

Date of Hearing: April 21, 2025

ASSEMBLY COMMITTEE ON BANKING AND FINANCE

Avelino Valencia, Chair

AB 786 (Solache) – As Introduced February 18, 2025

SUBJECT: California Pollution Control Financing Authority: name change

SUMMARY: Changes the name of the California Pollution Control Financing Agency to the Capital Programs and Climate Financing Authority.

EXISTING LAW:

1) Establishes the California Pollution Control Financing Agency (CPCFA) within the Office of the Treasurer to provide low-cost financing to California businesses. (Health & Safety Code § 44500 et. seq.)

FISCAL EFFECT: This bill is keyed non-fiscal.

COMMENTS:

1) Purpose. According to the author:

AB 786 will change the name of the “California Pollution Control Financing Authority” (authority) to “Capital Programs and Climate Financing Authority;” a necessary update that will eliminate confusion by more accurately reflecting its current scope of work. Importantly, this name change will increase transparency and accessibility.

When established in the early 1970s, the CPCFA was originally named in reference to its original conduit bond projects addressing industrial air and water pollution. Today, the CPCFA’s role has evolved significantly to administer various programs which incentivize capital investment. The outdated name is misleading, suggesting oversight roles in air pollution control that do not apply and fall under the jurisdiction of other state agencies. This confusion reduces transparency for constituents, other public agencies, and policymakers alike.

2) California Pollution Control Financing Authority (CPCFA). Created in 1972, the CPCFA is under the State Treasurer’s Office. It originally supported private activity bond financing for projects mitigating industrial air and water pollution. Over time, CPCFA’s mission has expanded to align with evolving state and federal policy goals that foster sustainable development, support small businesses, and revitalize communities.

CPCFA’s mission has expanded from supporting pollution control to promoting broader economic development through programs like the Small Business Assistance Fund (SBAF), the California Capital Access Program (CalCAP), and the California Investment & Innovation Program (Cal IIP), which supports certified community development financial institutions (CDFIs).¹

¹ <https://www.treasurer.ca.gov/cpcfa/calcap/annual/2023.pdf>

To avoid confusion with their prior mission, staff have begun using CPCFA instead of referring to the full name - California Pollution Control Financing Authority.

- 3) Members. The CPCFA consists of the State Treasurer (Chairperson), the State Controller, and the Director of the Department of Finance.

4) Programs²

- a. The Small Business Assistance Fund (SBAF) provides cost of issuance financial assistance to qualified small business borrowers.
- b. The California Capital Access Program (CalCAP) for Small Businesses was established in 1994. CalCAP provides credit enhancement to encourage financial institutions to lend to small businesses. CalCAP operates through two primary mechanisms: loan loss reserve and cash pledge, both of which reduce lender risk and expand access to capital. The program has evolved over the years to include multiple variants, including state and federally funded programs, as well as specialized initiatives in partnership with independent contributors.

In December 2024, Treasurer Ma announced receiving \$203.5 million for California small business programs. Specifically, the funds support the State Small Business Credit Initiative 2.0 (SSBCI 2.0) which is designed to increase small businesses' access to capital, including businesses in the manufacturing sector, businesses owned by socially and economically disadvantaged individuals (SEDI), and very small businesses (VSB) characterized as having fewer than ten employees. For every \$1 in SSBCI 2.0 funds pledged as collateral, \$10 in small business lending is enabled.³

- c. The CALReUSE program supported the redevelopment of underutilized, potentially contaminated properties by addressing funding and information gaps in brownfield cleanup. Although all program funds have been awarded, CPCFA continues to oversee open grants to ensure project compliance and completion. The program's \$60 million investment has helped create 2,310 housing units across 30 California communities, with 80% designated as affordable housing.
- d. The Alternative Financing Programs allows CPCFA to develop alternative financing models to assist sister agencies with achieving the state's environmental goals. CPCFA is authorized to receive and accept contributions from other sources ("Independent Contributors") including federal and state agencies to carry out the purposes of its statutory authority.

As part of this program, CPCFA collaborates with the California Air Resources Board (CARB) to implement a zero emissions loan loss reserve program focusing on Zero-Emissions equipment and infrastructure.

² <https://ebudget.ca.gov/2025-26/pdf/GovernorsBudget/0010.pdf>

³ <https://www.treasurer.ca.gov/news/releases/2024/49.pdf>

- e. The CalCAP/ADA program, established in 2015, helps very small businesses finance ADA-compliant tenant improvements by encouraging lenders to make qualifying loans. CPCFA was allocated \$10 million to administer the program using the CalCAP credit enhancement model. It also provides borrowers with a rebate to offset the cost of a Certified Access Specialist (CAS) Report.
 - f. The California Investment and Innovation Program (Cal IIP), established in 2022 provides grants to federally certified Community Development Financial Institutions (CDFIs) to support economically disadvantaged communities. These grants enhance CDFIs' ability to deliver technical assistance and capital access while attracting additional funding. In 2024, Cal IIP awarded \$14.2 million to 63 recipients, with up to \$15 million available for distribution annually.
- 5) Future Amendments. The author's office is working with Legislative Counsel to identify all places in statute that need to be updated with the new name. This bill is expected to be amended in the future.

REGISTERED SUPPORT / OPPOSITION:**Support**

California State Treasurer (Sponsor)

Opposition

None on file.

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