
California's Infrastructure Bank.

The IBank issues a number of different bonds in order to finance programs

In 1994, California created an Infrastructure Bank (IBank) in state government. It is found in the California Government Code Title 6.7, Division 1, Chapter 1. The formal name of the IBank is The Bergeson-Peace Infrastructure and Economic Development Bank (Section 63002). The IBank is the state's only general-purpose financing authority. Its purpose is to finance public infrastructure and private development that promote a healthy climate for jobs, contribute to a strong economy, and improve the quality of life in California communities.

Article 1 sets forth a number of findings and declarations. Section 63000 provides the following findings and declarations by the Legislature:

The Legislature finds and declares the following:

(a) Economic revitalization, future development, and a healthy climate for jobs in California will depend upon a well-conceived system of public improvements that are essential to the economic well-being of the citizens of the state and are necessary to maintain, as well as create, employment within the state for business.

(b) It is necessary for public policy to support the efforts of businesses attempting to expand, businesses seeking to locate in California, and local economic development organizations, public agencies, and new entrepreneurs by dedicating public fiscal resources to confront obstacles and barriers that impede economic growth.

(c) Existing mechanisms that coordinate federal, state, local, and private financial resources are inadequate to attract and sustain that level of private investment that is essential to a growth economy.

(d) In order to secure and enhance the economic well-being of Californians, promote economic development in the state, and provide a healthy climate for the creation of jobs, it is necessary for public policy to support the efforts of expanding businesses, businesses seeking to locate in California, local development organizations, public bodies, and new entrepreneurs to gain access to capital through current and potential operations of financial markets.

(e) The high cost and the lack of availability of industrial loans for small- and medium-size businesses is making it difficult for thousands of these enterprises to get established, to maintain their present employment levels, or to expand employment.

(f) The problem of access to capital is acute in the high technology industry clusters because companies must often finance large capital expenditures early in their development cycle, and cannot obtain financing sufficient to cover the cost of those expenditures. Consideration should be given to industry clusters that may include the following:

(1) Health care technology.

(2) Multimedia.

(3) Environmental technology.

(4) Information technology.

(g) The high cost and limited availability of loans and capital has led a number of states to take action to remedy these conditions through concerted public and private investment programs that include efforts to do the following:

(1) Use the state’s access to capital markets more effectively for economic development.

(2) Create financing pools to access national capital markets or help government sponsors and public-private economic development organizations obtain credit enhancement on their own.

(3) Facilitate credit enhancement for selected specific projects.

(4) Provide or arrange for loan insurance.

(5) Create and support secondary markets for loan portfolios of urban and rural economic development corporations and others.

(6) Improve access to international capital markets.

(7) Provide opportunities for public pension funds and other institutional investors to play a larger role in state economic development.

(8) Arrange for or provide subordinated debt for selected projects.

(9) Increase support for local infrastructure development.

(h) Local governments in California bear a primary responsibility for the business of promoting job creation and economic development efforts. California’s continued reliance on autonomous local entities often fails to adequately consider regional impacts of business expansion. Projects of a regional nature need the benefit of a state coordinating function to augment and enhance local economic development and environmental efforts.

(i) The State of California has not embarked on a major infrastructure financing effort since the decade of the 1960’s, despite persistent unemployment and soaring population growth.

(j) California’s ability to compete in a global economy depends upon its capacity to implement policies that take maximum advantage of public and private resources at the local, regional, state, and national levels. These policies should be coordinated with any future legislative plan involving growth management strategies designed to make economic growth compatible with environmental protections. It is the intent of the Legislature in enacting this act to create a mechanism to finance projects needed to implement economic development and job creation and growth management strategies, and to provide a secure and stable funding source for implementation of this act in order to meet critical economic, social, and environmental concerns.

(k) The State of California needs a financing entity structured with broad authority to issue bonds, provide guarantees, and leverage state and federal funds using techniques that will target public investment to facilitate economic development. The goal is to produce more private sector jobs with less public sector investment.

(l) The mechanisms for financing public improvements and private job creation strategies provided for in this act are in the public interest, serve a public purpose, and will promote the health, welfare, and safety of the citizens of the state.

(m) The public policies and responsibilities of the state, including all of the above purposes and functions, cannot be fully obtained without the use of financing assistance and can be most effectively furthered by the creation of the California Infrastructure and Economic Development Bank.

The IBank is housed in GO-Biz, which is the Governor's Office of Business and Economic Development, and is governed by a 5-member Board of Directors and has a full-time Executive Director to run the daily operations. The Board is comprised of the Director of the GO-Biz, State Treasurer, Director of Finance, Secretary of the Transportation Agency, and a gubernatorial appointee.

The IBank issues a number of different bonds in order to finance programs. According to the IBank, the following are the types of bonds issued:

Industrial Development Bonds (IDBs), which is tax-exempt conduit revenue bond financing for eligible small to mid-size manufacturing companies up to $10 million for the acquisition, construction, rehabilitation and equipping of manufacturing and processing facilities.

IRC Section 501(c)(3) Bonds, which are tax-exempt conduit revenue bonds that provide low-cost financing for capital improvement projects for nonprofit public benefit corporations.

Public Agency Revenue Bonds (PARBs), which is tax-exempt bond financing for government entities used for projects that enhance infrastructure, or the economic, social or cultural quality of life for residents in the community or State.

Exempt Facility Bonds, which is tax-exempt financing for projects that are government-owned or consist of privately used or leased facilities on public -property; such as private airline improvements at publicly owned airports, ports, water facilities and other private enterprises that serve the general-public.

There are a number of benefits to doing business with the IBank, such as its Infrastructure State Revolving Fund Program, which offers below-market interest rates, a non-competitive application process, and no matching fund requirement or federal overlays. It also has numerous bond financing programs as set forth above. These bond programs have competitive applications with technical assistance provided by IBank staff. There is also the Jump Start Loan Program, which is intended to assist low-wealth entrepreneurs in low-wealth communities start, grow, and thrive. This program offers financial literacy training and microloans. There is also the California Small Business Loan Guarantee Program that is focused on helping lenders provide loans to small businesses, farmers and exporters that may not otherwise qualify if it were not for the guarantee.

Among other services, the IBank issues loan guarantees in partnership with seven partner Financial Development Corporations (FDCs) located throughout the State of California. Potential borrowers may contact FDCs directly to apply for a loan through participating financing institutions, credit unions, or Community Development Financial Institutions (CDFIs). These programs include the Infrastructure State Revolving Fund (ISRF); the California Lending for Energy and Environmental Needs (CLEEN) Center, which includes the Statewide Energy Efficiency Program (SWEEP) and Light Emitting Diode (LED) Street Lighting Program; the Small Business Finance Center, which includes the Jump Start Loan Program, which includes the California Small Business Loan Guarantee

Program (SBLGP) and Farm Loan Program; and the Bond Financing Program, which includes 501(c)(3) bonds, Industrial Development Bonds (IDBs), Exempt Facility Bonds, and Public Agency Revenue Bonds (PARBs).

According to the IBank, they have financed more than $55 billion in infrastructure and economic development projects throughout the State of California.

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