

**REQUEST FOR APPROVAL**

**To:**                   **Howard Levenson**  
Deputy Director, Materials Management and Local Assistance Division

**From:**               **Shirley Willd-Wagner**  
Branch Chief, Financial Resources Management Branch

**Request Date:**     May 24, 2012

**Decision Subject:**   Approval of Scope of Work and Contract with the California Pollution Control Financing Authority for CalRecycle to be an Independent Contributor in the California Capital Access Program (Recycling Market Development Revolving Loan Subaccount, FYs 2011/12 and 2012/13)

**Action By:**         June 1, 2012

---

**Summary of Request:**

Staff requests approval of the Scope of Work and contract (via Interagency Agreement) with the California Pollution Control Financing Authority (CPCFA) for CalRecycle to be an Independent Contributor in the California Capital Access Program (CalCAP) for a three year period (June 1, 2012, to June 1, 2015).

**Recommendation:**

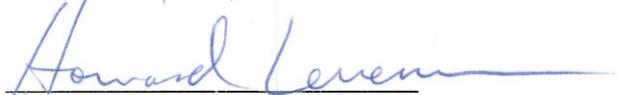
Staff recommends approval of the attached Scope of Work (SOW) and to contract with the CPCFA in the amount of five hundred thousand (\$500,000) with \$430,000 from FY 2011/2012 and \$70,000 from FY 2012/2013.

| <b>Contract</b> | <b>Fund Source</b>              | <b>Amount Available</b> | <b>Amount to Fund Item</b> | <b>Remaining Amount</b> | <b>Line Item</b> |
|-----------------|---------------------------------|-------------------------|----------------------------|-------------------------|------------------|
| CalCAP          | RMDZ Subaccount<br>(FY 2011/12) | \$490,000               | \$430,000                  | \$60,000                | C&P<br>12221/398 |
|                 | RMDZ Subaccount<br>(FY 2012/13) | \$486,000               | \$70,000                   | \$416,000               | C&P<br>12221/398 |

**Deputy Director Action:**

On the basis of the information and analysis in this Request for Approval and the findings set out below, I hereby approve the Scope of Work and entering into a contract with CPCFA, in the amount of \$500,000, to be disbursed as outlined above in FYs 2011/2012 and 2012/2013, for CalRecycle to be an Independent Contributor in the CalCAP program, which will provide alternative funding to California recycling manufacturers.

Dated: 5/24/12



Howard Levenson  
Deputy Director

**Attachment:** Scope of Work, California Capital Access Program

**Background Information, Analysis and Findings**

Statutory Authority

The California Capital Access Program (CalCAP) was authorized by AB 1496 (Peace, Chapter 1164, Statutes of 1993). Health and Safety Code Section 44559.2(e), allows third-party entities to participate in CalCAP as "Independent Contributors" to CalCAP lenders' loan loss reserve accounts. SB 1535 (Killea, Chapter 615, Statutes of 1996) specifically authorized the Department of Resources Recycling, and Recovery (CalRecycle) to participate in on a pilot basis in CalCAP. Subsequent legislation made this participation permanent: as codified in Public Resources Code (PRC) Section 42023.6(a), CalRecycle may participate, in an amount not to exceed five hundred thousand dollars (\$500,000), in the CalCAP program as provided in Article 8 (commencing with Section 44559) of Chapter 1 of Division 27 of the Health and Safety Code.

Program Background

CalCAP is a credit enhancement vehicle to encourage banks and non-bank lenders to make loans to California small businesses that have difficulty obtaining capital. When a lender makes a loan, the risk of repayment loss is reduced because a loan loss reserve account (account) is established for each lender. When a loan is enrolled in CalCAP, the borrower, lender and CalCAP contribute a percentage of the loan into the account. Under this request, CalRecycle will pay the borrower and the lender portions into the account. This allows all California businesses that have difficulty obtaining capital, and that meet the RMDZ loan program project eligibility requirements, assistance in obtaining financing.

Prior Contract

A prior, almost identical, contract was approved and funded in FY 1998/99 in the amount of \$500,000. That contract was extended a number of times, but expired on June 15, 2011. During that time period, CalRecycle paid \$161,606 into loan loss reserve accounts on behalf of 14 recycling manufacturing businesses. These businesses obtained 18 loans totaling \$8,651,800. The businesses process particleboard, plastic, orchard pruning, retread tires, worm casting, and other recyclable materials. The initial contract funds were held in an investment account managed by the Treasurer's Office. The account earns interest and has a present balance of approximately \$430,000, which will be returned to the Subaccount after deposit of the \$430,000 from this proposed new contract. The new contract will be augmented by an additional \$70,000.