funds with loans or guaranties for projects that would otherwise be financially unfeasible.

Department of Water Resources

This California Department provides funding in the forms of loans and grants to local public agencies for water conservation and other water-related projects.

Institutional Development Cooperation Program

Operated by the North American Development Bank, this program assists public utilities within 100 kilometers of the U.S.-Mexico border in achieving effective and efficient operation of their water, wastewater treatment, municipal solid waste, and related services.

Public Works Development Facilities Program

Operated by the U.S. Department of Commerce, this program provides grants to help distressed communities attract new industry, encourage business expansion, diversify local economies, and generate long-term, private sector jobs. Funds water and wastewater facilities, primarily serving industry and commerce.

State Water Resources Control Board (SWRCB)

This Board provides various water-related project grants.

SWRCB - NPS Grant: 319

Operated through the State Water Resources Control Board, this is a federally-funded, non-point source (NPS) pollution control program. It may include watershed and land use management activities.

USDA Water and Waste Programs

Operated by the U.S. Department of Agriculture, these programs provide a variety of grants for rural water and waste related projects.

Appendix G

On-Line Infrastructure Funding Application

CALIFORNIA FINANCING COORDINATING COMMITTEE (CFCC) COMMON FUNDING INQUIRY FORM	
<p>Instructions: An electronic copy of this form can be obtained at: www.cfcc.ca.gov Please provide the information below and e-mail the completed form to: dcummings@ibank.ca.gov If completing a hard copy of this form, attach responses where applicable and fax to Karl Whittington at (916) 319-7607.</p>	
Name of Applicant or Official System Name: _____	County: _____
<p>Check the box that best describes the applicant's organization:</p> <p> <input type="checkbox"/> <input type="checkbox"/> Municipal entity <input type="checkbox"/> Private entity, nonprofit </p> <p> <input type="checkbox"/> Private entity, for profit </p>	
<p>Project OR problem description. Describe the problem or the need for the project, the purpose of the project, the basic design features of the project and what the project will accomplish. (Attach documentation, if available)</p> <p>_____</p>	
<p>Estimated Project Schedule. Provide a timeline that illustrates the estimated start and completion dates for each major phase or milestone of project development, construction and/or acquisition (including, for example, feasibility study, land acquisition, preliminary engineering, environmental review, final design and construction commencement and completion).</p> <p>_____</p>	
<p>Financing is needed for (check all that apply):</p> <p> <input type="checkbox"/> <input type="checkbox"/> Feasibility Study <input type="checkbox"/> Engineering/Architectural </p> <p> <input type="checkbox"/> Land Acquisition <input type="checkbox"/> Other, specify: _____ </p> <p> <input type="checkbox"/> <input type="checkbox"/> Rate Study </p> <p> <input type="checkbox"/> <input type="checkbox"/> Project Construction and Administration </p>	
Estimated Total Project Costs \$ _____ \$ _____	Estimated amount of funding requested \$ _____
<p>Multiple funding sources anticipated: <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> Yes <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> No</p>	
<p><i>For water/sewer projects only:</i></p> <p>System ID No.: _____</p>	<p>Service Area Population: _____</p> <p>Number of Service Connections: _____</p> <p>Estimated Median Household Income of service area: \$ _____</p>

How did you hear about the California Financing Coordinating Committee?

All correspondence regarding this inquiry will be sent to the individual named below. You will receive a written acknowledgement of the receipt of this inquiry form and be contacted by staff of the appropriate CFCC member agencies to pursue additional assistance.

Printed Name of Inquirer

Title

Mailing Address (street)

City/State

Zip code

() _____

() _____

Phone Number

FAX Number

e-mail

For CFCC Use Only:
Applicant Inquiry:

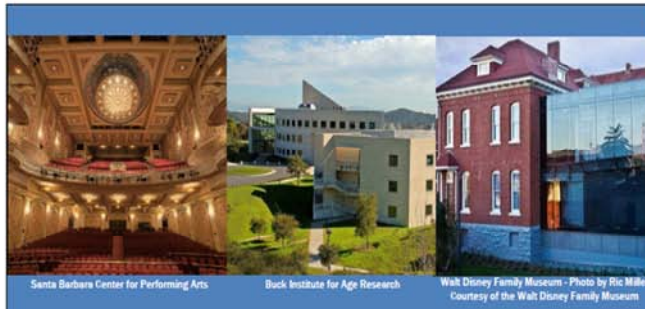
Date of Referral to CFCC Member Agencies:

Date Responded to

Appendix H

2009-10 Annual Report

 STATE OF CALIFORNIA BUSINESS TRANSPORTATION AND HOUSING AGENCY
CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK



ANNUAL ACTIVITY REPORT  FISCAL YEAR 2009/2010

Appendix I

Agenda and Summary of March 30, 2011 Hearing

ASSEMBLY COMMITTEE ON JOBS, ECONOMIC DEVELOPMENT, AND THE ECONOMY

California's Economic Recovery and the Role of the State Infrastructure and Economic Development Bank

Agenda

Wednesday, March 30, 2011 at 9:00 A.M.
California State Capitol, Sacramento, California

The is the first in a series of hearings being held by the Assembly Committee on Jobs, Economic Development and the Economy examining local, state and federal economic recovery efforts. California workers and businesses are currently facing some of the harshest economic conditions since the Great Depression. Unemployment in California has reached over 12% and is projected to remain above double digits well into 2012. Some areas of the state, however, have already experienced unemployment rates of nearly 30%. It is estimated that over 2.25 million Californians have lost jobs during this recession and bankruptcies among small businesses have been nearly double the national average.

One of California's challenges in moving forward is the state's aging infrastructure and its inability to support the innovation economy that is fundamental to retaining the state's global competitiveness. At this hearing, presentations will focus on the current role of the California Infrastructure and Economic Development Bank and how it could be used in the future to:

- *Complement and enhance existing work by other state entities on clean energy and the state's emerging green economy.*
- *Catalyze private equity investments in infrastructure.*
- *Enhance the state's ability to leverage additional existing and proposed federal programs.*

Following the formal presentations, the public will have an opportunity to share their perspectives during the public comment period.

I. Welcome, Introductions and Opening Statements

Chairman Pérez and Members of the Assembly Committee on Jobs, Economic Development, and the Economy will give opening statements and frame the key issues to be examined during the hearing.

II. Overview of the California Infrastructure and Economic Development Bank

- *Stanton C. Hazelroth, Executive Director, California Infrastructure and Economic Development Bank*
- *Roma Cristia-Plant, Assistant Executive Director, California Infrastructure and Economic Development Bank*

III. Stakeholder Perspectives

- *Wayne Schell, Executive Director, California Association for Local Economic Development*
- *Jeremy Smith, Representative, State Building and Construction Trades Council of America*

V. Public Comment

Anyone interested in addressing the Committee may sign up to speak during the public comment period. A sign-up sheet is located at the back of the hearing room.

VI. Summation of Key Concepts and Closing Remarks

Assembly Members will highlight key issues and provide recommendations on further actions by the Assembly Committee on Jobs, Economic Development, and the Economy.

Summary of Wednesday, March 30, 2011 Oversight Hearing on California's Economic Recovery and the Role of the California Infrastructure and Economic Development Bank

This is the first in a series of hearings being held by the Assembly Committee on Jobs, Economic Development and the Economy (JEDE) examining local, state and federal economic recovery efforts.

California workers and businesses are currently facing some of the harshest economic conditions since the Great Depression. Unemployment in California has reached over 12% and is projected to remain above double digits well into 2012. Some areas of the state, however, have already experienced unemployment rates of nearly 30%. It is estimated that over 2.25 million Californians have lost jobs during this recession and bankruptcies among small businesses have been nearly double the national average.

One of California's challenges in moving forward is the state's aging infrastructure and its inability to support the innovation economy that is fundamental to retaining the state's global competitiveness.

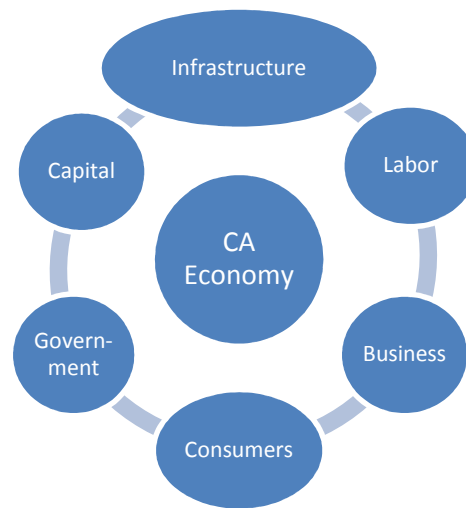
In this hearing, presentations focused on both the current role of the California Infrastructure and Economic Development Bank (I-Bank) and how it could be used to:

- Complement and enhance existing work by other state entities on clean energy and the state's emerging green economy;
- Catalyze private equity investments in infrastructure; and
- Enhance the state's ability to leverage additional existing and proposed federal programs.

In May, the JEDE Committee is scheduled to hear several bills related to the I-Bank, including legislation to reorganize the I-Bank as an independent agency (AB 700 by Assemblymember Blumenfield); to require public infrastructure moneys be awarded based on minimum economic and land use criteria (AB 696 by Assemblyman Hueso); to expand the membership of the I-Bank board and functions to more broadly reflect its development and business creation potential (AB 893 by Assemblyman V. M. Pérez and AB 1094 by Speaker John Pérez).

In his opening comments, Chairman V.M. Pérez shared his intention to facilitate the development of a legislative package of I-Bank and infrastructure-related bills that complement one another and that are reflective of the state's economic recovery and competitiveness in the post-recession economy.

The chairman also highlighted the JEDE committee's white paper and its logo reflecting the interdependency of the six economic drivers of the economy: infrastructure, labor, capital, business, consumers and government.



During the first panel, Members heard from Executive Director Stanton C. Hazelroth and Roma Cristia-Plant, Assistant Executive Director of the I-Bank, who provided a detailed briefing on the I-Bank's administrative structure, programs and examples of the current projects funded throughout the state. Mr. Hazelroth also discussed work at the federal level to create a national infrastructure bank, including how the Senator Kerry Model and the President Obama models differed. Another issue discussed was recent workshops hosted by the I-Bank and funded by the Rockefeller Foundation on the I-Bank's role within the state's larger infrastructure development needs.

Following the I-Bank, presentations were made by Wayne Schell, Executive Director of the California Association for Local Economic Development (CALED) and Jeremy Smith, Assistant Legislative Director State Building and Construction Trades Council of America.

CALED is the statewide professional economic development organization with a membership that consists of public and private organizations all working toward community and business development success. During Mr. Schell's presentation he discussed the importance of infrastructure in attracting and retaining businesses and the challenges local communities face in trying to finance and build local infrastructure. Among other recommendations he made to the Members are the following:

- Look at the Massachusetts Development Bank and the proactive process they use for helping to develop publically owned real estate assets for economic development purposes, financing early stage development and brownfields, and providing direct and loan guarantees for businesses and local communities;
- Transform the I-Bank into a state development bank through expansion of the board to include economic developers, labor and people more experienced in land development practices in California; and
- Establish a one-stop technical assistance program dedicated to small and rural communities.

Mr. Smith discussed the role of infrastructure development within the construction and building trades providing specific examples of job creation associated with several recent infrastructure projects. He discussed the need for apprenticeship programs and how prevailing wages help

fund this workforce development tool. Mr. Smith also elaborated on how the current recession had affected construction workers, some of which have been unemployed for over two-years.

Preliminary recommendations from the hearing include, but are not limited to:

- 1) Sponsoring additional stakeholder engagement through one or more of the following activities:
 - a) Call for a state Infrastructure Summit for the purpose of prioritizing key actions that can be taken by the public and private sectors to increase California's global competitiveness;
 - b) Host stakeholder roundtables to discuss the link between economic development and infrastructure. Information from roundtables would be used to continue to shape infrastructure package;
 - c) Form a Task Force on the possible roles for the I-Bank including program restructuring;
 - d) Schedule an infrastructure-related agenda item for the next monthly meeting of the JEDE sponsored Federal and State Small Business Jobs Act Roundtables; and
 - e) Hold a follow-up hearing to present information requested from the March 30, 2011 hearing.
- 2) Restructuring current infrastructure development planning and finance process that clearly places enhancement of the state economy as one of the primary policy objectives among other activities:
 - a) Call for an update of the Environmental, Growth and Policy Report and the related economic development, including infrastructure, plans. To the extent funding is not available provide authority for nonprofit stakeholder organizations to facilitate the development of the plans, which could then be reviewed and approved/modified by the Governor and Legislature; and
 - b) Statutorily define a planning process that links sound economic analysis with the development of state economic and workforce development planning and funding priorities and mandate timely updates, measurable outcomes and integrated approaches.
- 3) Enhancing local technical assistance for rural and small cities to help in putting together competitive infrastructure financing packages.
- 4) Obtaining additional information including:
 - a) The development of a matrix of state-level infrastructure development bank models and make further recommendations to the Committee on which elements of alternative models could be applicable to the I-Bank;

- b) Call for an integrated infrastructure assessment including infrastructure operated by federal, state and local government entities;
- c) Request JEDE staff to develop a proposal using the I-Bank to smooth recession impacts on the construction jobs during a recession. Having a long-term and funded infrastructure development plan could lessen unemployment among workers who are directly and indirectly employed by development-related businesses;
- d) Ask the I-Bank for a list of recommended program improvements;
- e) Ask JEDE staff to prepare information for the committee's review on co-investment models for leveraging more private sector infrastructure funding; and
- f) Ask the I-Bank to provide additional information on: the mechanics of a typical local infrastructure and conduit bond financed deal; a map of all I-Bank projects; a chart of I-Bank projects by household income served; and, a chart on private sector investment leveraged by fiscal year.

JEDE staff produced a report which provides extensive details on the California economy and I-Bank activities. The report can be found on the State Assembly's website at www.assembly.ca.gov under the JEDE Committee.

Appendix J

Preliminary List of Program-Level Recommendations from Hearing

The following is a list of program-level changes recommended at the March 30, 2011, JEDE hearing.

Administrative Structure of the I-Bank

- Rename the I-Bank the California Development Authority;
- Change the title of the Executive Director to Chief Executive Officer and make other related changes;
- Authorize the Executive Director be chosen by the I-Bank Board of Directors or retain the position as a Governor's appointment, but require the Governor to select from a slate submitted by the I-Bank Board of Directors;
- Expand the Board of Directors to include legislative, economic development, labor and developer representatives;
- Require I-Bank to establish a process for setting two-year program goals consistent with EGPR, infrastructure plans and state economic strategy;
- Require I-Bank to adopt an annual work plan to drive activities; and
- Designate the I-Bank as the state applicant for funding under a federal Infrastructure Bank.

Technical Assistance

- Require I-Bank website maintain a web link to the website of the Governor's Office of Economic Development and/or other state website developed to be the state's primary location for business assistance, retention and attraction information;
- Enhance the ability and responsibility of I-Banks to provide technical assistance to small and rural communities;
- Codify the state and federal California Finance Coordinating Committee;
- Establish MOUs with related infrastructure financing programs to expedite the packaging of development project deals;
- Authorize the I-Bank to enter into contracts with other state entities to implement, underwrite or otherwise offer assistance to other state entities for the purpose of maximizing leverage of state and local funds; and
- Authorize the I-Bank to serve as a facilitator of regionally significant infrastructure development projects.

Incorporating Innovation and Best Practices into I-Bank Activities

- Consider how the I-Bank can continue to meet its mission in changing economic times;
- Authorize the I-Bank to periodically host, in partnership with other public and private infrastructure and economic development financial and investment entities, "Capital Idea" roundtables to support the development of innovative financing ideas that can result in new and enhanced funding opportunities for California communities and businesses;
- Authorize the I-Bank to establish one or more advisory groups of economic development and finance professionals to evaluate and make recommendations on long-term changes to the overall I-Bank program for the purpose of enhancing the state's economic competitiveness and job creation activities;

- Require coordination of ISRF outreach and financing activities with local Revolving Loan Funds (RLF) and networks of RLFs;
- Modify the evaluation criteria in the ISRF to have a job creation or public health threshold, in addition to an overall point threshold;
- Expand the I-Bank to include a real estate development unit to assist in sustainable development of publicly owned lands including being responsible for buying and selling public property, including surplus land; and
- Expand I-Bank to include an engineering department that can help expedite large regionally significant infrastructure projects.

Expansion of Program Authority

- Authorize predevelopment loans from ISRF within existing resources;
- Authorize the I-Bank to fund brownfield clean-up as part of a larger development project;
- Authorize the I-Bank to undertake financing of projects in Indian Country;
- Authorize the I-Bank to establish a letter of credit guarantee program for industrial development bonds; and
- Implement new financial products including affordable housing, mortgage insurance, student loans, equipment loans, school construction, and export finance.

Programs to Relocate

- Shift responsibility for implementing the state's innovation and technology-based programs from BTH to I-Bank. No General Fund moneys provided, however, the I-Bank could use its bonding authority and or be the state applicant for federal moneys;
- Shift the Small Business Loan Guarantee Program from BTH to the I-Bank;
- Consolidate renewable energy and other clean technology production programs at the I-Bank;
- Relocate Small Cities Community Development Block Grant – infrastructure and economic development portions from the Department of Housing and Community Development to the I-Bank; and
- Consolidate brownfield development programs at the I-Bank.

End Notes

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3-25-11