SENATE THIRD READING
SB 700 (Grayson)
As Amended June 4, 2026
2/3 vote

SUMMARY

The Capital Programs and Climate Financing Authority Act establishes the Capital Programs and Climate Financing Authority ("Authority"), consisting of the Director of Finance, the Treasurer, and the Controller. This bill would authorize the Authority to establish one or more small business assistance funds to fund a grant program for community development financial assistance pursuant to the California Investment and Innovation Program (Cal IIP). The bill would include in the list of allowed financial assistance that the authority may provide under the Act grants made to community development financial institutions (CDFIs) in furtherance of that program.

Major Provisions

1) Adds CDFIs to the existing list of small business assistance funds the Authority may establish.

2) Adds CDFIs to the existing list of permissible forms of financial assistance the Authority may provide under Cal IIP.

COMMENTS

1) Background

In 2023, the California Investment and Innovation Program (Cal IIP) was established with an initial $50 million allocation over the last three years. It is administered by the State Treasurer's Office and serves as a statewide program to advance economic development financing. According to the California Coalition for Community Investment, Cal IIP stretches public dollars by pairing state investment with private capital to deliver outsized returns for California's economy.

While proponents have sought additional funding through the budget process, the initial funding provided to Cal IIP in 2023 is running out and the flexibility provided by SB 700 will help smooth the gap for the Cal IIP program to continue funding the work of CDFIs.

2) What the bill does

SB 700 allows the Small Business Assistance Fund (SBAF) to be used to fund a grant program for CDFIs pursuant to Cal IIP. The Small Business Assistance Fund is funded through fees associated with the Capital Programs and Climate Financing Authority Tax-Exempt Bond Program. Historically, when fund balances have exceeded anticipated demand for their primary purpose, those dollars have been used to support other Treasurer-administered economic development programs, including programs such as CalCAP, CalReUse, and the Sustainable Communities initiatives. SB 700 follows that same precedent.

3) What the bill does not do

SB 700 does not change the primary purpose of the small business assistance funds, which remains supporting small businesses that utilize the Capital Programs and Climate Financing Authority Tax-Exempt Bond Program. It merely adds Cal IIP as another eligible recipient if excess funds are available. The bill does not create a new program nor does it require a General Fund appropriation. Instead, it simply authorizes the Treasurer's Office to use available revenues from the Small Business Assistance Fund, when available, to support Cal IIP.

According to the Author
"SB 700 is an important measure to show the state's continued support for Cal IIP – an effective and efficient program that leverages the knowledge, skills, and abilities of community development financial institutions (CDFIs) to achieve outcomes that the State would struggle to realize through existing public institutions. CDFIs help reach underserved communities and markets to deliver affordable housing financing, small business support, and loans to consumers who are overlooked by the traditional financial system. SB 700 helps to keep Cal IIP going at a time when budgetary resources are constrained."

Arguments in Support
"California families face significant affordability challenges, from rising housing and childcare costs to increasing barriers to accessing capital. CDFIs help address these challenges by providing responsible, flexible financing that supports affordable housing, small businesses, community facilities, and other local investments that improve quality of life and create economic opportunities. Cal IIP has proven to be an effective investment in California communities by strengthening the capacity of CDFIs to deploy capital where it is needed most. The program has helped community lenders expand financing for businesses, housing, community facilities, and other projects that support economic development across the state.

Since 1989, CCRC [California Community Reinvestment Corporation] has funded over $2.4 billion in permanent mortgages for over 51,000 units of affordable multifamily housing. CCRC has used Cal IIP funding to overhaul its data and impact reporting infrastructure. Rather than tracking units financed alone, CCRC now collects and analyzes data on how affordable housing directly affects the families residing in those units. Cal IIP funding enabled CCRC's lending team to upgrade its underwriting and due diligence collection platform, integrating new data capabilities that will strengthen both reporting and future lending decisions. CCRC also developed a dashboard tool to easily access and review operating trends from its portfolio of over 420 funded loans, enhancing underwriting accuracy and leading to a more proactive approach in addressing challenges facing underperforming properties. We have shared our analyses and insights with government lenders, policymakers, and the broader affordable housing community to support improved underwriting practices and inform policy development.

Cal IIP grant funds additionally supported a comprehensive analysis of energy retrofit candidate properties across California. The tools, framework, and analytical processes developed through this work have since been integrated into CCRC's ongoing business operations, strengthening its long-term capacity to identify, evaluate, and track lending opportunities.

As demand for affordable capital continues to grow, it's important that California maintain tools that help CDFIs meet community needs. SB 700 provides a practical solution to ensure continued support for Cal IIP and the communities that depend on CDFI financing."—*California Community Reinvestment Corporation*

Arguments in Opposition
None Received. Last Verified 6/25/2026

FISCAL COMMENTS

The following is from the analysis of the Assembly Committee on Appropriations.

Cost pressures of an unknown amount, potentially in the millions of dollars, to appropriate additional money to CPCFA to support other SBAF-eligible programs, to the extent this bill results in the redirection of funds from those programs to provide Cal IIP grants (General Fund). The author is requesting another one-time appropriation of $50 million in the 2026-27 state budget to renew funding for Cal IIP grants. The Budget Act of 2026 (AB 109 (Gabriel), Chapter 19, Statutes of 2026, and related budget amendments and trailer bills) does not include this appropriation.

Likely absorbable costs to CPCFA to continue Cal IIP administration with SBAF funds.

VOTES

SENATE FLOOR: 39-0-1
YES: Allen, Alvarado-Gil, Archuleta, Arreguín, Ashby, Becker, Blakespear, Cabaldon, Caballero, Cervantes, Choi, Cortese, Dahle, Durazo, Grayson, Grove, Hurtado, Jones, Laird, Limón, McGuire, McNerney, Menjivar, Niello, Ochoa Bogh, Padilla, Pérez, Reyes, Richardson, Rubio, Seyarto, Smallwood-Cuevas, Stern, Strickland, Umberg, Valladares, Wahab, Weber Pierson, Wiener
ABS, ABST OR NV: Gonzalez

ASM BANKING AND FINANCE: 8-0-1
YES: Valencia, Chen, Dixon, Fong, Krell, Michelle Rodriguez, Blanca Rubio, Soria
ABS, ABST OR NV: Schiavo

ASM ECONOMIC DEVELOPMENT, GROWTH, AND HOUSEHOLD IMPACT: 8-0-0
YES: Solache, Castillo, Caloza, Patel, Petrie-Norris, Michelle Rodriguez, Soria, Wallis

ASM APPROPRIATIONS: 15-0-0
YES: Wicks, Hoover, Arambula, Calderon, Caloza, Dixon, Fong, Mark González, Krell, Pacheco, Pellerin, Sharp-Collins, Solache, Ta, Tangipa

UPDATED

VERSION: June 4, 2026

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