

CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE

Public Benefit Analysis

Small-Issue Industrial Development Bond Projects

2003 Summary

Small-Issue Industrial Development Bonds (IDBs) are tax-exempt private activity bonds that are issued through state and local governmental agencies to assist manufacturing facilities finance capital expenditures. Today, most IDBs support expansions of existing manufacturing. IDBs offer considerable interest rate savings to small and midsize manufacturers in contrast to conventional loans. When used by manufacturers, IDBs serve to retain and create new jobs within their communities. Under the leadership of State Treasurer Philip Angelides, the Committee has redirected the emphasis of this program toward smart growth principles that assure the award of bond authority is prioritized in distressed communities where there is high unemployment, high poverty, and low income rates. The program emphasizes job retention and creation, medical and childcare benefits for employees, and wages that are above the area's standard manufacturing wage.

The California Debt Limit Allocation Committee is responsible for administering California's annual tax-exempt private activity bond program, known as "the annual state ceiling". For calendar year 2003, California's state ceiling is \$2.633 billion. Each year the Committee divides the annual state ceiling among several bond programs, known as "Program Pools", including the Small-Issue Industrial Development Bond Project Pool. Initially for calendar year 2003, the Committee reserved approximately 3.5%, or \$92 million, of the state ceiling for the IDB pool, \$45 million of which was for the core IDB program; \$17 million was for the Small Business Program; and \$30 million was for the Energy Finance Program.

The California Debt Limit Allocation Committee awarded a total of \$14,822,500 in IDB's in 2003. This represents 16% of the 2003 \$92 million IDB Project Pool and .1% of the 2003 \$2.633 billion state ceiling. The Committee awarded \$4.96 million to an individual IDB project and \$9.86 million to the Small Business Program that funded the expansion of four small businesses.

The IDB project Hydro Systems, Inc. is anticipated to create a total of 79 new jobs in California, of which 2 are management, 30 skilled, 14 semi-skilled and 33 unskilled jobs. The new jobs will produce a weighted average hourly wage of \$16.92.

The purpose of the Small Business Program is to make tax-exempt bond financing available to small business that generally would not have access to such financing. This is done by offering fixed cost financing which is made affordable through standardization of bond documents thereby limiting the cost of bond counsel and the cost of issuance fees.

The minimum requirements for the SBP include:

- 1.) The borrower must meet the definition of a small business and propose a project that is an eligible use of bond proceeds.
- 2.) The maximum amount of tax-exempt financing available under the program is \$4 million.
- 3.) The borrower must establish that the project will result in job creation and or job retention.
- 4.) All construction projects are subject to prevailing wage.
- 5.) All discretionary permits must be in place prior to receiving an award of allocation.

The four Small Business Program projects will create a total of 209 new jobs in California, of which 8 are management, 74 skilled, 95 semi-skilled and 82 unskilled jobs. The new jobs will produce a weighted average hourly wage of \$15.72.

In 2003, there were no projects requesting allocation under the Energy Finance Program Pool.

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**2003 Total Benefit of the Small-Issue Industrial
Development Bond Project Pool Summary**

Program Pool	Allocation Amount	Number of Projects	# of New Mgmt Jobs	# of New Skilled Jobs	# of New Semi-skilled Jobs	# of New Unskilled Jobs	Total # of New Jobs Created	Weighted Average Hourly Wage
Small-Issue Industrial Development Bond Project Pool (Hydro Systems, Inc.)	\$4,960,000	1	2	30	14	33	79	\$16.92
Small Business Program Pool	\$9,862,500	4	8	74	95	82	209	\$15.72
TOTALS	\$14,822,500	5	10	104	109	115	288	\$16.32