

**CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY**

**TITLE 4. BUSINESS REGULATIONS**

**DIVISION 11. CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY**

**ARTICLE 13. CALIFORNIA INVESTMENT AND INNOVATION PROGRAM**

**NOTICE OF PROPOSED RULEMAKING**

Notice published December 15, 2023

The California Pollution Control Financing Authority (CPCFA) proposes to adopt sections 8140, 8141, 8142, 8143, 8144, 8145, 8146, 8147, and 8148 of title 4, division 11, article 13 of the California Code of Regulations concerning the California Investment and Innovation Program (Cal IIP).

**PUBLIC HEARING**

CPCFA will hold a virtual public hearing to provide all interested persons an opportunity to present statements or arguments, either orally or in writing, with respect to the proposed regulations, as follows:

**Date:** January 3, 2023

**Time:** 11:00 a.m.

Please use this link to register: <https://events.gcc.teams.microsoft.com/event/5e341420-95a7-4f5f-89f6-c8465cd8543f@3bee5c8a-6cb4-4c10-a77b-cd2eab7534e>

**WRITTEN COMMENT PERIOD**

Any interested person or their authorized representative may submit written comments relevant to the proposed regulatory action. The written comment period closes on 22nd day after publication of Notice at 5:00 p.m. Only written comments received by that time will be considered. Please submit written comments to:

California Pollution Control Financing Authority

Cal IIP

P.O. Box 942809

Sacramento, CA 94209-0001

[caliip@treasurer.ca.gov](mailto:caliip@treasurer.ca.gov)

NOTE: Written and oral comments, attachments, and associated contact information (e.g., address, phone, email, etc.) become part of the public record and can be released to the public upon request.

## **AUTHORITY AND REFERENCE**

Authority: Sections 44520 and 44558.4, Health and Safety Code.

Reference: Sections 44558, 44558.1, 44558.2, 44558.3, and 44558.5, Health and Safety Code.

## **INFORMATIVE DIGEST/POLICY STATEMENT OVERVIEW**

### **Summary of Existing Laws and Regulations:**

Cal IIP issues grants to community development financial institutions (CDFIs) that enhance their capacity to provide technical assistance and capital access to economically disadvantaged communities in this state. (Health & Saf. Code, § 44558.1, subd. (a)(1).) CDFIs are a critical state partner in addressing short-term and long-term needs of low- and moderate-income communities in the areas of affordable housing, health care, small business lending, economic development, and more. (Sen. Bill No. 193 (2021-2022 Reg. Sess.), § 1(a).) As mission-driven lenders, grantors, and technical assistance providers, CDFIs have proven that they can play a valuable role in helping to deploy and leverage public investment quickly and efficiently. (SB 193, § 1(b).)

### **Effect of the Proposed Rulemaking:**

The proposed regulations create a fair, efficient, and equitable administration of Cal IIP.

### **Anticipated Benefits of the Proposed Regulations:**

Cal IIP creates an ongoing partnership with CDFIs to assist the state in efficiently deploying resources to communities in need and establishing an equitable economic recovery benefitting low-income communities and communities of color that have been disproportionately impacted by the economic fallout of the COVID-19 pandemic and by historical and ongoing disinvestment. (SB 193, § 1(c).) In addition to providing an economic jumpstart for those communities through immediate investment, Cal IIP will serve as a potential repository for current and future emergency or stimulus funding streams. Otherwise, the state would have to create new programs for the new funding streams, which could slow the delivery of funds to those most in need. (SB 193, § 1(d).)

### **Comparable Federal Regulations:**

Existing federal law establishes the Capital Magnet Fund and makes moneys in that fund available to the United States Secretary of the Treasury to carry out a competitive grant program to attract private capital for, and increase investment in, certain affordable housing and economic development projects by providing grants to Treasury-certified CDFIs or nonprofit organizations that meet specified criteria. (12 U.S.C. § 4569; 12 C.F.R. § 1807.)

Existing federal law establishes the Community Development Financial Institutions Fund to fund the Community Development Financial Institutions Program, which offers both financial and technical assistance awards to CDFIs to promote economic revitalization and community

development. (12 U.S.C. § 4703; 12 C.F.R. § 1805.101.) All financial assistance awarded must be matched with funds from sources other than the Federal government. (12 C.F.R. § 1805.500.)

**Determination of Inconsistency/Incompatibility with Existing State Regulations:**

CPCFA has determined that these proposed regulations are not inconsistent or incompatible with existing State regulations. After conducting a review for any regulations that would relate to or affect this area, CPCFA has concluded that these are the only regulations that concern Cal IIP.

**Forms Incorporated by Reference:**

None.

**Other Statutory Requirements:**

CPCFA must provide a notice of proposed action as described in Section 11346.5 of the Government Code. (Health & Saf. Code, § 44558.4, subd. (b).) CPCFA is providing this notice of proposed action to the public at least 21 days before the close of the public comment period, in compliance with Health and Safety Code section 44558.4, subdivision (b). CPCFA has also scheduled a public hearing as required by Health and Safety Code section 44558.4, subdivision (b).

**DISCLOSURES REGARDING THE PROPOSED ACTION**

**CPCFA's Initial Determinations:**

Mandate on local agencies or school districts: None.

Cost or savings to any state agency: None. Cal IIP is fully funded by the California Investment and Innovation Fund. (Health & Saf. Code, § 44558.1.)

Cost to any local agency or school district which must be reimbursed in accordance with Government Code sections 17500 through 17630: None.

Other non-discretionary costs or savings imposed on local agencies: None.

Cost or savings in federal funding to the state: None.

Cost impacts on representative person or business: CPCFA is not aware of any cost impacts that a representative private person or business would necessarily incur in reasonable compliance with the proposed action. CDFIs are not required to apply for Cal IIP funding.

Significant effect on housing costs: None.

Significant, statewide adverse economic impact directly affecting businesses, including ability to compete: CPCFA has made an initial determination that that the proposed action will not have a significant, statewide adverse economic impact directly affecting businesses, including the ability of California businesses to compete with businesses in other states.

### **Results of the Economic Impact Assessment (EIA):**

CPCFA concludes that it is (1) likely that the proposal will create jobs within the state, (2) likely that the proposal will create new businesses within the state, (3) likely that the proposal will result in the expansion of businesses currently doing business within the state.

CPCFA also concludes that:

(1) The proposal would benefit the health and welfare of California residents because Cal IIP will deploy resources to communities in need, including low-income communities and communities of color that have been disproportionately impacted by the economic fallout of the COVID-19 pandemic and by historical and ongoing disinvestment. CDFIs leverage public and private investments to deliver affordable housing, strengthen climate resilience, support small business growth, provide access to safe and affordable drinking water, construct healthcare facilities, expand access to healthy foods and more.

(2) The proposal would not benefit worker safety because it does not regulate worker safety standards.

(3) The proposal would benefit the state's environment because CDFIs often finance projects that reduce greenhouse gas emissions, support green enterprises/green jobs, and curb the impact of climate change in the most vulnerable communities.

Business report requirement: CPCFA is required to adopt guidelines for annual reporting by grantees. (Health & Saf. Code, § 44558.5.) CPCFA finds it is necessary for the health, safety or welfare of the people of this state that proposed section 8147, which requires a report, applies to businesses.

Small business determination: CPCFA has determined that the proposed action affects small businesses. Cal IIP provides grants to CDFIs that are a critical partner of the state in addressing short-term and long-term needs of low- and moderate-income communities in the areas of affordable housing, health care, small business lending, economic development, and more. (Sen. Bill No. 193 (2021-2022 Reg. Sess.), § 1(a).)

## **CONSIDERATION OF ALTERNATIVES**

In accordance with Government Code section 11346.5, subdivision (a)(13), CPCFA must determine that no reasonable alternative considered by CPCFA or that has otherwise been identified and brought to the attention of CPCFA would be more effective in carrying out the purpose for which the action is proposed or would be as effective and less burdensome to affected private persons than the proposed action or would be more cost-effective to affected private persons and equally effective in implementing the statutory policy or other provision of law.

CPCFA has determined that the proposed regulations are the most effective way to administer Cal IIP. The regulations will benefit the health and welfare of Californians by providing financial assistance to eligible CDFIs to support the goals and objectives set by the Legislature's creation of Cal IIP. The regulations do not create any burden because Cal IIP is a voluntary program intended to supplement an eligible CDFI's existing budget.

## **CONTACT PERSONS**

Inquiries concerning the proposed administrative action may be directed to:

California Pollution Control Financing Authority  
Cal IIP  
Attn: Andrea Gonzalez  
P.O. Box 942809  
Sacramento, CA 94209-0001  
(916) 651-7284  
[caliip@treasurer.ca.gov](mailto:caliip@treasurer.ca.gov)

Questions regarding procedure, comments, or the substance of the proposed action should be addressed to the above contact person. In the event the contact person is unavailable, inquiries regarding the proposed action may be directed to the following backup contact person:

California Pollution Control Financing Authority  
Cal IIP  
Attn: Christina Sarron  
P.O. Box 942809  
Sacramento, CA 94209-0001  
(916) 654-5610  
[caliip@treasurer.ca.gov](mailto:caliip@treasurer.ca.gov)

**AVAILABILITY OF STATEMENT OF REASONS, TEXT OF PROPOSED REGULATIONS, AND RULEMAKING FILE**

CPCFA will have the entire rulemaking file available for inspection and copying throughout the rulemaking process upon request to the contact person above. As of the date this Notice of Proposed Rulemaking (Notice), the rulemaking file consists of this Notice, the Text of Proposed Regulations (the “express terms” of the regulations), the Initial Statement of Reasons, and any information upon which the proposed rulemaking is based. The text of this Notice, the express terms, and the Initial Statement of Reasons are available on CPCFA’s website at <https://www.treasurer.ca.gov/cpcfaca/caliip/index.asp>. Please refer to the contact information listed above to obtain copies of these documents.

**AVAILABILITY OF THE FINAL STATEMENT OF REASONS**

Upon its completion, a copy of the Final Statement of Reasons will be available on CPCFA’s website at <https://www.treasurer.ca.gov/cpcfaca/caliip/index.asp>. Please refer to the contact information included above to obtain a written copy of the Final Statement of Reasons.

**AVAILABILITY OF DOCUMENTS ON THE INTERNET**

Copies of the Notice of Proposed Rulemaking, the express terms, and the Initial Statement of Reasons are available on CPCFA’s website at <https://www.treasurer.ca.gov/cpcfaca/caliip/index.asp>.

**CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY**

**TITLE 4. BUSINESS REGULATIONS**

**DIVISION 11. CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY**

**ARTICLE 13. CALIFORNIA INVESTMENT AND INNOVATION PROGRAM**

**TEXT OF PROPOSED REGULATIONS**

**§ 8140. Definitions.**

The following definitions shall apply wherever the terms are used throughout this Article.

(a) “CDFI” means community development financial institution, as defined in Health and Safety Code section 44458, subdivision (d).

(b) “Eligible Activities” means activities that serve the purposes of Health and Safety Code section 44558.3, subdivision (b).

(c) “Grant” means an award of funds made by the Authority to the Grantee to support the Project, as authorized by Health and Safety Code section 44558.1 and this Article.

(d) “Grant Agreement” means the written agreement between the Authority and a Grantee, setting forth the terms and conditions of the use of the Grant.

(e) “Grantee” means an Applicant whose Grant has been approved and has executed a Grant Agreement.

(f) “Market” means an investment area (e.g., affordable housing, health care, small business lending, consumer lending, community facilities financing) or population.

(g) “Project” means the activities to be accomplished through Grant funding.

(h) “Small and emerging CDFI” has the same meaning as that in Health and Safety Code section 44558, subdivision (l).

**Note:** Authority cited: Sections 44520 and 44558.4, Health & Safety Code. Reference: Sections 44558, 44558.1 and 44558.3, Health & Safety Code.

**§ 8141. Eligibility Requirements.**

(a) Grants shall only be awarded to Applicants that meet the eligibility requirements in Health and Safety Code section 44558, subdivision (f).

(b) Applicants that are a party to an existing or prior Grant Agreement may only apply in a future funding round if at least 50% of the previously awarded Grant funds have been spent on or committed to the Project. Applicants shall have 12 months starting from when the previously awarded Grant funds are under the control of the Grantee to meet this requirement.

**Note:** Authority cited: Sections 44520 and 44558.4, Health & Safety Code. Reference: Sections 44558 and 44558.2, Health & Safety Code.

**§ 8142. Approved Grant Uses.**

Grants shall be awarded for Eligible Activities.

**Note:** Authority cited: Sections 44520 and 44558.4, Health & Safety Code. Reference: Section 44558.3, Health & Safety Code.

**§ 8143. Application Requirements.**

(a) When funding is available, the Authority shall post to its website a Notice of Funding Availability at least 30 days in advance of the application deadline. The Notice shall provide a link to the application requirements.

(b) An application shall include the following:

(1) Applicant Information.

(A) The legal name of the CDFI applying for a grant, address of the principal office, phone number, website, Employer Identification Number (EIN) or Taxpayer Identification Number (TIN);

(B) Financial institution type (e.g., bank or thrift-state chartered, loan fund, credit union, bank holding, bank or thrift, venture capitalist), date of incorporation, financial activities start date, and total asset size;

(C) Name, title, and e-mail address for authorized representative(s);

(D) Name, phone number, and e-mail address for primary point of contact;

(E) The grant amount sought, not to exceed the applicable maximum eligible amount in section 8144;



(F) Applicant's fiscal year;

(G) A narrative of previous Grants awarded by the Authority, if applicable, and how previously awarded Grant funds were spent; and

(H) Indicate if Applicant is a small and emerging CDFI.

(2) Project Information.

(A) Detailed narrative that includes a discussion of the Applicant's mission, organization infrastructure and resources to support ongoing activities, management team, and strategic plans;

(B) Explanation of how the Grant will support the Applicant's mission;

(C) Description of the proposed Eligible Activities that will be performed with the Grant;

(D) List of current markets served;

(E) List of targeted regions and client types;

(F) Identification of any proposed new target markets that will be served by the Grant;

(G) Identification of any proposed new financial activities and services that will be undertaken with the Grant; and

(H) Description of the level of distress of the impacted community or new market that is being served. Include indicators to help quantify the level of distress that underserved communities are experiencing, such as geography, unemployment rate, poverty rate, industries impacted, number of businesses licenses issued, and fiscal stress.

(3) Attachments.

(A) Attachment A: Current federal certification as described in Health and Safety Code section 44558, subdivision (f)(1);

(B) Attachment B: Financial statements for the past three years; and

(C) Attachment C: Loan Portfolio.

**Note:** Authority cited: Sections 44520 and 44558.4, Health & Safety Code. Reference: Section 44558.2, Health & Safety Code.

**§ 8144. Grant Awards.**

(a) Grants are awarded once per calendar year, provided funding is available. Each eligible Applicant, as defined in Health and Safety Code section 44558, subdivision (f), that submits a timely and complete application shall receive an award in an amount consistent with this section.

(b) The Authority shall set aside 20 percent of any amount made available in a Program funding round for small and emerging CDFIs. This funding will be divided equally among all eligible Applicants that are small and emerging CDFIs.

(c) The size of Grant awards shall be based on the total amount of loans closed by the Applicant in the most recently completed fiscal year. Funding shall be awarded based on the following tier system:

(1) Tier 1: All eligible Applicants will receive up to \$100,000.

(2) Tier 2: Applicants with a minimum of 10 loans in the most recently completed fiscal year or Applicants that have provided financing assistance in the state totaling \$10 million or more over the last three fiscal years will receive up to \$100,000 in additional funding. The maximum Grant award for a Tier 2 Grantee is \$200,000.

(d) The final funding amounts per tier may be less than the maximum Grant award depending on the funding available and the total number of eligible Applicants.

Note: Authority cited: Sections 44520 and 44558.4, Health & Safety Code. Reference: Sections 44558.2, Health & Safety Code.

**§ 8145. Authority Approval.**

(a) The Executive Director will determine which Projects to recommend to the Authority for Grant funding pursuant to section 8144. The Authority's selections are final and not subject to administrative appeal.

(b) The Authority shall notify each Applicant whether or not its Application has been approved for funding.

Note: Authority cited: Sections 44520 and 44558.4, Health & Safety Code. Reference: Sections 44558.2, Health & Safety Code.

**§ 8146. Grant Agreements.**

(a) The terms and conditions of a Grant shall be set forth in a Grant Agreement entered into by the Authority and the Grantee. A Grantee has the sole responsibility for the fiscal management of Grant funds, recordkeeping, reporting, performance of the Project, and all other aspects of compliance with this Article and the Grant Agreement.

(b) The Grant Agreement shall include the following:

(1) Grant amount;

(2) Grantee contact information;

(3) Grant duration;

(4) Description of the Project funded by the Grant award;

(5) Agreement that, during the duration of the Grant, the Grant shall only be used to support the Project;

(6) Agreement to comply with the Program statutes and regulations;

(7) Agreement that Grantee is ineligible for future Grants if they violate any Program statute or regulation, or fail to comply with the Grant Agreement;

(8) Agreement that if Grantee loses its federal certification described in Health and Safety Code section 44558, subdivision (f)(1), the Grant shall be forfeited and returned, in total, to the Authority;

(9) Agreement that the Grantee shall comply with Health and Safety Code section 44558.5, subdivision (a)(5), where applicable;

(10) Agreement that the Grantee will defend, indemnify and hold harmless the Authority and the State, and all officers, trustees, agents and employees of the same, from and against any and all claims, losses, costs, damages, or liabilities of any kind or nature, whether direct or indirect, arising from or relating to the Grant, the Project, or this Program;

(11) Agreement to comply with laws outlawing discrimination including, but not limited to those prohibiting discrimination because of sex, race, color, ancestry, religion, creed, national origin, physical disability (including HIV and AIDS), mental disability, medical condition (cancer or genetic characteristics), sexual orientation, political affiliation,

position in a labor dispute, age, marital status, and denial of statutorily-required employment-related leave;

(12) Agreement that continued compliance with Program requirements is the Grantee's responsibility; and

(13) Any other provision agreed to by the parties.

**Note:** Authority cited: Sections 44520 and 44558.4, Health & Safety Code. Reference: Sections 44558.3, Health & Safety Code.

### **§ 8147. Annual Reporting.**

No later than 180 days after the end of the fiscal year following the receipt of funds, a Grantee shall provide an annual status report to the Authority that includes:

(a) A description of the activities completed with Grant funds during the reporting period;

(b) The amount of Grant funds spent throughout the reporting period;

(c) An annual financial statement; and

(d) Information provided by businesses to the Grantee pursuant to Health and Safety Code section 44558.5, subdivision (a)(5).

**Note:** Authority cited: Sections 44520 and 44558.4, Health & Safety Code. Reference: Section 44558.5, Health & Safety Code.

### **§ 8148. Record Retention**

Grantees shall retain all Program and financial data necessary to substantiate the purposes for which the Grant funds were spent for a period of three years after the end of the Grant term.

Grantees shall provide supporting documentation (e.g. progress reports, project work plan, Program budget, receipts, etc.) upon request to the Authority.

**Note:** Authority cited: Sections 44520 and 44558.4, Health & Safety Code. Reference: Section 44558.5, Health & Safety Code.

# **CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY**

## **TITLE 4. BUSINESS REGULATIONS**

### **DIVISION 11. CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY**

#### **ARTICLE 13. CALIFORNIA INVESTMENT AND INNOVATION PROGRAM**

##### **INITIAL STATEMENT OF REASONS**

###### **PROBLEM STATEMENT**

The Legislature created the California Investment and Innovation Program (Cal IIP) as a way to issue grants to community development financial institutions (CDFIs) that enhance their capacity to provide technical assistance and capital access to economically disadvantaged communities in this state. (Health & Saf. Code, § 44558.1, subd. (a)(1).) CDFIs are a critical state partner in addressing short-term and long-term needs of low- and moderate-income communities in the areas of affordable housing, health care, small business lending, economic development, and more. (Sen. Bill No. 193 (2021-2022 Reg. Sess.), § 1(a).) As mission-driven lenders, grantors, and technical assistance providers, CDFIs have proven that they can play a valuable role in helping to deploy and leverage public investment quickly and efficiently. (SB 193, § 1(b).)

The California Pollution Control Financing Authority (CPCFA) must establish rules and regulations to implement Cal IIP. (Health & Saf. Code, § 44558.4.) CPCFA must develop an application process, develop criteria to adjust the size of awards, adopt guidelines for annual reporting, and develop any other rule necessary to implement the program. (Health & Saf. Code, §§ 44558.1, 44558.2, 44558.5.)

###### **BENEFITS ANTICIPATED FROM REGULATORY ACTION**

Cal IIP creates an ongoing partnership with CDFIs to assist the state in efficiently deploying resources to communities in need and establishing an equitable economic recovery benefitting low-income communities and communities of color that have been disproportionately impacted by the economic fallout of the COVID-19 pandemic and by historical and ongoing disinvestment. (SB 193, § 1(c).) In addition to providing an economic jumpstart for those communities through immediate investment, Cal IIP will serve as a potential repository for current and future emergency or stimulus funding streams. Otherwise, the state would have to create new programs for the new funding streams, which could slow the delivery of funds to those most in need. (SB 193, § 1(d).)

###### **SPECIFIC PURPOSE AND NECESSITY OF EACH SECTION**

###### **§ 8140. Definitions.**

This section defines eight key terms that are used in the proposed regulations. The definitions are necessary to avoid any confusion that might result if these terms were not defined and to ensure uniform application throughout the regulations.

Subdivision (a) defines “CDFI” as a community development financial institution. “Community development financial institution” is defined in Health and Safety Code section 44458, subdivision (d). Creating an abbreviation for this term makes the regulations easier to read.

Subdivision (b) defines “Eligible Activities” as activities that serve the purposes of Health and Safety Code section 44558.3, subdivision (b). Creating a term for the authorized uses of grant funds makes the regulations easier to read.

Subdivision (c) defines “Grant.” This definition is necessary to establish common terms of reference and provide clarification of the language used in these regulations.

Subdivision (d) defines “Grant Agreement.” This definition is necessary to establish common terms of reference and provide clarification of the language used in these regulations.

Subdivision (e) defines “Grantee.” This definition is necessary to establish common terms of reference and provide clarification of the language used in these regulations.

Subdivision (f) defines “Market.” This definition is necessary to establish common terms of reference and provide clarification of the language used in these regulations.

Subdivision (g) defines “Project.” This definition is necessary to establish common terms of reference and provide clarification of the language used in these regulations.

Subdivision (h) defines “Small and emerging CDFI.” Including this statutory definition in the regulations is necessary for ease of reference.

#### **§ 8141. Eligibility Requirements.**

Subdivision (a) explains that Grants shall only be awarded to Applicants<sup>1</sup> that meet the eligibility requirements in Health and Safety Code section 44558, subdivision (f). Including this statutory requirement in the regulations is necessary so that all procedures are in one place. This also eliminates confusion and reduces the likelihood an ineligible Applicant will apply for a Grant.

Health and Safety Code section 44558.3, subdivision (c)(3), provides, “After receiving a grant in one year, an eligible applicant may apply in a future funding round if the eligible applicant has made reasonable progress in deploying the previously awarded grant funding.” However, “reasonable progress” is not defined. Subdivision (b) explains that Applicants that are a party to an existing or prior Grant Agreement may only apply in a future funding round if at least 50% of the previously awarded Grant funds have been spent on or committed to the Project. This ensures that Grantees deploy funds to communities in need.

Applicants shall have 12 months starting from when they previously received grant funds to meet the 50 percent requirement. Because the grant period is two years (Health & Saf. Code, § 44558.2, subd. (b)(3)), one year is a reasonable amount of time to spend or commit half of

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<sup>1</sup> “Applicant” is defined in Health and Safety Code section 44458, subdivision (b).

previously awarded Grant funds. A time period for meeting the 50 percent requirement was added in response to public comments.

### **§ 8142. Approved Grant Uses.**

Section 8142 explains that Grants shall be awarded for Eligible Activities. Health and Safety Code section 44558.3, subdivision (b), requires Grantees to use funds for certain purposes. Including this statutory requirement in the regulations is necessary so that all procedures are in one place.

### **§ 8143. Application Requirements.**

Subdivision (a) explains that CPCFA will post to its website a Notice of Funding Availability at least 30 days in advance of the application deadline. The Notice will provide a link to the application requirements contained in section 8143. This process was created in response to public comment feedback.

Subdivision (b) lists the application requirements. Subdivision (b)(1) requires applications to include information about the Applicant. This is necessary to ensure CPCFA has sufficient information to confirm an Applicant's eligibility and determine the level of funding that will be provided to the Applicant.

Subdivision (b)(2) requires applications to include information about the Project. Although funding is eligibility-based and not merit-based, Applicants must provide information about the Project so that CPCFA can prepare the annual public report required by Health and Safety Code section 44558.5, subdivision (b). The required Project information will help CPCFA describe the results of Cal IIP, make recommendations for improving the effectiveness of Cal IIP, and increase transparency and accountability of public funds.

Health and Safety Code section 44558, subdivision (f)(1), requires Applicants to have a current federal CDFI Fund certification pursuant to Part 1805 of Title 12 of the Code of Federal Regulations. Health and Safety Code section 44558, subdivision (f)(2), requires Applicants to have a minimum net worth of \$25,000 as indicated on its financial statements prepared in accordance with generally accepted accounting principles. Subdivision (b)(3) requires Applicants to provide their current federal certification and financial statements for the past three years. Requiring Applicants to provide a copy of these documents is necessary for CPCFA to verify the Applicant's financial eligibility.

Subdivision (b)(3) also requires Applicants to provide their loan portfolio. The loan portfolio helps CPCFA evaluate the Applicant's record of lending in this state.

### **§ 8144. Grant Awards.**

CPCFA must make Grants available in one or more rounds of funding availability, not to exceed fifteen million dollars (\$15,000,000) in total Grants in any calendar year. (§ 44558.2, subd. (b)(1).) Subdivision (a) explains that Grants are awarded once per calendar year, subject to

available funding. Awarding Grants once per calendar year will streamline the process, reduce administrative burden, and help Applicants financially plan for the year. Grants will be awarded to all eligible Applicants that submit a timely and complete application. This statutory requirement is included so that all procedures are in one place. (§ 44558.2, subd. (c)(1).)

Under the statute, CPCFA must set aside *at least 20* percent of any amount made available in a program funding round for eligible applicants that are small and emerging CDFIs. (§ 44558.2, subd. (a)(2).) Subdivision (b) implements the statute by requiring CPCFA to set aside 20 percent of any amount made available in a program funding round for small and emerging CDFIs. This funding will be divided equally among all eligible Applicants that are small and emerging CDFIs. CPCFA selected 20 percent based on public comment feedback. Dividing this funding equally among all eligible small and emerging CDFIs supports the greatest amount of Projects.

Subdivision (c) requires CPCFA to award Grants based on the total amount of loans closed by the Applicant in the most recently completed fiscal year. This statutory requirement is included so that all procedures are in one place. (§ 44558.2, subd. (c)(2).) Tier 1 Grantees will be awarded up to \$100,000. This figure was selected based on public comment feedback. Applicants with a minimum of 10 loans in the most recently completed fiscal year and Applicants that have provided financing assistance in the state totaling \$10 million or more over the last three fiscal years will receive up to \$100,000 in additional funding. This criteria was selected based on public comment feedback. This subdivision establishes a fair and clear grant process, promotes program transparency, and ensures uniform and consistent procedures for all Applicants. CPCFA must be able to adjust funding awards per tier to ensure a maximum number of Grants are awarded to provide the largest impact to low-income communities.

#### **§ 8145. Authority Approval.**

Subdivision (a) explains that the Executive Director will determine which Projects to recommend to CPCFA for Grant funding pursuant to section 8144. CPCFA's selections are final and not subject to administrative appeal. This is necessary to provide for consistent and timely disbursement of Grant funds and ensure the grant decision is final for all parties. Allowing an Applicant to appeal a decision administratively may delay grant funding for all Applicants in the cycle until the appeal is resolved because a decision subject to appeal has the potential to impact the amounts available for other Applicants. This added delay in the award process would negatively impact the other Grantees and further delay economic development.

Subdivision (b) explains that CPCFA shall notify each Applicant whether or not its Application has been approved for funding. This is necessary so that an Applicant can start planning next steps.

#### **§ 8146. Grant Agreements.**

Section 8146 establishes the minimum terms and conditions of the Grant Agreement. It also explains that the Grantee is responsible for all aspects of compliance with the Grant Agreement. These provisions are necessary to ensure fiscal accountability for the Project.



## **§ 8147. Annual Reporting.**

Section 8147 requires Grantees to provide an annual status report to CPCFA no later than 180 days after the end of the fiscal year following the receipt of funds. This deadline aligns with the reporting period covered by the federal CDFI Program, as mandated by Health and Safety Code section 44558.5, subdivision (a). ([https://www.cdfifund.gov/sites/cdfi/files/2022-12/ACR\\_ClearedVersion\\_11292022.pdf](https://www.cdfifund.gov/sites/cdfi/files/2022-12/ACR_ClearedVersion_11292022.pdf).) The information provided by Grantees helps CPCFA prepare the annual public report required by Health and Safety Code section 44558.5, subdivision (b).

Subdivision (a) requires the annual report to include a description of the activities completed with Grant funds during the reporting period. This statutory requirement is included for clarity so that all procedures are in one place. (§ 44558.5, subd. (a)(1).)

Subdivision (b) requires the annual report to include the amount of Grant funds expended throughout the report period. This is necessary to help CPCFA track funds and evaluate Grantee progress toward completing the Project.

Subdivision (c) requires the annual report to include an annual financial statement. This statutory requirement is included so that all procedures are in one place. (§ 44558.5, subd. (a)(2).)

Subdivision (d) requires the annual report to include information provided to the Grantees by businesses served by the Grant. This statutory requirement is included so that all procedures are in one place. (§ 44558.5, subd. (a)(5).)

## **§ 8148. Record Retention**

Section 8148 requires Grantees to retain all program and financial data necessary to substantiate the purposes for which the Grant funds were spent for a period of three years after the end of the Grant term. This ensures necessary information is documented and retained by the Grantee for any future audits. This requirement helps CPCFA enforce the proposed regulations, conduct audits, and prevent diversion and other fraudulent activity.

Grantees must provide supporting documentation (e.g., progress reports, project work plan, Program budget, receipts, etc.) to CPCFA upon request. This is necessary to ensure fiscal accountability and guard against diversion of funds or other activities outside the objectives of Cal IIP.

## **ECONOMIC IMPACT ASSESSMENT/ANALYSIS**

CPCFA concludes:

(1) It is likely that the proposal would create jobs within the state because CDFIs provide financing assistance to businesses that create jobs. CPCFA estimates 10 new jobs will be created from the first round of funding.

(2) It is likely that the proposal would create new businesses within the state because CDFIs provide financing assistance to businesses. CPCFA estimates 45 new businesses will be created from the first round of funding.

(3) It is likely that the proposal would result in the expansion of businesses currently doing business within the state because CDFIs provide financing assistance to businesses. CDFIs can use grant funds to lend to small businesses, all of which are located in California.

CPCFA also concludes that:

(1) The proposal would benefit the health and welfare of California residents because Cal IIP will deploy resources to communities in need, including low-income communities and communities of color that have been disproportionately impacted by the economic fallout of the COVID-19 pandemic and by historical and ongoing disinvestment. CDFIs leverage public and private investments to deliver affordable housing, strengthen climate resilience, support small business growth, provide access to safe and affordable drinking water, construct healthcare facilities, expand access to healthy foods and more.

(2) The proposal would not benefit worker safety because it does not regulate worker safety standards.

(3) The proposal would benefit the state's environment because CDFIs often finance projects that reduce greenhouse gas emissions, support green enterprises/green jobs, and curb the impact of climate change in the most vulnerable communities.

**TECHNICAL, THEORETICAL, AND/OR EMPIRICAL STUDIES, REPORTS OR SIMILAR DOCUMENTS RELIED UPON**

Written public comments submitted by:

1. California Association for Micro Enterprise Opportunity (CAMEO); and
2. California Coalition for Community Investment (CCCI).

**EVIDENCE SUPPORTING DETERMINATION OF NO SIGNIFICANT STATEWIDE ADVERSE ECONOMIC IMPACT DIRECTLY AFFECTING BUSINESS**

CPCFA has made an initial determination that the proposed action would not have a significant statewide adverse economic impact directly affecting business, including the ability of California businesses to compete with businesses in other states.

CalIIP provides grants to CDFIs that provide financing assistance to businesses.

**REASONABLE ALTERNATIVES TO THE PROPOSED REGULATORY ACTION THAT WOULD LESSEN ANY ADVERSE IMPACT ON SMALL BUSINESS**

CPCFA finds that no reasonable alternatives were presented to, or considered by, CPCFA that would lessen any adverse impact on small business. Cal IIP provides grants to CDFIs that are a critical partner of the state in addressing short-term and long-term needs of low- and moderate-income communities in the areas of affordable housing, health care, small business lending, economic development, and more. (Sen. Bill No. 193 (2021-2022 Reg. Sess.), § 1(a).)

**REASONABLE ALTERNATIVES TO THE PROPOSED ACTION AND THE AGENCY'S REASON FOR REJECTING THOSE ALTERNATIVES**

CPCFA finds that no alternatives were presented to, or considered by, CPCFA that would be more effective in carrying out the purpose of these proposed regulations or would be as effective and less burdensome to affected private persons than these proposed regulations. These regulations do not impose any burden on affected private persons. Rather, they create an opportunity for CDFIs to apply for grants.

**Performance Standard as Alternative:**

The proposed regulations do not mandate the use of specific technologies or equipment. Seeking grant funding from CPCFA is voluntary. However, CDFIs that wish to receive grant funding must comply with the procedures created by these regulations to ensure a fair and equitable process and that public funds are not misspent.

**ECONOMIC AND FISCAL IMPACT STATEMENT  
(REGULATIONS AND ORDERS)**

STD. 399 (Rev. 10/2019)

**ECONOMIC IMPACT STATEMENT**

DEPARTMENT NAME <b>CA Pollution Control Financing Authority</b>	CONTACT PERSON <b>Andrea Gonzalez</b>	EMAIL ADDRESS <b>Andrea.Gonzalez@treasurer.ca.gov</b>	TELEPHONE NUMBER <b>(916) 651-7284</b>
DESCRIPTIVE TITLE FROM NOTICE REGISTER OR FORM 400 <b>California Investment and Innovation Program (Cal IIP)</b>			NOTICE FILE NUMBER <b>Z</b>

**A. ESTIMATED PRIVATE SECTOR COST IMPACTS** *Include calculations and assumptions in the rulemaking record.*

1. Check the appropriate box(es) below to indicate whether this regulation:

- a. Impacts business and/or employees       e. Imposes reporting requirements  
 b. Impacts small businesses                       f. Imposes prescriptive instead of performance  
 c. Impacts jobs or occupations                       g. Impacts individuals  
 d. Impacts California competitiveness               h. None of the above (Explain below):

*If any box in Items 1 a through g is checked, complete this Economic Impact Statement.**If box in Item 1.h. is checked, complete the Fiscal Impact Statement as appropriate.***CPCFA**2. The \_\_\_\_\_ estimates that the economic impact of this regulation (which includes the fiscal impact) is:  
(Agency/Department)

- Below \$10 million  
 Between \$10 and \$25 million  
 Between \$25 and \$50 million  
 Over \$50 million *[If the economic impact is over \$50 million, agencies are required to submit a [Standardized Regulatory Impact Assessment](#) as specified in Government Code Section 11346.3(c)]*

3. Enter the total number of businesses impacted: 67Describe the types of businesses (Include nonprofits): CDFIs that choose to apply for a grantEnter the number or percentage of total businesses impacted that are small businesses: 104. Enter the number of businesses that will be created: 45 eliminated: 0Explain: From the applications received, grant funds will be used to fund new businesses.5. Indicate the geographic extent of impacts:  Statewide  
 Local or regional (List areas): \_\_\_\_\_6. Enter the number of jobs created: 10 and eliminated: 0Describe the types of jobs or occupations impacted: From the applications submitted during first round of funding, a total 10 new job will be created.7. Will the regulation affect the ability of California businesses to compete with other states by making it more costly to produce goods or services here?  YES  NOIf YES, explain briefly: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**ECONOMIC AND FISCAL IMPACT STATEMENT  
(REGULATIONS AND ORDERS)**

STD. 399 (Rev. 10/2019)

**ECONOMIC IMPACT STATEMENT (CONTINUED)****B. ESTIMATED COSTS** *Include calculations and assumptions in the rulemaking record.*

1. What are the total statewide dollar costs that businesses and individuals may incur to comply with this regulation over its lifetime? \$ 0
- a. Initial costs for a small business: \$ 0 Annual ongoing costs: \$ 0 Years: n/a
- b. Initial costs for a typical business: \$ 0 Annual ongoing costs: \$ 0 Years: n/a
- c. Initial costs for an individual: \$ 0 Annual ongoing costs: \$ 0 Years: n/a
- d. Describe other economic costs that may occur: None.
2. If multiple industries are impacted, enter the share of total costs for each industry: There are no costs imposed on businesses or individuals. CDFIs are not required to apply for a grant.
3. If the regulation imposes reporting requirements, enter the annual costs a typical business may incur to comply with these requirements. *Include the dollar costs to do programming, record keeping, reporting, and other paperwork, whether or not the paperwork must be submitted.* \$ N/A
4. Will this regulation directly impact housing costs?  YES  NO  
If YES, enter the annual dollar cost per housing unit: \$ \_\_\_\_\_  
Number of units: \_\_\_\_\_
5. Are there comparable Federal regulations?  YES  NO  
Explain the need for State regulation given the existence or absence of Federal regulations: CPCFA is required to adopt regulations to administer Cal IIP. (Health & Saf. Code, § 44558.4.)
- Enter any additional costs to businesses and/or individuals that may be due to State - Federal differences: \$ 0

**C. ESTIMATED BENEFITS** *Estimation of the dollar value of benefits is not specifically required by rulemaking law, but encouraged.*

1. Briefly summarize the benefits of the regulation, which may include among others, the health and welfare of California residents, worker safety and the State's environment: Cal IIP will deploy resources to communities in need, including low-income communities and communities of color that have been disproportionately impacted by the economic fallout of the COVID-19 pandemic and by historical and ongoing disinvestment.
2. Are the benefits the result of:  specific statutory requirements, or  goals developed by the agency based on broad statutory authority?  
Explain: Grant eligibility is determined by statute. (Health & Saf. Code, § 44558.2, subd. (c)(1).)
3. What are the total statewide benefits from this regulation over its lifetime? \$ unquantifiable
4. Briefly describe any expansion of businesses currently doing business within the State of California that would result from this regulation: CDFIs will be able to use grant funds to help lend to small businesses, all of which are located in the State of California.

**D. ALTERNATIVES TO THE REGULATION** *Include calculations and assumptions in the rulemaking record. Estimation of the dollar value of benefits is not specifically required by rulemaking law, but encouraged.*

1. List alternatives considered and describe them below. If no alternatives were considered, explain why not: No alternatives were considered because Health and Safety Code section 44558.4 requires CPCFA to promulgate regulations to administer the Cal IIP grant program.

**ECONOMIC AND FISCAL IMPACT STATEMENT  
(REGULATIONS AND ORDERS)**

STD. 399 (Rev. 10/2019)

**ECONOMIC IMPACT STATEMENT (CONTINUED)**

2. Summarize the total statewide costs and benefits from this regulation and each alternative considered:

Regulation: Benefit: \$ unquantifiable Cost: \$ 0Alternative 1: Benefit: \$ N/A Cost: \$ N/AAlternative 2: Benefit: \$ N/A Cost: \$ N/A

3. Briefly discuss any quantification issues that are relevant to a comparison of estimated costs and benefits for this regulation or alternatives:

N/A

4. Rulemaking law requires agencies to consider performance standards as an alternative, if a regulation mandates the use of specific technologies or equipment, or prescribes specific actions or procedures. Were performance standards considered to lower compliance costs?

 YES NOExplain: These regulations prescribe procedures for awarding grants to ensure a fair and equitable process and to ensure public funds are not misspent.**E. MAJOR REGULATIONS** *Include calculations and assumptions in the rulemaking record.****California Environmental Protection Agency (Cal/EPA) boards, offices and departments are required to submit the following (per Health and Safety Code section 57005). Otherwise, skip to E4.***1. Will the estimated costs of this regulation to California business enterprises exceed \$10 million?  YES  NO***If YES, complete E2. and E3  
If NO, skip to E4***

2. Briefly describe each alternative, or combination of alternatives, for which a cost-effectiveness analysis was performed:

Alternative 1: \_\_\_\_\_

Alternative 2: \_\_\_\_\_

*(Attach additional pages for other alternatives)*

3. For the regulation, and each alternative just described, enter the estimated total cost and overall cost-effectiveness ratio:

Regulation: Total Cost \$ \_\_\_\_\_ Cost-effectiveness ratio: \$ \_\_\_\_\_

Alternative 1: Total Cost \$ \_\_\_\_\_ Cost-effectiveness ratio: \$ \_\_\_\_\_

Alternative 2: Total Cost \$ \_\_\_\_\_ Cost-effectiveness ratio: \$ \_\_\_\_\_

4. Will the regulation subject to OAL review have an estimated economic impact to business enterprises and individuals located in or doing business in California exceeding \$50 million in any 12-month period between the date the major regulation is estimated to be filed with the Secretary of State through 12 months after the major regulation is estimated to be fully implemented?

 YES NO*If YES, agencies are required to submit a [Standardized Regulatory Impact Assessment \(SRIA\)](#) as specified in Government Code Section 11346.3(c) and to include the SRIA in the Initial Statement of Reasons.*

5. Briefly describe the following:

The increase or decrease of investment in the State: Cal IIP provides grants to enhance the capacity of CDFIs that provide technical assistance and capital access to economically disadvantaged communities in this state. (Health & Saf. Code, § 44558.1, subd. (a)(1).)The incentive for innovation in products, materials or processes: CDFIs often finance projects that reduce greenhouse gas emissions, support green enterprises/green jobs, and curb the impact of climate change in the most vulnerable communities.The benefits of the regulations, including, but not limited to, benefits to the health, safety, and welfare of California residents, worker safety, and the state's environment and quality of life, among any other benefits identified by the agency: Cal IIP will deploy resources to communities in need, including low-income communities and communities of color.

**ECONOMIC AND FISCAL IMPACT STATEMENT  
(REGULATIONS AND ORDERS)**

STD. 399 (Rev. 10/2019)

**FISCAL IMPACT STATEMENT**

**A. FISCAL EFFECT ON LOCAL GOVERNMENT** *Indicate appropriate boxes 1 through 6 and attach calculations and assumptions of fiscal impact for the current year and two subsequent Fiscal Years.*

1. Additional expenditures in the current State Fiscal Year which are reimbursable by the State. (Approximate)  
(Pursuant to Section 6 of Article XIII B of the California Constitution and Sections 17500 et seq. of the Government Code).

\$ \_\_\_\_\_

a. Funding provided in \_\_\_\_\_

Budget Act of \_\_\_\_\_ or Chapter \_\_\_\_\_, Statutes of \_\_\_\_\_

b. Funding will be requested in the Governor's Budget Act of \_\_\_\_\_

Fiscal Year: \_\_\_\_\_

2. Additional expenditures in the current State Fiscal Year which are NOT reimbursable by the State. (Approximate)  
(Pursuant to Section 6 of Article XIII B of the California Constitution and Sections 17500 et seq. of the Government Code).

\$ \_\_\_\_\_

*Check reason(s) this regulation is not reimbursable and provide the appropriate information:*

a. Implements the Federal mandate contained in \_\_\_\_\_

b. Implements the court mandate set forth by the \_\_\_\_\_ Court.

Case of: \_\_\_\_\_ vs. \_\_\_\_\_

c. Implements a mandate of the people of this State expressed in their approval of Proposition No. \_\_\_\_\_

Date of Election: \_\_\_\_\_

d. Issued only in response to a specific request from affected local entity(s).

Local entity(s) affected: \_\_\_\_\_  
\_\_\_\_\_

e. Will be fully financed from the fees, revenue, etc. from: \_\_\_\_\_

Authorized by Section: \_\_\_\_\_ of the \_\_\_\_\_ Code;

f. Provides for savings to each affected unit of local government which will, at a minimum, offset any additional costs to each;

g. Creates, eliminates, or changes the penalty for a new crime or infraction contained in \_\_\_\_\_

3. Annual Savings. (approximate)

\$ \_\_\_\_\_

4. No additional costs or savings. This regulation makes only technical, non-substantive or clarifying changes to current law regulations.

5. No fiscal impact exists. This regulation does not affect any local entity or program.

6. Other. Explain \_\_\_\_\_  
\_\_\_\_\_

**ECONOMIC AND FISCAL IMPACT STATEMENT  
(REGULATIONS AND ORDERS)**

STD. 399 (Rev. 10/2019)

**FISCAL IMPACT STATEMENT (CONTINUED)**

**B. FISCAL EFFECT ON STATE GOVERNMENT** *Indicate appropriate boxes 1 through 4 and attach calculations and assumptions of fiscal impact for the current year and two subsequent Fiscal Years.*

1. Additional expenditures in the current State Fiscal Year. (Approximate)

\$ \_\_\_\_\_

*It is anticipated that State agencies will:*

a. Absorb these additional costs within their existing budgets and resources.

b. Increase the currently authorized budget level for the \_\_\_\_\_ Fiscal Year

2. Savings in the current State Fiscal Year. (Approximate)

\$ \_\_\_\_\_

3. No fiscal impact exists. This regulation does not affect any State agency or program.

4. Other. Explain \_\_\_\_\_  
\_\_\_\_\_

**C. FISCAL EFFECT ON FEDERAL FUNDING OF STATE PROGRAMS** *Indicate appropriate boxes 1 through 4 and attach calculations and assumptions of fiscal impact for the current year and two subsequent Fiscal Years.*

1. Additional expenditures in the current State Fiscal Year. (Approximate)

\$ \_\_\_\_\_

2. Savings in the current State Fiscal Year. (Approximate)

\$ \_\_\_\_\_

3. No fiscal impact exists. This regulation does not affect any federally funded State agency or program.

4. Other. Explain \_\_\_\_\_  
\_\_\_\_\_

FISCAL OFFICER SIGNATURE

 **Kristalyn Fong**

Digitally signed by Kristalyn Fong  
Date: 2023.12.14 19:09:00 -08'00'

DATE

December 14, 2023

*The signature attests that the agency has completed the STD. 399 according to the instructions in SAM sections 6601-6616, and understands the impacts of the proposed rulemaking. State boards, offices, or departments not under an Agency Secretary must have the form signed by the highest ranking official in the organization.*

AGENCY SECRETARY

 **Shela Tobias-Daniel**

Digitally signed by Shela Tobias-Daniel  
Date: 2023.12.15 09:08:27 -08'00'

DATE

December 15, 2023

*Finance approval and signature is required when SAM sections 6601-6616 require completion of Fiscal Impact Statement in the STD. 399.*

DEPARTMENT OF FINANCE PROGRAM BUDGET MANAGER



DATE