



**CALIFORNIA POLLUTION CONTROL FINANCING
AUTHORITY**
CALIFORNIA CAPITAL ACCESS PROGRAM



2009 Annual Report

Background

The California Capital Access Program for Small Businesses ("CalCAP") was established by legislation enacted in 1994. CalCAP is run by the California Pollution Control Financing Authority (CPCFA). The program assists small businesses in obtaining loans through participating financial institutions (lenders). Each lender is entirely liable for its loan losses; however, those losses can be reimbursed from each lender's loan Loss Reserve Account. The Loss Reserve Accounts are built through contributions made by the borrower, lender, and CPCFA.

Beginning in January 2009, several key regulatory changes were enacted in order to create a more sustainable and viable program. CPCFA reduced the contribution amount it historically made by half, amended the small business definition, and lowered the amount a business could borrow within a three year period from \$2.5 million to \$1.5 million. Despite these changes, CalCAP continues to be successful in encouraging the public and private sectors to work together to increase access to capital for small businesses.

Program Results

- Loan volume. In 2009, CalCAP enrolled 523 loans to California small business owners. As of December 31, 2009, the total number of loans enrolled in the program since 1994 is 7,858.
- Loan amount volume. As of December 31, 2009, CalCAP lenders have cumulatively loaned approximately \$1.35 billion since the program's inception in 1994. The amount of enrolled loans in 2009 totaled \$45.8 million.
- Microloan activity.¹ Of the 523 loans made to California small business owners in 2009, 335 were microloans totaling \$4.7 million.
- Employment effect. CalCAP loans created/affected 1,620 jobs in California in 2009.

Financial Condition

- Loan loss claims. CPCFA staff processed and approved 170 claims filed by lenders against their loan Loss Reserve Accounts. Over \$7.8 million was paid from the Loss Reserve Accounts.
- Loan loss reserve balance. As of December 31, 2009, the loan loss reserve balance was approximately \$27.4 million. The current total amount of outstanding covered loans approximately \$260.8 million. The ratio of the amount of loss reserve funds to the amount of outstanding covered loans is approximately 10.5 percent.

¹ Microloan is defined as a loan that is for \$40,000 or less.

Program Relationships

California Air Resources Board

In May of 2009, the California Air Resources Board (ARB) partnered with CalCAP, as an Independent Contributor for the Heavy Duty Diesel On-Road Truck Program. ARB and CPCFA entered into a \$44.3 million dollar contract in order to assist small business owners with heavy duty diesel trucks to meet new state air quality regulations. ARB has agreed to contribute 14% of each loan enrollment toward a participating lender's Loss Reserve Account for the purchase of compliant heavy duty diesel trucks, diesel exhaust retrofits, and Smartway aerodynamic technologies.

Twelve existing CalCAP lenders are participating in the Heavy Duty On-Road Truck Program. Two of those lenders enrolled loans. Recognizing that heavy duty diesel lending is a specialized area, CalCAP proposed legislation to allow the enrollment of finance companies specifically for the Heavy Duty Diesel On-Road Truck Program. In November 2009, the legislation was approved by the Governor, which resulted in the immediate enrollment of two finance companies. As more finance companies enroll and emission regulation deadlines approach, the expectation is that the program will rapidly increase.

Program Results

- Loan Total. Since the inception of the Heavy Duty On-Road Diesel Truck Loan Program through December 31, 2009, 15 loans were enrolled. Of those loans, 21 trucks and one trailer were financed. No loans have been made for diesel exhaust retrofits or Smartway aerodynamic technologies.
- Loan Volume. As of December 31, 2009, CalCAP/ARB lenders cumulatively loaned \$1,703,436.34 toward the purchase of compliant trucks.
- Employment Effect. CalCAP/ARB loans created/affected 29 jobs in 2009.

Financial Condition

- Loan Loss Claims. No claims have been filed in this program.
- Loan Loss Reserve Balance. A total of \$238,481.10 was (14% of \$1,703,436.34) contributed to the participating lenders' ARB loan Loss Reserve Accounts.
- Program Fund. As of December 31, 2009, the amount available from the initial deposit remaining in the ARB program is \$20,970,057.53. Including the amount not yet distributed, the fund is \$43,970,057.53. Just over .005% of the fund has been distributed to lender loan Loss Reserve Accounts.

Department of Resources Recycling and Recovery

In 2009, the California Integrated Waste Management Board (CIWMB) paid \$4,400 in borrower's premiums for two recycling related business loans, which totaled approximately \$70,000. Towards the end of 2009, CIWMB was eliminated and its functions were moved into the new Department of Resources Recycling and Recovery (CalRecycle).