

**CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY**  
**California Capital Access Program**  
**Meeting Date: July 28, 2010**

***Request to Approve the Interagency Agreement with the California Air Resources Board (ARB) Regarding the CalCAP Off-Road ARRA fund Independent Contributor Program***

Prepared by: *Nancee Trombley*

<b>Independent Contributor:</b>	California Air Resources Board	<b>Amount:</b>	Not to exceed \$5,000,000
<b>Program:</b>		<b>Term of Agreement:</b>	Through January 1, 2021
<b>Location:</b>	All of California		

**Summary.** The California Capital Access Program for Small Businesses (“CalCAP”) assists small businesses in obtaining financing. ARB participates in CalCAP as an Independent Contributor. The proposed Interagency Agreement (the “Agreement”) between the California Pollution Control Financing Authority (the “Authority” or “CPCFA”) and ARB allocates up to \$5,000,000 of American Reinvestment and Recovery Act (ARRA) grant funds awarded to ARB by the U.S. Environmental Protection Agency (EPA). These funds will be used for the ARB’s ARRA Off-Road Diesel Independent Contributor program to provide financial assistance to small business owners of diesel vehicles affected by the ARB’s Statewide In-Use Off-Road Diesel Vehicle Regulation (the “Regulation”). The term of the Agreement will be from the date of approval by the Department of General Services through January 1, 2021.

**Background.** CPCFA and ARB have an Interagency Agreement for two programs, the Heavy Duty Diesel On-Road Program and the In-Use Off-Road Diesel Vehicle Retrofit Program. This agenda item describes an additional Off-Road Program for equipment purchase, engine replacement and retrofits. ARB adopted the Statewide In-Use Off-Road Diesel Vehicle Regulation in July 26, 2007. Most off-road diesel vehicles and equipment, which can last 20 years or longer, have little or no emission controls. As a result, these vehicles emit large amounts of oxides of nitrogen (NOx), which contributes to high levels of smog throughout the state, and toxic soot, also known as particulate matter (PM). The Regulation requires fleets to install exhaust retrofits that capture pollutants before they are emitted to the air, and to accelerate vehicle replacements to those with cleaner engines. The Regulation will significantly reduce emissions of NOx and toxic PM, and prevent premature deaths.

In general, ARB’s Regulation requires owners to reduce emissions in their fleet by upgrading existing vehicles by using one of two compliance options. The first option is to retrofit a minimum number of engines each year with a high-level NOx and/or PM exhaust retrofit, and to replace a minimum number of engines meeting Tier II, Tier III or Tier IV engine emission standards. The second option is to meet a fleet average emission level. The Regulation applies to approximately 100,000 construction vehicles with approximately 180,000 total off-road vehicles impacted. The cost of technology for compliance ranges from \$25,000 to \$350,000, with the total cost to affected fleets estimated at approximately \$3.4 billion. Therefore, the cost to owners will be significant. While developing the Regulation, ARB received comments from many fleet owners indicating they would need to borrow money to purchase the retrofits, engines and vehicles required to comply with the Regulation.

**The Interagency Agreement.** The Agreement between the Authority and ARB allocates up to \$5,000,000 of ARRA funds toward the ARB ARRA Off-Road Diesel Independent Contributor Program. The term of the Agreement will be from the date of approval by the Department of General Services through January 1, 2021. To participate in the program, small businesses must be eligible under existing CalCAP regulations, and meet other program criteria set by ARB. Under the terms of the Agreement, ARB will use ARRA funds to pay 14 percent of a borrower's enrolled loan amount to cover the contributions of the borrower, lender, and CPCFA, into a lender's loan loss reserve account. The Agreement includes flexibility provisions to allow ARB, with the consent of the Authority, to modify its contribution amount to loan loss reserve accounts based on shifting market demands and program needs.

Additionally, the terms of the agreement allow up to 4 percent of ARRA funds, plus program income, to be used for administrative costs.

**Staff Recommendation.** Staff recommends approval to enter into an Interagency Agreement with the California Air Resources Board to serve as an Independent Contributor in CalCAP for the ARB ARRA Off-Road Diesel Independent Contributor program in an amount not to exceed \$5,000,000.

**RESOLUTION OF THE  
CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY  
AUTHORIZING THE EXECUTIVE DIRECTOR OR  
DEPUTY EXECUTIVE DIRECTOR TO SIGN AN INTERAGENCY  
AGREEMENT WITH THE CALIFORNIA AIR RESOURCES BOARD**

WHEREAS, the California Pollution Control Financing Authority (“Authority”) was created under the provisions of Section 44500 of the Health and Safety Code; and

WHEREAS, Section 44522(c) of the Health and Safety Code provides that the Authority is authorized to “do all things generally necessary or convenient to carry out its powers”; and

WHEREAS, the Authority wishes to enter into an Interagency Agreement with the Air Resources Board (ARB) to serve as an Independent Contributor in CalCAP for the ARB ARRA Off-Road Diesel Independent Contributor program in an amount not to exceed \$5,000,000.

WHEREAS, pursuant to the Interagency Agreement, ARB will provide Independent Contributor funds for the California Capital Access Program.

NOW THEREFORE BE IT RESOLVED, that the Executive Director or Deputy Executive Director of the Authority is hereby authorized to prepare and execute the Interagency Agreement with the ARB with a term through January 1, 2021.

FURTHER, that the Executive Director or Deputy Executive Director shall execute and submit the Interagency Agreement to the Department of General Services for approval.