

CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY

TITLE 4, DIVISION 11, ARTICLE 7

INITIAL STATEMENT OF REASONS

Introduction

Existing law establishes the California Capital Access Loan Program (CalCAP) and authorizes the California Pollution Control Financing Authority (CPCFA) to contract with specified financial institutions to make loans to eligible small businesses that are having trouble obtaining capital (Health and Safety Code, § 44559.2).

Under existing law, borrowers and lenders must pay a fee on CalCAP loan enrollments to the lender's loss reserve account (Health and Safety Code, § 44559.3). The fees paid to the loss reserve account are matched by CPCFA at 150 percent or 200 percent of the lenders contribution, depending on the funding source (Health and Safety Code, § 44559.4(d)). The funds held in the lender's loss reserve account are the sole property of CPCFA and are used to cover losses on any loan that the lender has enrolled in CalCAP (Health and Safety Code, § 44559.5).

In response to a new legislative requirement (Health and Safety Code § 44559.1(d)), CPCFA proposes to amend Section 8072 of Title 4 of the California Code of Regulations concerning the administration of the program.

The Authority's California Capital Access Program (CalCAP) is the subject of new legislation [SB 1116 (Leno), Ch. 274 of Statutes of 2012] changing the time limit a lender has to submit an application to CalCAP for enrollment from 10 days to 15 days. In an effort to ensure continuity, CalCAP is amending the Program regulations to reflect the change in the statute. To remain consistent with standard CalCAP practice, the number of days CalCAP has to approve an enrollments application will also change from 10 business days to 15 business days with the amendments to the regulations.

The proposed amendments create a more lender friendly program and encourage the use of the Program. With those goals in mind, CPCFA staff has determined that the changes to the statute should be reflected in the Program Regulations on which the participating financial institutions rely to remain in compliance.

Statement of Benefits

By adding the revised time limit for submission of enrollments to the CalCAP regulations, both the financial institutions and CalCAP will find it easier to meet time requirements in the Program. By making the Program more attractive to current CalCAP lenders and those

participating financial institutions considering enrollment in the Program, the Authority is trying to encourage lending to small businesses throughout California.

The Authority is not aware of any benefits of the health and welfare of California residents, worker safety or the state's environment with the proposed amendment to the CalCAP Regulations.

Section Analysis

Section 8072(b)(1). The allowable time limit of 10 business days is being changed to 15 business days to reflect the changes in the statute with the passing of SB 1116. It is important for the Program regulations to be consistent with the requirements in the Health and Safety Code.

Section 8072(g). To remain consistent with current practices, CalCAP's allowable time limit to respond to a complete loan enrollment application request is being changed from 10 business days to 15 business days.

In addition, with the success of the Program, CalCAP has seen a substantial increase in the amount of enrollment applications submitted for approval. The extra time will allow staff to process all enrollments applications within the required time as the volume continues to increase.

Reliance

This regulatory amendment is the result of a change to the CalCAP statute with the passing of Senate Bill 1116. Staff held a Lender Roundtable Conference Call to provide an open forum for staff to present the proposed changes in the time limits and to solicit feedback from the stakeholders. Of our 65 Lenders, 23 organizations participated in the Lender Roundtable Conference Call. CalCAP received positive feedback regarding the proposed regulation changes.

Alternatives Considered

The CPCFA Executive Director has determined that no alternatives are more effective, or as effective and less burdensome to affected persons or small businesses, than the proposed amended regulations.

Mandated Technology or Equipment

The CPCFA Executive Director has determined the revisions do not mandate the use of specific technologies or equipment.

Economic Impact Statement

The CPCFA Executive Director has determined that the revisions will have no significant adverse economic impact on small businesses, other businesses directly affected, or private persons. Furthermore, the CPCFA Executive Director has determined that the amended regulations do not impose any additional cost or savings requiring reimbursement under Section 17500 et al of the Government Code, any other non-discretionary cost or savings to any local agency or any cost or savings in federal funding to the State. Pursuant to the State Administrative Manual Section 6680, a Fiscal Impact Statement (Form 399) is submitted without the signature of a Project Budget Manager at the Department of Finance, as there are no fiscal impact disclosures required by State Administrative Manual Sections 6600-6670. There will be no cost or savings to any other State Agency pursuant to Section 11346.1(b) or 11346.5(a)(6) Government Code.

The creation or elimination of jobs within California: The amendments to section 8072 of the CalCAP Regulations are not expected to have a direct impact on the creation or elimination of jobs within the State of California because these amendments will only affect the allowable time lenders have to submit completed enrollment applications to CalCAP and the allowable time CalCAP has to process completed applications.

The creation of new businesses or the elimination of existing businesses within the State of California: The proposed language in sections 8072 of the CalCAP Regulations allows lenders to submit loan enrollment applications to CalCAP within 15 business days of the date of loan. The amendments will also give CalCAP 15 business days after the receipt of a completed loan enrollment application to notify the lender of the decision made for the request. The regulations are not expected to have a direct impact on the creating of new businesses or the elimination of existing businesses within the State of California.

The expansion of businesses currently doing business within the State of California: The amendments to section 8072 of the CalCAP Regulations are not expected to have a direct impact on the expansion of businesses currently doing business within the State of California because these amendments will only increase the time limit lenders have to submit applications for enrollment and how long CalCAP has to process the completed applications.

The benefits of the regulation to the health and welfare of California residents, worker safety, and the state's environment: The proposed language in section 8072 of the CalCAP Regulations grants additional time to lenders for the submission of enrollment applications to CalCAP and for the approval of applications by CalCAP. These regulations are not expected to have a direct impact on the health and welfare of California residents, worker safety, or the state's environment.