



# CALIFORNIA CAPITAL ACCESS PROGRAM (CALCAP)

## 2018 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 2018 Calendar Year, the CPCFA board members were:

John Chiang, Chair  
*State Treasurer*

Betty T. Yee  
*State Controller*

Michael Cohen  
*Department of Finance*  
September 2013 – July 2018

Keely Martin Bosler  
*Department of Finance*  
August 2018 – present

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

## **Executive Summary**

The California Pollution Control Financing Authority (CPCFA) welcomed another year assisting small businesses in California through the California Capital Access Program (CalCAP) for Small Business, effectively deploying and recycling the remaining funds from the federal State Small Business Credit Initiative (SSBCI) 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 2018, CalCAP lenders enrolled 6,686 loans in 48 of California's 58 counties aggregating to over \$377.6 million loaned. The number of loans enrolled in CalCAP increased by about 8.4 percent when compared with 2017. Approximately \$19.9 million in contributions were deposited to lenders' loan loss reserve accounts. CPCFA staff processed and approved 614 claims filed by lenders against their loan loss reserve accounts. Approximately \$16.9 million was paid from the loss reserve accounts. CalCAP also recruited seven new lenders to participate in the varied programs, and 35 lenders enrolled loans. Through the end of December 2018, the total number of loans enrolled in: CalCAP for Small Business since 1994 is 20,646; CalCAP/CARB since 2009 is 20,998; Collateral Support Program since 2013 is 208; and CalCAP/EVCS since 2015 is two. Collectively, CPCFA has enrolled loans from businesses located in 56 of California's 58 counties.

In addition to the daily administration of the CalCAP for Small Business and CalCAP/CARB programs, CPCFA continues to collaborate with stakeholders to ensure program sustainability of these programs by annually recapturing and recycling older CPCFA contributions from loan loss reserve accounts to support future loan enrollments. CPCFA also dedicated considerable time to outreach for all six CalCAP programs and to the shepherding of legislative and regulatory improvements to CalCAP.

CPCFA's 2018 outreach activities focused on meeting small business and local stakeholders who might not have access to information on CalCAP for Small Business and the specialized CalCAP programs, in locations where this information is most needed. CalCAP participated in more than 40 outreach events throughout the State including: community workshops hosted by legislative members; locally hosted informational events; workshops affiliated with sister agencies such as the California Commission on Disability Access (CCDA), California Energy Commission, the Governor's Office of Planning and Research (OPR); CARB's One-Stop Truck events; Certified Access Specialist Institute's (CASI) trainings; regional utility meetings; and regional and statewide stakeholder conferences and roundtable discussions.

## **California Capital Access Program (CalCAP) 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 legislative efforts toward continuous improvement to the CalCAP Program. 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 with \$38.3 million transferred 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 and to establish the new Collateral Support Program, to increase lending assistance for California small business owners.

Of CPCFA’s share of the SSBCI allocation, the U.S. Treasury directed that \$20 million be allocated to the continued administration of the CalCAP for Small Business Program, and these monies became the primary source of CPCFA’s contributions to lenders’ loan loss reserves. Over the past eight years, CPCFA also used the State General Fund monies as supplemental assistance for loan enrollments which were located in areas of high unemployment (a Severely Affected Community), and for the regular contributions for loans which were not eligible under the stricter SSBCI requirements. With the federal funds fully exhausted in the 1<sup>st</sup> quarter of 2018, the State General Fund monies again became the main source of funds for contributions until they were depleted. Following that, the annual recapture of contributions (effective August 2017) for matured loans previously enrolled in CalCAP for Small Business became the primary source for the State’s contributions.

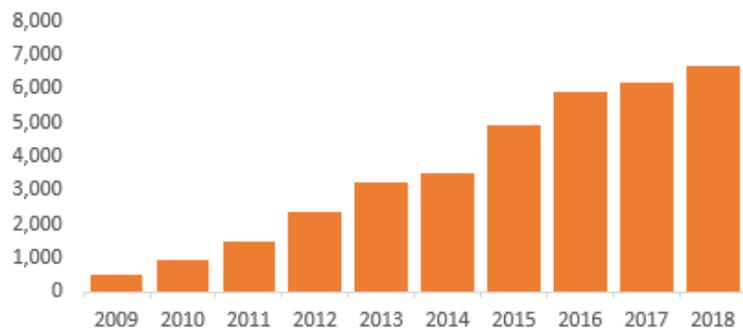
The remaining SSBCI funds – \$65 million – was sub-allocated by the U.S. Treasury for the creation of the Collateral Support Program, designed specifically to provide a cash deposit to lenders for individual loans enrolled by participating lenders, where the borrower lacks sufficient collateral. As the principal outstanding balance of each loan is successfully reduced, CPCFA recaptures a portion of the cash deposit on an annual basis to support the enrollment of new Collateral Support Program loans.

In addition to CalCAP for Small Business and the Collateral Support Program, the CalCAP programs have grown to include others 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 On-Road Heavy-Duty Vehicle

NUMBER OF ENROLLMENTS FOR ALL PROGRAMS



Air Quality Loan Program since 2009, CARB has disbursed \$112.3 million to CPCFA through the end of 2018 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 businesses located in disadvantaged communities. The program also includes a rebate for each borrower with no more than one late payment before the maturity of its 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 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.

CPCFA's continual increase in transparency of the CalCAP Programs assures stakeholders that they are included in discussions regarding program changes and updates to regulations. By utilizing the rulemaking framework through the Office of Administrative Law, the program criteria and administration are clear and unambiguous. The framework also permits CPCFA to nimbly augment the program criteria in response to statutory updates, changes in funding, and other market dynamics.

### **CalCAP for Small Business Program Results 2018**

The CalCAP for Small Business program includes loans enrolled in the original loan loss reserve program funded by CPCFA's own funds since 1994 including proceeds from bond issuances, the State General Fund monies awarded in 2010, the federal monies allocated through SSBCI, and monies recaptured beginning August 2017. By participating in CalCAP, private lenders receive a contribution to a loan loss reserve account as a credit enhancement, to encourage them to meet the financing needs of California small businesses.

When the federal monies were allocated in 2011, the U.S. urged states to create a sustainability plan to revolve the use of the one-time SSBCI allocation. To promote sustainability of the CalCAP for Small Business program, in August 2017 CPCFA implemented a funding recycling mechanism following a public stakeholder symposium, a hearing by the Authority, and through rulemaking, allowing the annual recapture of contributions from each lender's loss reserve account for enrolled loans which have either already matured or surpassed five years from the date of enrollment. All

recaptured contributions are recycled into the CalCAP for Small Business program fund to support future loan enrollments for small businesses. Since the recapture mechanism was implemented, the CalCAP for Small Business fund was replenished with \$2.9 million for fiscal year 2016-17, and \$1.35 million for fiscal year 2017-18.

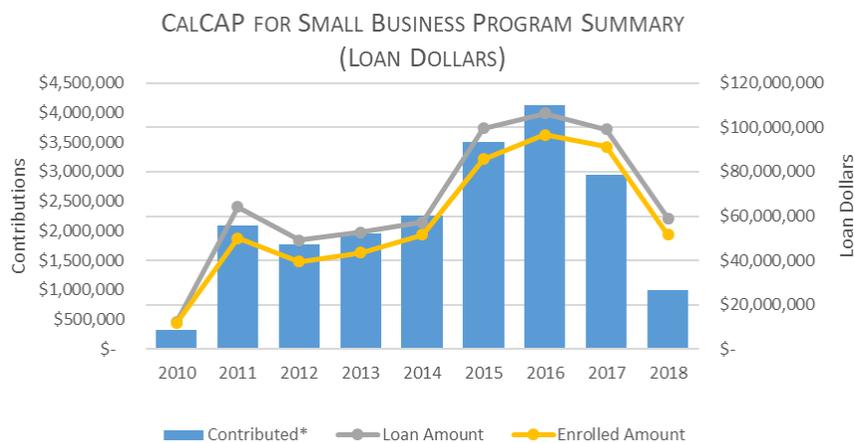
During 2018, 14 lenders enrolled loans in the program with the top three participating lenders having enrolled approximately 84 percent of the total loan volume.

**CalCAP for Small Business Loan Volume** – In 2018, CalCAP enrolled 2,138 loans made to 1,953 California small business owners. At the end of December 2018, the total number of loans enrolled in CalCAP for Small Business since 1994 is 20,599.

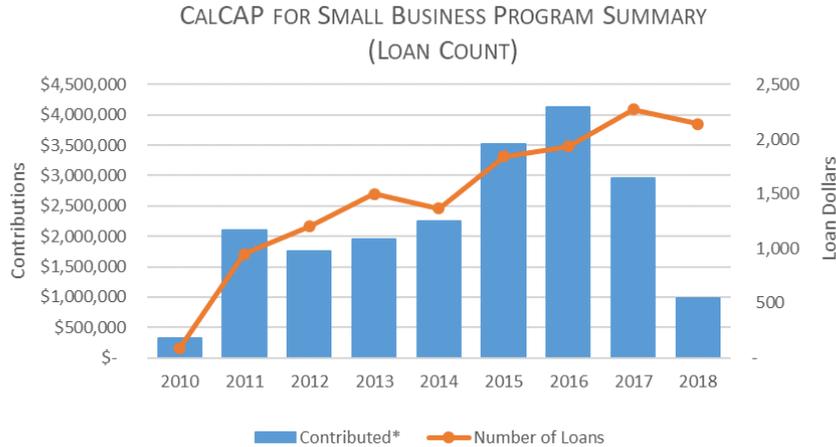
**CalCAP for Small Business Loan Dollars** – In 2018, over \$51.5 million was enrolled in CalCAP out of the approximately \$59 million in dollars loaned. The average loan size was approximately \$27,589. At the end of December 2018, CalCAP lenders have cumulatively loaned approximately \$1.84 billion since the program began in 1994.

**CalCAP for Small Business Contributions** – In 2018, CPCFA contributed a total of \$1,255,689 towards lenders’ loan loss reserves, including both the primary contributions as well as the supplemental contribution for borrowers located in Severely Affected Communities. The reduced overall amount compared to previous years reflects the lower average loan amount enrolled, as well as a statutory reduction in the State’s contribution effective when the allocation agreement with the U.S. Treasury ended and the federal SSBCI monies were exhausted.

**Severely Affected Communities (SAC)** – Of the 2,138 loans enrolled in CalCAP for Small Business, 1,176 were disbursed to small businesses located in a Severely Affected Community (SAC), triggering \$266,499 in supplemental contributions for those loans. Of the total, \$174,379 in supplemental contributions were for loans to businesses located in fire-stricken areas as declared by the 2017 and 2018 State of Emergency Proclamations by Governor Brown.



*\*2018 data reflects a statutory reduction in State contributions that took effect in April 2017.*



\*2018 data reflects a statutory reduction in State contributions that took effect in April 2017.

**CalCAP for Small Business Microloans** – In 2018, of the 2,138 loans made to California small business owners, 1,710 loans totaling approximately \$25 million were microloans under \$40,000.

**CalCAP for Small Business Jobs** – In 2018, loans enrolled in CalCAP for Small Business helped create 791 new jobs and retain 8,737 existing jobs.

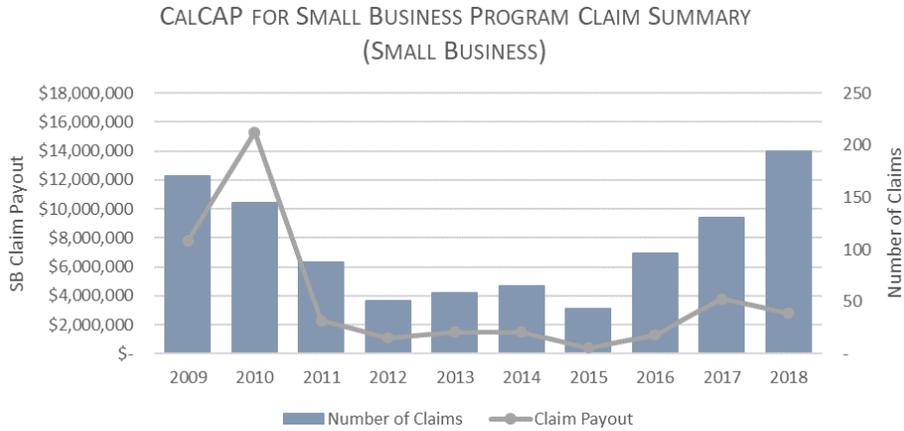
**CalCAP for Small Business Loans by Industry** – The following chart describes the distribution of enrollment activity by sector, using the North American Industry Classification System (NAICS) Sector number.

**CalCAP for Small Business Loans by Industry 2018**

NAICS Sector	Description	# of Enrollments	Loaned Dollars	Enrolled Dollars
11	Agriculture, Forestry, Fishing and Hunting	15	\$1,380,751	\$669,010
22	Utilities	2	\$60,006	\$60,006
23	Construction	97	\$2,559,787	\$2,409,605
31-33	Manufacturing	94	\$3,374,437	\$3,122,348
42	Wholesale Trade	95	\$2,060,468	\$1,929,568
44-45	Retail Trade	388	\$5,532,123	\$5,386,633
48-49	Transportation and Warehousing	577	\$19,975,083	\$14,438,785
51	Information	22	\$431,839	\$407,579
52	Finance and Insurance	19	\$302,395	\$302,395
53	Real Estate and Rental and Leasing	51	\$929,778	\$813,878
54	Professional, Scientific, and Technical Services	110	\$3,467,275	\$3,467,275
56	Administrative and Support/Waste Management/Remediation Services	128	\$2,163,030	\$2,163,030
61	Educational Services	26	\$490,778	\$485,778
62	Health Care and Social Assistance	54	\$1,866,782	\$1,784,930
71	Arts, Entertainment, and Recreation	33	\$806,242	\$799,427
72	Accommodation and Food Services	268	\$10,427,006	\$10,130,159
81	Other Services (except Public Administration)	158	\$3,008,050	\$3,008,050
92	Public Administration	1	\$150,000	\$150,000

**CalCAP for Small Business Geographic Area Served** – Exhibit A shows the distribution of the loans enrolled in 42 counties in 2018, and indicates the number of enrollments and approximate dollars loaned by county.

**CalCAP for Small Business Loan Loss Claims** – CalCAP processed and approved 194 claims filed by lenders against their loan loss reserve accounts in 2018, totaling approximately \$2.9 million. The default rate for 2018 is 9.3 percent.



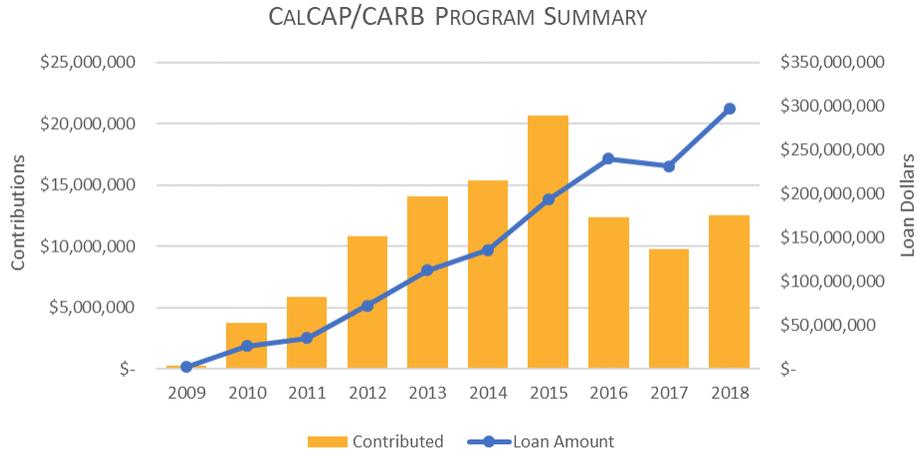
**CalCAP for Small Business Fund Balance** – The final federal SSBCI dollars were expended 1<sup>st</sup> quarter of 2018. Since the recapture mechanism was implemented in August 2017, recaptured funds have supplemented the remaining General Fund monies. As of December 31, 2018, the balance available in the CalCAP for Small Business Fund was approximately \$2.9 million to be expended towards primary and SAC contributions, and administrative costs. After the end of the 2018 calendar year reporting period, an additional \$1.35 million was recaptured for Fiscal Year 2017-18 and deposited into the Fund.

**California Air Resources Board On-Road Heavy-Duty Vehicle Air Quality Loan Program Results 2018**

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 seven percent up to \$1.5 million in total contributions, then the rate is further reduced to four percent for all subsequent enrollments.

Funded by CARB’s Air Quality Improvement Program (AQIP) Funding Plan, CARB has allocated a total of \$142.3 million to this program. As of December 31, 2018, CPCFA had received \$112.3 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 after 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 \$6.15 million.

Currently, twenty-two lenders are enrolled to participate in CalCAP/CARB. Nineteen of those lenders enrolled loans in the program during 2018. The top three participating lenders have enrolled approximately 63 percent of the total loan volume.



**CalCAP/CARB Loan Volume** – In 2018, CARB enrolled 4,515 loans made to 4,285 California small fleet owners to purchase 4,651 trucks, 160 trailers, and three diesel exhaust retrofits. Since the inception of CalCAP/CARB in 2009, the number of loans enrolled is 20,992.

**CalCAP/CARB Loan Dollars** – In 2018, approximately \$297 million in total loans were enrolled in this program, bringing the total amount enrolled since program inception to \$1.4 billion. In 2018, CPCFA paid contributions of \$12.5 million towards that amount. The average loan size was approximately \$65,879.

**CalCAP/CARB Jobs** – In 2018, loans enrolled in CalCAP/CARB helped create 2,398 new jobs and retain 5,749 existing jobs.

**Terminal Rental Adjustment Clause (TRAC) Leases** – In September of 2011, SB 225 (Simitian) (Chapter 492, 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 2018, CPCFA paid contributions of \$833,761 for 331 TRAC Leases. Of the \$297 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 2018**

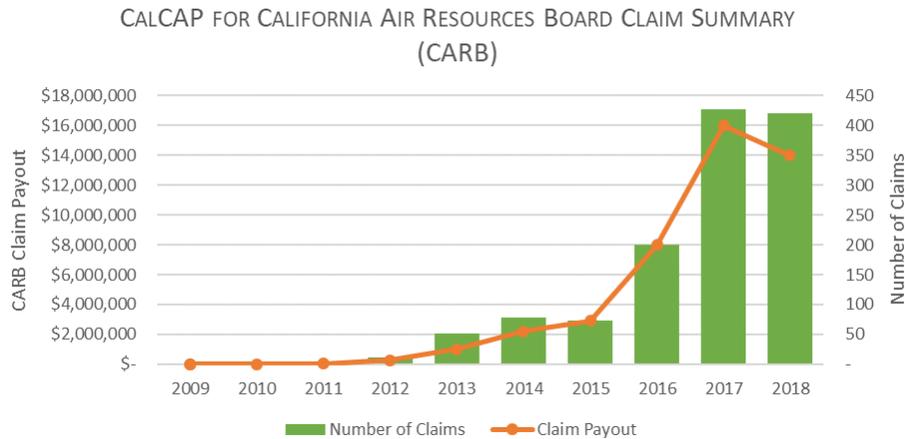
NAICS Sector	Description	# of Enrollments	Loaned Dollars	Enrolled Dollars
11	Agriculture, Forestry, Fishing and Hunting	17	\$1,966,172	\$1,966,172
21	Mining, Quarrying, and Oil and Gas Extraction	3	\$341,989	\$341,989
22	Utilities	3	\$327,742	\$327,742
23	Construction	17	\$1,988,417	\$1,910,989
31-33	Manufacturing	8	\$808,245	\$803,601
42	Wholesale Trade	23	\$2,140,686	\$2,140,686
44-45	Retail Trade	5	\$555,328	\$555,328
48-49	Transportation and Warehousing	4377	\$282,902,738	\$282,704,215
53	Real Estate and Rental and Leasing	2	\$173,153	\$173,153
54	Professional, Scientific, and Technical Services	1	\$92,933	\$92,933

## CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY

56	Administrative and Support/Waste Management/Remediation Services	49	\$5,063,699	\$5,063,699
61	Educational Services	1	\$55,020	\$55,020
71	Arts, Entertainment, and Recreation	2	\$66,047	\$66,047
81	Other Services (except Public Administration)	7	\$962,858	\$961,188

**CalCAP/CARB Geographic Area Served – Exhibit B** shows the distribution of the CalCAP/CARB-funded loans enrolled in 48 counties and indicates the number of enrollments and approximate dollars loaned.

**CalCAP/CARB Loan Loss Claims** – CalCAP processed and approved 420 claims filed by lenders against their CalCAP/CARB loan loss reserve accounts, totaling approximately \$14 million in payments disbursed for 2018. The default rate for 2018 is 9.1 percent.

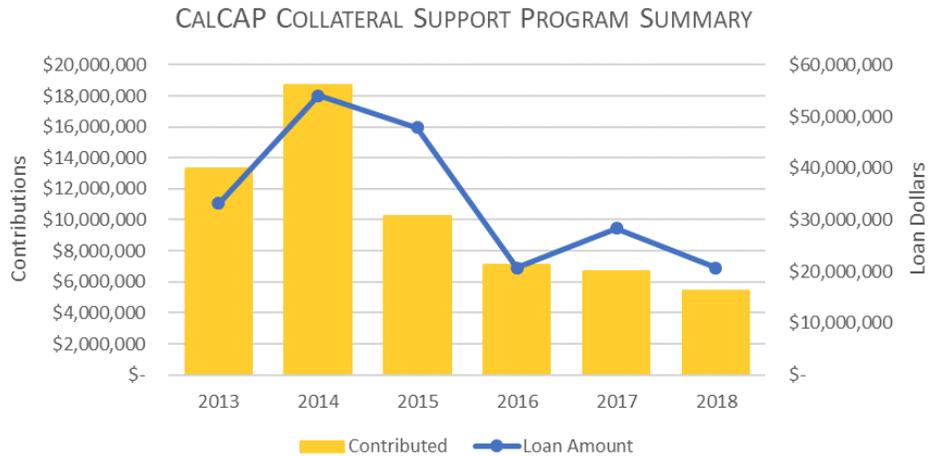


**CalCAP/CARB Program Fund Balance** – As of December 31, 2018, the balance available in the CalCAP/CARB Program Fund account was \$5.3 million. After the end of the reporting period CARB took action to disburse an additional \$30 million under the existing Interagency Agreement, and an additional \$2.6 million was recaptured for Fiscal Year 2017-18 to be deposited in the CalCAP/CARB Program Fund.

### Collateral Support Program Results 2018

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 recaptures a portion of the cash deposit 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.

As of December 31, 2018, CPCFA had deposited a total of \$67.5 million in cash deposits for 210 loans, utilizing monies from both the initial sub-allocation – which has been exhausted – and recaptured funds intended to be recycled into future cash deposits.



**Collateral Support Program Loan Volume** – In 2018, CPCFA enrolled 32 loans to 31 California small business owners. At the end of December 2018, the total number of loans enrolled in CalCAP’s Collateral Support Program since 2013 is 210.

**Collateral Support Program Loan Dollars** – In 2018, the Collateral Support Program leveraged nearly \$20.7 million dollars in lending. The average loan size was approximately \$646,576.

**Collateral Support Program Loan Contributions** – In 2018, CPCFA deposited approximately \$5.9 million in cash deposits to support loans to small businesses.

**Severely Affected Community (SAC)** – Of the 32 loans enrolled, 18 were to small businesses located in a Severely Affected Community. CPCFA approved supplemental cash deposits for those loans in the amount of \$534,300. Of the SAC total, CPCFA approved \$348,920 in supplemental cash deposits were for loans to businesses located in fire-stricken areas as declared by the 2017 and 2018 State of Emergency Proclamations by Governor Brown.

**Collateral Support Program Jobs** – In 2018, loans enrolled in the Collateral Support Program helped create 386 new jobs and retain 1,039 existing jobs.

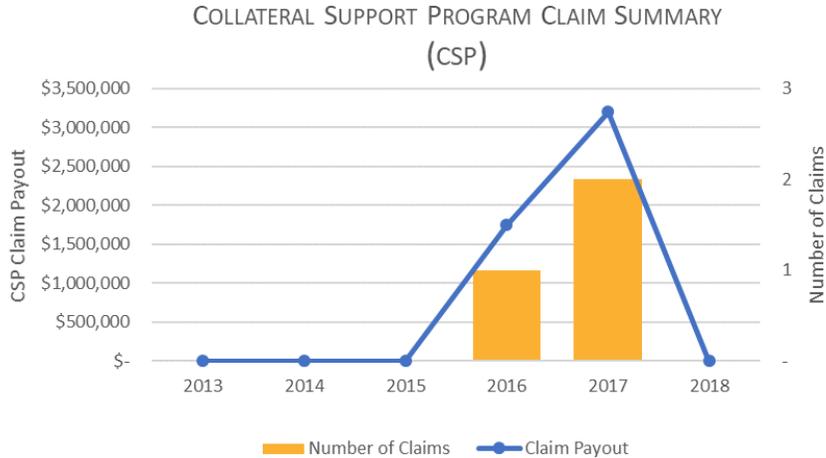
**Collateral Support Loans by Industry** – The following chart describes the distribution of enrollment activity by sector, using the North American Industry Classification System (NAICS) Sector number.

**Collateral Support Program Loans by Industry 2018**

NAICS Sector	Description	# of Enrollments	Loaned Dollars	Enrolled Dollars
23	Construction	5	\$1,445,000	\$1,445,000
42	Wholesale Trade	1	\$2,650,000	\$2,650,000
44-45	Retail Trade	2	\$636,000	\$636,000
48-49	Transportation and Warehousing	8	\$5,149,466	\$5,149,466
52	Finance and Insurance	1	\$1,100,000	\$1,100,000
54	Professional, Scientific, and Technical Services	7	\$4,652,000	\$4,652,000
62	Health Care and Social Assistance	1	\$645,000	\$645,000
71	Arts, Entertainment, and Recreation	1	\$250,000	\$250,000
72	Accommodation and Food Services	4	\$3,260,560	\$3,260,560
81	Other Services (except Public Administration)	2	\$902,400	\$902,400

**Collateral Support Program Geographic Area Served** – Exhibit C shows the distribution of the loans enrolled in 13 counties, the number of enrollments, and approximate dollars loaned.

**Collateral Support Program Claims** – In 2018, no Collateral Support Claims were filed. The Program has only 3 claims since the Program’s inception in 2013.



**Collateral Support Program Recapture** – Loans supported by the Collateral Support Program are subject to an annual recapture of the funds on deposits. In 2018, CalCAP recaptured approximately \$5 million in funds on 62 loans. The recaptured funds will be used for future Collateral Support loans to sustain the program.

**Collateral Support Program Funds Remaining** – As of December 31, 2018, the balance available from remaining recaptured monies allocated to the state-funded Collateral Support Program total approximately \$38 million for Fiscal Year 2017-18.

**Other CalCAP Programs**

**CalCAP Electric Vehicle Charging Station Financing Program**

The CalCAP Electric Vehicle Charging Station Financing Program (CalCAP/EVCS) was introduced in 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 2018, the CalCAP/EVCS program received its second loan enrollment in the amount of \$500,000 for the installation of 57 charging stations at 6 different sites located in Fresno County. CalCAP/EVCS contributed \$150,000 to the lender’s loan loss reserve, including a \$50,000 incentive because the installs will be located in a disadvantaged community.

**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 Americans with Disabilities Act of 1990. 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 excluding business expansion. This program includes a recapture mechanism to encourage financial sustainability of the program.

Assembly Bill (AB) 1553 (Chapter 644, Statutes of 2017), approved in October 10, 2017 and effective January 1, 2018, expanded the definition of small business for the purposes of the CalCAP/ADA Program to include businesses with less than \$5 million in total gross annual income expanding the types of businesses that qualify for funding. AB 1553 also authorized CPCFA to use its Small Business Assistance Fund (SBAF) monies to incentivize participation in the CalCAP/ADA loan loss reserve program by providing for reimbursement of required Certified Access Specialist (CASP) reports.

Assembly Bill (AB) 1547 (Chapter 645, Statutes of 2018), approved and effective on September 21, 2018, further modified the definition of a small business for purposes of the ADA program to mean a business that is independently owned and operated and not dominant in its field, and with 30 or fewer full-time employees or less than \$5 million in total gross annual income from all sources.

**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 mobile homes registered by the California Department of Housing and Community Development) for 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 a qualified building or its components to substantially mitigate seismic damage.

Assembly Bill 1547 (Chapter 645, Statutes of 2018), approved and effective on September 21, 2018, modified the term “qualified building” to mean a residential or commercial building identified by the local building code official as a building in need of seismic retrofitting and either a building of a type that is potentially vulnerable in the event of a catastrophic earthquake or a building constructed before 1981. This bill discontinued the occupancy requirement for a qualified building to be eligible under the program, and authorized a qualified loan under the program to finance passive real estate.

## Outlook for 2019

Access to capital continues to be the #1 challenge for small business sustainability. The CalCAP loan loss reserve developed and administered by CPCFA has been in continual and vigorous demand by lenders since the inception of the program. Currently, for every dollar CalCAP contributes through one of its credit enhancement programs, approximately \$19 of private funding is used to help support small businesses throughout California. With the CalCAP for Small Business, Collateral Support, and CalCAP/CARB programs continuing to flourish year after year, CalCAP is also experiencing an uptake in interest in the CalCAP/EVCS and CalCAP/Seismic Safety programs which is expected to continue into 2019.

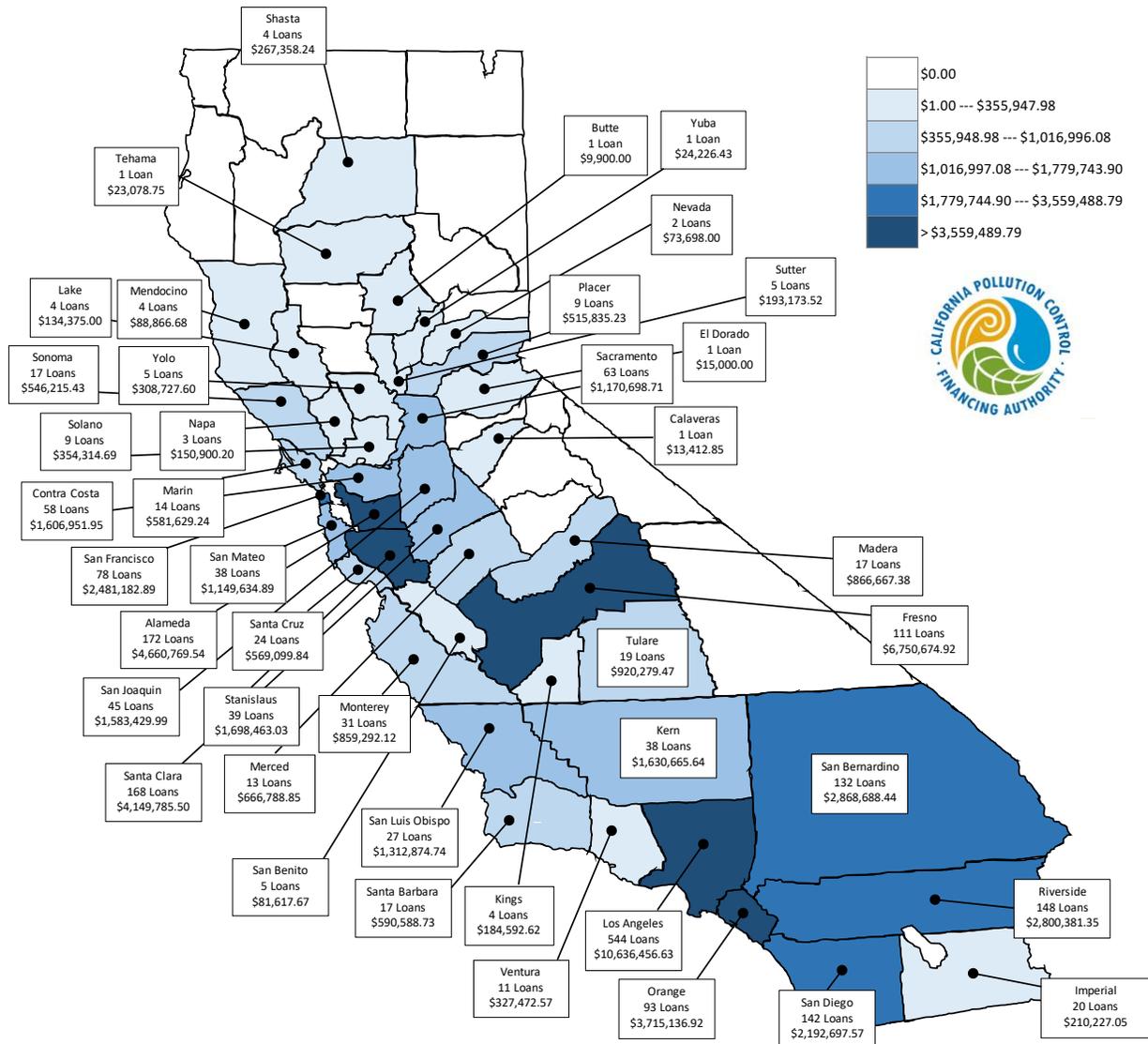
Legislative amendments made to make the CalCAP/Seismic Safety and CalCAP/ADA programs accessible to more borrowers, along with CPCFA's strong outreach, will continue to drive the growth in loan enrollments and awareness to our programs.

CPCFA's continued partnership with the California Air Resources Board (CARB) remains strong as we closed 2018 with our highest loan volume in the Program's history. CPCFA has recently executed a new Interagency Agreement with CARB, which allocates an additional \$25.6 million to the CalCAP/CARB program. CPCFA also expects to see an influx in the volume of loan enrollments through 2019 due to the increased compliance requirements of CARB's Truck and Bus Regulations.

The implementation of a recapture mechanism which was adopted in August 2017, has been able to sustain the life of the CalCAP programs beyond the single use of one-time funds. With the CalCAP design being one of the most effective means of leveraging private funds with public investments, recapture has been able to continue to help support small businesses throughout the state.

CPCFA will continue its partnerships in outreach with other state agencies, legislative members, local governments and the new State Treasurer's External Affairs team. This will continue to provide more opportunities to promote small business lending in California. Follow us on Twitter @CalCPCFA to stay on top of CalCAP activities!

Exhibit A – Geographic Area Served: CalCAP for Small Business Program 2018



**Exhibit B – Geographic Area Served: CalCAP/CARB Program 2018**

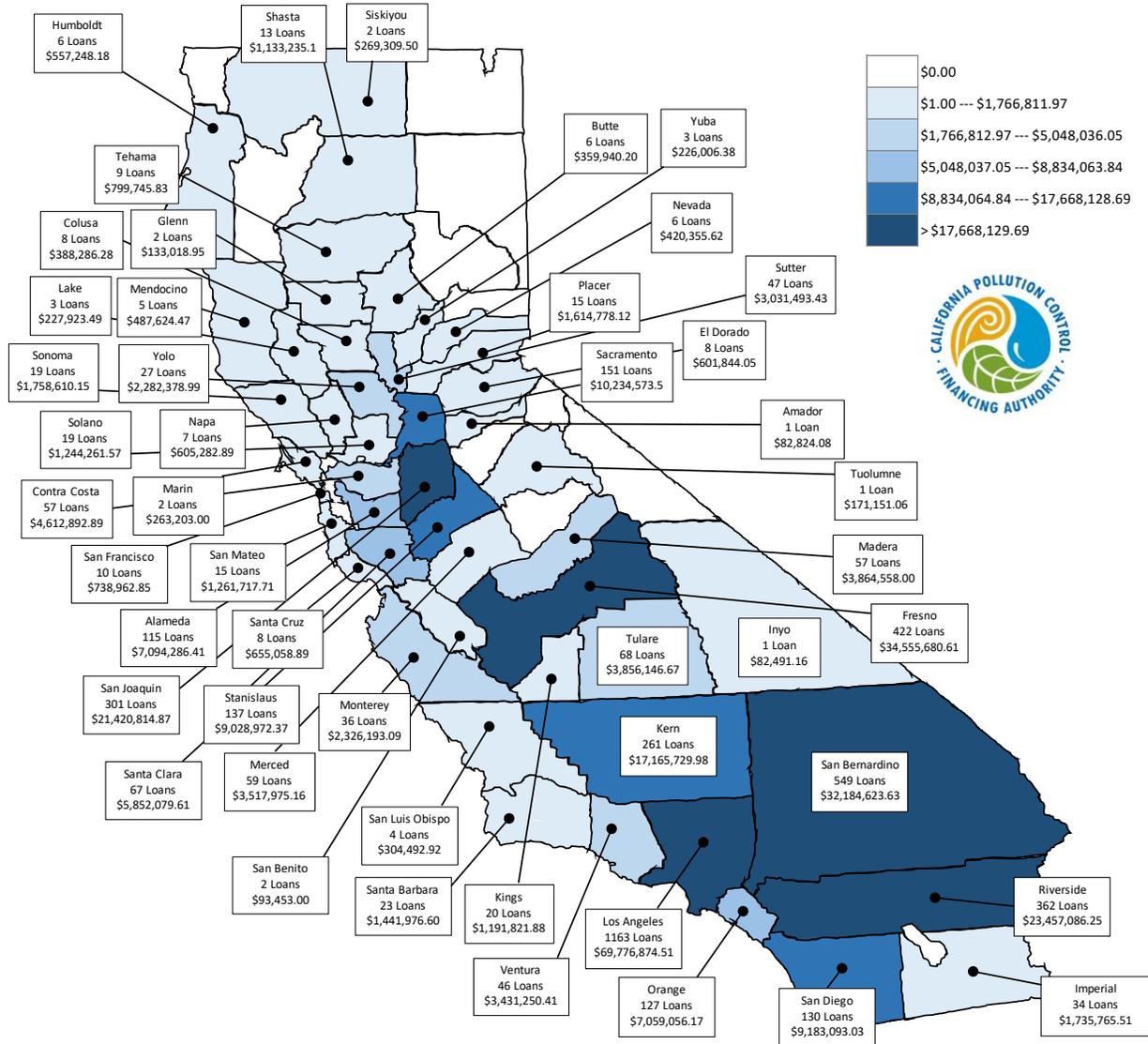


Exhibit C – Geographic Area Served: Collateral Support Program 2018

