

California Debt Limit Allocation Committee (CDLAC) QECCB Program

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CDLAC website: <http://www.treasurer.ca.gov/cdlac>

California Debt Limit Allocation Committee (CDLAC)

- The 1986 Federal Tax Reform Act imposed a state limit on private activity bonds issued by each state. The California Debt Limit Allocation Committee (CDLAC) was created in California to administer the private activity bond ceiling/cap. The cap is based on the state population (est. 2009, 36.7 million). The 2009 formula uses a multiplier of \$90 per capita.
- **The Cap for 2009 for California is \$3.308 billion.**
(an increase of \$201,076,665 from 2008)

Private Activity Bonds

- Private activity bonds are tax-exempt bonds that benefit a private entity. CDLAC has adopted Procedures for allocating the annual state ceiling/cap. The Procedures provide priority for projects or programs that provide the greatest public benefits.
- The American Recovery and Reinvestment Act (ARRA) has created new financing possibilities with corresponding financing programs for the State of California. CDLAC is responsible for the Recovery Zone Bonds and the Qualified Energy Conservation Bonds (QECCBs).

What are Qualified Energy Conservation Bonds (QECCB's)?

- A QECCB is a tax credit bond. Issuers regularly repay the principal debt on a set schedule. However, they do not usually have to pay interest on the debt. The bondholder receives a federal tax credit in lieu of interest.
- These bonds must be issued by large local governments. Large local governments is defined as any municipality or county that has a population of 100,000 or more. In addition, an Indian Tribal Government is also treated as a large local government. The State also has a reserve of QECCB bond allocation that can be used by State Entities to issue bonds.
- At least 70% of a State's allocation must be allotted to governmental bonds. Up to 30% of each State's allocation may be issued as private activity bonds.

Distribution of QECEB Allocation

- **Cities:** Cities received **\$170,173,417** in QECEB Allocation.
- **Counties:** Counties received **\$197,669,919** in QECEB Allocation.
- **The State and Indian Tribal Governments:** The State and Indian Tribal Governments received **\$13,485,664** in QECEB Allocation.

Eligible uses of QECBS: *Qualified Conservation Purposes*

Capital expenditures for one of the following:

- ❑ reducing energy consumption in publicly-owned buildings,
- ❑ implementing green community programs,
- ❑ rural development involving the production of electricity from renewable energy resources
- ❑ any qualified facility eligible for the production tax credit under Section 45 of the IRS Code

Expenditures with respect to research facilities, and research grants, to support research in the following:

- ❑ development of cellulosic ethanol or other non-fossil fuels
- ❑ technologies for the capture and sequestration of carbon dioxide produced through the use of fossil fuels
- ❑ increasing the efficiency of existing technologies for producing non-fossil fuels
- ❑ automobile battery technologies and other technologies to reduce fossil fuel consumption in transportation
- ❑ technologies to reduce energy use in buildings

Eligible uses of QECBS: Qualified Conservation Purposes (cont.)

Mass commuting facilities and related facilities that reduce the consumption of energy, including expenditures to reduce pollution from vehicles uses for mass commuting.

Demonstration projects designed to promote the commercialization of:

- ❑ green building technology
- ❑ conversion of agricultural waste for use in the production of fuel or otherwise
- ❑ advanced battery manufacturing technologies
- ❑ technologies to reduce peak use of electricity
- ❑ technologies for the capture and sequestration of carbon dioxide emitted from combining fossil fuels in order to produce electricity

Public education campaigns to promote energy efficiency.

Direct Allocation to Cities and Counties

- On July 22nd, CDLAC distributed the QECB allocation to counties, cities and Indian Tribal Governments.
- CDLAC has no immediate role in the administering of the Allocation to counties, cities and Indian Tribal Governments.
- CDLAC will still require the following items:
 - a) Report of Action Taken: This report must be submitted to CDLAC upon issuance of bonds not more than three days following the issuance of QECB.
 - b) Plan of Issuance: Counties and large municipalities receiving QECB allocation must provide CDLAC with a Plan of Issuance no later than January 31, 2010. The Plan should include a description of the projects to be funded. In addition, counties and municipalities are encouraged to include a project issuance timeline as part of the Plan of Issuance.

ALLOCATION USAGE DEADLINE

- Allocations that after July 1, 2010, have not been issued or included in a notice of intent to issue are automatically deemed waived and returned to CDLAC for reallocation.

State QECC Allocation

- The \$12.7 million that the State received will be administered by CDLAC.
- In addition to general QECC requirements as outlined in the ARRA, applications for this State Allocation must meet the following minimum CDLAC requirements:
 - The Issuer (Applicant) must be a State Entity.
 - Requests for Allocations must be project specific.
 - The financing plan must be identified.
 - All applicable approvals must be obtained.

QECCB Reallocation

- Any allocation that is waived (or is deemed waived) will be reallocated by CDLAC.
- CDLAC is developing a Priority System for Reallocation to insure programs and projects that promote the most public benefit for the State of California are given a priority.
- CDLAC will develop Procedures and an Application to institute such a Priority System.
- The Proposed CDLAC Procedures will be subject to a thirty day public comment period.
- To insure the Procedures Priority System reflects reasonable and equitable public policy goals, CDLAC encourages public comment from the energy community.

QUESTIONS?

- For more information, please contact CDLAC Analyst, Brady Hill at (916)651-7449; bhill@treasurer.ca.gov or CDLAC Executive Director, Sean Spear or CDLAC Program Manager, Misti Armstrong @ 916-653-3255 for general policy information.