

Date of Hearing: April 20, 2010

ASSEMBLY COMMITTEE ON JOBS, ECONOMIC DEVELOPMENT AND THE
ECONOMY

V. Manuel Perez, Chair

AB 2518 (V. Manuel Perez) – As Introduced: February 19, 2010

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 a Technical Assistance Account (TAA) within the I-Bank. The bill also provides that other non General Fund moneys may be deposited in the TAA to be used to provide technical assistance to communities for infrastructure projects.

EXISTING LAW:

- 1) Creates the I-Bank within the Business, Transportation and Housing (BTH) Agency, to promote economic revitalization, enable future development, and encourage a healthy 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) Authorizes 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. Infrastructure Bonds construct physical infrastructure improvements for roads, parks, schools, water resources, sewage treatment, and more.

- 3) Authorizes the issuance of \$980 million in general obligation bonds under Proposition 3- The Children's Hospital Bond Act of 2008.
- 4) Establishes 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.
- 5) Defines infrastructure as "Public development facilities" which means real and personal property, structures, conveyances, equipment, thoroughfares, buildings, and supporting components thereof, excluding any housing, that are directly related to providing city streets; county highways; drainage, water supply, and floor control; educational facilities; environmental mitigation measures; parks and recreational facilities; port facilities; power and communications; public transit; sewage collection and treatment; solid waste collection and disposal; water treatment distribution; defense conversion; public safety facilities; state highways; and military infrastructure including but not limited to facilities on or near a military installation, that enhance the military operations and mission of one or more military installations in this state. To be eligible for funding, the project shall be endorsed by the Office of Military and Aerospace Support established pursuant to Section 13998.2.

FISCAL EFFECT: Unknown

COMMENTS:

- 1) Author's purpose: According to the author, AB 2518 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 lack the existing staff or have difficulty affording additional staff or consultants with the expertise to respond to bond funded infrastructure solicitations. This puts such communities at a disadvantage when 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 agency's to 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, 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 TAA 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 assistance grants for small counties and cities to conduct studies and develop proposals for housing, public works, community facilities, and economic development activities. In 2009 the federal government authorized a federal stimulus package giving an additional \$10 million to this program, above its annual baseline allocation. The Federal government may offer a round two in CDBG federal stimulus dollars.

Pursuant to the provisions of the bill, funding from this, and other economic development programs, may be deposited in the TAA. 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, Chair 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 immediate economic and workforce needs, while still serving as a catalyst for advancing the state's long-term economic growth. In March 2009, the California Economic Development Recovery Strategy (Recovery Strategy) was published.

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. In the past year, 25 of the 45 recommendations in the Recovery Strategy have been acted upon, and three of the items were specific to Goal 4.

The local assistance program proposed in AB 2518 is a specific recommendation under Goal 4 to have the state help to enhance local and regional community development capacity.

- 6) Related legislation: The following is a list of related bills.
- a) AB 507 (Arambula) – Infrastructure and Economic Development Bank Act: 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: Died pursuant to Article IV, Sec. 10(c) of the California Constitution on February 2, 2010.
 - b) 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: Died pursuant to Article IV, Sec. 10(c) of the California Constitution on February 2, 2010.
 - c) AB 1380 (Bass) – I-Bank: Board of Directors: This bill expands the membership of the board of directors of the I-Bank from five to seven members. Status: Pending in Senate Rules Committee awaiting policy committee referral.
 - d) AB 1272 (Arambula) GO Bonds: Administration and Oversight: 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 on February 1, 2008.

REGISTERED SUPPORT / OPPOSITION:

Support

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

California Chambers of Commerce
Regional Council of Rural Counties

Opposition

None received

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