



- 3) To the extent requiring CPCFA to provide financial assistance to CalCAP/ADA borrowers increases program utilization, cost pressures of an unknown amount, potentially in the millions of dollars, to appropriate additional money to CPCFA to accommodate demand (GF).

The Legislative Analyst's Office recently warned of GF structural deficits of around \$35 billion per year in the 2027-28 fiscal year and ongoing.

#### COMMENTS:

- 1) **Purpose.** The author asserts that small businesses are the backbone of local communities, but many “operate in older buildings that were built long before the [ADA]” and “making accessibility upgrades can be costly for small businesses already operating on tight margins.” According to the author, this bill strengthens CalCAP/ADA by increasing the loan limit and making the program more workable for lenders, “so small businesses and property owners can access financing for these improvements.” This bill is sponsored by State Treasurer Fiona Ma, who serves as CPCFA Chair.
- 2) **Background. *Capital Access Loan Program for Small Businesses (CalCAP).*** CalCAP assists small businesses in obtaining loans through participating financial institutions. CalCAP uses a loan loss reserve credit support model that may provide a lender up to 100% reimbursement on losses if a qualifying loan defaults. Each lender has a loan loss reserve account funded through fees paid by the borrower and lender, as well as contributions made by CPCFA. Over the years, CalCAP has been funded by CPCFA fees, GF appropriations, and federal funds.

***CalCAP/Seismic.*** The Budget Act of 2016 enacted CalCAP/Seismic and provided a \$10 million appropriation for the program. CalCAP/Seismic incentivizes private lending for small businesses and residential property owners to finance the cost of seismic retrofits for existing buildings and homes vulnerable to future earthquakes. According to CPCFA's CalCAP 2024 Annual Report, “Since 2016, CalCAP Seismic Safety has enrolled four loans for multi-unit buildings in the greater Los Angeles area for a total of \$385,000. CPCFA paid contributions in the amount of \$43,000.” Thus, approximately \$9.5 million of the original appropriation likely remains in the CalCAP/Seismic Fund.

***CalCAP/ADA.*** AB 1230 (Gomez), Chapter 787, Statutes of 2015, enacted CalCAP/ADA and provided a \$10 million GF appropriation for the program. CalCAP/ADA assists small businesses with financing to alter or retrofit existing facilities to increase access and compliance with the requirements of the federal Americans with Disabilities Act of 1990. According to CPCFA's CalCAP 2024 Annual Report:

CalCAP ADA has not enrolled any loans to date. Despite extensive outreach to small businesses throughout the state, a lack of participation in this program is often attributed to a hesitation on the part of small businesses that are tenants/lessors and are reluctant to take out debt for improvements on facilities they do not own.

Although sufficient CalCAP/ADA funding remains, this bill requires CPCFA to transfer existing money in the CalCAP/Seismic Fund to the CalCAP/ADA Fund. In light of limited program uptake, this bill also expands CalCAP/ADA financing options. Notably, this bill

requires (rather than authorizes) CalCAP/ADA expenditures to additionally include financial assistance to eligible projects, which may include loans or contributions of money. Accordingly, a CalCAP/ADA enrollee would obtain a loan through a participating financial institution, as well as some form of direct financial assistance from CPCFA.

- 3) **Related Legislation.** AB 407 (Jackson) authorizes the CalCAP Fund to receive additional sources of private, state, or federal funding to support CalCAP/ADA and CalCAP/Seismic and expanded eligible program expenditures to include “financial assistance.” AB 407 was held on this committee’s suspense file.

AB 649 (Lowenthal) establishes the Small Business Right to Cure Program, which allows, for six years, an eligible business with 25 or fewer employees to remediate within 120 days most construction-related accessibility violations on its premises. AB 649 is pending hearing by the Senate Judiciary Committee.

SB 84 (Niello) prohibits a construction-related accessibility claim against a business with 50 or fewer employees unless the business has been served a letter specifying each alleged violation and the alleged violation has not been remediated within 120 days of service. SB 84 is pending hearing by the Assembly Judiciary Committee.

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