

# **CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**

## **Public Benefit Analysis Small-Issue Industrial Development Bond Projects 2006 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 ("Committee") is responsible for administering California's annual tax-exempt private activity bond program, known as "the annual State ceiling". For calendar year 2006, California's State ceiling is \$2.890 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. For calendar year 2006, the Committee reserved \$35 million, or 1.2%, of the State ceiling for the IDB Project Pool. A total of \$33.26 million of the reserved \$35 million bond authority was ultimately allocated in three allocation rounds to the IDB Project Pool and the Small Business Program.

The five IDB projects awarded allocation are anticipated to create a total of 208 new jobs in California, of which 12 are management, 57 skilled and semi-skilled, and 139 unskilled jobs. The new jobs will produce a weighted average hourly wage of \$19.12. The Projects will also retain 402 existing jobs.

The purpose of the Small Business Program (SBP) is to make tax-exempt bond financing available to small businesses 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 two Small Business Program projects awarded allocation are anticipated to create a total of 35 new jobs in California, of which 4 are management, 31 skilled and semi-skilled jobs. The new jobs will produce a weighted average hourly wage of \$24.21. The Projects will also retain 123 existing jobs.

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**Summary of 2006 Allocation**

<b>Program Pool</b>	<b>Allocation Amount</b>	<b>Number of Projects</b>	<b># of New Mgmt Jobs</b>	<b># of New Skilled Jobs and Semi-skilled Jobs</b>	<b># of New Unskill ed Jobs</b>	<b>Total # of New Jobs Created</b>	<b>Total # of Retained Jobs</b>	<b>Weighted Average Hourly Wage</b>
<b>Small-Issue Industrial Development Bond Project Pool</b>	<b>\$26,960,000</b>	<b>5</b>	<b>12</b>	<b>57</b>	<b>139</b>	<b>208</b>	<b>402</b>	<b>\$19.12</b>
<b>Small Business Program Pool</b>	<b>\$6,300,000</b>	<b>2</b>	<b>4</b>	<b>31</b>	<b>0</b>	<b>35</b>	<b>123</b>	<b>\$24.21</b>
<b>TOTALS</b>	<b>\$33,260,000</b>	<b>7</b>	<b>16</b>	<b>88</b>	<b>139</b>	<b>243</b>	<b>525</b>	<b>\$21.67</b>