

Date of Hearing: April 21, 2009

ASSEMBLY COMMITTEE ON JOBS, ECONOMIC DEVELOPMENT AND THE ECONOMY
V. Manuel Perez, Chair
AB 1557 (Economic Development Committee) – As Amended: April 13, 2009

SUBJECT: Economic Development and Federal Funding

SUMMARY: States that it is the intent of the Legislature that state government serves as a facilitator in assisting Californians to access federal stimulus funds approved in 2008 and 2009. Further, the bill expands existing disclosure requirements related to federal funding. Specifically, this bill:

- 1) Provides legislative intent that it is the role of the state government to serve as a facilitator in assisting local communities, workers, businesses, and other individuals in accessing federal stimulus funds appropriated in 2008 and 2009.
- 2) Requires a state agency that applies and receives approval for funding from programs approved through the federal economic stimulus package in 2008 and 2009 to make a specified notice within 15 calendar days of funds being awarded.
- 3) Specifies that the notice be provided to the same set of agencies as those required to be notified of unsuccessful applications for federal funding, including the Department of Finance (DOF), the Office of Planning and Research (OPR), and the Joint Legislative Budget Committee (JLB).
- 4) Requires the following information be included in the notice:
 - a) The name of the federal program and the amount of moneys expected to be received.
 - b) A list of federal, state, and local programs that may be affected by the approval of the state agency's application.
 - c) A description of any issues or responsibilities related to receiving or using the moneys.
- 5) Expands an existing notice requirement for the JLB to notify relevant policy committees of information received pursuant to this legislation.

EXISTING LAW requires state agencies that are unsuccessful in applying for federal funds to notify DOF, OPR, and the JLB within 15 calendar days. The notice is required to include the name of the federal program and the administering agency, the amount of other funds impacted by the disapproval, and an identification of the reasons the application was denied.

FISCAL EFFECT: Unknown

COMMENTS

- 1) Purpose: This bill is being sponsored by the Assembly Committee on Jobs, Economic Development, and Economy (JEDE) to serve as a vehicle for substantive amendments to

California economic development programs and services in order to expedite the use of the \$787 billion in federal stimulus funds.

This bill implements recommendations included in the California Economic Development Recovery Strategy (California Recovery Strategy), which was prepared under the direction of Chairman V. Manuel Pérez in an effort to engage the public on how best to use federal stimulus moneys. The five goals of the California Recovery Strategy are to:

- Improve business access to capital;
- Target infrastructure projects that link to economic development;
- Expedite workforce services, educational services, and training opportunities;
- Enhance local and regional community development capacity; and
- Ensure that the state's recovery strategy is a plan for all Californians.

The initial draft of the California Recovery Strategy was released in early March and public comment is currently being solicited. When finalized, the Recovery Strategy will serve as a 24 month blueprint for state economic and workforce development activities. Without a strategy and implementation plan, California could be at-risk of not maximizing the impact of federal stimulus dollars, or worse, actually fail to receive federal funding for which the state and its communities were eligible.

- 2) How the bill works: While monetary policy is set in Washington D.C., the state can play an important role in facilitating the smooth and efficient use of federal and state programs to best serve the immediate needs of the businesses, workers, and other individual affected by the recession. If done well, these monies can also serve as a catalyst for the state's long-term economic future.

As a first step, AB 1557 sets forth a specific role for the state in helping to link eligible entities to available federal stimulus funds. The bill also increases transparency on the flow of federal dollars to the state. Further, the bill asks the receiving department to identify other state funding sources which could be impacted by the use of the new moneys and to identify potential issues that may arise in the use of these moneys.

An example, certain federal funding sources require a local match in order to access the moneys. Other federal programs may only partially fund a project and need other resources in order to complete the funding package. While the state has limited resources, the state still has some programs, including bond funded programs, which can be used as a match to available federal program dollars. Local communities also have certain limited resources which can be used to demonstrate a financial match or to meet a gap in an infrastructure funding package.

The provisions of AB 1557 will also serve as an early warning system to the Legislature, as well as other state entities on issues that may arise in drawing down federal dollars. If urgency legislation is needed, it is important that both the Administration and the Legislature have key information at the earliest possible moment.

Improving public notice and asking agencies that are receiving federal dollars to think more strategically about the use of those dollars are important steps in maximizing the impact of these moneys.

REGISTERED SUPPORT / OPPOSITION:

Support

Assembly Committee on Jobs, Economic Development and the Economy (sponsor)

Opposition

None received

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