

# California Climate Investments: 2017 Draft Funding Guidelines Discussion Document



## Purpose of the Funding Guidelines Update

California Air Resources Board (CARB or Board) staff are updating the *Funding Guidelines for Agencies that Administer California Climate Investments* (Funding Guidelines) to reflect Assembly Bill (AB) 1550 (Gomez, Chapter 369, Statutes of 2016), lessons learned from program implementation to date, feedback from stakeholders, and a recognition that many agencies are past initial program design and into more routine implementation.

The recent enactment of AB 398 (Garcia, Chapter 135, Statutes of 2017) and AB 617 (Garcia, Chapter 136, Statutes of 2017) combats air pollution at the neighborhood level, and helps California achieve its ambitious climate goals by providing direction on a post-2020 Cap-and-Trade Program. AB 398 also identifies a list of priorities for the Legislature to consider for future appropriations from the Greenhouse Gas Reduction Fund (GGRF or Fund). Upcoming legislative action on expenditure of GGRF monies may necessitate conforming changes to CARB's Funding Guidelines. CARB staff is releasing the draft Funding Guidelines now to provide guidance to agencies already administering California Climate Investments from prior appropriations, and to solicit public input on the new requirements to fulfill AB 1550. CARB staff will update the draft Funding Guidelines as needed to implement any future direction from the Legislature.

## Background on California Climate Investments

California Climate Investments are funded by the State proceeds from Cap-and-Trade auctions. The proceeds are deposited in the Fund and appropriated by the Governor and the Legislature in the annual budget. The funds provide an opportunity to invest in projects that contribute to the State's climate goals and provide benefits to residents of disadvantaged communities, low-income communities, and low-income households. Agencies that administer appropriations from the Fund (administering agencies or agencies) use this money to invest in projects that reduce greenhouse gas emissions and further the purposes of AB 32 and related amendments.<sup>1</sup>

The Legislature has appropriated billions of Cap-and-Trade auction proceeds to agencies for California Climate Investments that achieve greenhouse gas emission reductions, economic benefits, and other co-benefits. More than twelve agencies administer dozens of programs that invest in clean transportation and sustainable communities, clean energy and energy efficiency, natural resources, and waste diversion projects throughout the State, including in the most disadvantaged communities. Additional information can be found at:

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<sup>1</sup> AB 32 is the California Global Warming Solutions Act of 2006. The term "AB 32 and related amendments" refers to AB 32, Senate Bill 32 (SB) 32, AB 197, and any other bills that amend this Act. (Chapter 488, Statutes of 2006; Chapter 249, Statutes of 2016; and Chapter 250, Statutes of 2016; all are codified under Health and Safety Code, Division 25.5, Sections 38500-38599).

[www.caclimateinvestments.ca.gov](http://www.caclimateinvestments.ca.gov), including the Department of Finance's Annual Report to the Legislature, an online project map, and a downloadable list of projects. CARB is required to develop funding guidelines for administering agencies, including guidance on reporting, quantification methods, and maximizing benefits for disadvantaged communities for California Climate Investments.<sup>2</sup> In 2015, CARB staff released the Funding Guidelines, followed by a Supplement document in 2016, to provide direction for agencies with September 2016 budget appropriations (Supplement).<sup>3</sup>

It is important to recognize that each agency is responsible for administering its own California Climate Investment program(s), consistent with statutory direction and the Funding Guidelines. The decisions about how to design programs, select projects for funding, and implement projects rest with each agency.

## **Assembly Bill 1550**

In 2016, the Legislature passed and the Governor signed AB 1550, increasing the percent of funds for projects located in and benefiting disadvantaged communities and adding a focus on investments in low-income communities and low-income households. AB 1550 requires that a minimum of 25 percent of the appropriations be invested in projects that are located within and benefiting individuals living in disadvantaged communities; an additional minimum of 5 percent of appropriations be invested in projects that benefit low-income households or communities statewide; and an additional minimum of 5 percent to be invested in projects that benefit low-income households or communities that are within a ½ mile of a disadvantaged community. The three groups defined by AB 1550 (disadvantaged communities, low-income communities, and low-income households) are collectively referred to as "AB 1550 populations."

With the passage of AB 1550, the focus for California Climate Investments and these Funding Guidelines is expanded to include AB 1550 populations.

## **Stakeholder Feedback on California Climate Investments**

CARB staff received many comments from a wide range of stakeholders including: the administering agencies; environmental justice stakeholders, including the Environmental Justice Advisory Committee; and other members of the public on the policies and implementation of California Climate Investments. Major themes that emerged from the comments include:

- Establish a community driven decision-making process that provides communities and low-income residents with the ability to decide on programs

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<sup>2</sup> SB 862, Chapter 36, Statutes of 2014, Health and Safety Code Section 39715.

<sup>3</sup> California Air Resources Board, "Cap-and-Trade Auction Proceeds, Funding Guidelines for Agencies that Administer California Climate Investments," release date December 21, 2015; and "Cap-and-Trade Auction Proceeds, Funding Guidelines Supplement for FY 2016-17 Funds," release date December 30, 2016, are both available at: [www.arb.ca.gov/cci-fundingguidelines](http://www.arb.ca.gov/cci-fundingguidelines).

receiving appropriations or to select specific projects. The current legal structure for California Climate Investments requires that the Legislature appropriate funding to agencies; changing this to allow for community-based decisions on funding appropriations would require statutory updates.

- Increase outreach and transparency of the program by:
  - Using metrics to assess the benefits and outcomes of California Climate Investments (e.g., jobs) that go beyond greenhouse gas emission reductions;
  - Engaging communities prior to awarding funds in order to receive feedback on projects and to help identify projects that meet community needs;
  - Increasing the availability of information on investments and access to funding, including providing additional multi-lingual information on California Climate Investments; and
  - Providing technical assistance and resources to communities to access funding and mechanisms that simplify the process of accessing funding, such as coordinated applications for funding.
- Change or alter the geographic distribution of funding or the eligible project types.
- Focus California Climate Investments on projects and programs that: target low-income community and disadvantaged community residents in ways that meet community needs; maximize benefits for low-income households; provide multiple benefits for low-income households and low-income communities; provide for meaningful community engagement at the program and project levels; and do not adversely impact these communities.
- Streamline programmatic requirements to allow agencies and applicants to implement programs and projects with greater ease.

While some of these suggestions are outside the scope of CARB's authority or outside the scope of the Funding Guidelines (for example, the funding appropriations are decided by the Legislature), stakeholder input informed many of the updates in the Funding Guidelines including greater transparency, guidance on AB 1550 implementation, and reporting requirements.

### **Public Process**

The development of the Funding Guidelines has involved an extensive public process over the past few years, as summarized in Figure 1. CARB is seeking public input on the draft Funding Guidelines. CARB staff will consider the feedback from the community meetings and written comments in the development of the update to the Funding Guidelines, to be considered for approval by the Board following a public hearing in Fall 2017. The draft Funding Guidelines are available at:

[www.arb.ca.gov/cci-fundingguidelines](http://www.arb.ca.gov/cci-fundingguidelines).

The Funding Guidelines are based on the current programs and agencies that have received appropriations from the Fund. If the Governor and Legislature appropriate funds from the GGFR to new agencies or programs, CARB will provide supplemental guidance or update the Funding Guidelines, as needed, to accommodate new programs.

**Figure 1 Public Process for Funding Guidelines**



## Proposed Updates to the Funding Guidelines

The Funding Guidelines include three volumes. An overview of each volume, along with the major changes being proposed in the draft document, is provided below. Major changes are also highlighted in yellow in the draft document.

Agencies administering California Climate Investments will need to design and implement their programs consistent with the updated Funding Guidelines, which become effective upon the release of the draft on August 4, 2017. However, some updated requirements may not apply in cases where it is not feasible to follow the new provisions (e.g., when agencies have selected projects, executed grant agreements or contracts, or publicly released program guidelines prior to the release of these Funding Guidelines that limit their ability to incorporate updated requirements). CARB staff will work with administering agencies to address situations where agencies find that incorporating new requirements is infeasible.

### **Volume 1: General Guidance**

Volume 1 contains guidance on how agencies design and implement their programs to meet statutory requirements, ensure accountability, and provide public transparency.

#### ***Proposed Major Updates for Volume 1***

- **Public Access to Information:** To increase transparency, agencies must provide public access to information on California Climate Investment programs and projects, including but not limited to: funding opportunities; public outreach events; proposed funding awards prior to funding decisions; final project selections after funding decisions; project outcomes like greenhouse gas emission reductions and co-benefits; and opportunities for continued public engagement. A new California Climate Investments webpage serves as a centralized portal of information ([www.caclimateinvestments.ca.gov](http://www.caclimateinvestments.ca.gov)) and provides access to the webpages directly maintained by each administering agency.
- **Expenditure Records:** To streamline the Expenditure Record process: (1) CARB concurrence is required only if the agency plans to fund a new program that is not currently covered by an existing Expenditure Record. If an agency is continuing an existing program, CARB concurrence is not required; and (2) all Expenditure Records are required to include an attestation memorandum signed by the Agency Secretary and Department Director, affirming that the Expenditure Record was prepared according to the requirements of SB 1018 (Chapter 39, Statutes of 2012, Government Code Section 16428.9) and the Funding Guidelines.

### **Volume 2: Investments to Benefit AB 1550 Populations**

Volume 2 contains guidance on AB 1550 implementation and provides direction on how agencies determine whether investments are located within and provide benefits to AB 1550 populations. It also includes approaches that agencies can use to maximize benefits to disadvantaged communities, per SB 535.<sup>4</sup>

#### ***Proposed Major Updates for Volume 2***

- **AB 1550 Populations:** To reflect the new AB 1550 requirements, guidance on how to target funding to AB 1550 populations, which include the California Environmental Protection Agency's identification of disadvantaged communities using CalEnviroScreen 3.0, and low-income communities and low-income households per AB 1550 definitions.
- **AB 1550 Implementation:** To reflect the new AB 1550 requirements, guidance and criteria tables for agencies to ensure projects provide direct, meaningful, and assured benefits for AB 1550 populations. Updates include guidance on

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<sup>4</sup> SB 535, De León, Chapter 830, Statutes of 2012, codified with AB 1532 in Health and Safety Code Sections 39711-39723. AB 1550, Gomez, Chapter 369, Statutes of 2016; amending Health and Safety Code Section 39713.

approaches and criteria for evaluating benefits of investments to AB 1550 populations, incorporating stakeholder input on determining whether projects meaningfully address an important community need. Agencies must use these tables to evaluate whether a project meets the criteria for being located in and benefiting AB 1550 populations and can therefore be counted toward AB 1550 investment minimums.

- Maximizing Benefits to Disadvantaged Communities: Guidance on approaches that agencies can use to maximize the benefits of investments to disadvantaged communities per SB 535 is provided.
- Targeting Investments for Benefiting AB 1550 Populations: Guidance to agencies on outreach and community engagement to improve funding accessibility and maximize participation by, and benefits to, AB 1550 populations is provided.

### **Volume 3: Reporting Requirements**

Volume 3 contains requirements for agencies to submit data that documents greenhouse gas emission reductions, AB 1550 investments and benefits, project co-benefits, and project outcomes for a subset of operational projects.

#### ***Proposed Major Updates for Volume 3***

- Reporting Requirements: The reporting requirements are updated to capture data on AB 1550 benefits and other co-benefits. The detailed reporting tables are revised to clarify what data needs to be reported at different stages of project implementation and to reflect the new online reporting system that CARB is developing. To increase transparency, guidance for agencies to report their administrative costs is provided.
- Reporting Frequency: To support the need for timely project data and to increase transparency, language was added to allow for more frequent reporting on projects, compared to the previous annual reporting cycle as the online reporting system is implemented.
- Project Outcome Reporting: Guidance on Project Outcome Reporting was added to provide direction on data collection and reporting after a project has become operational (formerly referred to as “Phase 2 Reporting”). New program-specific tables to detail Project Outcome Reporting data collection and reporting requirements for a subset of projects are provided.

Table 1 summarizes the proposed major changes for each volume of the Funding Guidelines, including references to the sections that would be modified.



**Table 1 Summary of Proposed Major Changes**

| #               | Proposed Change   | Reference                 |
|-----------------|---|---------------------------|
| <b>VOLUME 1</b> |   |                           |
| 1.              | Added guidance to reflect AB 1550 requirements for investments located within and benefiting AB 1550 populations  | Throughout Volume 1       |
| 2.              | Added guidance in response to statutory requirements that were enacted after the release of the 2015 Funding Guidelines   | Section III.C             |
| 3.              | Updated guidance on quantification methods  | Section IV.F              |
| 4.              | Provided information on the new California Climate Investments logo and guidance on program recognition   | Section VI.A.9            |
| 5.              | Provided additional guidance on public transparency and access to information on program activities and outcomes  | Section VI.A.10           |
| 6.              | Updated guidance on Expenditure Records to streamline process for existing programs. Added guidance for agencies that fund programs with continuous appropriations or for agencies where statute requires them to implement funds over multiple years | Appendix 1.A              |
| <b>VOLUME 2</b> |   |                           |
| 7.              | Updated guidance to reflect AB 1550 requirements for investments located within and benefiting AB 1550 populations  | Throughout Volume 2       |
| 8.              | Revised identification of AB 1550 populations   | Chapter IV                |
| 9.              | Updated guidance for administering agencies to target funding to benefit AB 1550 populations, and maximize benefits to disadvantaged communities per SB 535   | Chapter V                 |
| 10.             | Updated criteria tables by project type for evaluating benefits to AB 1550 populations  | Appendix 2.A              |
| <b>VOLUME 3</b> |   |                           |
| 11.             | Updated reporting guidance to reflect AB 1550 requirements for investments benefiting AB 1550 populations   | Throughout Volume 3       |
| 12.             | Revised all reporting tables to be consistent with the design of the new online tracking system that CARB is developing   | Appendix 3.A              |
| 13.             | Revised guidance for Project Outcome Reporting (formerly referred to as “Phase 2 Reporting”) and added new tables with reporting details  | Section V.D, Appendix 3.B |
| 14.             | Added guidance for reporting administrative costs   | Section V.E               |
| 15.             | Added guidance for reporting on projects that receive funding from the Fund over multiple years (i.e., multi-year projects)   | Section V.F               |
| 16.             | Added guidance for reporting on projects that receive funding from multiple GGRF sources (i.e., multi-source projects)  | Section V.G               |
| 17.             | Added guidance for reporting on revolving loan programs   | Section V.H               |