

**CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY (CPCFA)
CALIFORNIA CAPITAL ACCESS PROGRAM (CalCAP)**

Meeting Date: January 4, 2012

***Request to Approve Interagency Agreement with the California Air Resources Board (ARB)
Regarding the CalCAP Independent Contributor Program***

Prepared by: *Jillian Franzoia*

Summary. The California Air Resources Board (ARB), as an Independent Contributor in California Capital Access Program (“CalCAP”), would like to expand its participation with CalCAP to include funds for a Proposition 1B: Goods Movement Emission Reduction Program Loan Assistance Program. ARB proposes an Interagency Agreement (the “Agreement”) between the CPCFA (or “Authority”) and ARB that allocates up to \$5,000,000 of the \$1 billion in bond funding authorized to ARB by Proposition 1B (approved by voters in 2006). These funds will be used for the Proposition 1B Loan Assistance Program to provide financial assistance to small business owners of heavy-duty diesel vehicles affected by the ARB’s Statewide Drayage Truck Regulation and Truck and Bus Regulation. The term of the Agreement will be through December 31, 2013.

Background. CalCAP assists small businesses by encouraging banks and other financial institutions to make loans to small businesses that may have difficulty obtaining capital. CalCAP is a form of loan portfolio insurance which may provide up to 100% coverage on certain loan defaults. The CalCAP Independent Contributor Program provides a mechanism that allows third parties to participate in CalCAP to meet a specific goal or mission. Independent Contributors agree to pay the loan loss reserve contributions of the borrower and can also pay the loan loss reserve contributions of the lender and CPCFA. Typically Independent Contributors will contribute 2% to 20% of a borrower’s enrolled loan amount into a lender’s loan loss reserve account to cover potential losses. ARB has agreed to pay 14% of a borrower’s enrolled loan amount to cover the contributions of the borrower, lending institution, and CPCFA toward the loan loss reserves. The Independent Contributor Program has been a very successful part of CalCAP. ARB currently participates in CalCAP as an Independent Contributor for ARB’s Off-Road Diesel Equipment Program and On-Road Heavy Duty Diesel Vehicle Program to assist operators to comply with new air quality regulations.

Proposition 1B authorizes \$1 billion of bond funding to the ARB to help reduce emissions from freight trucks in four particular areas of the state. These trade corridors are: the Los Angeles/Inland Empire; the Central Valley; the Bay Area; and the San Diego/Border area. Freight-related diesel pollution from drayage trucks in areas near ports, rail yards, roads with high traffic and distribution centers are a concern due to the potential health risks for California residents. As part of the Health and Safety Code Section 39625, the Goods Movement Emissions Reduction Program directs ARB to achieve early health risk reductions in areas affected by goods movement by maximizing the emission reduction benefits.

The *Proposition 1B: Goods Movement and Emissions Reduction Program* guidelines allow ARB to award grants and provide loan assistance to replace drayage trucks with model year (MY) 1994-2003 engines. The program funds will not provide 100 percent financing; therefore,

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drayage truck owners will also need to put their own money toward the purchase of a new vehicle. The grant funds must be used to purchase a truck that meets the MY2007 emission level or higher. ARB is partnering with the Bay Area Air Quality Management District and the South Coast Air Quality Management District to offer grants to assist truck owners in replacing drayage trucks during 2012, before the 2014 Drayage Truck Regulation deadline. Truck owners may be eligible for up to a \$30,000 incentive grant if they are able to provide proof of financing commitment in the form of a financing commitment letter from a lender, including CalCAP On-Road Heavy Duty Diesel lenders, or proof of cash savings for cash purchases. ARB has already identified and will offer grants to approximately 2,200 drayage truck owners.

To benefit from this program, a small business will need to meet the same eligibility criteria as the ARB On-Road Diesel Independent Contributor Program. The small business also needs to be eligible under existing CalCAP regulations.

The Interagency Agreement. The proposed Agreement between the Authority and ARB allocates up to \$5,000,000 of ARB funds toward the ARB Proposition 1B Loan Assistance Program; the term of the Agreement will be through December 31, 2013.

The Agreement provides that each loan enrolled in the ARB Proposition 1B Loan Assistance Program will need to be reviewed by CalCAP and pre-qualified before the final loan may be enrolled. ARB requires each recipient of a grant to provide proof of financing commitment from a lender before awarding the grant. This pre-approval process will allow CalCAP and ARB to verify that information. Additionally, the Interagency Agreement provides that the Authority will recover its costs associated with the administration of the ARB Proposition 1B Loan Assistance Program.

Staff Recommendation. Staff recommends approval to enter into an Interagency Agreement with the California Air Resources Board to serve as an Independent Contributor in CalCAP for the ARB Proposition 1B Loan Assistance Program in an amount not to exceed \$5,000,000.

**RESOLUTION OF THE
CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY
AUTHORIZING THE EXECUTIVE DIRECTOR OR
DEPUTY EXECUTIVE DIRECTOR TO SIGN AN INTERAGENCY
AGREEMENT WITH THE CALIFORNIA AIR RESOURCES BOARD**

January 4, 2012

WHEREAS, the California Pollution Control Financing Authority (“Authority”) was created under the provisions of Section 44500 of the Health and Safety Code; and

WHEREAS, Section 44522(c) of the Health and Safety Code provides that the Authority is authorized to “do all things generally necessary or convenient to carry out its powers”; and

WHEREAS, the Authority wishes to enter into an Interagency Agreement with the California Air Resources Board (“ARB”) for an amount not to exceed \$5,000,000, the term of which will be January 4, 2012, or upon Department of General Services approval, whichever occurs later, through December 31, 2013; and

WHEREAS, pursuant to the Interagency Agreement, the ARB will provide Independent Contributor funds for the California Capital Access Program (“CalCAP”) to provide financial support services to the ARB Proposition 1B Independent Contributor program.

NOW THEREFORE BE IT RESOLVED, that the Executive Director or Deputy Executive Director of the Authority is hereby authorized to prepare and execute an Interagency Agreement with the ARB in an amount not to exceed \$5,000,000 for CalCAP to provide financial support services to the ARB Proposition 1B Loan Assistance Program.

FURTHER, that the Executive Director or Deputy Executive Director shall execute and submit the Interagency Agreement to the Department of General Services for approval.