



# CALIFORNIA CAPITAL ACCESS PROGRAM (CALCAP)

## 2019 ANNUAL REPORT TO THE LEGISLATURE



**A PROGRAM OF THE  
CALIFORNIA POLLUTION CONTROL  
FINANCING AUTHORITY  
MAY 2020**

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About the California Pollution Control Financing Authority:

**Mission Statement: As public servants, we are committed to promoting broad and equitable access to private capital through the delivery of diverse financing options to California businesses and environmental industries by being:**

- **A driving force of public and private partnerships that create jobs and support vibrant economic development especially in disadvantaged and underserved communities.**
- **A leader in offering innovative and prudent financial risk mitigation tools, embracing new financing technologies.**
- **At the forefront of community-driven projects that restore the environment, protect public health, and promote economic independence and climate resilience.**
- **A statewide flag bearer in the issuance of green bonds and new technologies for solid waste, wastewater, recycling, and water furnishing infrastructure.**

The California Pollution Control Financing Authority (“CPCFA” or “Authority”) provides California businesses with financing options for pollution control facilities and small businesses. CPCFA, founded in 1972, administers programs serving a variety of goals, including:

- Helping businesses construct solid waste, recycling, water and wastewater projects as a conduit issuer of tax-exempt bonds.
- Assisting small businesses in obtaining loans for business start-up and expansion and working capital through the California Capital Access Program (“CalCAP”) and Collateral Support Program.
- Collaborating with the California Air Resources Board (“CARB”) to provide lenders with loan loss reserve accounts to finance new, cleaner-burning heavy-duty diesel trucks and buses.
- Transforming contaminated sites into vibrant housing and infill developments that enhance communities through the California Recycle Underutilized Sites Program (“CALReUSE”).

This annual report to the Legislature describing the California Capital Access Program is prepared pursuant to California Pollution Control Financing Authority statute, Health & Safety Code, section 44559.6.

CPCFA consists of:

Fiona Ma, CPA, Chair  
*State Treasurer*

Betty T. Yee  
*State Controller*

Keely Martin Bosler, Director  
*Department of Finance*

## 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 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 2019, CalCAP lenders enrolled 6,303 loans aggregating to over \$403.8 million loaned. The total loan amounts enrolled in CalCAP increased by approximately 7% and CalCAP contributions increased by 30% compared to 2018. Approximately \$25.8 million in contributions were deposited to lenders' loan loss reserve accounts. CPCFA staff processed and approved 684 claims filed by lenders against their loan loss reserve accounts. Approximately \$19.5 million was paid from the loss reserve accounts. CalCAP also recruited five new lenders to participate in the varied programs. Currently there are 47 Participating Lenders - See Exhibit E. Through the end of December 2019, the total number of loans enrolled in: CalCAP for Small Business since 1994 is 22,349; CalCAP/CARB since 2009 is 25,464; Collateral Support Program (CSP) since 2013 is 288; CalCAP Electric Vehicle Charging Stations (EVCS) since 2015 is two, and CalCAP/Seismic Safety since 2016 is three. The CalCAP American with Disabilities Act (ADA) Program has not enrolled any loans to date. Collectively, CPCFA has enrolled loans from businesses located in 52 of California's 58 counties.

CalCAP offers a supplemental contribution for loans enrolled to small businesses located in a Severely Affected Community (SAC). CPCFA's regulations define a High Unemployment Area as a SAC which is an "economically distressed geographic area." In addition to areas of high unemployment, CPCFA has recognized the economic impact of the recent designated disaster areas due to wildfires, earthquakes, and public safety power shutoffs to California small businesses. The state of emergency declarations made by Governor Newsom allowed for CPCFA to authorize and extend the SAC contributions to borrowers directly impacted for the 12 months following the emergency or disaster designation. In recognition of the economic impact of designated disasters and public safety power shutoffs to California small businesses, CalCAP issued an additional \$1,789,063 in supplemental contributions for loans enrolled in the Small Business Program and the Collateral Support Program, an increase from the 2018 supplemental contributions of \$708,679 for loans enrolled in the two programs.

While the purpose of this report is to provide the Legislature with information on 2019 CalCAP enrollment activity, it is important to note that during the time the report was being prepared, CPCFA extended the SAC contribution to apply to loans enrolled for small businesses impacted by the COVID-19 pandemic. CPCFA announced this adjustment to lenders and stakeholders in a notice dated March 9, 2020 and includes a form for lenders to specify how their borrower is impacted. Staff expects that this supplemental contribution will encourage the participating lenders to make loans to more small business borrowers during this time.

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.

CPCFA's 2019 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 100 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); the Governor's Office of Planning and Research (OPR); the California Division of the State Architect (DSA); CARB's One-Stop Truck events; and regional and statewide stakeholder conferences and roundtable discussions.

Most recently, staff updated CPCFA Chair Treasurer Fiona Ma on the enrollment activity across the suite of CalCAP programs to identify barriers to uptake in CalCAP's EVCS, ADA and Seismic Safety programs. In order to accelerate the use of the funds appropriated to these specialized programs, the Treasurer will work closely with CPCFA staff, the Administration and the Legislature to address these barriers.

### **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.

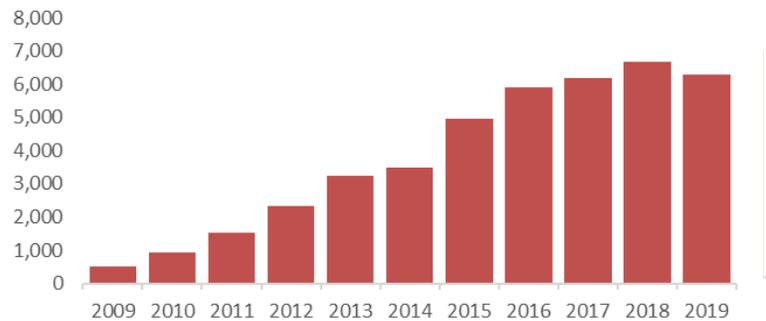
Of CPCFA's share of the SSBCI allocation, the U.S. Treasury directed that \$20 million be allocated to the continued administration of the CalCAP for Small Business Program, and these monies became the primary source of CPCFA's contributions to lenders' loan loss reserves. Over the past eight years, 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.

NUMBER OF ENROLLMENTS FOR ALL PROGRAMS



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 Air Quality Loan Program since 2009, CARB has disbursed \$142.3 million to CPCFA through the end of 2019 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 a pilot program, 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. Non-profits are able to participate in the program. 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. The program has only had a few loans since there are grant programs available from other sources. This program will sunset on March 31, 2021 when the pilot program agreement between CalCAP and the Energy Commission expires.

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. There have been no loans made under this program. The program requirements are labor intensive for the borrower and lender. CalCAP has extensively marketed the program but has not proven to be a sustainable model.

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. There have only been three loans enrolled in this program due to borrowers not willing to take out additional debt.

CPCFA's continual increase in transparency of the CalCAP Programs assures stakeholders they are included in discussions and offers opportunities during Lender Roundtable webinars offered throughout the year for participating lenders to learn about program changes and updates and to provide feedback. Lenders across CalCAP's programs are encouraged to attend these informational webinars and then webinar recordings and presentations are posted on CPCFA's website for future reference. 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 2019**

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, \$1.35 million for fiscal year 2017-18, and \$1.5 million for fiscal year 2018-19.

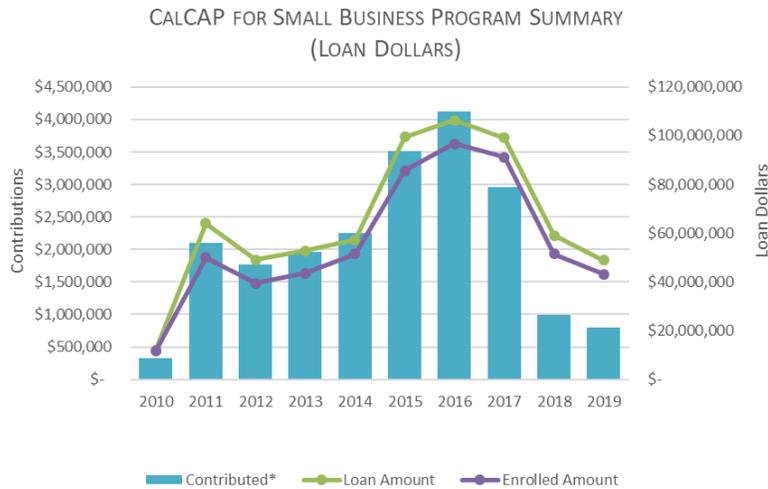
Currently, sixteen lenders are enrolled to participate in CalCAP for Small Business. Thirteen of those lenders enrolled loans in the program during 2019. The top three participating lenders, Opportunity Fund, Murphy Bank, and Working Solutions CDFI, enrolled approximately 81 percent of the total loan volume.

**CalCAP for Small Business Loan Volume** – In 2019, CalCAP enrolled 1,750 small business loans made to 1,661 borrowers. At the end of December 2019, the total number of loans enrolled in CalCAP for Small Business since 1994 is 22,349.

**CalCAP for Small Business Loan Dollars** – In 2019, over \$43.2 million was enrolled in CalCAP out of the approximately \$48.9 million in dollars loaned. The average loan size was approximately \$27,925. At the end of December 2019, CalCAP lenders have cumulatively loaned approximately \$1.88 billion since the program began in 1994.

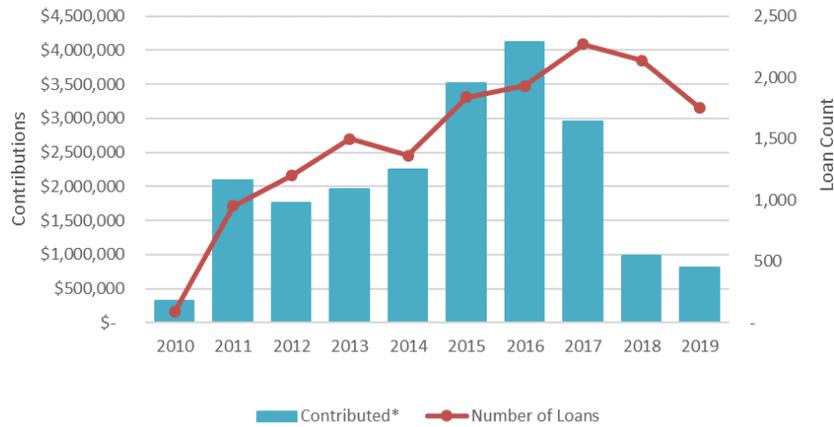
**CalCAP for Small Business Contributions** – CPCFA contributes a percentage of each loan amount into the lender’s loan loss reserve account when it is enrolled in the program. In 2019, CPCFA contributed a total of \$1,035,079 towards lenders’ loan loss reserves, including both the primary contributions 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 1,750 loans enrolled in CalCAP for Small Business, 989 were disbursed to small businesses located in a Severely Affected Community (SAC). In 2019, as a result of community unemployment and CPCFA’s recognition of the economic impact of designated disasters and public safety power shutoffs to California small businesses, CalCAP for Small Business issued \$230,293 in supplemental contributions, a significant increase over 2018 supplemental contributions of \$174,379.



*\*2019 data reflects a statutory reduction in State contributions that took effect in April 2017.*

CALCAP FOR SMALL BUSINESS PROGRAM SUMMARY  
(LOAN COUNT)



\*2019 data reflects a statutory reduction in State contributions that took effect in April 2017.

**CalCAP for Small Business Microloans** – In 2019, of the 1,750 loans made to California small business owners, 1,372 loans totaling approximately \$19.9 million were microloans under \$40,000. A microloan is defined as a loan amount of under \$50,000.

**CalCAP for Small Business Jobs** – In 2019, loans enrolled in CalCAP for Small Business helped create 1,109 new jobs and retain 6,184 existing jobs.

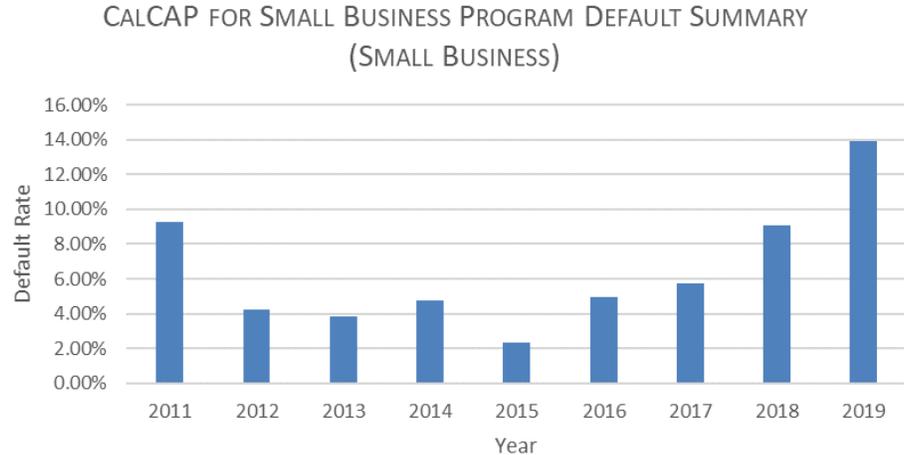
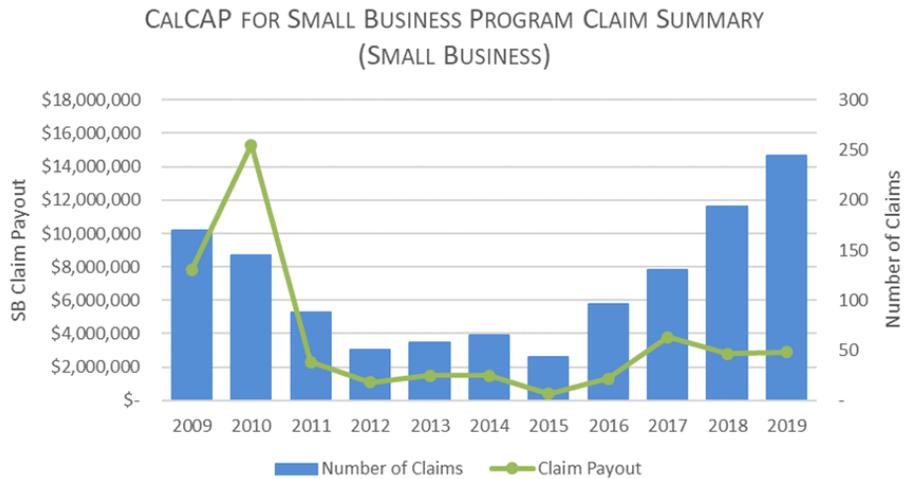
**CalCAP for Small Business Loans by Industry** – The following chart describes the distribution of enrollment activity by sector, using the North American Industry Classification System (NAICS) Sector number.

**CalCAP for Small Business Loans by Industry 2019**

NAICS Sector	Description	# of Enrollments	Loaned Dollars	Enrolled Dollars
11	Agriculture, Forestry, Fishing and Hunting	8	\$349,001	\$235,000
21	Mining, Quarrying, and Oil and Gas Extraction	2	\$175,000	\$175,000
22	Utilities	0	\$0	\$0
23	Construction	67	\$2,214,024	\$2,053,801
31-33	Manufacturing	74	\$2,373,382	\$1,948,382
42	Wholesale Trade	62	\$1,576,382	\$1,219,487
44-45	Retail Trade	322	\$5,751,459	\$5,545,543
48-49	Transportation and Warehousing	445	\$16,239,775	\$12,178,830
51	Information	21	\$455,518	\$455,518
52	Finance and Insurance	24	\$415,858	\$415,858
53	Real Estate and Rental and Leasing	27	\$590,315	\$528,765
54	Professional, Scientific, and Technical Services	97	\$2,622,254	\$2,620,314
55	Management of Companies and Enterprises	0	\$0	\$0
56	Administrative and Support/Waste Management/Remediation Services	107	\$1,792,994	\$1,772,236
61	Educational Services	20	\$461,822	\$461,822
62	Health Care and Social Assistance	58	\$1,679,888	\$1,649,102
71	Arts, Entertainment, and Recreation	17	\$449,308	\$432,769
72	Accommodation and Food Services	255	\$9,181,223	\$8,983,015
81	Other Services (except Public Administration)	139	\$2,425,014	\$2,425,014
92	Public Administration	5	\$115,000	\$115,000
	<b>Grand Totals</b>	<b>1,750</b>	<b>\$48,868,218</b>	<b>\$43,215,457</b>

**CalCAP for Small Business Geographic Area Served – Exhibit A** shows the distribution of the loans enrolled in 39 counties in 2019, and indicates the number of enrollments and approximate dollars loaned by county.

**CalCAP for Small Business Loan Loss Claims** – CalCAP processed and approved 244 claims filed by lenders against their loan loss reserve accounts in 2019, totaling approximately \$2.9 million. The default rate for 2019 was 13.94 percent. The second chart below shows the default rate percentage for the last nine years.



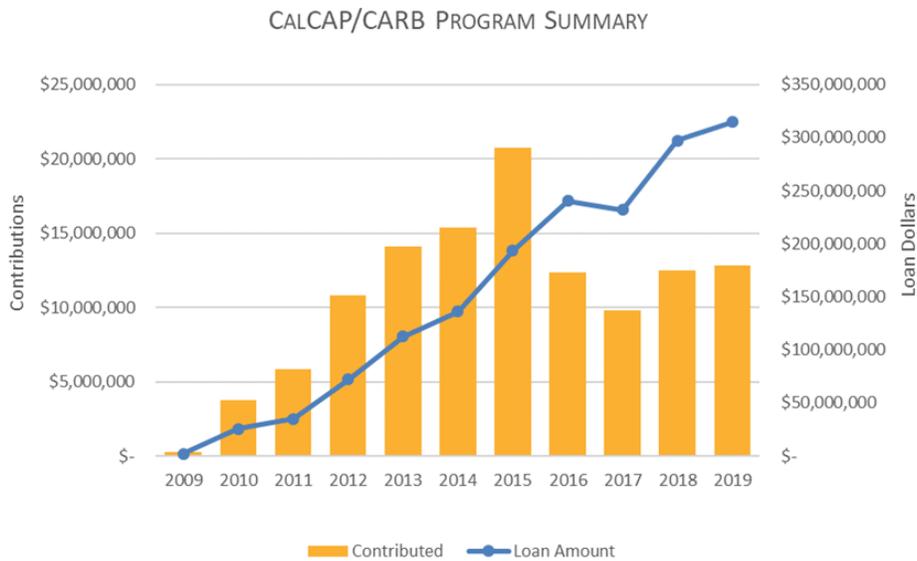
**CalCAP for Small Business Fund Balance** – Since the recapture mechanism was implemented in August 2017, recaptured funds have supplemented the remaining General Fund monies. As of December 31, 2019, the balance available in the CalCAP for Small Business Fund was approximately \$3.1 million to be expended towards primary and SAC contributions, and administrative costs. After the end of the 2019 calendar year reporting period, an additional \$1.5 million was recaptured for Fiscal Year 2018-19 and deposited into the Fund.

**CALIFORNIA AIR RESOURCES BOARD (CARB) ON-ROAD HEAVY-DUTY VEHICLE AIR QUALITY LOAN PROGRAM RESULTS 2019**

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, 2019, CPCFA has received the entire \$142.3 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. All recaptured contributions are recycled into the CalCAP/CARB program fund to support future loan enrollments. Since the recapture mechanism was implemented, the CalCAP/CARB fund was replenished with \$6.2 million for fiscal year 2016-17, \$2.6 million for fiscal year 2017-18, and \$3.9 million for fiscal year 2018-19.

Currently, twenty-three lenders are enrolled to participate in CalCAP/CARB. Eighteen of those lenders enrolled loans in the program during 2019. The top three participating lenders, Ascentium Capital, LLC., Crossroads Equipment Lease & Finance, and Opportunity Fund, enrolled approximately 67 percent of the total 2019 loan volume.



**CalCAP/CARB Loan Volume** – In 2019, CARB enrolled 4,472 loans made to 4,220 borrowers to purchase 4,595 trucks and 142 trailers. Since the inception of CalCAP/CARB in 2009, 25,464 loans have been enrolled for 26,154 trucks and 627 trailers.

**CalCAP/CARB Loan Dollars** – In 2019, approximately \$315 million in total loans were enrolled in this program, bringing the total amount enrolled since program inception to \$1.7 billion. In 2019, CPCFA paid contributions of \$12.8 million towards that amount. The average loan size was approximately \$70,397.

**CalCAP/CARB Jobs** – In 2019, loans enrolled in CalCAP/CARB helped create 2,569 new jobs and retain 6,572 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 2019, CPCFA paid contributions of \$623,477 for 235 TRAC Leases. Of the \$315 million enrolled in CalCAP/CARB, approximately \$15 million was a result of enrolled TRAC Leases.

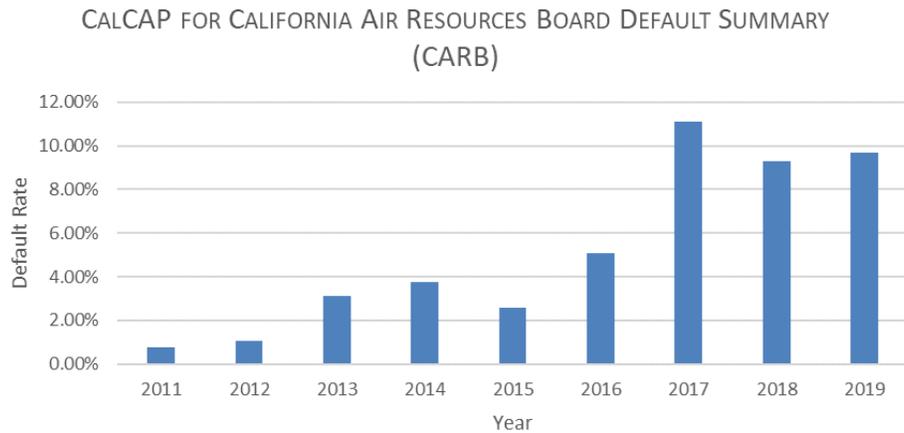
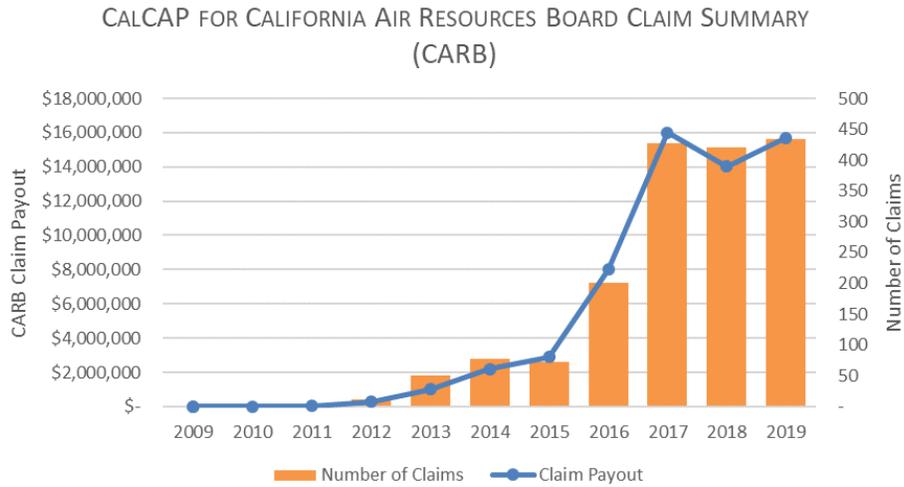
**CalCAP/CARB Loans by Industry** – The following chart describes the distribution of enrollment activity by sector, using the North American Industry Classification System (NAICS) Sector number.

**CalCAP/CARB Program Loans by Industry 2019**

NAICS Sector	Description	# of Enrollments	Loaned Dollars	Enrolled Dollars
11	Agriculture, Forestry, Fishing and Hunting	9	\$1,252,419	\$1,252,419
21	Mining, Quarrying, and Oil and Gas Extraction	10	\$1,508,224	\$1,508,224
22	Utilities	2	\$274,798	\$274,798
23	Construction	45	\$5,517,082	\$5,517,082
31-33	Manufacturing	14	\$1,602,512	\$1,602,512
42	Wholesale Trade	16	\$1,470,733	\$1,470,733
44-45	Retail Trade	10	\$1,007,360	\$1,007,360
48-49	Transportation and Warehousing	4,282	\$293,956,091	\$293,884,920
51	Information	0	\$0	\$0
52	Finance and Insurance	0	\$0	\$0
53	Real Estate and Rental and Leasing	6	\$550,643	\$550,643
54	Professional, Scientific, and Technical Services	0	\$0	\$0
55	Management of Companies and Enterprises	0	\$0	\$0
56	Administrative and Support/Waste Management/Remediation Services	69	\$6,679,776	\$6,679,776
61	Educational Services	0	\$0	\$0
62	Health Care and Social Assistance	0	\$0	\$0
71	Arts, Entertainment, and Recreation	0	\$0	\$0
72	Accommodation and Food Services	1	\$55,049	\$55,049
81	Other Services (except Public Administration)	8	\$941,250	\$941,250
92	Public Administration	0	\$0	\$0
	<b>Grand Totals</b>	<b>4,472</b>	<b>\$314,815,939</b>	<b>\$314,744,767</b>

**CalCAP/CARB Geographic Area Served** – **Exhibit B** shows the distribution of the CalCAP/CARB-funded loans enrolled in 52 counties and indicates the number of enrollments and approximate dollars loaned.

**CalCAP/CARB Loan Loss Claims** – CalCAP processed and approved 434 claims filed by lenders against their CalCAP/CARB loan loss reserve accounts, totaling approximately \$16 million in payments disbursed for 2019. The default rate for 2019 is 9.7 percent. The second chart below shows the default rate percentage for the last nine years.



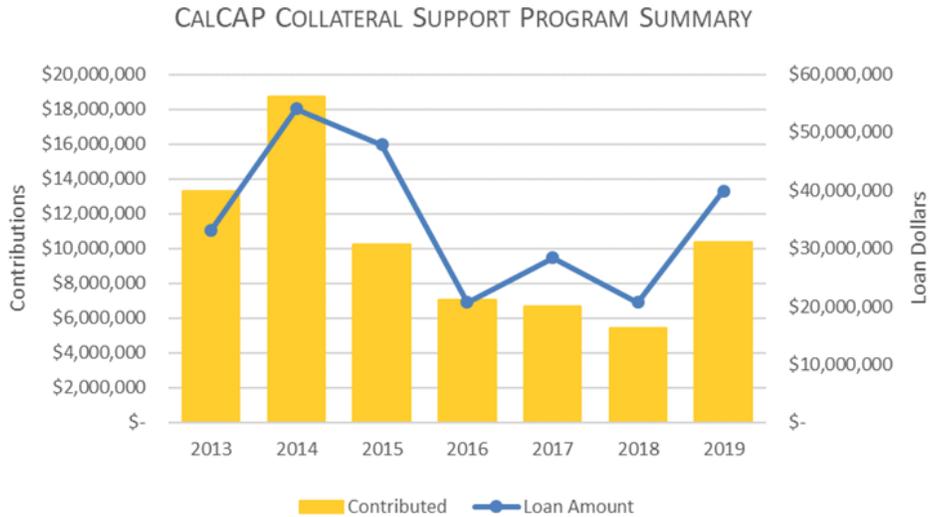
**CalCAP/CARB Program Fund Balance** – As of December 31, 2019, the balance available in the CalCAP/CARB Program Fund account was \$24.7 million. During the reporting period CARB took action to disburse an additional \$30 million under the existing Interagency Agreement, and an additional \$3.9 million was recaptured for Fiscal Year 2018-19 to be deposited in the CalCAP/CARB Program Fund.

**COLLATERAL SUPPORT PROGRAM RESULTS 2019**

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, 2019, CPCFA had contributed a total of \$79.3 million in cash deposits for 288 loans, utilizing monies that were recaptured and recycled.



**Collateral Support Program Loan Volume** – In 2019, CPCFA enrolled 78 loans to 76 borrowers. At the end of December 2019, the total number of loans enrolled in CalCAP’s Collateral Support Program since 2013 is 288.

**Collateral Support Program Loan Dollars** – In 2019, the Collateral Support Program leveraged nearly \$39.9 million dollars in lending. The average loan size was approximately \$511,332.

**Collateral Support Program Loan Contributions** – In 2019, CPCFA contributed approximately \$10.3 million in cash deposits to support loans to small businesses.

**Severely Affected Community (SAC)** – Of the 78 loans enrolled, 49 were to small businesses located in a Severely Affected Community. CPCFA approved supplemental cash deposits for those loans in the amount of \$1,558,770, a significant increase over 2018 supplemental contributions of \$534,300.

**Collateral Support Program Jobs** – In 2019, loans enrolled in the Collateral Support Program helped create 277 new jobs and retain 1,448 existing jobs.

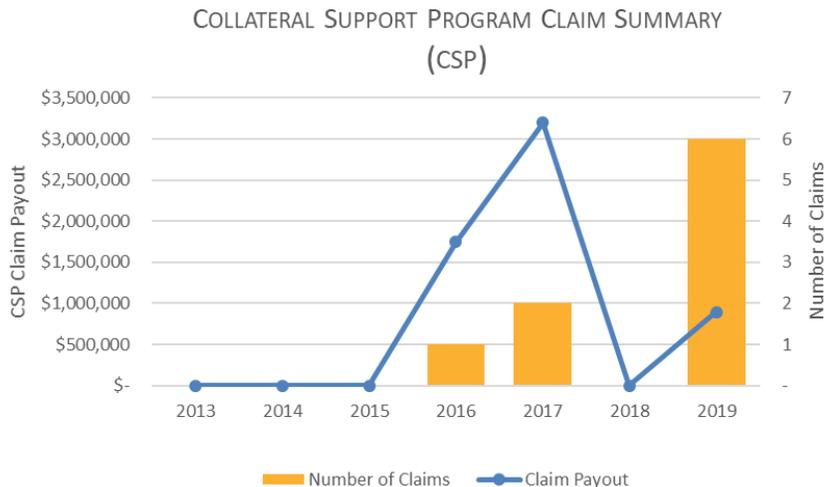
**Collateral Support Loans by Industry** – The following chart describes the distribution of enrollment activity by sector, using the North American Industry Classification System (NAICS) Sector number.

**Collateral Support Program Loans by Industry 2019**

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	0	\$0	\$0
23	Construction	4	\$680,000	\$680,000
31-33	Manufacturing	5	\$4,846,000	\$4,846,000
42	Wholesale Trade	7	\$8,570,000	\$8,570,000
44-45	Retail Trade	8	\$2,576,000	\$2,576,000
48-49	Transportation and Warehousing	4	\$1,750,000	\$1,750,000
51	Information	2	\$1,250,000	\$1,250,000
52	Finance and Insurance	1	\$500,000	\$500,000
53	Real Estate and Rental and Leasing	3	\$750,000	\$750,000
54	Professional, Scientific, and Technical Services	14	\$7,363,000	\$7,363,000
55	Management of Companies and Enterprises	0	\$0	\$0
56	Administrative and Support and Waste Management and Remediation	7	\$2,570,000	\$2,570,000
61	Educational Services	1	\$194,000	\$194,000
62	Health Care and Social Services	7	\$5,789,900	\$5,789,900
71	Arts, Entertainment, and Recreation	3	\$875,000	\$875,000
72	Accommodation and Food Services	9	\$1,670,000	\$1,670,000
81	Other Services (except Public Administration)	3	\$500,000	\$500,000
92	Public Administration	0	\$0	\$0
<b>Grand Totals</b>		<b>78</b>	<b>\$39,883,900</b>	<b>\$39,883,900</b>

**Collateral Support Program Geographic Area Served** – Exhibit C shows the distribution of the loans enrolled in 16 counties, the number of enrollments, and approximate dollars loaned.

**Collateral Support Program Claims** – In 2019, six Collateral Support Claims were filed for a total of \$893,576. The Program has only nine 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 2019, CalCAP recaptured approximately \$13.2 million in funds on 69 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, 2019, the balance available from remaining recaptured monies allocated to the state-funded Collateral Support Program total approximately \$38 million for Fiscal Year 2018-19.

## **OTHER CALCAP SPECIALTY 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.

Since 2015, the CalCAP/EVCS program has enrolled two loans for a total amount of \$511,124. CPCFA paid contributions in the amount of \$102,225, and rebates were paid to the borrowers in the total amount of \$76,112.

In 2019, a third loan received pre-qualification approval and is expected to fund in early 2020.

The low loan volume in the EVCS Program is attributed to small businesses utilizing available grant programs, rather than taking out loans that have to be repaid. This program will sunset on March 31, 2021 when the pilot program agreement between CalCAP and the Energy Commission expires.

### **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 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 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.

This program has not enrolled any loans to date. Despite extensive outreach to small businesses throughout the state, lack of participation in this program is often attributed to a hesitation on the part of small businesses who are tenants/lessors and hesitant to take out debt to finance tenant improvements for facilities that they do not own.

### **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.

In 2019, the Program enrolled its first three loans for multi-unit buildings in the greater Los Angeles area for a total of \$285,000. CPCFA paid contributions in the amount of \$35,000.

To date, the loan volume has been low due to a hesitation by property owners to take out debt for this purpose. See Exhibit D which shows the distribution of the loans enrolled.

## **OUTLOOK FOR 2020**

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 \$17 of private investments is used to help support small businesses throughout California. With the CalCAP for Small Business remaining steady and Collateral Support and CalCAP/CARB programs continuing

to flourish, CalCAP is also experiencing an uptake in interest which is expected to continue into 2020.

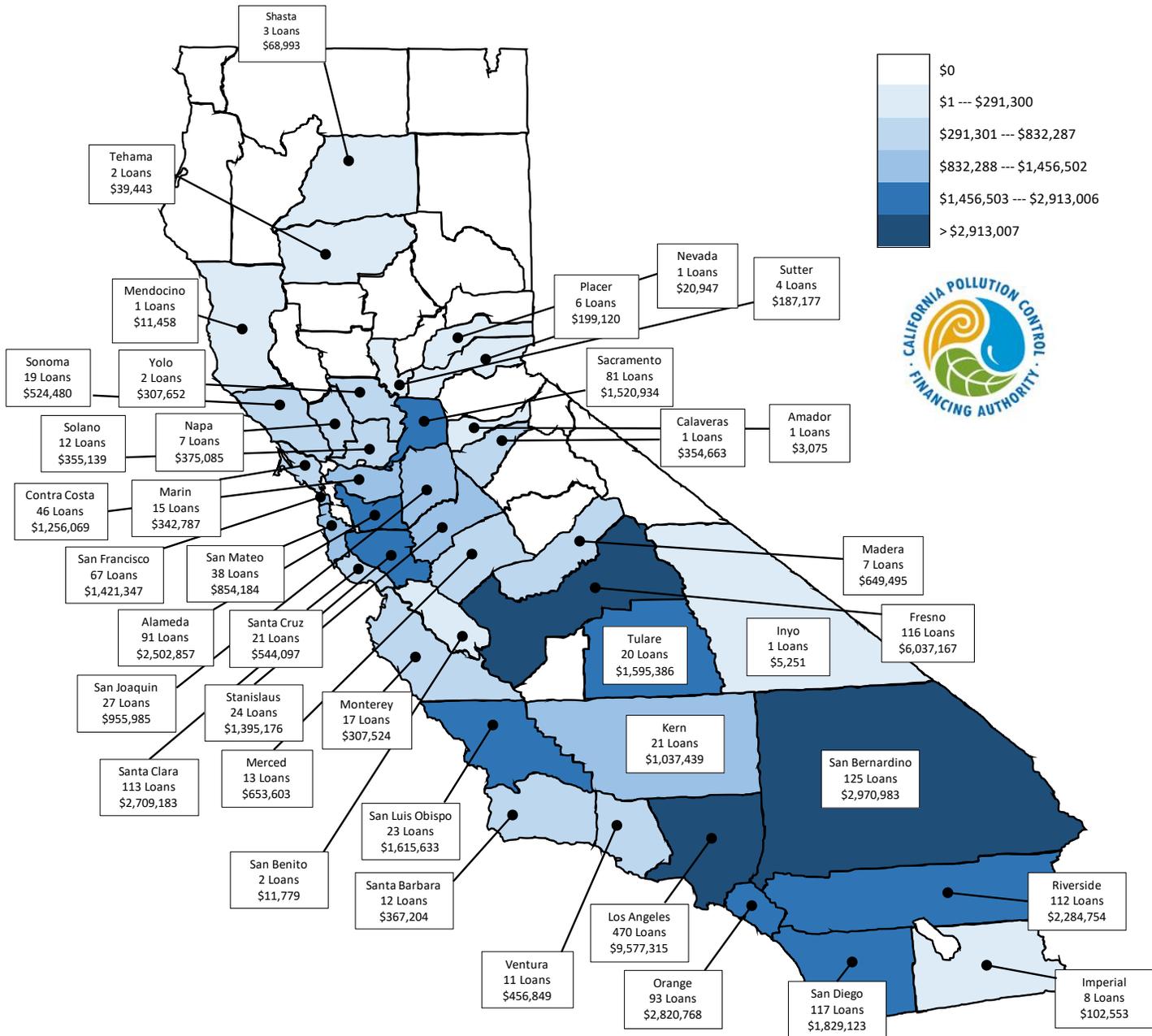
Staff will work closely with the Treasurer to identify strategies to help make CalCAP support accessible to more small business and to continue to drive the growth in loan enrollments and awareness to our specialty programs. In 2019, CPCFA participated in over 100 outreach events throughout the state!

CPCFA's continued partnership with the California Air Resources Board (CARB) remains strong as we closed 2019 with our highest loan volume in the Program's history with over 25,000 loans completed. In 2019, CPCFA and CARB engaged with lenders regarding program changes, including consideration of increasing CalCAP's contribution for loans enrolled in the CalCAP/CARB program. CPCFA also expects to see an influx in the volume of loan enrollments in 2020 as a result of the enforcement of CARB's Truck and Bus Regulations and the potential increased contribution amount.

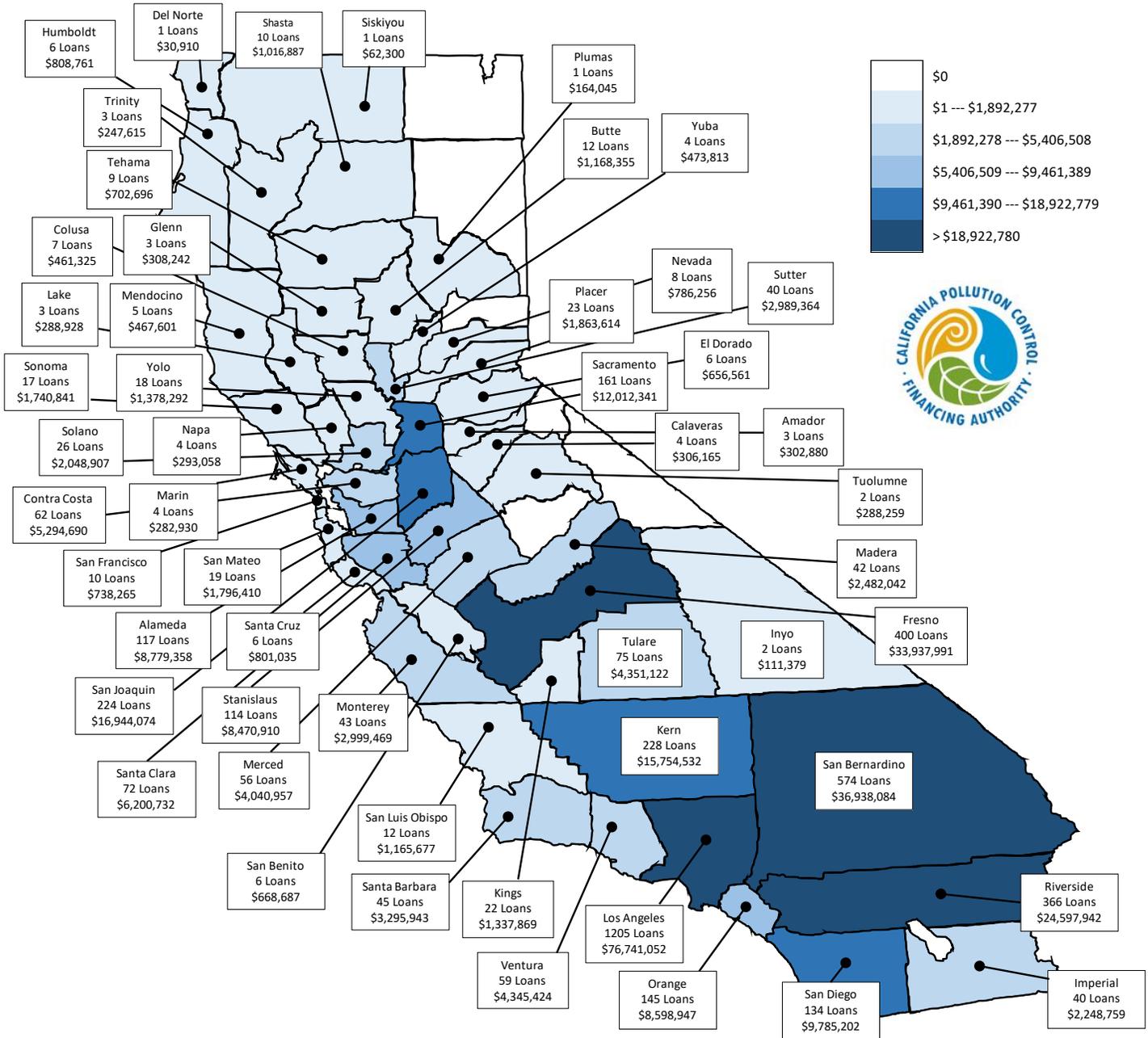
The implementation of a recapture mechanism which was adopted in August 2017, has sustained the CalCAP for Small Business and CalCAP/CARB programs beyond the single use of one-time funds. CalCAP's loan loss reserve model continues to be one of the most effective means of leveraging private funds with public investments and recapture enabled CPCFA 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 State Treasurer's External Affairs team, while also exploring other opportunities to increase borrower and lender participation within its specialty programs. These activities will continue to provide CalCAP with more opportunities to promote small business lending in California. Follow us on Twitter @CalCPCFA to stay on top of CalCAP updates!

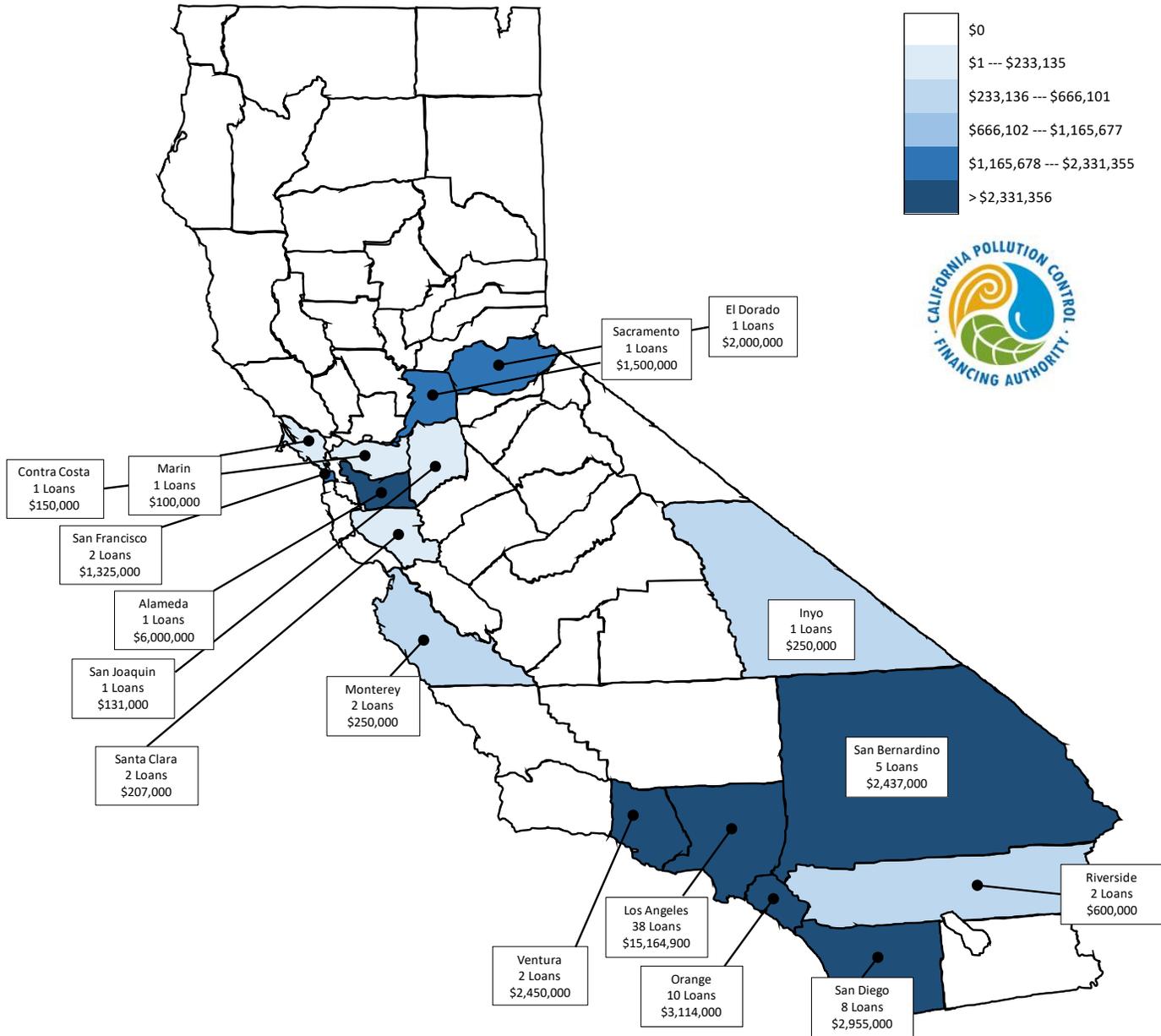
**EXHIBIT A**  
**GEOGRAPHIC AREA SERVED: CALCAP FOR SMALL BUSINESS PROGRAM 2019**



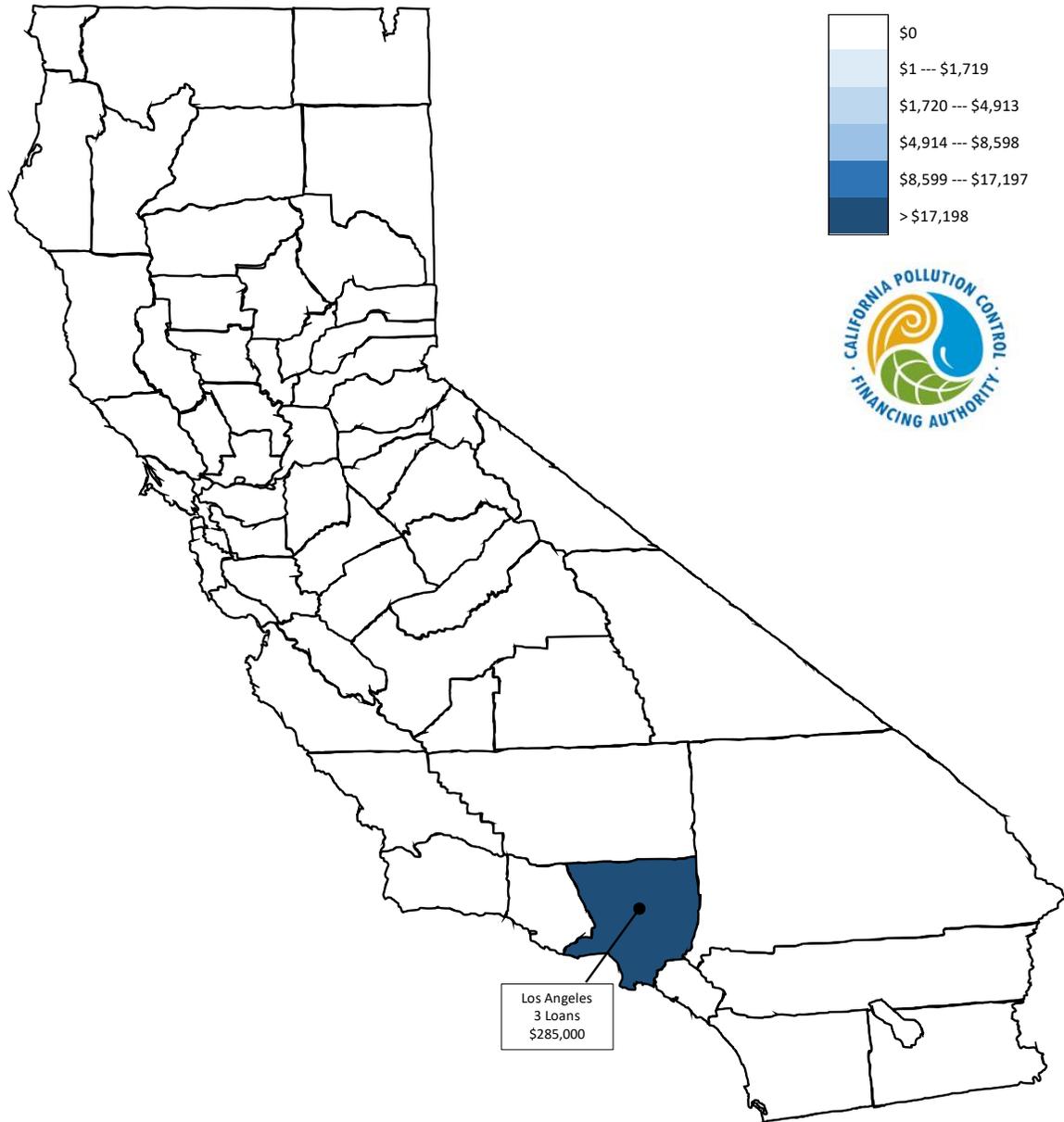
**EXHIBIT B**  
**GEOGRAPHIC AREA SERVED: CALCAP/CARB PROGRAM 2019**



**EXHIBIT C**  
**GEOGRAPHIC AREA SERVED: COLLATERAL SUPPORT PROGRAM 2019**



**EXHIBIT D**  
**GEOGRAPHIC AREA SERVED: CALCAP/SEISMIC SAFETY PROGRAM 2019**



**CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY**

**Exhibit E  
CalCAP Participating Lender List**

<b>Participating Financial Institution</b>	<b>Website</b>	<b>SB</b>	<b>CSP</b>	<b>CARB</b>	<b>ADA</b>	<b>Seismic Safety</b>	<b>EVCS</b>
Accion San Diego	<a href="https://us.accion.org/region/southern-california/">https://us.accion.org/region/southern-california/</a>	x		x			
Allegiant Partners, Inc.	<a href="https://apfinancing.com/">https://apfinancing.com/</a>			x			
Amalgamated Bank	<a href="https://www.amalgamatedbank.com/">https://www.amalgamatedbank.com/</a>		x				
AmPac Tri-State CDC, Inc.	<a href="https://ampac.com/">https://ampac.com/</a>	x	x				
Ascentium Capital, LLC	<a href="https://ascentiumcapital.com/">https://ascentiumcapital.com/</a>			x			
Atlas Capital, Inc.	<a href="http://www.allstate-finance.com/">http://www.allstate-finance.com/</a>			x			
Bankers Small Business CDC of California	<a href="https://cdcloans.com/">https://cdcloans.com/</a>	x					
Beneficial State Bank	<a href="https://beneficialstatebank.com/">https://beneficialstatebank.com/</a>		x				
Calfund, LLC	<a href="https://www.calfundllc.com/">https://www.calfundllc.com/</a>			x			
California Bank of Commerce	<a href="https://www.californiabankofcommerce.com/">https://www.californiabankofcommerce.com/</a>		x				
CDC Small Business Finance	<a href="https://cdcloans.com/">https://cdcloans.com/</a>	x					
Celtic Bank Corporation	<a href="https://www.celticbank.com/">https://www.celticbank.com/</a>		x				
Commercial Credit Group, Inc.	<a href="https://www.commercialcreditgroup.com/">https://www.commercialcreditgroup.com/</a>			x			
Cornerstone Financial Services	<a href="https://www.trucktrailerfinance.com/">https://www.trucktrailerfinance.com/</a>			x			
Crossroads Equipment Lease & Finance	<a href="https://www.crlease.com/">https://www.crlease.com/</a>			x			
Dedicated Funding	<a href="https://www.dedicatedfunding.com/">https://www.dedicatedfunding.com/</a>			x			
East West Bank	<a href="https://www.eastwestbank.com/">https://www.eastwestbank.com/</a>		x				
Economic Development & Financing Corp	<a href="https://www.edfc.org/">https://www.edfc.org/</a>	x	x				
Farmers and Merchants Bank of Central CA	<a href="https://www.fmbonline.com/">https://www.fmbonline.com/</a>		x				
First Choice Bank	<a href="https://www.firstchoicebankca.com/">https://www.firstchoicebankca.com/</a>	x	x				
First Northern Bank of Dixon	<a href="https://www.thatsmybank.com/">https://www.thatsmybank.com/</a>		x				
Freedom Truck Finance	<a href="https://www.freedomtruckfinance.com/">https://www.freedomtruckfinance.com/</a>			x			
Fresno CDFI	<a href="https://www.accesspluscapital.com/">https://www.accesspluscapital.com/</a>	x	x		x		
Gain Federal Credit Union	<a href="https://gainfcu.com/">https://gainfcu.com/</a>		x				
General Business Credit	<a href="http://gbcfactor.com/">http://gbcfactor.com/</a>			x			

**CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY**

<b>Exhibit E CalCAP Participating Lender List</b>							
Genesis LA Economic Growth Corp	<a href="http://genes isla.org/">http://genes isla.org/</a>		x				
Lendistry, LLC	<a href="https://lendistry.com/">https://lendistry.com/</a>	x	x				
Main Street Capital Group, LLC	No webpage available. Please call 424-777-2439.			x			
Maxim Commercial Capital, LLC	<a href="https://www.maximcc.com/">https://www.maximcc.com/</a>			x			x
Momentum Commercial Funding, LLC	<a href="https://www.momentumcommercial.com/">https://www.momentumcommercial.com/</a>			x			
Murphy Bank	<a href="https://www.murphybank.com/">https://www.murphybank.com/</a>	x		x			
NuVision Federal Credit Union	<a href="https://nuvisionfederal.com/">https://nuvisionfederal.com/</a>		x				
Opening Doors	<a href="https://openingdoorsinc.org/">https://openingdoorsinc.org/</a>	x			x		
Opportunity Fund	<a href="https://www.opportunityfund.org/">https://www.opportunityfund.org/</a>	x		x			
PACCAR Financial	<a href="https://www.paccarfinancial.com/">https://www.paccarfinancial.com/</a>			x			
PACE Finance Corporation	<a href="http://pacelabdc.org/">http://pacelabdc.org/</a>	x	x				x
Pacific Enterprise Bank	<a href="https://www.pacificenterprisebank.com/">https://www.pacificenterprisebank.com/</a>		x	x		x	x
Pacific Premier Bank	<a href="https://www.ppbi.com/">https://www.ppbi.com/</a>	x	x				
Shelter Financial	<a href="https://www.shelterfinancial.com/">https://www.shelterfinancial.com/</a>			x			
SLIM Capital, LLC	<a href="https://slimcapital.com/">https://slimcapital.com/</a>			x			x
Snider Leasing Corp.	<a href="https://www.sniderleasing.com/">https://www.sniderleasing.com/</a>	x		x			x
SSMB Financial Corp	<a href="https://www.norcalkw.com/">https://www.norcalkw.com/</a>			x			
Sunwest Bank	<a href="https://www.sunwestbank.com/">https://www.sunwestbank.com/</a>	x	x				
Valley Small Business Development Corporation	<a href="http://www.vsbdc.com/">http://www.vsbdc.com/</a>		x				
Western Alliance Bank dba Bridge Bank	<a href="https://www.westernalliancebankcorporation.com/bridge-bank-home">https://www.westernalliancebankcorporation.com/bridge-bank-home</a>		x				
Working Solutions CDFI	<a href="https://www.workingsolutions.org/">https://www.workingsolutions.org/</a>	x					
ZeBridge Capital	No webpage available. Please call 949-623-7593 or 949-623-7604.		x	x		x	x

**Program Key**

<b>SB</b>	California Capital Access Program (CalCAP) for <b>Small Business</b>
<b>CSP</b>	California Capital Access Program (CalCAP) <b>Collateral Support Program</b>
<b>CARB</b>	California Capital Access Program (CalCAP) <b>California Air Resources Board (CARB) On-Road Heavy-Duty Vehicle Air Quality Loan Program</b>
<b>ADA</b>	California Capital Access Program (CalCAP) <b>Americans With Disabilities Act (ADA) Financing Program</b>
<b>Seismic Safety</b>	California Capital Access Program (CalCAP) <b>Seismic Safety Financing Program</b>
<b>EVCS</b>	California Capital Access Program (CalCAP) <b>Electric Vehicle Charging Station (EVCS) Financing Program</b>