

JANUARY 2023

# California Pollution Control Financing Authority (CPCFA)

**ZEV Role:** CPCFA/State Treasurer's Office (STO) has broad authority to finance, provide tax relief, and provide support for invest various economic activities, including ZEV related projects.

**Equity Focus:** Increase knowledge of and access to capital for small and minority owned businesses and manufacturers.

## ZEV Market Development Objectives

Support the financing of ZEV projects through credit enhancement programs and tax-exempt bond mechanisms.

Direct Pillar Connection: Vehicles, Infrastructure

Indirect Pillar Connection: End Users, Workforce

The California Pollution Control Financing Authority (CPCFA) provides innovative financing incentives for private capital investment with an objective of making California more economically prosperous and environmentally clean. CPCFA programs include tax-exempt bond financing for specific categories of environmental projects (solid waste, recycling, water furnishing and wastewater); multiple variations of the CalCAP (California Capital Access Program), including CalCAP for Small Business (CalCAP SB) and CalCAP Collateral Support (CalCAP CS), which use different mechanisms for the common goal of incentivizing financial institutions to lend to small businesses for an array of capital needs, including capital projects and equipment; and CalCAP's collaboration with the California Air Resources Board (CARB) to support the financing of newer, heavy-duty trucks and buses which can include zero emission technology as well as air quality-compliant diesel fuel, compressed natural gas (CNG), liquefied natural gas (LNG) or other fuels.

Finance ZEV Projects: Provide outreach about our programs to support financing for ZEV projects with emphasis on priority communities, using our loan loss reserve and collateral support mechanisms.

**Key Collaborators:** State Treasurer's Office, Investors and Financial Institutions, CARB, DOF, CEC, GO-Biz, CalOSBA, SBDCs, Local and Regional Government, Vehicle Manufacturers and Supply Chain, Vehicle Dealers, Electricity and Hydrogen Providers.

**Key Results & Actions:**

- A. Include State Goals in Tax-Exempt Bond Financing Program: CPCFA's Tax exempt Bond Financing Program eligibility includes ZEV and ZEV infrastructure components as part of projects eligible in the federal categories of solid waste, water furnishing, and wastewater. The issuances can be designated as Green Bonds. The program offers financial contributions towards the cost of issuance for qualifying small businesses.
- B. Increase Program Support for the existing CalCAP for Small Business and CalCAP Collateral Support Programs, both of which provide financial support to financial institutions when they make loans to small businesses for funding needs including real estate improvements and equipment, which can include ZEV infrastructure and vehicles.
  - a. The U.S. Treasury awarded \$1.1 billion to California for the State Small Business Credit Initiative (SSBCI) on September 21, 2022, to be disbursed in three tranches over eight years and split equally between CPCFA and the California Infrastructure and Economic Development Bank (IBank). These funds will provide significant additional support for the existing CalCAP for Small Business Program and the CalCAP Collateral Support Program along with a future CalCAP loan participation program.
- C. Partnership with CARB for CalCAP CARB Heavy-Duty Vehicle Air Quality Loan Program (CalCAP CARB) or "Truck Loan Assistance Program": Funded by CARB to meet its policy goals and administered by CPCFA, CalCAP CARB provides financial institutions with loan loss reserve support for the loans they make to small fleets for the purchase of emission compliant heavy-duty vehicles and with particular emphasis on priority communities.
  - a. CPCFA will continue to administer the program through June 30, 2024 (or an earlier date if funds allocated in the 2022-23 CARB funding plan are exhausted).
- D. Partnership with CARB and CEC for ZEV Pilot Program: CPCFA plans to partner with CARB and CEC on a ZE pilot program.
  - a. CARB's 2022-23 funding plan includes funds to provide financing opportunities for ZE vehicles and infrastructure.

- E. Increasing Investment and Outreach in Priority Communities: CPCFA will seek financial institutions already working in communities with unmet needs to become participating financial institutions (PFIs) in the CalCAP programs. When PFIs make loans to small business borrowers that often face capital access barriers particularly very small businesses, women, minority, veteran, and Socially and Economically Disadvantaged Individuals (SEDI) communities experiencing high unemployment and the economic impacts resulting from disasters and the COVID-19 pandemic-they receive financial support via the loan loss reserve mechanism for CalCAP for Small Business and via the cash pledge mechanism for CalCAP Collateral Support. When PFIs enroll loans from small business borrowers located in Severely Affected Communities, they receive additional financial support to help maximize subsidies to encourage speed and scale of the Strategy.
- a. CPCFA continues to work to increase the number of participating financial institutions (PFIs) throughout the state, and to train PFI staff on CalCAP programs including the additional support for loans made to small business borrowers in a Severely Affected Community.
  - b. CPCFA is focusing on educating financial institutions and promoter partners about the proportionally larger cash pledge available for loans to small businesses which are manufacturers or "green" businesses, as well as the proportionally larger cash pledge available for loans to small businesses in the amounts of \$50,000 to \$250,000—targeting very small businesses (VSB) with 10 or fewer employees.
  - c. CPCFA refers potential small business borrowers to technical assistance from the California Office of the Small Business Advocate (CalOSBA) and America's Small Business Development Centers (SBDCs) for assistance in preparing to apply for capital and in evaluating possible loan structures.