

April 2024

## California Pollution Control Financing Authority (CPCFA)

**ZEV Role:** CPCFA, part of the State Treasurer's Office (STO), administers an array of programs which provide access to capital and include climate financing, including ZEV related projects.

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

### 2023 Highlights & Lessons Learned

- The California Capital Access Program (CalCAP) California Air Resources Board (CARB) Heavy-Duty Vehicle Air Quality Loan Program sunset on July 31, 2023, as CARB shifted its funding focus to zero-emission. However, the program finished strong providing credit enhancement to financial institutions which made loans to small fleets and/or owner-operators for the purchase of eligible heavy-duty trucks to meet air quality compliance standards.
  - 43,057 loans were made to purchase 44,352 cleaner trucks.
  - The CalCAP CARB program did include zero-emission technologies as an eligible use of funds, but the uptake in the program for zero-emission technologies was almost non-existent because greater upfront costs and availability of zero-emission heavy-duty trucks and available public infrastructure impact financial institutions' willingness to make loans. In 2024, CPCFA is pleased to be working with both CARB and CEC, plus Southern California Edison, on pilot programs which will use the loan loss reserve mechanism to support the purchase of both heavy-duty vehicles and infrastructure.
- CPCFA, in collaboration with our State Small Business Credit Initiative (SSBCI) partner, the California Infrastructure and Economic Development Bank (IBank) held various State Small Business Credit Initiative webinars on the SSBCI credit enhancement programs offered in California along with attending various outreach events throughout the State both in person and virtual throughout the year to provide awareness of the programs and engage with financial institutions.

## **ZEV Market Development Objectives**

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

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.

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 Private Activity Bond Program: CPCFA's Tax-exempt Bond Program eligibility includes ZE vehicle and ZE 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. CPCFA's Bond Program offers financial contributions towards the cost of issuance for qualifying small businesses.

**2023 Outcomes:** 2023 Bond issuances did not include any projects which incorporated ZE because some industries have unique circumstances for vehicle usage and thus have specific strategies around zero-emission adoption. For example, the Resource Recovery Coalition of California describes refuse fleets (waste haulers) strategy for compliance with the Advanced Clean Fleets regulations: [https://www.resourcecoalition.org/uploads/pdf/23-06\\_ACF\\_FAQ.pdf](https://www.resourcecoalition.org/uploads/pdf/23-06_ACF_FAQ.pdf)

**2024 Targeted Key Results:** Continue to provide outreach on the Tax-Exempt Private Activity Bond Program and remain competitive with fees.

- B. Increase Resources for the existing CalCAP for Small Business and CalCAP Collateral Support Programs, both of which provide credit enhancement to

financial institutions when they make loans to small businesses for a wide array of business purposes, including commercial real estate and equipment, which can include ZE 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.

**2023 Targeted Key Results:** Some financial institutions that were previously only participating in the CalCAP CARB program, have enrolled in the CalCAP for Small Business and CalCAP Collateral Support programs since the CalCAP CARB program's sunset on July 31, 2023.

Additionally, CPCFA made [Regulation](#) updates to the CalCAP Collateral Support program to:

- Allow lenders to be assigned cash pledges of 40% of the loan value, with an additional 10% of the loan value if the business is located in a Severely Affected Community (SAC) or certified as owned by a Socially and Economically Disadvantaged Individual (SEDI), for ALL eligible small business loans. Previously only "Green" or "Manufacturing" loans were eligible for the 40% cash pledge.
- The cash pledge maximum increased from \$2.5 million to \$10 million.
- The smallest loan eligible for the program was lowered from \$50,000 to \$25,000.
- The maximum term of support was expanded from four to five years.  
Annual recapture was removed; now the entire cash pledge remains available for a claim from the lender until the end of support term.

**Outcomes:** The financial institution participation list has increased and there is more awareness of the SSBCI credit enhancement programs.

The regulation updates have been positively received from financial institutions and stakeholders creating more interest and participation in the CalCAP Collateral Support program.

**2024 Targeted Key Results:** Ongoing outreach to financial institutions and technical service providers to educate stakeholders on the SSBCI credit enhancement programs to increase participation amongst the programs.

Effectively capture the very small businesses, and socially and economically disadvantaged individual's demographics who are receiving a loan by lenders who enroll in the CalCAP programs. These are important factors to know who the programs are benefiting along with utilizing very specific funding set asides and to be able to receive additional future funding for the programs.

C. Partnerships with CARB, CEC, and Southern California Edison (SCE) for ZE Heavy-Duty Pilot Programs: CPCFA is partnering with CARB, CEC, and SCE on pilot programs to support the purchase of zero-emission medium-duty and heavy-duty vehicles and infrastructure.

- CPCFA is able to work with "Independent Contributors" to create CalCAP credit enhancement programs targeting specific state and federal goals. The Independent Contributor identifies a goal which can be furthered by a CalCAP program and provides eligibility parameters and funding. CPCFA provides the CalCAP credit enhancement mechanism and administration.
- CARB's 2022-23 funding plan includes funds to provide financing opportunities for ZE vehicles.
- CEC identified funds in the Clean Transportation Program to be used to support the purchase of ZE infrastructure.
- SCE identified Low Carbon Fuel Standard (LCFS) Credit proceeds to be used to support the purchase of ZE vehicles and infrastructure.

**2023 Targeted Key Results:** On August 15, 2023, the [CPCFA and CARB Interagency Agreement](#) (IA) was approved at the CPCFA Board meeting. CPCFA's role will be the administrator and operator of the CalCAP Zero-Emission Heavy-Duty Vehicle pilot (CalCAP ZEHDV). Complementary programs with CEC and Southern California Edison (SCE) are expected to be presented for CPCFA Board approval in early 2024.

**Outcomes:** CARB will participate in CalCAP as an Independent Contributor, to commit up to \$5 million to CPCFA to administer the CalCAP Zero-Emission Heavy-Duty Vehicle pilot.

### 2024 Targeted Key Results:

- On March 19, 2024, the CPCFA and CEC Interagency Agreement (IA) was approved at the CPCFA Board Meeting. CPCFA's role will be the administrator and operator of the CalCAP Zero-Emission Heavy-Duty Infrastructure pilot (CalCAP ZEHD).
- On April 16, 2024, the CPCFA and SCE Agreement was approved at the CPCFA Board Meeting. CPCFA's role will be the administrator and operator of the CalCAP Zero-Emission Bus, Truck, and Infrastructure Finance program.
- Implementation of the new CalCAP Zero-Emission Heavy-Duty Vehicle, funded by CARB, as well as the CalCAP Zero-Emission Heavy-Duty Infrastructure, and CalCAP Zero-Emission Truck, Bus, and Infrastructure Finance pilot Programs. The second and third programs will be funded by CEC and SCE, respectively.
- Outreach efforts to spread awareness of how the programs work together to both financial institutions and end users of the zero-emission technologies.

D. Increasing Investment and Outreach in Priority Communities: CPCFA works with and seek financial institutions already serving communities with unmet needs as participating financial institutions (PFIs) in the CalCAP programs.

- CPCFA continues to work to increase the number of participating financial institutions (PFIs) throughout the state, with community development financial institutions (CDFIs), minority depository institutions (MDIs), and community banks as the primary prospects.
- CPCFA continues to train PFI staff on CalCAP programs including the circumstances in which additional support for loans made to small business borrowers in a Severely Affected Community (SAC) or small businesses owned by Socially and Economically Disadvantaged Individuals (SEDI) is available.
- CPCFA refers potential small business borrowers to technical assistance providers for assistance in evaluating and improving "loan-readiness."
  - i. We refer to the five regional lead centers of the California Small Business Development Centers (SBDCs), as many businesses find them an easy-to-navigate starting place.
  - ii. We also refer small businesses to the California Office of the Small Business Advocate (CalOSBA)'s information on more specialized centers, including women's, veteran's, minority-owned, procurement, manufacturing, and others.

**2023 Targeted Key Results:** In 2023 the CPCFA executive and program management held and continue to hold one-on-one meetings with participating financial institutions that participate in the CalCAP programs to gain feedback on what is working well, what could be improved, what their experiences have been, and learning about current and anticipated market conditions.

**Outcomes:** Increased knowledge by financial institutions on the different mechanisms within the CalCAP programs, program participation has increased, and more awareness of the unprecedented size of SSBCI credit enhancement programs.

**2024 Targeted Key Results:** Ongoing outreach to financial institutions and technical assistance providers to educate stakeholders on the SSBCI credit enhancement programs to increase participation and awareness amongst the programs.