

## Climate Catalyst Revolving Loan Fund Trailer Bill Language

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<b>Climate Catalyst Fund: Trailer Bill Language</b>
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**SECTION 1.** The Legislature finds and declares all of the following:

- (1) As a climate leader, California is dedicated to reducing climate risks, especially in the state's most vulnerable communities, while making a transition to a carbon-neutral economy.
- (2) In September 2019, Governor Newsom signed Executive Order N-19-19 which, among other things, requires that "every aspect of state government redouble its efforts to reduce greenhouse gas emissions and mitigate the impacts of climate change while building a sustainable, inclusive economy."
- (3) Executive Order N-19-19 also directed the Department of Finance to create the Climate Investment Framework to better align the state's pension investments and physical state-owned assets with the state's climate goals.
- (4) As the state further examines how to support programs that can move projects at the scale and speed necessary to meet its climate goals, it must look beyond grants and better leverage private sector dollars to support these efforts.
- (5) Government-backed low-interest financing can address current market barriers to funding for low-carbon technology and infrastructure, including the lack of familiarity due to limited data, a misperception of the risk of these projects, and/or an unwillingness to fund projects in under-served areas of the state.
- (6) This legislation would create a revolving loan fund to provide capital to deploy technologies, innovations, and/or infrastructure that address critical climate goals yet face demonstrated financing gaps.
- (7) The revolving loan fund will work in concert with the other elements of the climate budget by providing low-interest financing for a portfolio of projects across California's climate agenda, and by focusing on areas not well-served by grant, bond, or other loan programs.
- (8) The revolving loan fund in this legislation will fill market gaps not met by commercially-available financing sources.

**SECTION 2.**

Section 63050 of the Government Code is amended to read:

(a) There is hereby created in the State Treasury the California Infrastructure and Economic Development Bank Fund for the purpose of implementing the objectives and provisions of this division. Within the fund there shall also be established a Sponsor Revenue Bond Account, a Participating Party Revenue Bond Account, a State Infrastructure Revolving Account, ***a Climate Catalyst Revolving Account***, and additional accounts and subaccounts that the bank may establish from time to time.

(b) Notwithstanding Section 13340 and except as provided in subdivision (c), all moneys in the infrastructure bank fund are continuously appropriated without regard to fiscal years for the support of the bank and shall be available for expenditure for the purposes stated in this division.

(c) Moneys in the infrastructure bank fund shall be available for expenditure for general administration only upon appropriation by the Legislature. This subdivision shall not limit the authority of the bank to expend funds directly related to the servicing of approved debt. Moneys in the fund shall be available for the purpose of general administration of the authority only upon appropriation by the Legislature, but not more than 5 percent of any bond proceeds administered by the authority may be expended to cover the costs of issuance, as that terminology is defined under Section 147 (G) of the Internal Revenue Code.

(d) Notwithstanding any other provision of this division, not more than 15 percent of the financing annually approved by the executive director that utilizes state funds from the infrastructure bank fund may be expended upon educational facilities, environmental mitigation measures, and parks and recreational facilities.

(e) The executive director may transfer funds between the infrastructure bank fund and the guarantee trust fund when appropriate to accomplish the financing objectives of this division.

(f) Subdivisions (c) and (d) of this section do not apply to the Climate Catalyst Revolving Account.

### **SECTION 3.**

Article 6.7. Introduction

63048.91. (a) This chapter shall be known, and may be cited, as the Climate Catalyst Revolving Loan Fund Act of 2020.

(b) Notwithstanding any other provision of this division, this chapter shall not apply to any other activities, powers, and duties of the bank under any of the other chapters of this division.

(c) The bank will administer the climate catalyst revolving loan fund.

(d) (1) The California Strategic Growth Council, in consultation with the California Labor and Workforce Development Agency, will set the categories for the types of climate catalyst projects eligible for funding as well as high-level criteria for climate catalyst project selection to ensure climate catalyst projects are consistent with the state's commitment to supporting the creation of high-quality jobs.

(2) In the initial year of the program, the California Strategic Growth Council, in consultation with the California Labor and Workforce Development Agency, shall consider the following categories including, but not limited to:

(A) Transportation Emission Reduction, such as zero-emission vehicles and infrastructure

(B) Sustainable Agriculture and Forestry, such as climate-smart agriculture and forestry projects

(C) Circular Economy, such as projects focused on recycling or reuse of materials or resources

(e) Financial assistance for climate catalyst projects through the climate catalyst revolving fund loan program shall be provided at low-interest rates and at low-cost as determined by the bank, to support the projects directly and also to attract additional third-party capital.

## Article 6.7 Definitions

63048.93 The definitions contained in this section are in addition to the definitions contained in Section 63010 and together with the definitions contained in that section shall govern the construction of this article, unless the context requires otherwise:

- (a) "Climate catalyst revolving loan fund" means a revolving fund by that name created under, and administrated pursuant to, this article to provide financial assistance for climate catalyst projects.
- (b) "Climate catalyst project" means any building, structure, equipment, infrastructure, or other improvement within California intended to further California's climate goals, including reducing climate risk and implementing low-carbon technology and infrastructure.
- (c) "Climate catalyst revolving fund loan program" means the program of that name to administer the climate catalyst revolving loan fund and to provide financial assistance for climate catalyst projects, to be administered by the bank pursuant to this article and criteria, priority, and guidelines to be adopted by the bank board.
- (d) For the purposes of this article, the definitions of "sponsor" and "participating party" set forth in Government Code Section 63010 shall be supplemented to include federally recognized Native American tribes and tribal business enterprises located in California.

## Article 6.7. Administration

63048.95 (a) The bank hereby is authorized and empowered to provide financial assistance under the climate catalyst revolving fund loan program to any eligible sponsor or participating party either directly or to a lending or financial institution, in connection with the financing or refinancing of a climate catalyst project in accordance with an agreement, or agreements, between the bank and the sponsor or participating party, including but not limited to tribes and local governments, either as a sole lender or in participation or syndication with other lenders. No financing shall exceed the total cost of the climate catalyst project being financed.

(b) Chapter 3.5 of Part 1 of Division 3 of Title 2 of the Government Code shall not apply to any criteria, priorities, and guidelines adopted by the bank in connection with the climate catalyst revolving fund loan program or any other program of the bank.

(c) Repayments of financings made under the climate catalyst revolving fund loan program shall be deposited in the climate catalyst revolving account.

(d) The bank may use monies in the climate catalyst revolving account for administrative costs incurred in implementing the climate catalyst revolving fund loan program in an amount determined by the bank and approved by the Department of Finance.

(e) The Strategic Growth Council, in consultation with the California Labor and Workforce Development Agency, shall determine and notify the bank of project categories that focus on state's key climate mitigation and/or resilience priorities, which will include targeted percentages of investment allocations across identified priority sectors.

- (1) The bank shall post these categories on its internet website within a prominently displayed web page dedicated to the climate catalyst revolving fund loan program no later than September 30, 2020.

(2) The Strategic Growth Council shall review, and change or reconfirm, the priorities for investments across sectors no less than every two years, or more often if needed.

#### Article 6.7. Reporting

63048.97. (a) Annually, and no later than November 1 of each year commencing November 1, 2021, the bank shall prepare and submit to the Governor, the Speaker of the Assembly, and President pro Tempore of the Senate, pursuant to Section 9795, a report containing climate catalyst revolving fund loan program activity for the preceding fiscal year ending June 30, including all of the following:

(1) Information on individual climate catalyst revolving fund loan program financings, specifically:

(A) Climate catalyst project category

(B) Climate catalyst project description

(C) Financial assistance amount

(D) Outstanding financial assistance amount due

(E) The county and city of the funded climate catalyst project

(F) Description of the expected contribution of the climate catalyst project to the state's climate policy objectives, including both GhG reduction and climate resilience benefits.

(G) Type and quality of any jobs created as a result of the financial assistance

(2) Total number and type of financial assistance issued to small businesses.

(3) Total number and type of applications received.

(4) Recommendations on needed climate catalyst revolving fund loan program changes or improvements to meet the objectives of this chapter.

(b) The report shall be posted on the bank's internet web site and presented to the Strategic Growth Council at a public meeting.