



# CALIFORNIA CAPITAL ACCESS PROGRAM (CALCAP)

## 2017 ANNUAL REPORT TO THE LEGISLATURE



**A PROGRAM OF THE  
CALIFORNIA POLLUTION CONTROL  
FINANCING AUTHORITY**

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**Mission Statement:**

As public servants, we are committed to promoting access to capital through the delivery of diverse financing options to California business and environmental industries by being the:

- Driving force of public and private partnerships.
- Leader in offering customized risk mitigation tools.
- Forefront of projects that protect and restore the environment.

**Organizational Description**

The California Pollution Control Financing Authority (CPCFA) has been providing low-cost innovative financing to California businesses since 1972 with an objective of making California more economically prosperous and environmentally clean. CPCFA is committed to promoting access to capital through:

- Delivering financing options to California business and environmental industries by being the driving force of public and private partnerships, a leader in offering customized risk mitigation tools, and at the forefront of projects that protect and restore the environment.
- Partnering with sister state agencies to achieve the State's environmental policy objectives by administering high-impact financing programs designed to assist regulated entities and other stakeholders with accessing private capital.
- Issuing tax-exempt private activity bonds which facilitate low cost financing to qualified waste and recycling projects and other projects to control pollution and improve water supply.
- Administering the California Capital Access Program (CalCAP), which encourages financial institutions to make loans to small businesses and provides for specialty programs targeted toward building an improved infrastructure for zero- and partial-emission vehicles, creating more charging stations for electric vehicles, helping small businesses comply with the federal Americans with Disabilities Act, and assisting small businesses and property owners with financing costs to seismically retrofit existing buildings and homes.

This annual report to the Governor and Legislature describing the California Capital Access Programs is prepared pursuant to Health and Safety Code section 44559.6.

During the 2017 Calendar Year, the CPCFA board members were:

John Chiang, Chair  
*State Treasurer*

Betty T. Yee  
*State Controller*

Michael Cohen, Director  
*Department of Finance*

<http://www.treasurer.ca.gov/cpcfai/>

## Executive Summary

CPCFA welcomed another year assisting small businesses in California, effectively deploying the remaining funds from the federal State Small Business Credit Initiative (SSBCI) to support lending through the CalCAP for Small Business program, and strengthening its partnership with the California Air Resources Board (CARB) to expand the innovative CARB On-Road Heavy-Duty Vehicle Air Quality Loan Program (CalCAP/CARB).

In addition to the daily administration of the CalCAP for Small Business and CalCAP/CARB programs, CPCFA collaborated with stakeholders to ensure program sustainability of these programs by recapturing and recycling older contributions from loan loss reserve accounts to support future loan enrollments. CPCFA also dedicated considerable time to developing and promoting three new programs:

- The California Americans with Disabilities Act Small Business Capital Access Loan Program (CalCAP/ADA).
- The California Seismic Safety Capital Access Loan Program (CalCAP/Seismic Safety).
- The Electric Vehicle Charging Station Financing Program (CalCAP/EVCS).

In 2017, CalCAP lenders enrolled 6,169 loans to small businesses totaling over \$359.5 million in CPCFA's active CalCAP programs. That volume represents a 5 percent increase in the number of loans enrolled when compared with 2016. CPCFA deposited approximately \$20 million in contributions to lenders' loan loss reserve accounts to enhance the lenders' portfolios. CPCFA processed and approved 560 claims totaling \$23 million filed by lenders against their loan loss reserve accounts to offset losses as a result of defaults of outstanding loans. Forty-seven lenders enrolled loans in the varied programs, including four new lenders recruited to participate

## California Capital Access Program Funding Summary

The California Capital Access Program for Small Business (CalCAP for Small Business) was established by legislation enacted in 1994 [AB 253 (Bronshvag), Chapter 1163, Statutes of 1994] and is administered by the California Pollution Control Financing Authority (CPCFA). CalCAP assists small businesses in obtaining loans through participating financial institutions (lenders). CalCAP is a loan loss reserve program which may provide up to 100% reimbursement on losses as a result of certain loan defaults. While each lender is entirely liable for its loan losses, those losses can be reimbursed from each lender's loan loss reserve account. The loss reserve accounts are built through fees paid by the borrower and lender, and contributions made by CPCFA.

Prior to 2010, CalCAP was entirely funded from CPCFA's Small Business Assistance Fund (SBAF) established by fees collected from large companies financed through CPCFA's Pollution Control Tax-Exempt Bond Program. In October 2010, the Legislature appropriated \$6 million from the State General Fund to supplement CPCFA's funding. In 2011, CalCAP expanded rapidly due to receiving an allocation of federal funds from the State Small Business Credit Initiative (SSBCI) administered by the United States Department of Treasury, made available by the Small Business Jobs Act of 2010. CPCFA was awarded half of the total \$168 million allocation to the State of

California. These federal funds enabled CPCFA to expand the CalCAP for Small Business, to increase lending assistance for California small business owners. In 2017, CPCFA obligated the last of the federal funds. Over the past seven years, CPCFA continued to use the State General Fund monies as supplemental assistance for loan enrollments which were located in areas of high unemployment (Severely Affected Community) and for the regular contributions for loans which were not eligible under the stricter SSBCI requirements. With the federal funds exhausted, the State General Fund monies are again the main source of funds for contributions for loans enrolled in CalCAP for Small Business.

In addition to CalCAP for Small Business, the CalCAP programs have grown to include programs established by legislative mandates and through agreements with sister state agencies.

CPCFA administers a loan loss reserve program funded by the California Air Resources Board (CARB) to assist owners and operators of small fleets of heavy-duty diesel trucks in achieving compliance with CARB's Statewide In-Use Bus and Truck Regulation designed to reduce diesel particulate matter emissions. As an Independent Contributor to the Heavy-Duty Vehicle Air Quality Loan Program since 2009, CARB has disbursed \$107.3 million to CPCFA through the end of 2017 to fund loan loss reserve accounts for lenders specializing in lending to small fleets.

In 2015, CPCFA received \$2 million from the California Energy Commission (CEC) to establish the CalCAP Electric Vehicle Charging Station Financing Program (CalCAP/EVCS). Loans enrolled in this program can be used for the design, development, purchase, and installation of charging stations at small business locations in California, including multi-unit dwellings. The CalCAP/EVCS program is based on the loan loss reserve model, with enhanced contributions for project installations that include preferred features, such as placement at multi-dwelling unit residential projects and business located in disadvantaged communities. The program also includes a rebate for borrowers with no more than one late payment before the maturity of their loan.

In 2016, CPCFA launched the California Americans with Disabilities Act Small Business Capital Access Loan Program (CalCAP/ADA). With a \$10 million appropriation from Assembly Bill 1230, the CalCAP/ADA program assists small businesses with financing the cost to alter or retrofit existing facilities to increase access and comply with the requirements of the federal Americans with Disabilities Act of 1990.

In June 2016, Senate Bill 837 was signed by the Governor allocating a \$10 million appropriation to CPCFA to fund the California Seismic Safety Capital Access Loan Program (CalCAP/Seismic Safety). Implemented through rulemaking effective January 2017, the CalCAP/Seismic Safety program incentivizes private lending for California small business and residential property owners to finance the cost of seismic retrofits for existing buildings and homes vulnerable to future earthquakes.

**CalCAP for Small Business Program Results 2017**

**CalCAP for Small Business Program Overview**

The CalCAP for Small Business program includes loans enrolled in the original loan loss reserve program funded by CPCFA’s own funds since 1994, the State General Fund monies awarded in 2010, and the federal monies allocated through SSBCI. By participating in CalCAP, lenders receive a contribution to a loan loss reserve account as a credit enhancement, to encourage private lenders meet the financing needs of California small businesses.

As of December 31, 1997, 68 lenders were signed up to participate in the CalCAP for Small Business program. Twenty of those lenders enrolled loans in the program during 2017. The top 3 participating lenders have enrolled approximately 84 percent of the total loan volume.

**CalCAP for Small Business Loan Volume** – In 2017, CalCAP enrolled 2,271 loans made to 2,127 California small business owners. At the end of December 2017, the total number of loans enrolled in CalCAP for Small Business since 1994 is 18,461.

**CalCAP for Small Business Loan Dollars** – In 2017, over \$91 million was enrolled in CalCAP out of the approximately \$99 million in dollars loaned. The average loan size was approximately \$43,682. At the end of December 2017, CalCAP lenders have cumulatively loaned about \$1.78 billion since the program began in 1994.

**CalCAP for Small Business Microloans** – In 2017, of the 2,271 loans made to California small business owners, 1,771 loans totaling approximately \$24 million were microloans.

**CalCAP for Small Business Jobs** – In 2017, loans enrolled in CalCAP for Small Business helped create 1,052 new jobs and retain 9,445 existing jobs.

**CalCAP for Small Business Loans by Industry** – The following chart describes the distribution of enrollment activity by sector, using the North American Industry Classification System (NAICS) Sector number.

**CalCAP for Small Business Loans by Industry 2017**

NAICS Sector	Description	# of Enrollments	Loaned Dollars	Enrolled Dollars
11	Agriculture, Forestry, Fishing and Hunting	8	\$318,340	\$144,955
21	Mining, Quarrying, and Oil and Gas Extraction	2	\$42,000	\$42,000
22	Utilities	0	\$0	\$0
23	Construction	88	\$6,921,646	\$4,656,176
31-33	Manufacturing	130	\$9,452,713	\$9,411,850
42	Wholesale Trade	85	\$4,772,065	\$4,534,252
44-45	Retail Trade	445	\$10,928,342	\$10,824,624
48-49	Transportation and Warehousing	570	\$22,317,486	\$18,090,845
51	Information	26	\$645,530	\$645,530
52	Finance and Insurance	24	\$436,537	\$436,537
53	Real Estate and Rental and Leasing	50	\$5,985,994	\$5,985,994
54	Professional, Scientific, and Technical Services	117	\$3,649,578	\$3,505,959
55	Management of Companies and Enterprises	0	\$0	\$0

56	Administrative Support/Waste Management/Remediation Svcs	108	\$2,827,250	\$2,819,060
61	Educational Services	30	\$1,863,683	\$1,863,683
62	Health Care and Social Assistance	82	\$2,827,292	\$2,805,089
71	Arts, Entertainment, and Recreation	21	\$634,997	\$627,497
72	Accommodation and Food Services	284	\$21,644,374	\$20,917,713
81	Other Services (except Public Administration)	201	\$3,934,891	\$3,919,891
92	Public Administration	0	\$0	\$0

**CalCAP for Small Business Geographic Area Served** – Exhibit A shows the distribution of the loans enrolled in 44 counties in 2017, and indicates the number of enrollments and approximate dollars loaned.

**CalCAP for Small Business Loan Loss Claims** – CalCAP processed and approved 130 claims filed by lenders against their loan loss reserve accounts in 2017, totaling approximately \$3.8 million. The default rate for 2017 is 6 percent.

**CalCAP for Small Business Program detailed by Funding Source**

**State Small Business Credit Initiative Program**

The State Small Business Credit Initiative (SSBCI) was created September 27, 2010 and funded with \$1.5 billion to support financing of small businesses nationwide. The U.S. Department of the Treasury allocated SSBCI monies to all 50 states and, beginning April 1, 2011, the State of California entered into an Allocation Agreement with the U.S. Treasury. The State of California received a total allocation of \$168.4 million. CPCFA received \$85 million of the allocation, and designated \$20 million towards the CalCAP for Small Business Program and \$65 million to the Collateral Support Program.

Due to accounting rules specific to the federal monies, CPCFA established new loan loss reserve accounts separate from the accounts maintained for the legacy CalCAP for Small Business program funded by State General Fund and SBAF monies. For the SSBCI Program, CPCFA provided these federal contributions to the new federal loan loss reserve accounts according to eligibility criteria largely consistent with CPCFA’s original CalCAP program with a few additional federal rules and requirements. The federal monies have enabled CPCFA to significantly increase lending assistance for California small business owners.

The Allocation Agreement expired on March 31, 2017 and as of August 2017 CPCFA fully obligated or expended all federal monies. The decrease in the performance data of the SSBCI-funded program shown below, as compared to 2016 data, is explained by the exhaustion of available SSBCI monies in the 3<sup>rd</sup> quarter of the year.

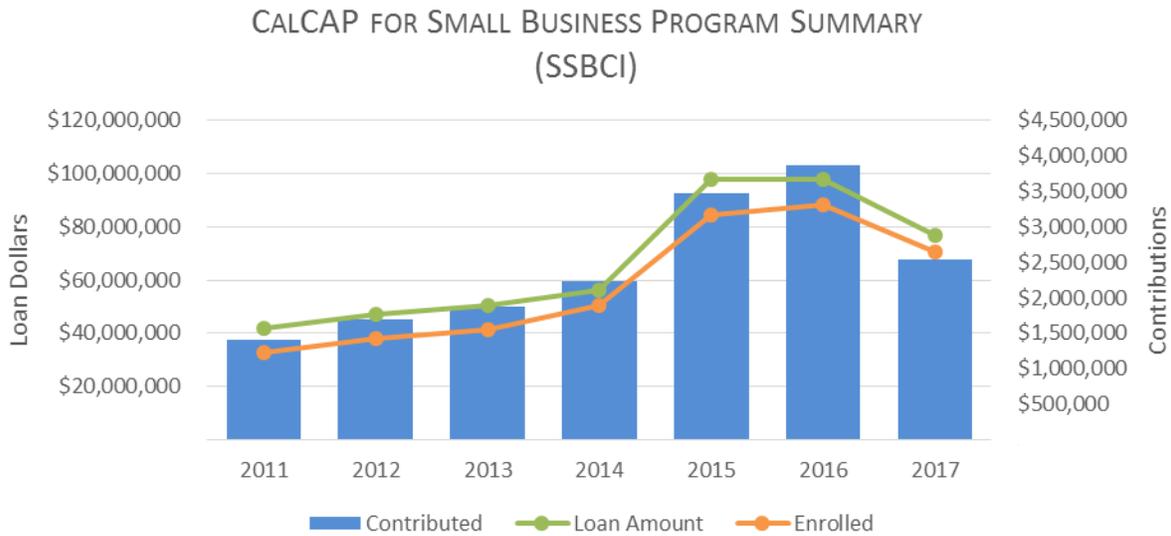
**SSBCI Program Loan Volume** – In 2017, CalCAP enrolled 1,706 loans to California small business owners using SSBCI funds, bringing the total number of CalCAP loans funded by SSBCI up to 10,127.

**SSBCI Program Loan Dollars** – In 2017, CalCAP lenders enrolled approximately \$71 of the \$77 million loaned to small businesses using contributions funded by SSBCI, bringing the total loaned since the SSBCI Program began to approximately \$468 million.

**SSBCI Program Loan Contributions** – In 2017, CPCFA contributed over \$2.5 million of SSBCI funds to CalCAP loans, and has cumulatively contributed over \$17 million for the life of the program, fully utilizing the SSBCI federal allocation to the CalCAP for Small Business Program.

**SSBCI Program Jobs** – In 2017, there were 864 jobs created and 7,241 jobs retained in California as a result of loans enrolled using SSBCI funds, totaling approximately 5,400 new jobs and 769,000 jobs retains for the duration of the federal program.

**SSBCI Program Funds Remaining** – As of December 31, 2017, all SSBCI funds allocated for the CalCAP for Small Business program had been obligated.



**State-Funded Program**

In October 2010, CalCAP was appropriated \$6 million by the Legislature from the State General Fund. CPCFA used these State General Fund monies to cover contributions for CalCAP for Small Business enrollments during the economic recession prior to receipt of the SSBCI funds. After receipt of the SSBCI funds from 2011-2017, these State General Fund monies supported contributions for loan enrollments not eligible under SSBCI requirements. These monies have also funded supplemental contributions for loans disbursed to small businesses located in areas of high unemployment or similar economic distress (Severely Affected Communities, or SAC). For each loan enrolled utilizing State General Fund money as the primary source of the contribution, the CPCFA contribution is deposited into state loan loss reserve accounts maintained for the legacy CalCAP for Small Business program historically funded by State General Fund and SBAF monies.

Since August 2017, the State General Fund monies have once again become the primary source of contributions for all CalCAP for Small Business loans. The significant increase in the State-Funded Program data below, as compared to 2016 data, is explained by winding down the available SSBCI monies in the 3<sup>rd</sup> quarter of the year and returning to the State General Fund monies as the primary source of contributions for enrolled loans thereafter.

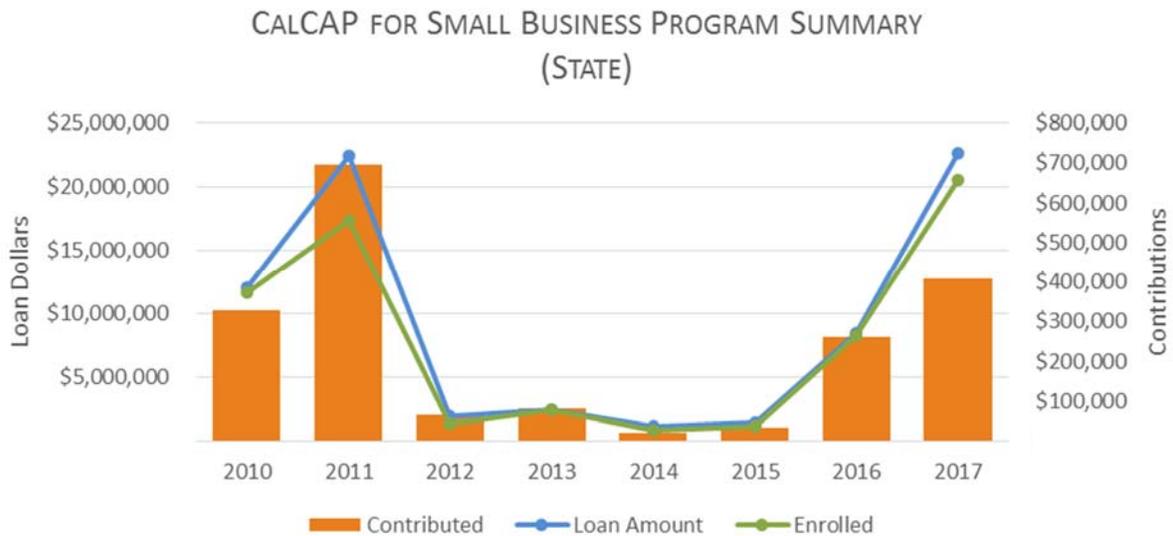
To promote sustainability of the CalCAP for Small Business program, in August 2017 CPCFA implemented a funding recycling mechanism through a rulemaking, allowing the annual recapture of contributions from each lender’s loss reserve account for enrolled loans that have either already matured or have surpassed five years from the date of enrollment. For the fiscal year ending June 30, 2017, the total amount of recaptured contributions for loans enrolled using primarily SSBCI funds is approximately \$2.5 million, and \$400,000 for contributions paid solely from State General Fund or SBAF monies. All recaptured contributions are allocated back into the state-funded CalCAP for Small Business program fund to support future loan enrollments for small businesses.

**State-Funded Program Loan Volume** – In 2017, CalCAP enrolled 565 loans to California small business owners using State funds, bringing the total number of CalCAP loans funded solely by State General Fund monies since 2010 up to 1,028.

**State-Funded Program Loan Dollars** – In 2017, CalCAP lenders enrolled approximately \$21 million of \$23 million loaned into the State-funded program, bringing the total loaned since the State General Funds were appropriated to approximately \$73 million.

**State-Funded Program Loan Contributions** – In 2017, CPCFA contributed \$409,370 from State General Fund monies to support CalCAP for Small Business loans.

**State-Funded Program Jobs** – In 2017, the 565 loans enrolled primarily with State General Fund monies helped create 188 jobs and retain 2,204 jobs in California.



**Severely Affected Communities (SAC)** – Of the 2,271 loans enrolled with both SSBCI and State General Fund monies, 360 were disbursed to small businesses located in a Severely Affected Community (SAC), triggering a total of \$340,817 in supplemental contributions for those loans. Of the total, \$70,463 in supplemental contributions were for loans to businesses located in fire-stricken areas as declared by the 2017 State of Emergency Proclamation by Governor Brown.

**State General Fund Monies Used and Remaining** – As of December 31, 2017, approximately \$4.4 million of the original \$6 million State General Fund appropriation had been expended towards primary and SAC contributions.

### **California Air Resources Board On-Road Heavy-Duty Vehicle Air Quality Loan Program Results 2017**

In May 2009, the California Air Resources Board (CARB) began participating in CalCAP as an independent contributor for the CARB On-Road Heavy-Duty Vehicle Air Quality Loan Program (CalCAP/CARB). Through an interagency agreement, CARB partnered with CPCFA to assist small business owners of heavy-duty diesel trucks in meeting state air quality regulations. Under current program rules directed by CARB, CARB contributes 14 percent of each loan enrolled to the lender's loan loss reserve account until the lender receives \$500,000 in total contributions, after which the rate is reduced to 7 percent up to \$1.5 million in total contributions, then to 4 percent for all subsequent enrollments.

Funded by CARB's Air Quality Improvement Program Funding Plan, CARB has allocated a total of \$127.3 million to this program. As of December 31, 2017, CPCFA had received \$107.3 million. Pursuant to the interagency agreement and corresponding rulemaking, a fund recycling mechanism was implemented in August 2017 allowing CPCFA to annually recapture contributions from each lender's CARB loan loss reserve account for each enrolled loan when the corresponding qualified loan matures or upon five years from the date of enrollment, whichever occurs first. Recaptured funds are allocated back into the CalCAP/CARB program fund to support future loan enrollments. For fiscal year 2016-17, the CalCAP/CARB recapture amount was approximately \$6.1 million.

Currently, 44 lenders have signed up to participate in CalCAP/CARB. Twenty-four of those lenders enrolled loans in the Program during 2017. Our top 3 participating lenders have enrolled approximately 54 percent of the total loan volume.

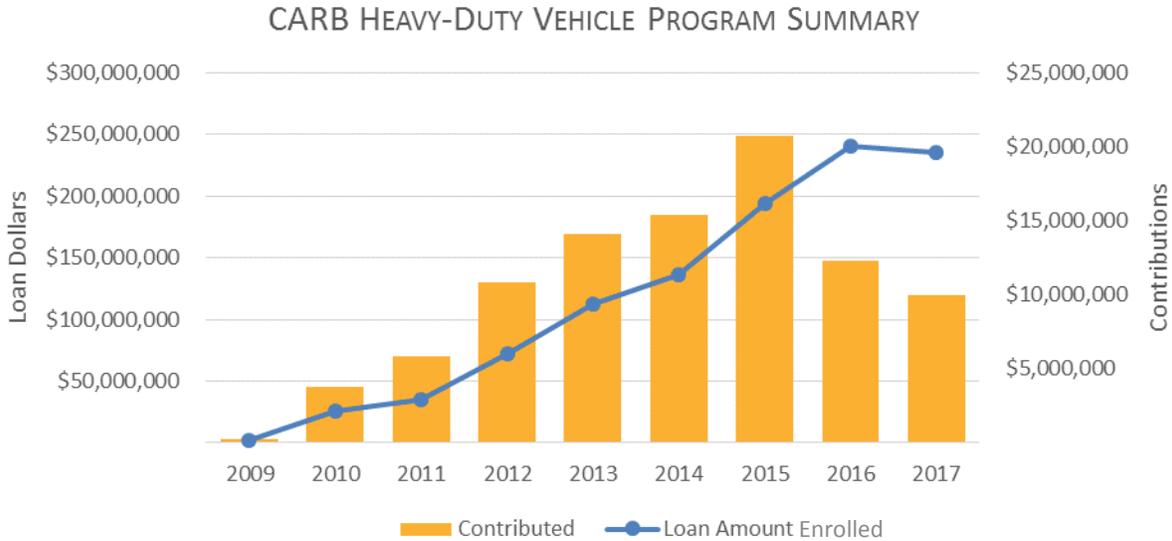
**CalCAP/CARB Loan Volume** – In 2017, CARB enrolled 3,859 loans made to 3,576 California small business owners to purchase of 4,051 trucks, 123 trailers, and 10 diesel exhaust retrofits. Since the inception of CalCAP/CARB in 2009, the number of loans enrolled is 16,498.

**CalCAP/CARB Loan Dollars** – In 2017, approximately \$232 million in total loans were enrolled in this program, bringing the total amount enrolled since program inception to just under \$1.06 billion. In 2017, CPCFA paid contributions of \$9.8 million towards that amount. The average loan size was approximately \$60,097.

**CalCAP/CARB Jobs** – In 2017, loans enrolled in CalCAP/CARB helped create 2,258 new jobs and retain 5,291 existing jobs.

**Terminal Rental Adjustment Clause (TRAC) Leases** – In September of 2011, SB 225 (Simitian) (Chapter 492 of the Statutes of 2011) was approved by the Governor, which allows Terminal Rental Adjustment Clause (TRAC) Leases as a type of loan. A TRAC Lease is a different type of lending instrument that some lenders choose to use, giving borrowers another option for

purchasing heavy-duty diesel vehicles. In 2017, CPCFA paid contributions of \$834,077 for 351 TRAC Leases. Of the \$232 million enrolled in CalCAP/CARB, approximately \$20 million was a result of enrolled TRAC Leases.



**CalCAP/CARB Loans by Industry** – The following chart describes the distribution of enrollment activity by sector, using the North American Industry Classification System (NAICS) Sector number.

**CalCAP/CARB Program Loans by Industry 2017**

NAICS Sector	Description	# of Enrollments	Loaned Dollars	Enrolled Dollars
11	Agriculture, Forestry, Fishing and Hunting	13	\$1,347,372	\$1,347,372
21	Mining, Quarrying, and Oil and Gas Extraction	6	\$1,033,800	\$1,033,800
22	Utilities	1	\$68,000	\$68,000
23	Construction	17	\$1,817,345	\$1,817,345
31-33	Manufacturing	14	\$1,400,578	\$1,400,578
42	Wholesale Trade	12	\$1,001,045	\$1,001,045
44-45	Retail Trade	7	\$643,419	\$643,419
48-49	Transportation and Warehousing	3744	\$220,134,951	\$219,867,095
51	Information	0	\$0	\$0
52	Finance and Insurance	0	\$0	\$0
53	Real Estate and Rental and Leasing	0	\$0	\$0
54	Professional, Scientific, and Technical Services	2	\$165,686	\$165,686
55	Management of Companies and Enterprises	0	\$0	\$0
56	Administrative Support/Waste Management/Remediation Svcs	35	\$3,516,932	\$3,516,932
61	Educational Services	0	\$0	\$0
62	Health Care and Social Assistance	0	\$0	\$0
71	Arts, Entertainment, and Recreation	1	\$97,572	\$97,572
72	Accommodation and Food Services	0	\$0	\$0
81	Other Services (except Public Administration)	7	\$686,001	\$686,001
92	Public Administration	0	\$0	\$0

**CalCAP/CARB Geographic Area Served – Exhibit B** shows the distribution of the CalCAP/CARB-funded loans enrolled in 51 counties and indicates the number of enrollments and approximate dollars loaned.

**CalCAP/CARB Loan Loss Claims** – CalCAP processed and approved 428 claims filed by lenders against their CalCAP/CARB loan loss reserve accounts, totaling approximately \$16 million in payments disbursed for 2017.

**CalCAP/CARB Program Funds Remaining** – As of December 31, 2017, the cash available for the \$107.3 million disbursement from CARB under the interagency agreement was \$2.2 million, not counting the \$6.1 million in recaptured funds.

### **Collateral Support Program Results 2017**

The Collateral Support Program was designed to enable financing that might otherwise not occur due to a collateral shortfall for small businesses in California. In January 2013, the Collateral Support Program was approved by the U.S. Treasury as part of CPCFA's \$85 million allocation under SSBCI. CPCFA provides a cash deposit to the lender to hold as partial collateral against potential loss. Under this program, CPCFA may recapture a portion of the initial support annually as the loan pays down according to a defined recapture schedule. Following the expiration of the Allocation Agreement with the U.S. Treasury on March 31, 2017, CPCFA established a state-funded Collateral Support Program utilizing the recaptured funds from cash deposits previously expended for loans enrolled under the federally approved program.

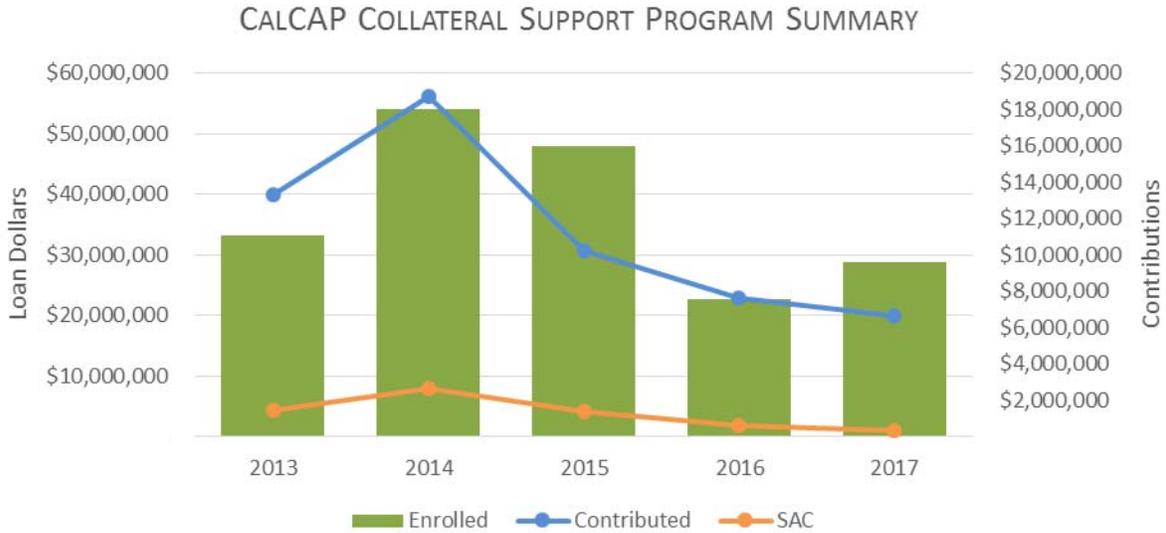
**Collateral Support Program Loan Volume** – In 2017, CPCFA enrolled 38 loans to 37 California small business owners.

**Collateral Support Program Loan Dollars** – In 2017, the Collateral Support Program leveraged over \$28 million dollars in lending. The average loan size was approximately \$746,987.

**Collateral Support Program Loan Contributions** – Under the program, CPCFA deposited approximately \$7 million in cash deposits to support loans to small businesses.

**Severely Affected Community (SAC)** – Of the 38 loans enrolled, 15 were to small businesses located in a Severely Affected Community. CPCFA approved supplemental cash deposits for those loans in the amount of \$375,000. Of the SAC total, CPCFA approved \$37,220 in supplemental cash deposits were for loans to businesses located in fire-stricken areas as declared by the 2017 State of Emergency Proclamation by Governor Brown.

**Collateral Support Program Jobs** – In 2017, loans enrolled in the Collateral Support Program helped create 165 new jobs and retain 336 existing jobs.



**Collateral Support Loans by Industry** – The following chart describes the distribution of enrollment activity by sector, using the North American Industry Classification System (NAICS) Sector number.

**Collateral Support Program Loans by Industry 2017**

NAICS Sector	Description	# of Enrollments	Loaned Dollars	Enrolled Dollars
11	Agriculture, Forestry, Fishing and Hunting	0	\$0	\$0
21	Mining, Quarrying, and Oil and Gas Extraction	0	\$0	\$0
22	Utilities	1	\$2,030,000	\$2,030,000
23	Construction	2	\$1,029,600	\$1,029,600
31-33	Manufacturing	1	\$700,000	\$700,000
42	Wholesale Trade	3	\$1,700,000	\$1,700,000
44-45	Retail Trade	3	\$8,046,014	\$8,046,014
48-49	Transportation and Warehousing	16	\$1,490,900	\$1,490,900
51	Information	0	\$0	\$0
52	Finance and Insurance	1	\$100,000	\$100,000
53	Real Estate and Rental and Leasing	1	\$474,000	\$474,000
54	Professional, Scientific, and Technical Services	1	\$11,882,000	\$11,882,000
55	Management of Companies and Enterprises	0	\$0	\$0
56	Administrative Support/Waste Management/Remediation Svcs	2	\$293,000	\$293,000
61	Educational Services	0	\$0	\$0
62	Health Care and Social Assistance	0	\$0	\$0
71	Arts, Entertainment, and Recreation	1	\$65,000	\$65,000
72	Accommodation and Food Services	3	\$575,000	\$575,000
81	Other Services (except Public Administration)	0	\$0	\$0
92	Public Administration	0	\$0	\$0

**Collateral Support Program Geographic Area Served** – Exhibit C shows the distribution of the loans enrolled in 12 counties and indicates the number of enrollments and approximate dollars loaned.

***Collateral Support Program Claims*** – In 2017, CPCFA processed and approved 2 claims filed by lenders against their Collateral Support Program accounts, totaling approximately \$3.2 million in payments disbursed. The Program has had only 3 claims since the Program’s inception in 2013.

***Collateral Support Program Funds Used and Remaining*** – Of the total \$85 million in federal funds from SSBCI, CPCFA allocated \$65 million to the Collateral Support Program. As of December 31, 2017, all federal program funds have been expended, and the recaptured monies allocated to the state-funded Collateral Support Program totaled approximately \$38 million.

***Collateral Support Program Recapture*** – Loans supported by the Collateral Support Program are subject to an annual recapture of the funds on deposits. In 2017, CalCAP recaptured approximately \$18.7 million in funds on 85 loans. The recaptured funds will be used for future Collateral Support loans to sustain the program.

## **New CalCAP Programs**

### **CalCAP Electric Vehicle Charging Station Financing Program**

The CalCAP Electric Vehicle Charging Station Financing Program (CalCAP/EVCS) was introduced in mid-2015. The program aims to expand the number of electric vehicle charging stations installed by small businesses in California. The program, funded with \$2 million as a pilot project by the California Energy Commission, provides small business borrowers and lenders incentives to finance electric vehicle charging station equipment acquisition and installation. Loans enrolled in this program can be used for the design, development, purchase, and installation of electric vehicle charging stations in the state of California. This partnership allows CalCAP to provide up to 100% coverage to lenders on certain loan defaults. Borrowers with good repayment history may be eligible to receive a rebate of 10 to 15 percent of the enrolled loan amount payable from the lenders’ loss reserve accounts. In 2017, the CalCAP/EVCS program received its first loan enrollment (located in Riverside County) in the amount of \$11,124 totaling \$2,225 in contributions and \$1,113 as a rebate to the borrower.

### **California Americans with Disabilities Act Small Business Capital Access Loan Program**

CPCFA developed and implemented the California Americans with Disabilities Act Small Business Capital Access Loan Program (CalCAP/ADA) in 2016. The program was created through Assembly Bill 1230 (Chapter 787, Statutes of 2015) with a \$10 million one-time appropriation. This program is designed to assist with financing costs to alter or retrofit existing small business facilities in order to comply with the requirements of the federal American Disabilities Act. Loans enrolled in this program may be used for the cost of surveying facilities for non-compliance, estimating and planning eligible alterations, construction costs, and other related expenses but do not include business expansion. This program included a first-of-its-kind recapture mechanism to encourage financial sustainability of the program—a model to be replicated in subsequent rulemakings for most other CalCAP programs.

**CalCAP Seismic Safety Financing Program**

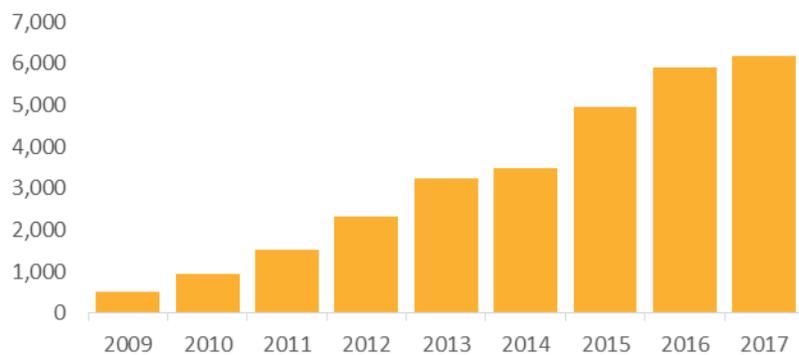
The CalCAP Seismic Safety Financing Program (CalCAP/Seismic Safety) was launched January 2017. The program was created through Senate Bill 837 (Chapter 32, Statutes of 2016) with a \$10 million one-time appropriation. The purpose of the program is to incentivize private financing for California small businesses and residential property owners (including multi-dwelling units and registered mobile homes registered by the California Department of Housing and Community Development) with financing the costs to seismically retrofit existing buildings and homes. Proceeds from loans enrolled in the CalCAP/Seismic Safety Program may be used for seismic retrofit construction alterations performed on or after January 1, 2017, of a qualified building or its components to substantially mitigate seismic damage.

**Outlook for 2018**

CPCFA has seen increasing demand for the CalCAP programs. The proven success of each program and the ever-growing need for capital by small businesses in California illustrates why CPCFA has experienced an increase in stakeholder participation in the CalCAP for Small Business, Collateral Support and CalCAP/CARB programs. The CalCAP design is one of the most effective means to leveraging private funds with public investments. Currently, for every dollar CalCAP contributes through one of its credit enhancement programs, approximately \$7 of private funding is used to help support small businesses throughout the state.

CPCFA continues to witness success with the Collateral Support Program funded by SSBCI since its launch in 2013. Designed to recycle funds on an annual basis and upon loan maturity, the recapture of cash deposits allows CPCFA to continue the program beyond the 2017 expiration of the SSBCI funding, to support future lending.

NUMBER OF ENROLLMENTS FOR ALL PROGRAMS



Dedicated to each program’s further expansion and sustainability of the tranches of funding, CPCFA reached out to program stakeholders and solicited suggestions which were presented at a CalCAP Stakeholder Symposium in April 2017. Based on that convening, CPCFA adopted a rulemaking and in August 2017 implemented a recapture mechanism in order to sustain the life of the CalCAP programs beyond the single use of funds.

CPCFA’s partnership with the California Air Resources Board (CARB) continues to thrive and 2017 was the largest year in program history. CPCFA has seen an increase in the volume of enrollment applications submitted and expects the influx to continue through 2018.

At the same time, many small businesses in California remain unsuccessful in obtaining needed capital assistance. Drivers in the economy beyond CPCFA's influence has impacted lender willingness to underwrite loans for small businesses for purposes that do not directly generate revenue to offset new debt. Short of regulatory mandates or demonstrable benefit to an owner's bottom line, small businesses are leery of assuming debt designed to meet social and environmental objectives. These financial market dynamics have inhibited the immediate embrace of the CalCAP/EVCS, CalCAP/ADA and CalCAP/Seismic Safety programs.

CPCFA plans to expand its outreach and technical activities in 2018 to provide more opportunities to promote small business lending in California.

Exhibit A – Geographic Area Served: CalCAP for Small Business Program 2017

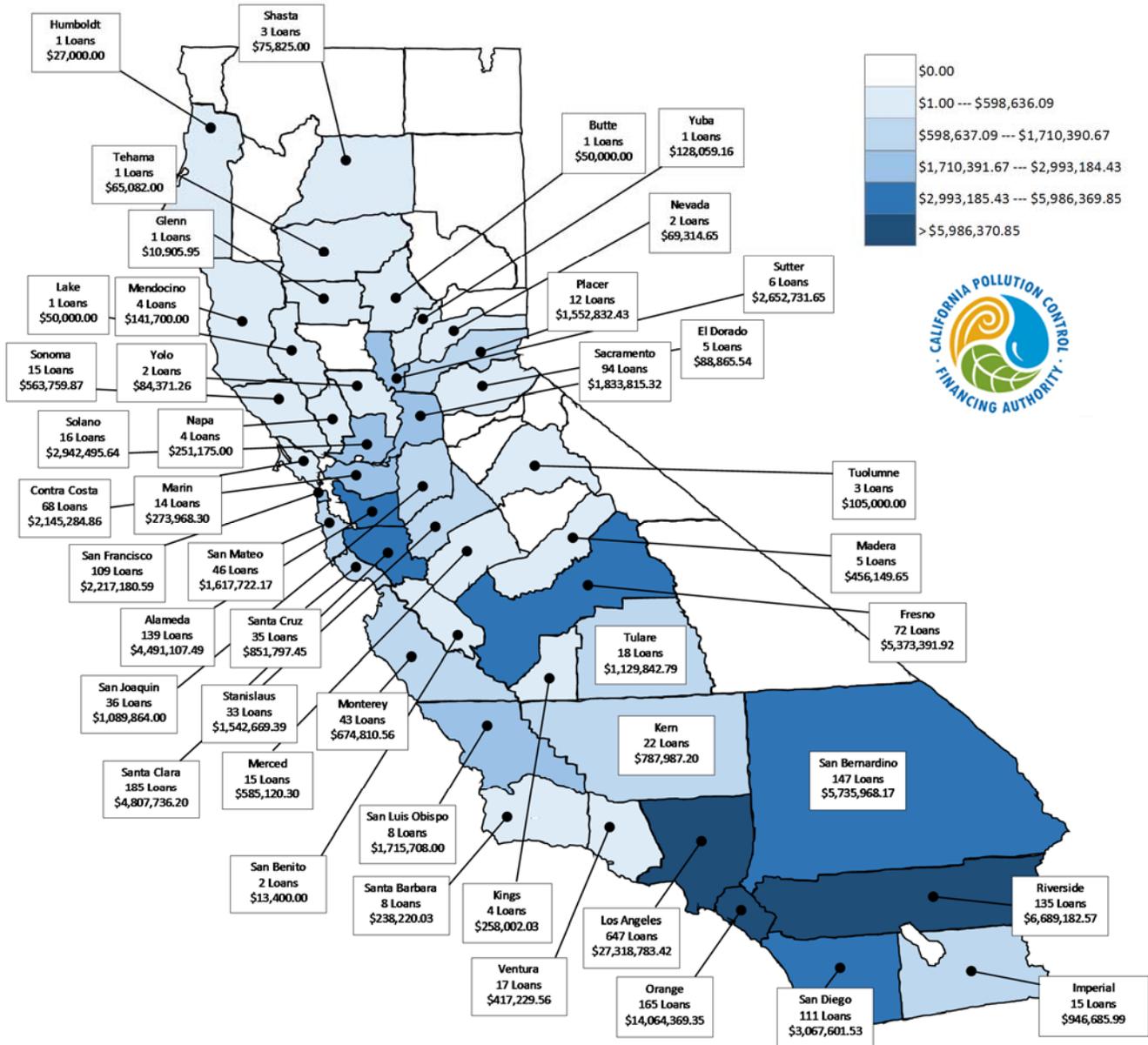


Exhibit B – Geographic Area Served: CalCAP/CARB Program 2017

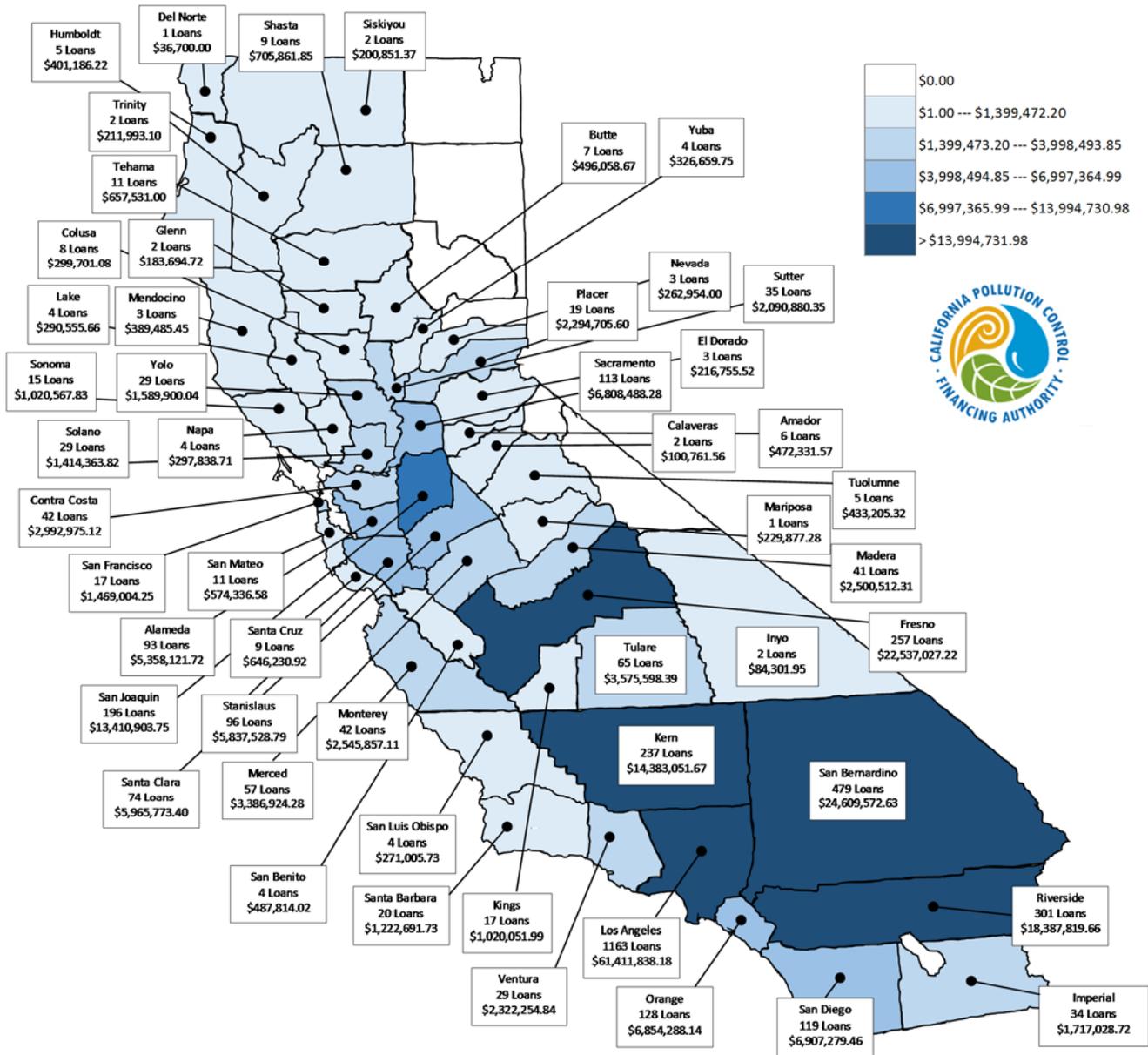


Exhibit C – Geographic Area Served: Collateral Support Program 2017

