CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE

Public Benefit Analysis
Qualified Energy Conservation Bond Projects
2010 Summary

IRS Notice 2009-29 of the American Recovery and Reinvestment Act of 2009 provided that the State of California would receive $381,329,000 in Qualified Energy Conservation Bond (QECB) allocation. The Federal Government thereby intended to provide an affordable financing tool for private and public energy efficiency and green technology projects and programs. These bonds have the following restriction: no more than 30% of the QECB allocation can be used for private activity bonds. That is to say, at least, 70% of the allocation must be used for governmental use bonds. In addition, QECBs were originally structured as tax credit bonds. In theory, issuers would repay principal on a regular schedule but generally not pay interest. Instead, the holder of a QECB receives a federal tax credit in lieu of interest. In practicality, the issuer would need to pay at least a low interest rate to supplement the value of the tax credit. Subsequently, Congress passed legislation that allowed the QECBs to be issued as interest subsidy bonds. In this structure, the issuer of the bonds would receive a direct subsidy from the Federal Government to offset 70% of the interest rate on the bonds. The market for the QECBs was greatly improved by this legislative change.

In the summer of 2009, the California Debt Limit Allocation Committee (CDLAC) was given the responsibility of administering this allocation. CDLAC's first administrative function was to distribute the QECB allocation directly to the large local governments. As such, CDLAC distributed this QECB allocation to large local governments. The State received **$12,746,103;** counties received **$197,669,919**; municipalities received **$170,173,417**; Indian tribal governments received **$739,561.** In addition, CDLAC was tasked to monitor this direct QECB allocation. As such, CDLAC established a Plan of Issuance deadline of January 31st, 2010. The Plan of Issuance was CDLAC's mechanism for determining whether a large local government was ready to use their allocation for qualifying projects / programs. As a consequence, the large local governments retained approximately $185 million in QECB allocation. In addition, CDLAC captured roughly $195 million in QECB allocation. CDLAC then established a secondary Plan of Issuance deadline of August 15th, 2010. By that deadline, the large local governments retained roughly $137 million, issued roughly $4 million, and CDLAC captured approximately $44 million. It should be noted that the QECB allocation does not have a federal sunset date. So, unless CDLAC establishes an issuance deadline, the large local governments who have retained their allocation as of August 15th, 2010, may use their QECB allocation to issue bonds in 2011.

While this direct QECB allocation process was taking place, CDLAC was also administering a reallocation process so as to award returned direct QECB allocation to qualified projects. In May of 2010, CDLAC awarded approximately $195 million in QECB reallocation to the following qualified facility projects: two large Los Angeles Department of Water and Power (LADWP) solar farm projects and one large LADWP wind farm project, a large Sacramento solar farm project from Solar Power, Inc. and an Oxnard Union High School District photovoltaic project. Some of this reallocation was returned to CDLAC and was used to fund three more photovoltaic projects: Rancho California Water District Project, Fallbrook Public Utility District Project and the Lodi Unified School District Project. In September, CDLAC awarded roughly $37 million in reallocation to a biomass project from Biostar, Inc. and a City of Salinas photovoltaic project. Lastly, in November, CDLAC awarded approximately $26 million in reallocation to a City of Salinas energy efficient publicly owned buildings project and a Santa Clara County photovoltaic project.

These projects are anticipated to produce approximately 113,689,983 to 146,689,983 kWh per year. In addition, the City of Salinas Energy Efficiency Project will reduce energy consumption in multiple publicly owned buildings and facilities by approximately 29%. Lastly, the projects will create a total of 890 new jobs in California: 760 are temporary and 130 are permanent.

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Summary of 2010 Allocation

QECB Program Pool	Allocation Amount	# of Projects	Private Activity (P) or Govern-mental (G)	# of Temp Jobs	# of Perm Jobs	Total # of New Jobs Created	Estimate of kWh per year of electricity per year	Percentage Reduction in Energy Consumption in Publicly Owned Buildings
Qualified Facilities (Solar Farms, Photovoltaic and Wind Farm)	$202,775,726 ($158,842,726 in bond issuance; $43,933,000 not yet issued)	8	all G	739[i]	21[ii]	760	102,689,983	N/A
Rural Development from Renewable Resources (Biomass)	$35,000,000[iii]	1	P	94	36	130	11,000,000 to 44,000,000	N/A
Energy Efficient Publicly Owned Buildings (Retrofits)	$1,605,000[iv]	1	G	N/A[v]	N/A[vi]	N/A[vii]	N/A	29%
TOTALS	$239,380,726	10		833	57	890	113,689,983 to 146,689,983	29%

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[i] Number of temporary jobs includes entire Pine Tree Wind Project (Original which was not funded with QECBs + Expansion funded with QECBs)
[ii] Number of permanent jobs includes entire Pine Tree Wind Project (Original which was not funded with QECBs + Expansion funded with QECBs)
[iii] Allocation amount figure only includes allocation awards; bonds have not been issued yet.
[iv] Allocation amount figure only includes allocation awards; bonds have not been issued yet.
[v] Figure already included in qualified facilities job creation numbers.
[vi] Figure already included in qualified facilities job creation numbers.
[vii] Figure already included in qualified facilities job creation numbers.