SENATE COMMITTEE ON
BUSINESS, PROFESSIONS AND ECONOMIC DEVELOPMENT
Senator Dr. Aisha Wahab, Chair
2025 - 2026 Regular

Bill No:	SB 700	**Hearing Date:**	August 26, 2026
Author:	Grayson		
Version:	June 4, 2026		
Urgency:	No	**Fiscal:**	Yes
Consultant:	Sarah Mason		

Subject: Capital Programs and Climate Financing Authority Act: California Investment and Innovation Program

SUMMARY: Authorizes a Small Business Assistance Fund (SBAF) established by the Capital Programs and Climate Financing Authority (CPCFA) to fund a grant program for community development financial assistance to the California Investment and Innovation Program (Cal IIP).

<u>NOTE:</u> The Assembly amendments create a new bill and this measure has been referred to the Committee pursuant to Senate Rule 29.10 (d) for consideration. The Committee may, by a vote of the majority, either: (1) hold the bill, or (2) return the bill to the Senate floor for consideration of the bill as amended in the Assembly.

Existing law:

1) Establishes CPCFA which, among other things, may establish one or more SBAFs to undertake specified activities, including to fund a capital access program for small businesses. (Health and Safety Code Section 44548(a))

2) Permits CPCFA to provide financial assistance in specified forms, including interest rate subsidies, guarantees, and other forms of credit support. (Health and Safety Code Section 44548(b))

This bill:

1) Authorizes CPCFA to fund a grant program for community development financial institutions pursuant to the existing California Investment and Innovation Program.

2) Adds to the list of eligible financing assistance to include grants made to community development financial institutions in furtherance of the California Investment and Innovation Program (Cal IIP).

FISCAL EFFECT: This bill is keyed fiscal by Legislative Counsel. According to the Assembly Committee on Appropriations, the bill will result in 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. The Committee notes that 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. The bill will also result in likely absorbable costs to CPCFA to continue Cal IIP administration with SBAF funds.

COMMENTS:

1. **Purpose.** The California Coalition for Community Investment is the sponsor of this bill. 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." The Author states that funding for Cal IIP is nearing exhaustion, and SB 700 provides an option to temporarily continue the grant-making activities to support CDFIs.

2. **Background.**

   CPCFA and small business financing. CPCFA administers financing programs intended to encourage capital investment and advance California's environmental, economic, and climate policy goals. Established in 1972 as the California Pollution Control Financing Authority, CPCFA initially focused on issuing tax-exempt bonds for private projects that reduced air and water pollution. Effective January 1, 2026, the authority was renamed the Capital Programs and Climate Financing Authority to reflect its expanded portfolio, which now includes programs supporting small businesses, community development, and climate-related investments. CPCFA's programs include its Tax-Exempt Private Activity Bond Program and the California Capital Access Program (CalCAP). CPCFA may use certain revenues generated through its financing activities to support small business assistance funds.

   California Investment and Innovation Program. The Legislature established the California Investment and Innovation Program (Cal IIP) in 2022 through SB 193 (Committee on Budget and Fiscal Review, Chapter 68, Statutes of 2022) and provided a one-time $50 million General Fund appropriation. Cal IIP provides grants to federally certified community development financial institutions (CDFIs) to increase their capacity to provide technical assistance and access to capital in economically disadvantaged communities. CDFIs may use grant funds to support services and operations that further their community development missions and to strengthen their net assets, allowing them to leverage additional private and public investment. The program was originally authorized to award up to $15 million annually.

   CPCFA has awarded approximately $39.2 million through the first three Cal IIP funding rounds. The program awarded approximately $14.2 million to 67 CDFIs for 2023–24, $15 million to 75 CDFIs for 2024–25, and $10 million to 73 CDFIs for 2025–26. As of June 30, 2026, approximately $24 million of those awards had been expended.

Existing law permits CPCFA to establish SBAFs and use those funds for specified financing activities, including CalCAP and other forms of small business assistance. SB 700 expands these authorized uses to expressly allow a SBAF to support grants to CDFIs through Cal IIP. The bill provides CPCFA with an additional mechanism to support Cal IIP using eligible revenues generated through its financing programs rather than relying exclusively on the program's original one-time General Fund capitalization.

3. **Arguments in Support.** Supporters note that "As California families and businesses continue to face mounting pressures, from housing and childcare costs to increasing barriers to capital, CDFIs like PCV help address these challenges by providing flexible, responsible financing for small businesses, affordable housing, and community investments that create real opportunity.

   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.

   As demand for affordable capital continues to grow, it is 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."

SUPPORT AND OPPOSITION:

<u>Support:</u>

California Coalition for Community Investment (sponsor)
3core
Access Plus Capital
AltCap California
AmPac Business Capital
LISC Bay Area
Beneficial State Bank
California Capital Financial Development Corporation
California Community Reinvestment Corporation
California Farmlink
Cameo Network
Century Housing Corporation
Civic Community Partners
Clearinghouse CDFI
Community Vision Capital and Consulting
Excite Credit Union
Five Rivers Loan Fund, INC.
Genesis LA
Global Finance CDFI LLC
Housing Trust Fund Ventura County
Housing Trust Silicon Valley

Inclusive Action for the City
Lendistry
Low Income Investment Fund
Main Street Launch
Neighborhood Partnership Housing Services, INC.
Nonprofit Finance Fund
North Edge Business Financing and Community Development
Pacific Community Ventures
Pcr Business Finance
The Alliance CDFI
Working Solutions

<u>Opposition:</u>

None received

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