

Date of Hearing: April 21, 2009

ASSEMBLY COMMITTEE ON JOBS, ECONOMIC DEVELOPMENT AND THE
ECONOMY

V. Manuel Perez, Chair

AB 1047 (V. Manuel Perez) – As Introduced: February 27, 2009

SUBJECT: California Infrastructure and Economic Development Bank: local assistance program.

SUMMARY: Establishes a local assistance program (program) within the California Infrastructure and Economic Development Bank (I-Bank), to assist small and rural communities obtain bond financing for infrastructure projects. Specifically, this bill:

- 1) Requires the I-Bank to establish a local assistance program to provide technical support to small and rural communities. The I-Bank will select communities for the program based on a competitive process which considers factors such as remediation of community health and safety problems, and economic development. The I-Bank shall provide no fewer than three professional positions and one staff position to ensure the implementation of the program.
- 2) Authorizes the program to assist communities in developing strategic plans, writing grants, applying for public and private loans and guarantees, issuing bonds, and other activities directly related to obtaining funding for infrastructure programs.
- 3) Provides that the cost of administering a bond program pursuant to the State General Obligation Bond Law (G.O. Bond Law) includes the cost of technical assistance and outreach.
- 4) Establishes the Community Technical Assistance Fund (CTAF) in the State Treasury, to house the funds that support the program activities. The bill also provides that other non General Fund moneys may be deposited in the CTAF to be used to provide technical assistance to communities for infrastructure projects.

EXISTING LAW:

- 1) Created the I-Bank within the Business, Transportation and Housing (BTH) Agency, to promote economic revitalization, enable future development, and encourage a health climate for jobs in California. The I-Bank has the authority to issue tax-exempt and taxable revenue bonds to underwrite the costs of infrastructure development that meets certain public purposes.
- 2) Authorized the issuance of general obligation bonds for five infrastructure programs including the Proposition 1B transportation bond (\$19.9 billion), the Proposition 1C housing bond (\$2.9 billion), the Proposition 1D education bond (\$10.4 billion), the Proposition 1E flood control bond (\$4.1 billion), and the Proposition 84 natural resources bond (\$5.4 billion). Collectively, these five bonds are known as the Infrastructure Bond Acts of 2006. The Infrastructure Bond constructing physical infrastructure improvements for roads, parks, schools, water resources, sewage treatment, and more.

- 3) Established the State G.O. Bond Law, that authorized proceeds from the sale of bonds to pay the costs of a state agency for administering a bond funded program.

FISCAL EFFECT: Unknown

COMMENTS:

- 1) Purpose of the bill: According to the author, AB 1047 will assist communities that have been traditionally underserved by state programs in obtaining funds for critically needed local infrastructure projects. The communities this bill seeks to assist are typically small and rural incorporated and/or unincorporated areas that have difficulty affording additional staff or consultants. Generally, these communities are competing against larger communities for infrastructure funds.

The author believes that communities with critical public needs or significant potential for local economic development and job creation, should have a reasonable opportunity to secure infrastructure funding, notwithstanding their difficulty in affording their own experts. The investment of state and federal funds in infrastructure improvements will allow these communities to begin generating economic activity on their own, which contributes to the overall state economy.

- 2) Benefits of technical assistance programs: This bill is modeled after a successful program that operated in the 1970's and 1980's, the Rural Development Assistance Program (RDAP). Initially, the RDAP was operated by the Department of Housing and Community Development (HCD) as a pilot project 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.

During the years 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.

- 3) The I-Bank: The I-Bank was created for the purpose of assisting private agencies obtain credit enhancements, and acquire or lease facilities, as well as, leverage state and federal funds for infrastructure projects that contribute to state and local economic development. The I-Bank is financed through the California Infrastructure and Economic Development Bank Fund, which receives fees, and interest income and other revenues from which I-Bank expenses are paid.

Since its creation, approximately a decade ago, the I-Bank has issued over \$348 million to local agencies in infrastructure related revenue bonds, and has developed a level of expertise in the implementation of successful local infrastructure programs. The I-Bank also provides limited technical assistance to local communities that are applying for I-Bank funding for infrastructure. This makes the I-Bank a suitable entity within state government to house the local technical assistance program this bill creates.

The positions funded by this bill, would serve small and rural communities throughout the

state in applying for infrastructure funding. The I-Bank duties set forth in this bill are consistent with the I-Bank's mission to encourage economic development activities.

- 4) Beyond the Bond Acts of 2006: The CTAF is authorized to receive funding from other infrastructure financing and community development programs to support the I-Bank in providing technical assistance to small and rural communities. For example, current law authorizes the state to administer the small cities Community Development Block Grant Program (CDBG) which provides funding for technical grants for small counties and cities to conduct studies and develop proposals for housing, public works, community facilities, and economic development activities. The federal stimulus package authorized an additional \$10 million to this program, above its annual baseline allocation.

Pursuant to the provisions of the bill, funding from this, and other economic development programs, may be deposited in the CTAF. Coordinated state technical assistance through a single state agency the I-Bank creates efficiencies in small and rural communities' efforts to obtain community development funding.

- 5) California Economic Development Recovery Strategy: In anticipation of the enactment of the \$787 billion federal stimulus package, Assemblyman Pérez, Chairman of the Assembly Committee on Jobs, Economic Development and the Economy called for the preparation of a 24 month blueprint on how to most effectively use federal stimulus funds to address the state's most immediate economic and workforce needs, while still serving as a catalyst for advancing the state's long-term economic growth. In March 2009, the Recovery Strategy was published and is currently out for public comment.

The Recovery Strategy proposes to use the broadest set of community, economic, and workforce development tools to link these new federal resources with the people and organizations they are designed to serve. In order to accomplish this important task, the Recovery Strategy recommends that the state serve as a facilitator to support and enhance each community's individual initiative to design and implement policies and programs which best fit their needs. The recommended actions in the Recovery Strategy are organized around five community development goals. The five goals are to:

- Goal 1 – Improve business access to business capital
- Goal 2 – Target infrastructure projects that link to economic development
- Goal 3 - Expedite workforce services and training opportunities
- Goal 4 – Enhance local and regional community development capacity
- Goal 5 – Ensure that the state's recovery strategy is a plan for all Californians.

Each of these goals includes a list of specific action items, including actions that should start immediately, to actions proposed in the next six-to-12 months and, finally, those actions which will help to fortify the economy as the state begins to move out of the recession in the next 12-to-18 months.

The local assistance program proposed in AB 1047 is a specific recommendation under Goal #4 to have the state help to enhance local and regional community development capacity.

- 6) Amendment: Staff understands the author will offer an amendment that deletes the reference to the CTAF and, instead establish an account with the existing California I-Bank Fund.
- 7) Related legislation: The following is a list of related bills.
- a) 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: Hearing scheduled in the Assembly Committee on Jobs, Economic Development, and the Economy on April 21, 2009.
 - b) AB 1380 (Bass): This bill expands the membership of the board of directors of the I-Bank from five to seven members. Status: Hearing scheduled in the Assembly Committee on Jobs, Economic Development, and the Economy on April 21, 2009.
 - c) AB 1410 (Bass): Authorizes the I-Bank to use certain federal CDBG Program moneys to create credit enhancements, loan guarantees, and low-interest loans, for the purpose of offsetting program administration costs or to supplement the State Infrastructure Revolving Fund Program. Status: Hearing scheduled in the Assembly Committee on Jobs, Economic Development, and the Economy on April 21, 2009.
 - d) 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: Died pursuant to Article IV, Sec. 10(c) of the California Constitution.

REGISTERED SUPPORT / OPPOSITION:

Support

California Association for Local Economic Development
Regional Council of Rural Counties

Opposition

None received

Analysis Prepared by: Toni Symonds / Mercedes Flores / J., E.D. & E. / (916) 319-2090