



# **Investments to Benefit Disadvantaged Communities**

Senate Bill 535 (De León, Chapter 830, Statutes of 2012)

*Cap-and-Trade Auction Proceeds*  
**Interim Guidance to Agencies Administering  
Greenhouse Gas Reduction Fund Monies**

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California Environmental Protection Agency  
 **Air Resources Board**

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### *Cap-and-Trade Auction Proceeds* **Interim Guidance to Agencies Administering Greenhouse Gas Reduction Fund Monies**

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## Executive Summary

Senate Bill 535 (De León, Chapter 830, Statutes of 2012) directs State and local agencies to make significant investments that improve California's most vulnerable communities. That investment comes from the proceeds of quarterly auctions held by the California Air Resources Board (ARB or Board) under its Cap-and-Trade program. The State's portion of the proceeds are appropriated by the Legislature as part of the State's annual budget and are required to be used to further the regulatory purposes of Assembly Bill 32 (AB 32) (Chapter 488, Statutes of 2006) – that is, to reduce greenhouse gases.

The first step under SB 535 is for the Secretary for Environmental Protection to identify a specific list of disadvantaged communities for investment. This process utilizes CalEnviroScreen, a tool that assesses all census tracts in the State to identify areas disproportionately affected by multiple types of pollution and areas with vulnerable populations. The list of disadvantaged communities was finalized in October 2014.

This document sets forth Interim Guidance for the State and local agencies charged with the expenditure of auction proceeds from the Greenhouse Gas Reduction Fund (GGRF), and is designed to address two core considerations. The first is how to maximize the benefits of investments to disadvantaged communities, while still meeting all of the related statutory requirements. The second is how to determine whether proposed projects that achieve the goals of AB 32 would also provide direct, meaningful, and assured benefits to disadvantaged communities.

It is important to recognize that each agency which has been appropriated GGRF monies for investment is responsible for administering its own program(s), consistent with statutory direction and applicable ARB guidance. The decisions about how to design programs, select projects for funding, and implement projects rest with each agency, directed by its executive priorities and supported by its staff expertise.

This is a new program, and an ambitious one. The goal is nothing less than to set the course for transformative investments in disadvantaged communities and to have State agencies work together for a common good to provide multiple benefits in these communities. This approach is, in many ways, the culmination of a continuing focus on disadvantaged communities as an essential underpinning of the State's efforts to fight climate change. AB 32, for example, includes the determination of impacts on these communities as an essential statutory consideration for every climate program implemented to reduce greenhouse gases.

The authority of SB 535 and related laws provide the State a clear path to use the Cap-and-Trade proceeds as part of a strategy that places a priority on investments that benefit disadvantaged communities. This can be accomplished by directly addressing important needs commonly identified by these communities, or addressing a key factor that caused an area to be identified as a disadvantaged community – such as unemployment levels – in the first place.

Staff discussed the draft Interim Guidance for disadvantaged communities at three public workshops (Fresno, Los Angeles and Oakland) and a public briefing (Mecca) in August and early September 2014. This document, including the amendments proposed by staff in response to comments, was approved by the California Air Resources Board at public hearing on September 18, 2014. This version of the document reflects some minor revisions directed by the Board at that hearing.

State law also requires agencies that have been appropriated GGRF monies for investment in projects to prepare an expenditure record that describes the proposed use of the monies, prior to expenditure. Expenditure records are prepared for all GGRF programs, which include the subset of project investments benefiting disadvantaged communities. The expenditure record is a critical first step in the tracking and reporting process to ensure that all expenditures further the purposes of AB 32 and meet other statutory requirements. Expenditure records will also be a valuable tool for maintaining accountability throughout the life of the program.

Since the expenditure record must be established before project funds can be disbursed, ARB staff developed and finalized Interim Guidance to address this administrative requirement on an expedited timeline. On August 6, 2014, ARB staff released the *Cap-and-Trade Auction Proceeds, Interim Guidance to Agencies Administering Greenhouse Gas Reduction Fund Monies: Expenditure Record and Fiscal Procedures*<sup>1</sup>.

The two Interim Guidance documents on investments to benefit disadvantaged communities and expenditure records will be followed by full funding guidelines. These full funding guidelines will provide the tools that agencies need to incorporate accountability measures into their program administration and project implementation. The full guidelines will reflect the approaches in the Interim Guidance and will provide direction on metrics and quantification, as well as tracking and reporting for relevant projects. For projects benefiting disadvantaged communities, tracking will include metrics to demonstrate the benefits being achieved. These full guidelines will also benefit from lessons learned in early implementation of the investment program and may include changes to the Interim Guidance applicable to subsequent appropriations.

In addition to the full guidelines, accountability tools will include an online project tracking system that ARB will be developing. This system will provide a centralized website where State agencies can enter project information and the public can see funded projects and the estimated benefits.

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<sup>1</sup> <http://www.arb.ca.gov/cc/capandtrade/auctionproceeds/arb-interim-guidance-expenditure-record-fiscal-procedures-8-6-14.pdf>

## I. Purpose

The purpose of this document is to provide interim guidance for State agencies that administer investments of Greenhouse Gas Reduction Fund (GGRF) monies and need to quickly begin implementation of programs funded by the Fiscal Year (FY) 2013-14 and FY 2014-15 GGRF appropriations. We describe a general approach for all of the project categories and administering agencies. Each agency will need to review its program to either incorporate the provisions of this Interim Guidance or verify that the existing program structure already reflects the provisions of this Interim Guidance.

In this guidance document, “agency” is used as a general term to refer to agencies, boards, commissions, departments, offices, and other units of State government, as well as local transit agencies, that have been appropriated GGRF monies for investment in projects to reduce greenhouse gases (GHG) and further the regulatory purposes of AB 32.

This document is the second installment<sup>2</sup> of interim guidance that ARB staff is developing for agencies that administer GGRF monies. This installment covers the following topics:

- Preliminary guidance on approaches that agencies can use to maximize the benefits of investments to disadvantaged communities.
- Preliminary guidance to agencies on how to determine whether their GGRF investments are located within or provide benefits to disadvantaged communities.

As interim guidance, this document is concentrated on the investments and project types that are most likely to be located within or provide benefits to disadvantaged communities. It provides specific criteria for these project types for agencies to determine whether outcomes of these investments can be considered to provide direct benefits within or to a disadvantaged community.

Please note that agencies can use their GGRF appropriations to fund projects that otherwise meet the statutory requirements for investments, but do not meet the criteria in this guidance. However, only the subset of investments in projects that meet the criteria in this guidance will be credited toward achieving the statutory targets in SB 535 for disadvantaged communities.

ARB is charged with developing funding guidelines for administering agencies. These full funding guidelines will incorporate this interim guidance on SB 535, as well as provide direction on the administration of GGRF expenditures, such as methods to quantify GHG reductions and co-benefits, and ongoing project tracking and reporting requirements.

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<sup>2</sup> See Chapter VII for a description of the Cap-and-Trade Auction Proceeds, Interim Guidance to Agencies Administering Greenhouse Gas Reduction Fund Monies: Expenditure Record and Fiscal Procedures (August 6, 2014).

State agencies implementing GGRF investment programs should incorporate this Interim Guidance, as well as provisions to be included in subsequent phases of ARB guidance, in the administrative guidelines or administrative requirements that establish the agency's project selection and project implementation criteria.

## **II. Background**

AB 32 created a comprehensive, multi-year program to reduce GHG emissions in California. AB 32 required California to reduce greenhouse gases to 1990 levels by 2020, and to maintain and continue reductions beyond 2020. ARB has adopted a Scoping Plan and, together with other State and local agencies, has developed and implemented numerous regulations and programs to reduce emissions to meet these goals.

In March 2012, Governor Brown signed Executive Order B-16-2012 establishing zero emission vehicle benchmarks and affirming a long-range climate goal for California to reduce greenhouse gases from the transportation sector to 80 percent below 1990 levels by 2050.

### **A. How the Cap-and-Trade Program Generates Auction Proceeds**

The Cap-and-Trade program is a key element of the Scoping Plan. It creates a limit on the emissions from sources responsible for 85 percent of California's GHG emissions, establishes the price signal needed to drive long-term investment in cleaner fuels and more efficient use of energy, and gives covered entities flexibility to implement the lowest-cost options to reduce emissions. The program also complements and supports California's existing efforts to reduce criteria and toxic air pollutants.

In the Cap-and-Trade program, ARB places a limit, or cap, on GHG emissions by issuing a limited number of tradable permits (called *allowances*) equal to the cap. Over time, the cap will steadily decline. The cap is enforced by requiring each source that operates under the cap to turn in one allowance or offset credit for every metric ton of carbon dioxide equivalent (MTCO<sub>2e</sub>) that it emits.

The Cap-and-Trade program does not set specific emission limits on individual emitters. By establishing a limit for the program overall rather than for individual sources, the Cap-and-Trade program gives sources flexibility to make the most cost-effective choices about when and how to reduce emissions. The price of allowances is established by the marketplace based on supply and demand.

Since the beginning of the Cap-and-Trade program, most allowances have been distributed for free. For most other allowances, the program includes an auction system where allowances can be purchased from the State. Over time, the program will transition toward a greater reliance on auctioning, which will help maximize incentives

for continued investment in clean and efficient technologies and provide auction proceeds that can be reinvested for public benefit to further the purposes of AB 32.

The first Cap-and-Trade auction was held on November 14, 2012 and subsequent auctions have been conducted quarterly.

## **B. Implementing Legislation for Expenditure of Auction Proceeds**

In 2012, the Legislature passed and Governor Brown signed into law three bills – AB 1532 (Pérez, Chapter 807, Statutes of 2012), SB 535 (De León, Chapter 830, Statutes of 2012), and SB 1018 (Budget and Fiscal Review Committee, Chapter 39, Statutes of 2012) – that establish the GGRF to receive proceeds from the distribution of allowances via auction and to provide the framework for how those auction proceeds will be appropriated and expended.

These statutes require that the State portion of the proceeds from the auction of allowances under the Cap-and-Trade program be deposited in the GGRF and used to facilitate the achievement of GHG emission reductions and, where applicable and to the extent feasible, to further additional goals of AB 32 and the Legislature. In addition, expenditures must comply with the requirements contained in SB 862 (Chapter 836, Statutes of 2014), the trailer bill which establishes requirements for agencies that were appropriated FY 2014-15 GGRF monies.

The availability of auction proceeds provides a unique opportunity to make investments that both further the purposes of AB 32 and yield significant benefits for disadvantaged communities. In addition, leveraging across programs and collaboration among agencies can be used to help multiply the benefits of investments to achieve a transformative impact on these communities.

### ***1. AB 1532 Goals and SB 535 Requirements<sup>3</sup>***

The suite of implementing legislation offers strong direction for a portion of the auction proceeds to be invested to benefit disadvantaged communities. Provided below are the goals that AB 1532 established for the investment of auction proceeds, combined with the SB 535 requirements for allocating monies to benefit disadvantaged communities.

- Reduce GHG emissions.
- Maximize economic, environmental, and public health benefits to the State.
- Foster job creation by promoting in-State GHG emission reduction projects carried out by California workers and businesses.
- Complement efforts to improve air quality.
- Direct investment toward the most disadvantaged communities and households in the State.

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<sup>3</sup> Health and Safety Code, Division 26. Air Resources, Part 2. Air Resources Board, Chapter 4.1. Greenhouse Gas Reduction Fund Investment Plan and Communities Revitalization Act [39710-39723].

- Provide opportunities for businesses, public agencies, nonprofits, and other community institutions to participate in and benefit from statewide efforts to reduce GHG emissions.
- Lessen the impacts and effects of climate change on the State's communities, economy, and environment.
- Allocate at least 25 percent of the available proceeds to projects that provide benefits to disadvantaged communities.
- Allocate at least 10 percent of the available proceeds to projects located within disadvantaged communities.

## **2. Investment Plan and Expenditure Plan**

The statute establishes a two-step process for allocating funding to State agencies.

- Three-Year Investment Plan: The Administration, led by the Department of Finance (Finance) in consultation with ARB and other State agencies, develops and submits to the Legislature a three-year investment plan identifying priority programmatic investments of auction proceeds. Finance submitted the first plan to the Legislature in May 2013<sup>4</sup>. Investment plans must be updated every three years and must be submitted prior to the release of the Governor's January budget proposal, which means the next plan is due in January 2016.

The investment plans identify GHG reduction goals and targets; analyze gaps in current State strategies for meeting GHG reduction goals; and identify priority investments that facilitate feasible and cost-effective GHG reductions.

- Annual Expenditure Plan (State Budget): Funding is appropriated to State agencies by the Legislature and Governor through the annual Budget Act, consistent with the three-year investment plan.

### **C. FY 2014-15 Expenditure Plan**

The Legislature and Governor enacted the FY 2014-15 State Budget, which included \$832 million in appropriations<sup>5</sup> of auction proceeds to administering agencies to invest in projects, consistent with the 2013 Investment Plan. Table 1 below provides a summary of the budget appropriations; the full budget is in Senate Bill 852 (Leno, Chapter 25, Statutes of 2014).

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<sup>4</sup> The 2013 Investment Plan is available at: <http://www.arb.ca.gov/auctionproceeds>.

<sup>5</sup> Links to the budget are available at: <http://www.arb.ca.gov/auctionproceeds>.

**Table 1: FY 2014-15 Expenditure Plan -  
Appropriations from the Greenhouse Gas  
Reduction Fund for Investment in Projects**  
(Dollars in Millions)

| <b>Investment Category</b>                       | <b>Agency</b>  | <b>Program</b>   | <b>Amount</b> |
|--|--|--|---------------|
| Sustainable Communities and Clean Transportation | California State Transportation Agency (CalSTA) and Local Transit Agencies                     | Low Carbon Transit Operations Program                  | \$25          |
|  | California Department of Transportation (Caltrans)/ California Transportation Commission (CTC) | Transit and Intercity Rail Capital Program             | \$25          |
|  | Strategic Growth Council (SGC)   | Affordable Housing and Sustainable Communities Program | \$130         |
|  | High-Speed Rail Authority (HSRA)   | High-Speed Rail Project                                | \$250         |
|  | Air Resources Board (ARB)  | Low Carbon Transportation                              | \$200         |
| Energy Efficiency and Clean Energy               | Department of Community Services and Development (CSD)   | Energy Efficiency Upgrades/ Weatherization             | \$75          |
|  | California Energy Commission (CEC)   | Energy Efficiency for Public Buildings                 | \$20          |
|  | California Department of Food and Agriculture (CDFA)   | Agricultural Energy and Operational Efficiency         | \$15          |
| Natural Resources and Waste Diversion            | Department of Fish and Wildlife (DFW)  | Wetlands and Watershed Restoration                     | \$25          |
|  | Department of Forestry and Fire Protection (CAL FIRE)  | Fire Prevention and Urban Forestry Projects            | \$42          |
|  | Department of Resources Recycling and Recovery (CalRecycle)                                    | Waste Diversion  | \$25          |
| <b>Total FY 2014-15</b>                          |  |  | <b>\$832</b>  |

During 2014, the Legislature also amended the FY 2013-14 State Budget to appropriate GGRF monies for the following investments, totaling \$70 million:

- \$10 million to CDFA for Water Use Efficiency.
- \$30 million to the Department of Water Resources (DWR) for Water-Energy Efficiency and Water Conservation.
- \$30 million to ARB for Low-Carbon Transportation.

#### **D. Responsibilities of the Air Resources Board**

In 2014, the Legislature amended the Health and Safety Code to require that ARB develop funding guidelines for administering agencies that are appropriated GGRF monies to ensure the requirements of the chapter are met. These guidelines must include a component, to be developed in consultation with The California Environmental Protection Agency (CalEPA), for how administering agencies should maximize benefits for disadvantaged communities (HSC Section 39715). This responsibility expands ARB's roles in the administration of Cap-and-Trade auction proceeds, which now include:

- Administer the Greenhouse Gas Reduction Fund (GGRF) as the fund “accountant.”
- Develop funding guidelines for agencies that are appropriated GGRF monies:
  - Expenditure record requirement to ensure investments further the regulatory purposes of AB 32,
  - SB 535 requirement to maximize the benefits of investments to disadvantaged communities and achieve or exceed the investment targets,
  - Methodologies to quantify GHG emission reductions and co-benefits, and
  - Project tracking and reporting to provide accountability and transparency, including documenting benefits to disadvantaged communities.
- Provide consultation to the Strategic Growth Council on development of the Affordable Housing and Sustainable Communities Program.
- Provide consultation to Department of Transportation on the Low Carbon Transit Operations Program.
- Manage the GGRF appropriation for Low Carbon Transportation.
- Hold a public hearing on the triennial investment plan.

### **III. Process for Developing Interim Guidance**

The process for developing this Interim Guidance has involved coordination with other State agencies and meetings initiated by interested stakeholders, as well as early input through related processes.

#### **A. Coordination with Administering Agencies and Stakeholders**

Since passage of the FY 2014-15 State Budget, ARB (in consultation with CalEPA), consulted with administering agencies and stakeholders who requested meetings to develop the concepts presented in this document. In Summer 2014, ARB began hosting regular meetings with a multi-agency working group composed of the State

agencies responsible for administering GGRF monies. These meetings provide a forum to discuss both policy and fiscal issues, consider various guidance concepts, and share information and expertise.

## **B. Early Public Process and Input**

In May 2012, Administration representatives held a public consultation meeting to hear advice from experts and input from the public about approaches to investment of auction proceeds. Written comments submitted are posted at:

<http://www.arb.ca.gov/lispub/comm2/bccommlog.php?listname=investmentplan-ws>

In February 2013, the Department of Finance and ARB released a draft Concept Paper on the first Cap-and-Trade auction proceeds investment plan for public comment. High-level appointees from the Administration, including several representatives of the Climate Action Team, then participated in three workshops in Fresno, Sacramento, and Los Angeles to obtain additional public input on the Concept Paper and supplemental material presented at the events. Written comments submitted can be viewed at:

<http://www.arb.ca.gov/lispub/comm2/bccommlog.php?listname=2013investmentpln-ws>

ARB held a public hearing on April 25, 2013 in Sacramento to obtain public input on a draft version of the investment plan. Written comments submitted are posted at:

<http://www.arb.ca.gov/lispub/comm/bccommlog.php?listname=ghgductfund13>

In March 2014, ARB participated in the workshop “*Investment Justice Through the Greenhouse Gas Reduction Fund*” at the UCLA Luskin School of Public Affairs. This workshop brought together 150 attendees from environmental justice organizations, government agencies, academia, and the private sector to inform the auction proceeds implementation process and maximize benefits for disadvantaged communities. The in-depth exchange of ideas at this workshop yielded valuable recommendations for auction proceeds program implementation.

## **C. Workshops and Board Consideration of Interim Guidance**

This Interim Guidance document also reflects significant public input that was provided during three workshops, a public briefing, and a public hearing. CalEPA and ARB held joint workshops to obtain public input on a draft concept paper that was released on August 22, 2014 and potential methods for identifying disadvantaged communities. During late August and early September 2014, CalEPA and ARB hosted workshops in Fresno, Los Angeles and Oakland, along with a public briefing in Mecca.

ARB also held a public hearing on September 18, 2014 to obtain additional public input on a draft version of this Interim Guidance document.

Written comments associated with both the workshops and the public hearing can be viewed at:

<http://www.arb.ca.gov/lispub/comm2/bccommlog.php?listname=sb-535-guidance-ws>

#### **D. Full Funding Guidelines**

From Fall 2014 to early 2015, ARB plans to coordinate with administering agencies and stakeholders, as well as host additional workshops, to obtain input on the full funding guidelines. These full funding guidelines will provide the tools that agencies need to incorporate accountability measures into their program guidelines and project implementation. The full guidelines will reflect the approaches from this Interim Guidance on SB 535, as well as provide direction on the administration of all GGRF investments, such as methods to quantify GHG reductions and co-benefits, and ongoing project tracking and reporting requirements. For projects benefiting disadvantaged communities, tracking will include metrics to demonstrate the benefits being achieved. We expect to bring the full funding guidelines to the Board for its consideration and approval in mid-2015.

In addition to the full guidelines, accountability tools will include an online project tracking system that ARB will be developing. This system will provide a centralized website where State agencies can enter project information and the public can see funded projects and the estimated benefits.

### **IV. Identification of Disadvantaged Communities**

SB 535 directs the Secretary for Environmental Protection at CalEPA to identify disadvantaged communities. Identification must be based on geographic, socioeconomic, public health, and environmental hazard criteria (Health and Safety Code Section 37911). The criteria may include, but are not limited to:

- Areas disproportionately affected by environmental pollution and other hazards that can lead to negative public health effects, exposure, or environmental degradation.
- Areas with concentrations of people that are of low income, high unemployment, low levels of homeownership, high rent burden, sensitive populations, or low levels of educational attainment.

To meet the SB 535 mandate, CalEPA is using a tool called CalEnviroScreen to identify disadvantaged communities for investment. The Office of Environmental Health Hazard Assessment developed this tool under CalEPA's guidance to assess areas that are disproportionately affected by multiple types of pollution and areas with vulnerable populations.

CalEnviroScreen includes numerous indicators in two broad categories – “burden of pollution,” which includes exposures and environmental effects, and “population characteristics,” which includes sensitive populations and socioeconomic factors. For the 2013 Investment Plan, CalEnviroScreen version 1.0 used 18 indicators. Each ZIP code in the State was assigned a value for each indicator relative to all other ZIP

codes in California. The indicator scores were combined to determine an overall CalEnviroScreen score. The higher the score, the greater the impact.

In August 2014, CalEPA released CalEnviroScreen version 2.0, which is based on 19 indicators that are evaluated at the census tract scale, rather than the ZIP code scale. The use of census tracts as the geographic scale was intended to provide a more precise screening of pollution burdens and vulnerabilities in communities. In October 2014, OEHHA released a minor update to version 2.0. Information on CalEnviroScreen can be found at: <http://oehha.ca.gov/ej/index.html>.

Please note that CalEnviroScreen is a screening tool that informs the identification of disadvantaged communities based on currently available data. As the tool evolves and community characteristics change over time, CalEPA will periodically review and update the maps of disadvantaged communities.

For effective administration of programs supported by the GGRF, it is essential that the list of disadvantaged communities remains stable during each project funding cycle. The process of establishing agency program guidelines, project solicitation and evaluation, award of funds, and full implementation of projects receiving monies from a single appropriation may span several years.

The list of census tracts identified as disadvantaged communities that agencies use for each fiscal year appropriation will need to remain fixed for projects being funded under that appropriation, regardless of when the funds are actually expended. As part of ARB's Interim Guidance, we propose that if CalEPA updates the list of census tracts defined as disadvantaged communities, the new list of communities will apply to projects funded with subsequent fiscal year monies.

## **V. Approach to Evaluate and Meet Investment Targets for Disadvantaged Communities**

SB 535 directs California State and local agencies to provide investments that improve California's most vulnerable communities. The implementing legislation provides the framework for transformative investments that can meet multiple policy objectives by requiring funds be both invested in communities and for the benefit of disadvantaged communities.

For example, an affordable housing project located in a disadvantaged community and near transit can be complemented with a clean car sharing program that improves mobility and air quality for disadvantaged community residents. This type of complementary investment approach enhances the economic, environmental, and public health benefits to a disadvantaged community.

The implementing statute requires that the investment plan allocate a minimum of 25 percent of the available moneys in the GGRF to projects that provide benefits to disadvantaged communities and a minimum of 10 percent to projects located within disadvantaged communities.

### **A. Approach**

To apply these requirements, we designed this Interim Guidance to make the determination of which investments can be counted towards these targets as straightforward, objective, and consistent across programs as possible.

To provide transparency on how administering agencies determine which potential projects qualify as providing benefits to a disadvantaged community, ARB staff applied a standard that such benefits must be “direct, meaningful, and assured.” Appendix A contains tables for each project type that identify the project qualities that ARB staff considers sufficient to meet this standard. Each criterion is independent; a project need only meet one criterion to qualify as located within or providing benefits to one or more disadvantaged communities.

The following paragraphs seek to provide clarity on how the SB 535 requirements will be implemented for FY 2013-14 and FY 2014-15 monies. The full funding guidelines to be finalized in mid-2015 may reconsider these interpretations for subsequent fiscal year funds.

### **B. SB 535 Investment Targets**

This guidance establishes two types of screening criteria to determine whether a specific project qualifies to be counted towards the SB 535 requirements because it either:

- 1) Is located within a census tract identified as a disadvantaged community and provides direct, meaningful, and assured benefits to one or more disadvantaged communities; or
- 2) Provides direct, meaningful, and assured benefits to one or more disadvantaged communities.

*Both of these approaches require that the project provide direct, meaningful, and assured benefits to a disadvantaged community, regardless of location.* Because of this approach, this guidance establishes that the GGRF monies invested in all projects meeting criterion 1 count towards the SB 535 requirements for both investments “within” disadvantaged communities and investments “benefiting” disadvantaged communities. The result is that the investments in all projects credited under criterion 1 are a subset of criterion 2.

Each agency will use its GGRF appropriation for both project costs and the associated administrative expenses to implement the program. The investments in projects located within and benefiting disadvantaged communities will reflect both project funding and the necessary administrative funding to accomplish those projects and run the overall program.

For the purpose of tracking and determining progress in complying with SB 535, the percentage requirements apply to the overall appropriation from the GGRF, rather than to each agency appropriation.

While statute encourages all agencies to maximize benefits for disadvantaged communities wherever possible, there are certain programs that are better suited for being located within disadvantaged communities (e.g., urban forestry, weatherization, etc.) and some well-suited to provide benefits to those communities even if they are located outside the boundaries of those census tracts (e.g., low carbon transportation).

The Proposed FY 2014-15 State Budget anticipated that some agencies would expend more than 25 percent to benefit disadvantaged communities, while others would expend less based on the nature of the programs and likely project locations. In addition, SB 862 requires higher percentages for investments benefiting disadvantaged communities in the following programs:

- Transit and Intercity Rail Capital Program: allocate at least 25 percent of \$25 million to benefit disadvantaged communities.
- Low Carbon Transit Operations Program: uses an established formula for distribution of funds to transit operators. For those operators with disadvantaged communities in their service areas, the operators must direct at least 50 percent of funding to benefit disadvantaged communities. The requirement does not apply to transit operators that do not have disadvantaged communities in their service areas.
- Affordable Housing and Sustainable Communities Program: allocate at least 50 percent of \$130 million to benefit disadvantaged communities.

Based on the statutory requirements in SB 862 and estimates provided by agencies, it is expected that roughly 30 percent of the overall FY 2014-15 GGRF appropriations will support projects that benefit disadvantaged communities. Table 2 illustrates the primary programs likely to provide these benefits.

**Table 2: Estimated GGRF Appropriations Expected to Benefit Disadvantaged Communities (FY 2014-15 only)**

| Program (Agency)   | Total FY 2014-15 Appropriation (million \$) | Total % Targeted to Benefit Disadvantaged Communities | Potential Funds to Benefit Disadvantaged Communities (million \$) |                     |
|--|---|---|---|---------------------|
|  |   |   | Total Benefiting  | Subtotal Located In |
| Low-Carbon Transportation (ARB)  | \$200                                       | 50%   | \$100   | TBD                 |
| Weatherization/Renewables (CSD)  | \$75  | 100%  | \$75  | \$75                |
| Sustainable Communities (SGC) <sup>2</sup>                               | \$130                                       | 50%   | \$65  | TBD                 |
| Urban Forestry (CAL FIRE)  | \$18  | 100%  | \$18  | \$10                |
| Low-Carbon Transit Operations (Caltrans / Transit Agencies) <sup>2</sup> | \$25  | 32% <sup>3</sup>                                      | \$8 <sup>3</sup>  | TBD                 |
| Transit & Intercity Rail Capital Program (CalSTA/CTC) <sup>2</sup>       | \$25  | 25%   | \$6   | TBD                 |
| Sustainable Forests (CAL FIRE)   | \$24  | TBD   | TBD   | TBD                 |
| Waste Diversion (CalRecycle)   | \$25  | 10%   | \$3   | TBD                 |
| Energy Efficiency - Agriculture (CDFA)                                   | \$15  | TBD   | TBD   | TBD                 |
| Wetlands Restoration (DFW)   | \$25  | TBD   | TBD   | TBD                 |
| Energy Efficiency - Public Buildings (CEC)                               | \$20  | TBD   | TBD   | TBD                 |
| High Speed Rail (HSRA)   | \$250                                       | TBD   | TBD   | TBD                 |
| <b>TOTAL</b>   | <b>\$832</b>                                | <b>33%</b>  | <b>\$275</b>  | <b>\$85</b>         |
|  |   |   | <b>33%</b>  | <b>10%</b>          |

*Dollars and percentages rounded to the nearest whole number.*

<sup>1</sup> TBD indicates that the likely investments within or benefiting disadvantaged communities are “to be determined” in the program development and project selection process. Qualifying benefits from these investments will assist the State in exceeding the minimum SB 535 targets.

<sup>2</sup> For these agencies, the percentages allocated to benefit disadvantaged communities are a statutory requirement in SB 862.

<sup>3</sup> The statute requires only transit operators with disadvantaged communities in their service areas to direct at least 50 percent of funding to benefit disadvantaged communities. Pending the identification of disadvantaged communities and the corresponding transit service areas, we assumed that roughly two-thirds of the total funds would go to transit operators with disadvantaged communities in their service area.

## **VI. Guidance on Maximizing Benefits to Disadvantaged Communities**

The concepts presented here will help agencies maximize benefits to disadvantaged communities and identify whether specific projects benefit those communities. Both of the following objectives apply to “maximizing benefits:”

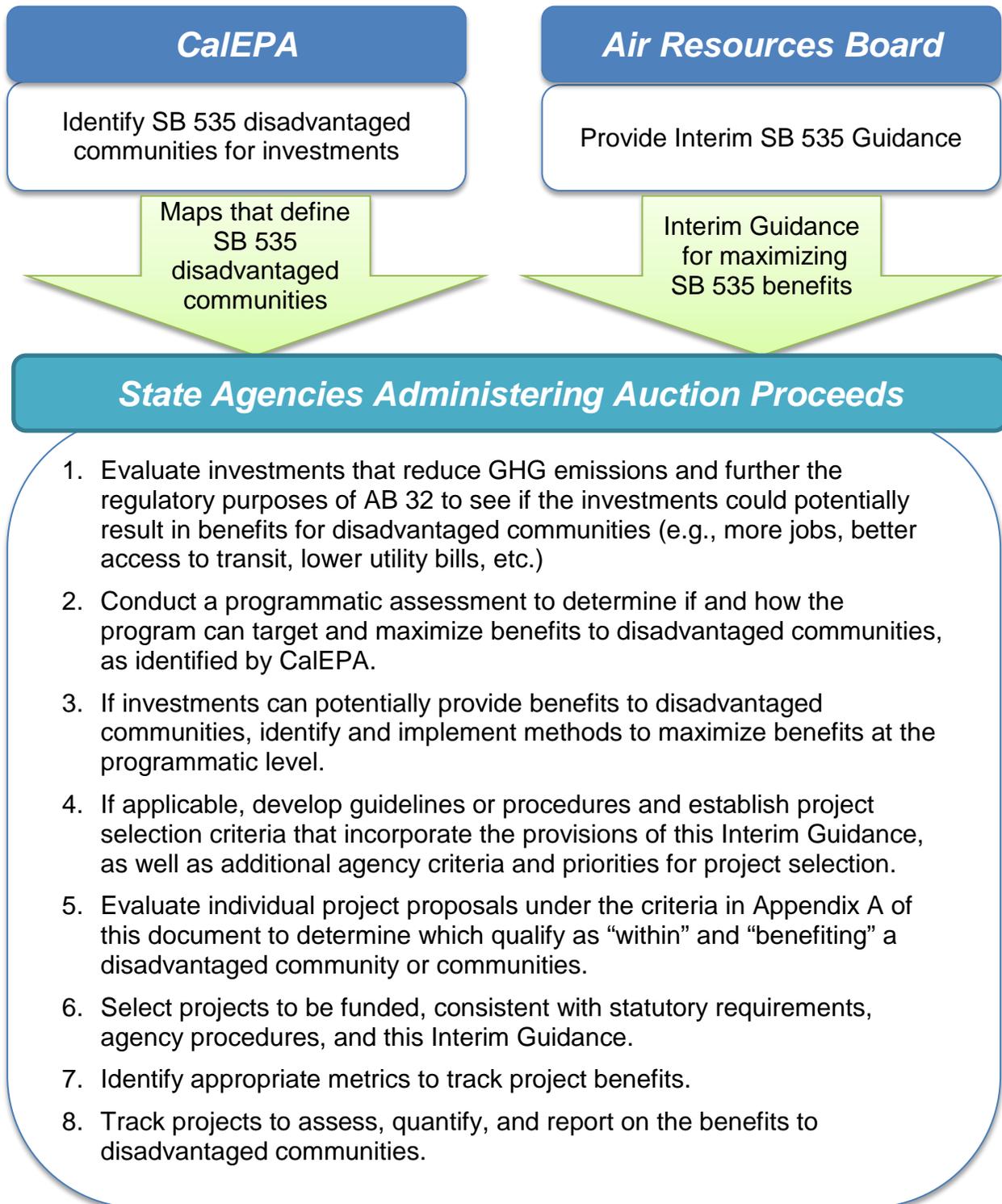
- 1) Maximize the percentage of GGRF monies that are allocated for projects that benefit disadvantaged communities, preferably in a way that exceeds the minimum 10 percent and 25 percent investment targets; and
- 2) When selecting projects for a given investment, give priority to those that maximize benefits to disadvantaged communities (e.g., use scoring criteria that favors projects which provide multiple benefits or the most significant benefits).

This Interim Guidance focuses on the first example, pending ARB development of methodologies for quantifying project benefits. However, agencies may choose to implement the second example as well if they have the means to provide robust and consistent calculation protocols to project applicants for current fiscal year funds.

### **A. Process for Implementing SB 535**

We summarize the overall process that CalEPA, ARB, and other administering agencies will typically use to implement the provisions of SB 535 in Figure 1. This Interim Guidance is focused on the first six steps for administering agencies. The remaining two steps will be addressed in subsequent ARB guidance.

**Figure 1: Process to Implement SB 535 for FY 2013-14 and FY 2014-15 Monies**



The next sections provide guidance on how agencies can design their programs and implement procedures that will maximize benefits to disadvantaged communities, as well as criteria for evaluating individual projects to determine whether projects provide significant benefits to disadvantaged communities.

**B. Requirements for Administering Agencies to Maximize Funding to Benefit Disadvantaged Communities**

The following approach includes some initial requirements that apply to all State agencies that are appropriated GGRF monies for investment in projects. This is followed by requirements that only apply to those agencies with investments in projects that will be located within or provide benefits to disadvantaged communities. Finally, there are some guiding principles that agencies should consider if they have investments benefiting disadvantaged communities.

***1. Requirements for all agencies that are appropriated GGRF monies:***

- a. Evaluate investments that reduce GHG emissions and further the regulatory purposes of AB 32 to see if the investments could potentially result in benefits for disadvantaged communities, using the criteria contained in Appendix A.
- b. Target funding, to the extent feasible, for projects that benefit disadvantaged communities and where possible, target projects physically located within disadvantaged community census tracts. This approach can work well for investments involving fixed locations (e.g., weatherization, renewable energy, urban forests, etc.)

***2. Requirements for agencies that have investments which may be located within or provide benefits to disadvantaged communities (see Appendix A):***

- a. Implement outreach efforts that seek to engage and involve disadvantaged community members or their representatives. If possible, these actions should begin in the early stages (e.g., during development of guidelines and solicitation materials). See Section VI.C. for other examples of related outreach.
- b. Provide outreach to groups of potential project applicants in disadvantaged communities to increase awareness of funding opportunities and the ability of disadvantaged community applicants to seek funding for eligible projects. If possible, conduct outreach in or near disadvantaged communities to provide greater accessibility. Please note that this provision for outreach does not suggest that any agency has the capacity to meet in every one of the hundreds of census tracts identified as disadvantaged communities. Rather, ARB expects that the administering agency will define a subset of locations that offer reasonable access to participants from the disadvantaged communities likely to have eligible projects. See Section VI.C. for other examples of related outreach.

- c. Ascertain the physical location(s) of projects that may be located within or provide benefits to disadvantaged communities.
- d. Identify a quantifiable metric or administrative approach to track and report on the benefits of each investment that will be counted toward meeting SB 535 requirements.
- e. Implement a process that enables the agency to determine SB 535 benefits that are a direct result of the auction proceeds investment funding and associated leveraged funds.
- f. For State agencies with statutory percentages for disadvantaged community benefits, create or modify guidelines or procedures to meet or exceed the minimum statutory requirements.

**3. Guiding principles for agencies with investments benefiting disadvantaged communities:**

- a. To the maximum extent possible, investments should result in benefits that either address an important need commonly identified by disadvantaged community residents or address a key factor that caused the area(s) to be identified as a disadvantaged community (e.g., unemployment levels). Ideally, the important needs will be identified during the outreach process, but agencies can also refer to Table 3 for examples of commonly identified needs of disadvantaged communities.
- b. To the maximum extent feasible, agencies should seek opportunities to work together to provide multiple benefits in disadvantaged communities. For example, several agencies could coordinate and leverage their resources to combine GGRF funding for a project or to fund multiple related projects in a particular area. For example, in the same neighborhood, agencies could work together to combine transit improvement projects with other projects (e.g., zero-emission buses, transit-oriented affordable housing, urban forestry, active transportation, etc.)

Table 3 lists some common needs of disadvantaged communities, as identified by community advocates<sup>6</sup> in discussions with ARB staff and during a day-long workshop convened in Spring 2014 by the University of California Los Angeles Luskin Center for Innovation.

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<sup>6</sup> Community advocates representing the SB 535 Coalition, which participated in development of the 2013 Investment Plan for Cap-and-Trade Auction Proceeds.

Table 3 is not intended to reflect a definitive list of all potential benefits to disadvantaged communities. Rather, it is provided for illustrative purposes to help agencies assess whether their projects might address some common needs and offer specific benefits to disadvantaged communities.

**Table 3: Illustrative Examples of Common Needs of Disadvantaged Communities (as Identified by Community Advocates)**

| <b>Public Health and Safety</b>   |
|---|
| <ol style="list-style-type: none"> <li>1. Reduce health harms (e.g., asthma) suffered disproportionately by low-income residents/communities due to air pollutants</li> <li>2. Reduce health harms (e.g., obesity) suffered disproportionately by low-income residents/communities due to the built environment (e.g., by providing active transportation opportunities, parks)</li> <li>3. Increase community safety</li> <li>4. Reduce heat-related illnesses and increase thermal comfort (e.g., weatherization and solar energy can provide more efficient and affordable air conditioning; urban forestry can reduce heat-island effect)</li> </ol>  |
| <b>Economic</b>   |
| <ol style="list-style-type: none"> <li>1. Create quality jobs and increase family income (e.g., targeted hiring for living wage jobs that provide access to health insurance and retirement benefits with long-term job retention)</li> <li>2. Increase job readiness and career opportunities (e.g., workforce development programs, on-the-job training, industry-recognized certifications)</li> <li>3. Revitalize local economies (e.g., increased use of local businesses/small businesses)</li> <li>4. Reduce housing costs (e.g., affordable housing)</li> <li>5. Reduce transportation costs (e.g., free or reduced cost transit passes) and improve access to public transportation (e.g., new services in under-served urban and rural communities)</li> <li>6. Reduce energy costs (e.g., weatherization, solar, etc.)</li> <li>7. Improve transit service levels and reliability on systems/routes that have high use by low-income riders</li> <li>8. Bring jobs and housing closer together (e.g., affordable housing in transit-oriented development, and in healthy, high-opportunity neighborhoods)</li> </ol> |
| <b>Environmental</b>  |
| <ol style="list-style-type: none"> <li>1. Reduce exposure to local toxic air contaminants (e.g., provide a buffer between bike/walk paths and corridors with high levels of transportation pollution)</li> <li>2. Prioritize zero-emission vehicle projects for areas with high diesel air pollution</li> </ol>   |

### **C. Recommendations for Administering Agencies to Maximize Funding to Benefit Disadvantaged Communities**

Due to the wide variety of programs and projects, we have compiled a number of possible strategies that administering agencies could use to design their programs in ways that help maximize benefits to disadvantaged communities. These are recommendations, not requirements, based on strategies that agencies have used previously to successfully target funds in a particular area.

- Set aside a percentage of funding or a dollar amount that will be used only for projects that are located within or provide benefits to disadvantaged communities, consistent with the criteria in Appendix A.
- Offer higher incentive amounts for projects located within or providing benefits to disadvantaged communities, consistent with the criteria in Appendix A.
- Hold competitive solicitations that award extra points to projects that will provide benefits to disadvantaged communities, consistent with the criteria in Appendix A. Solicitation materials should require applicants to provide a clear description of the expected benefits and proposed metrics for tracking and reporting on those benefits.
- When developing eligibility requirements in program guidelines and solicitation materials, establish targets or minimum thresholds that will help maximize benefits. For example, an agency could identify a certain percentage of total jobs for a project to be held by residents of disadvantaged communities in order to receive a higher priority for funding.
- Require that projects be designed to avoid displacement of disadvantaged community residents and businesses.
- Make assistance available to respond to questions from likely project applicants in a disadvantaged community to increase their ability to seek funding. Consider partnering with a third-party entity that has experience with community outreach and could provide technical assistance to potential applicants, especially for competitive funding programs where the agency evaluators must review applications objectively.
- Use a variety of outreach efforts to reach a broader audience, such as: public workshops, listserves, social media, or hosting regular workgroup meetings with community organizations.
- Consider pooling resources with other agencies or community organizations to broadcast funding opportunities or provide information to potential applicants. Agencies can also use ARB's Auction Proceeds website as a central portal for posting workshop notices, announcing solicitations, and providing links where applicants can get more information.

- Conduct outreach in ways that improve accessibility for community members. Approaches may include: coordinating with community leaders to determine the appropriate place and time for meetings; hosting events in places where communities normally gather (e.g., schools, community centers); holding meetings during evenings or other times that are convenient to community members; providing materials in other languages or language translation services; designating a staff member who can serve as a primary contact for answering questions or attending meetings in disadvantaged communities.

#### **D. Criteria for Administering Agencies to Evaluate Projects for Benefits to Disadvantaged Communities**

This section addresses the project-level evaluation that must be completed to determine whether projects benefit disadvantaged communities. While all GGRF projects must further the purposes of AB 32, this section of the document is focused on the non-GHG co-benefits that may be realized in disadvantaged communities. Due to the wide variety of agencies and programs, there are numerous methods that agencies might use to conclude that a particular project benefits a disadvantaged community.

This Interim Guidance provides consistent criteria for all agencies to use to determine whether their GGRF investments would provide direct, meaningful, and assured benefits to disadvantaged communities and qualify towards the overall SB 535 targets. This approach is expected to help agencies develop guidelines and solicitation materials that enable a more streamlined approach for reviewing project proposals.

Appendix A contains a table for each major project type that defines criteria for agencies to use to determine whether their projects are located within disadvantaged community census tracts and provide direct benefits to disadvantaged communities. If a project does not meet the criteria for being “located in” a disadvantaged community census tract, agencies need to evaluate whether the project still “benefits” a community.

Both of these approaches require that the project provide direct, meaningful, and assured benefits to a disadvantaged community, regardless of location.

For certain project types that are in a fixed location (e.g., weatherization of buildings, urban forestry, etc.) it is relatively straightforward to evaluate whether the project’s physical location is within the census tract boundaries. However, the evaluation is more complicated for projects in multiple locations (e.g., rail lines and transit bus routes) and for mobile sources (e.g., zero or near-zero emission cars and trucks).

For example, a project might not be located within the boundaries of a disadvantaged community census tract, but the project could be nearby and provide substantial jobs for residents of that census tract, thereby resulting in benefits to that community. Agencies can use the tables in Appendix A to determine whether projects provide benefits to disadvantaged communities, even if they are not located in those communities.

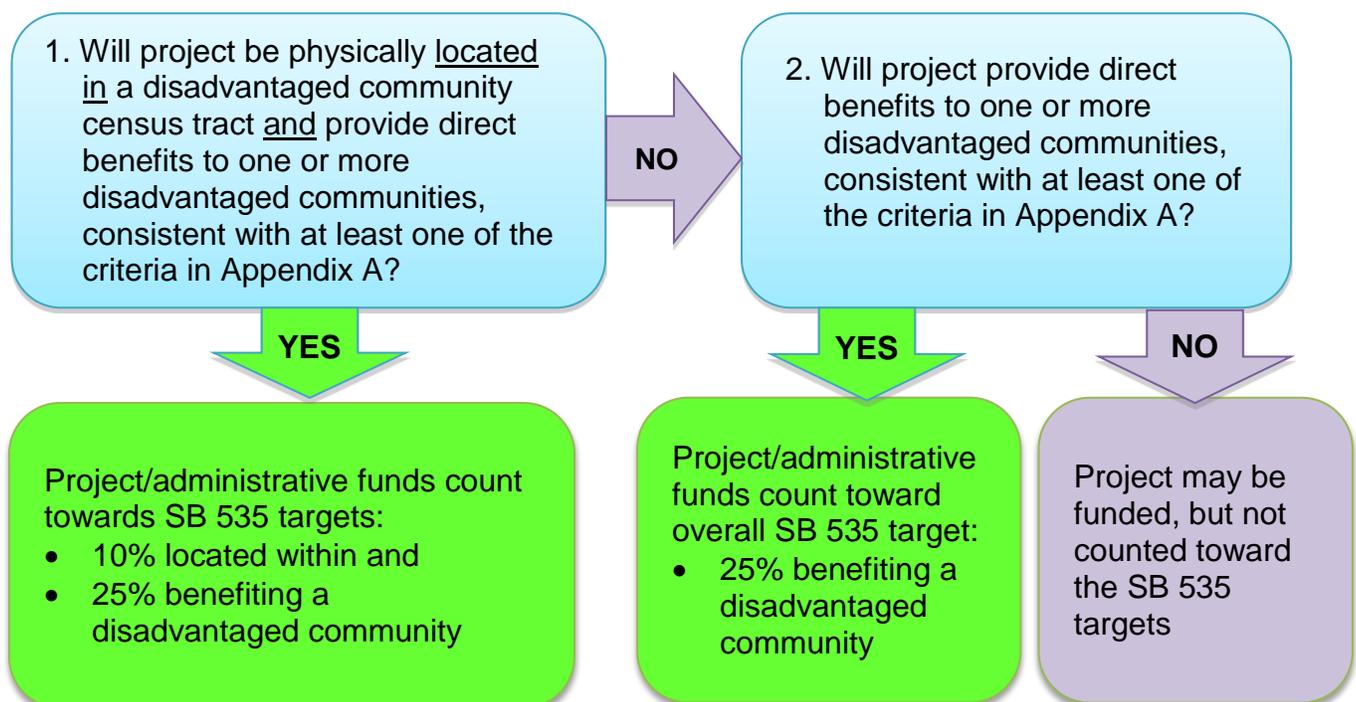
For projects that involve multiple locations or mobile sources, the criteria in Appendix A are based on the concept that disadvantaged communities realize benefits from projects like increased transit service with access nearby. They also identify cleaner air as an important need – if the project funds zero-emission vehicles or equipment that routinely travel in, through, or nearby those communities, there is a benefit to the adjacent disadvantaged community. For example, if a diesel truck or bus has a regular route that travels through a community and it is replaced by a zero or near-zero emission vehicle, the reduced air pollution can be considered as a benefit for that community. Similarly, implementing projects that reduce pollution on impacted truck travel corridors can also provide benefits to communities located along those corridors.

The criteria in Appendix A recognize that specific types of projects based in ZIP codes containing a census tract identified as a disadvantaged community provide direct benefits to that disadvantaged community.

We designed the criteria provided in Appendix A to enable agencies to readily make an objective “yes” or “no” decision about whether a particular project qualifies as providing a benefit to a disadvantaged community. The future funding guidelines will build on these criteria to help agencies assess the degree of benefit, with the goal of selecting projects that maximize benefits.

Figure 2 illustrates the process that agencies will follow to evaluate projects against the criteria in Appendix A and determine if funds can be counted towards SB 535 targets.

**Figure 2: Summary of Process for Administering Agencies to Identify Funds that Benefit Disadvantaged Communities**



## VII. Interim Guidance for Expenditure Record and Fiscal Procedures

To help inform the Board and the public of other activities to implement statutory direction on auction proceeds, this chapter summarizes the first installment of Interim Guidance already completed by ARB staff.

SB 1018 requires State agencies that have been appropriated monies from the GGRF to prepare an expenditure record. Every programmatic appropriation for investment of auction proceeds requires preparation of an expenditure record, prior to expenditure of those monies for projects. An expenditure record is a document that provides five elements or pieces of information describing the proposed use of the monies:

- 1) A description of the proposed use;
- 2) A description of how a proposed expenditure will further the purposes of AB 32;
- 3) A description of how a proposed expenditure will contribute to achieving and maintaining GHG emission reductions;
- 4) A description of how the agency considered the applicability and feasibility of other non-GHG reduction objectives; and
- 5) A description of how the agency will document the result of the expenditure.

The requirements of SB 1018 were amended by SB 862 to require ARB to develop guidance for all State agencies that are appropriated GGRF monies to ensure the requirements of the chapter are met. The expenditure record is a critical first step in the tracking and reporting process to ensure that all GGRF expenditures further the purposes of AB 32 and meet other statutory requirements. Expenditure records will also be a valuable tool for maintaining accountability throughout the life of the program.

Since the expenditure record must be established before project funds can be disbursed, ARB staff developed and finalized Interim Guidance to address this administrative requirement on an expedited timeline. On August 6, 2014, ARB staff released the *Cap-and-Trade Auction Proceeds, Interim Guidance to Agencies Administering Greenhouse Gas Reduction Fund Monies: Expenditure Record and Fiscal Procedures*, which is available at

<http://www.arb.ca.gov/cc/capandtrade/auctionproceeds/arb-interim-guidance-expenditure-record-fiscal-procedures-8-6-14.pdf>.

This Expenditure Record Guidance addresses the following:

- The scope, preparation, and submittal of an annual SB 1018 expenditure record to document the proposed use of monies from the GGRF.
- Fiscal procedures for State agencies with appropriations from the GGRF.

Each administering agency submits a draft expenditure record annually to ARB that addresses the use of the funds appropriated for that fiscal year. ARB staff reviews the draft record against the applicable statutes and the Interim Guidance on this subject, and consults with the administering agency on any suggested revisions.

Once the administering agency submits a final expenditure record, and ARB staff concurs with that version, ARB issues a formal concurrence memorandum to the agency. ARB posts both the final record and the memorandum on its program website.

## **VIII. Next Steps**

ARB will continue working with agencies that receive the State portion of Cap-and-Trade auction proceeds to develop overarching funding guidelines. While the expenditure record and SB 535 interim guidance documents are a critical first step, the full funding guidelines will provide additional direction to help agencies meet the statutory requirements. This includes, but is not limited to, methodologies for calculating GHG emission reductions and co-benefits, as well as project tracking and reporting. Administering agencies will be responsible for incorporating the Interim Guidance and Funding Guidelines into their programs.

Table 4 shows the anticipated schedule for development of the guidance documents and next investment plan.

**Table 4: Near-Term Milestones for Program Implementation**

|   |   |
|---|---|
| <i>Aug<br/>2014</i>                         | <ul style="list-style-type: none"> <li>• ARB releases Interim Guidance for expenditure records &amp; fiscal procedures</li> <li>• CalEPA releases approaches for the identification of disadvantaged communities for public comment (based on CalEnviroScreen 2.0)</li> <li>• ARB releases draft Interim Guidance on investments to benefit disadvantaged communities for comment</li> <li>• CalEPA and ARB hold joint public workshops on identification of disadvantaged communities and preliminary concepts for Interim Guidance (August 25: Fresno, August 26: Los Angeles, September 3: Oakland, September 10: community meeting in Mecca)</li> </ul> |
| <i>Sep<br/>2014</i>                         | <ul style="list-style-type: none"> <li>• ARB staff presents draft Interim Guidance, with proposed amendments, to the Board for approval at its September 18 public meeting</li> </ul>   |
| <i>Oct -<br/>Nov<br/>2014</i>               | <ul style="list-style-type: none"> <li>• CalEPA finalizes identification of disadvantaged communities</li> <li>• ARB releases final Interim Guidance for use by State and local agencies</li> </ul>   |
| <i>Nov<br/>2014<br/>to<br/>Mid<br/>2015</i> | <ul style="list-style-type: none"> <li>• ARB, in consultation with CalEPA and administering agencies, develops full funding guidelines, holds public workshops to solicit public comment, and presents proposed guidelines to the Board for approval</li> <li>• ARB and agencies begin developing methodologies to quantify greenhouse gas reductions and other co-benefits; ARB will prioritize programs using emission reductions as a criterion in a competitive process to select projects</li> <li>• Administration begins process to update the three-year investment plan (due Jan 2016)</li> </ul>  |

## **APPENDIX A**

### **CRITERIA FOR EVALUATING BENEFITS TO DISADVANTAGED COMMUNITIES BY PROJECT TYPE**

## APPENDIX A

This Appendix contains criteria that agencies will use to determine whether a project is located within or provides direct, meaningful, and assured benefits to a disadvantaged community.

Much of the criteria in this Appendix are based on a project being located within the boundaries of a disadvantaged community or a specified distance from the boundary of a disadvantaged community. Maps that identify the census tract boundaries of disadvantaged communities are available on the CalEnviroScreen 2.0 website (<http://oehha.ca.gov/ej/ces2.html>).

ARB has developed supplemental maps that show: the disadvantaged community census tracts, those tracts with a ½ mile extended zone around the tract boundary, and ZIP codes containing one or more census tracts identified as a disadvantaged community. These maps are available on the program website ([www.arb.ca.gov/auctionproceeds](http://www.arb.ca.gov/auctionproceeds)). ARB is also working on a list of impacted corridors and maps that will be posted on the program website.

The criteria in this Appendix are to be used in a two-step process to evaluate each project for direct, meaningful, and assured benefits to one or more disadvantaged communities.

**Step 1 – Located Within:** First, agencies should find the appropriate table for their project type and evaluate the project to see if it meets the criteria for being located within a disadvantaged community. If the project meets the located within criteria, which also requires the project to provide benefits to a disadvantaged community, the funding can be counted toward the SB 535 targets and no further evaluation is needed.

**Step 2 – Provides Benefits To:** If the project does not meet the criteria for “located within,” agencies should move to this second step and evaluate whether the project meets the criteria for providing benefits to one or more disadvantaged communities.

To facilitate public input and provide transparency, the criteria in the following tables identify the project qualities that ARB staff considers sufficient to meet the “direct, meaningful, and assured” standard as used in this document. Each criterion is independent; a project need only meet one criterion to qualify as eligible to be considered as located within or providing benefits to one or more disadvantaged communities.

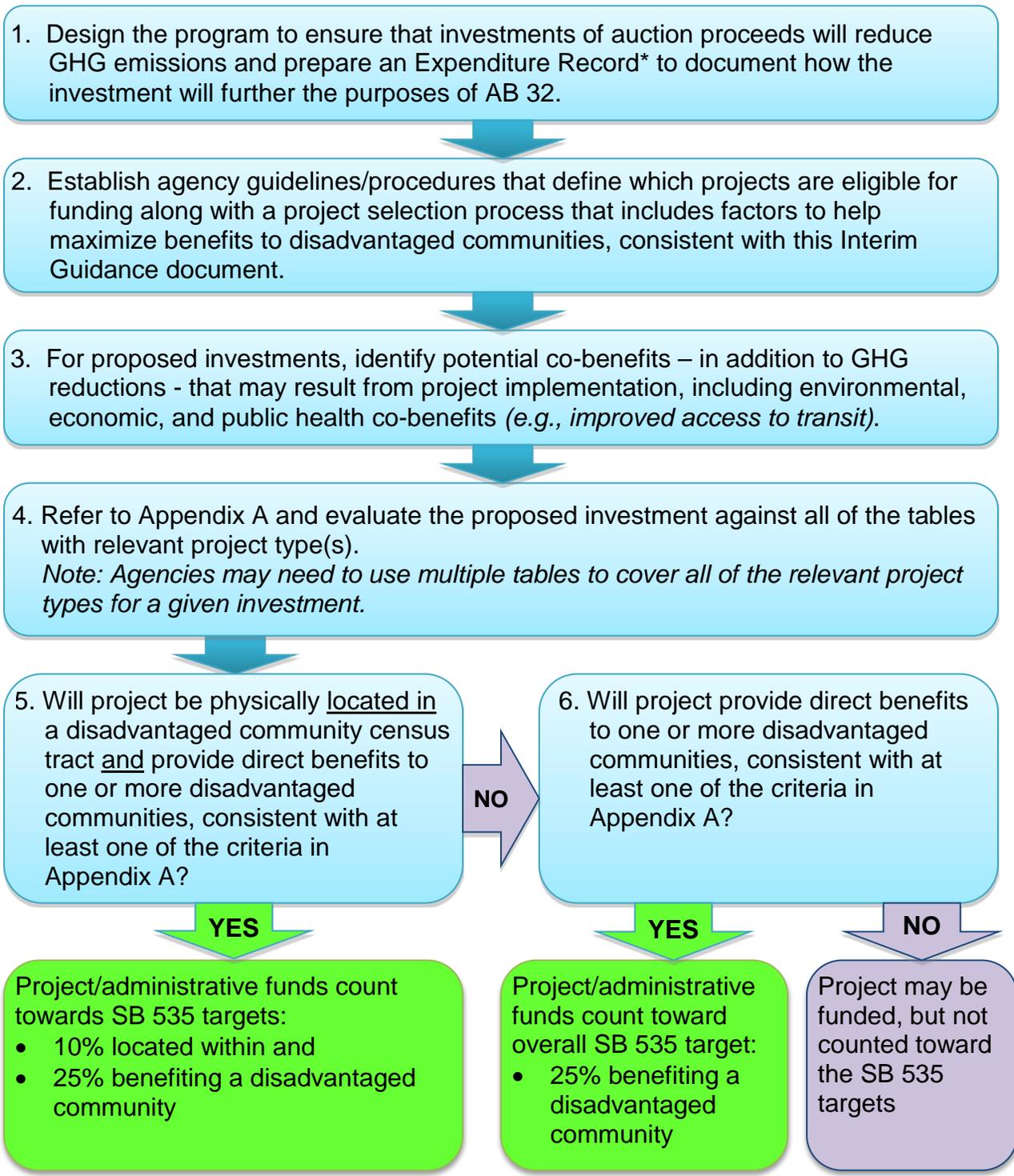
If a project qualifies, all of the GGRF funding needed to implement that project will be considered part of the investment that benefits disadvantaged communities. This means that the total investment dollars include both the state operations overhead to administer the project (prorated based on that agency’s GGRF-funded program costs) and any local administrative expenses such as staffing, outreach, equipment, etc. ARB

funding guidelines forthcoming in 2015 will include provisions for each agency to report on both administrative and project expenses reimbursed by GGRF to implement its projects.

Please note that agencies can use their GGRF appropriations to fund projects that do not meet the criteria in this Appendix; however, only the subset of projects that meet the criteria in this Appendix will be credited toward achieving the SB 535 targets for investments in disadvantaged communities. It is the administering agencies' responsibility to implement projects that meet these criteria, in accordance with federal and state law.

Figure 3 summarizes the overall process for administering agencies, from designing programs to ensure investments further the purposes of AB 32, to evaluating projects for disadvantaged community benefits.

**Figure 3: Summary of Process for Administering Agencies to Design and Implement Programs Funded by Auction Proceeds**



\* Prepare Expenditure Records in accordance with “Cap-and-Trade Auction Proceeds, Interim Guidance to Agencies Administering Greenhouse Gas Reduction Fund Monies: Expenditure Record and Fiscal Procedures”, available at <http://www.arb.ca.gov/auctionproceeds/arb-interim-guidance-expenditure-record-fiscal-procedures-8-6-14.pdf>

This Appendix contains criteria tables for the project types listed below.

#### Sustainable Communities and Clean Transportation

- Table A-1 Low-Carbon Transportation
- Table A-2 Transit Projects
- Table A-3 Affordable Housing and Sustainable Communities

#### Energy Efficiency and Clean Energy

- Table A-4 Energy Efficiency and Renewable Energy
- Table A-5 Water Use Efficiency

#### Natural Resources and Waste Diversion

- Table A-6 Land Preservation or Restoration
- Table A-7 Urban Forestry and Urban Greening
- Table A-8 Waste Diversion and Utilization

***To reduce redundancy, the project categories and criteria are deliberately designed to be broad enough to cover similar projects being implemented by different agencies and programs. Therefore, multiple agencies and programs may share a common criteria table.***

**Table A-1 Low Carbon Transportation:** Projects will achieve GHG reductions through the use of zero and near zero-emission passenger vehicles, buses, trucks, and freight technology.

Potential administering agencies: ARB, CalSTA/CTC, Caltrans/Local Transit Agencies

### CRITERIA TO EVALUATE PROJECTS

*Agencies can also use criteria in other applicable tables.*

When selecting projects for a given investment, give priority to those that maximize benefits to disadvantaged communities (e.g., use scoring criteria that favor projects which provide multiple benefits or the most significant benefits).

**Step 1 – Located Within:** Evaluate the project to see if it meets at least one of the following criteria for being located in a DAC census tract\* and provides direct, meaningful, and assured benefits to a DAC.

Project must meet at least one of the following criteria focused on reducing air pollution for DAC residents:

- A. Project provides incentives for vehicles or equipment to those with a physical address in a DAC\*\*; or
- B. Project provides incentives for vehicles or equipment that will be domiciled in a DAC; or
- C. Project provides incentives for vehicles or equipment that reduce air pollution on fixed routes that are primarily within a DAC (e.g., freight locomotives) or vehicles that serve transit stations or stops in a DAC (e.g., zero-emission buses); or
- D. Project provides greater mobility and increased access to clean transportation for DAC residents by placing services in a DAC, including ride-sharing, car-sharing, or other advanced technology mobility options (e.g., neighborhood electric vehicles, vanpooling, shuttles, smartphone application-based ride-sharing services, bikesharing services).

**Step 2 – Provides Benefits To:** If the project does not meet the above criteria for “located within,” evaluate the project to see if it meets at least one of the following criteria for providing direct, meaningful, and assured benefits to a DAC.

Project must meet at least one of the following criteria focused on reducing air pollution for DAC residents:

- A. Project provides incentives for vehicles or equipment to those with a physical address in a ZIP code that contains a DAC census tract; or
- B. Project provides incentives for vehicles or equipment that operate primarily in “impacted corridors,” [Note: ARB will publish a list of “impacted corridors” based on its assessment of which freight corridors have a substantial air quality impact on DACs.]; or
- C. Project provides incentives for vehicles or equipment that primarily serve freight hubs (e.g., ports, distribution centers, warehouses, airports) located in a ZIP code that contains a DAC census tract; or
- D. Project provides greater mobility and increased access to clean transportation for DAC residents by placing services that are accessible by walking within ½ mile of a DAC, including ride-sharing, car-sharing, or other advanced technology mobility options (e.g., neighborhood electric vehicles, vanpooling, shuttles, bikesharing services).

\* For maps of DAC census tracts, refer to <http://oehha.ca.gov/ej/ces2.html>

\*\* “Those with a physical address in a DAC” may include individuals as well as businesses, public agencies, nonprofits, and other community institutions.

**Table A-2 Transit Projects:** Projects will achieve GHG reductions by reducing passenger vehicle miles travelled through incentives, infrastructure, or operational improvements (e.g., providing better bus connections to intercity rail, encouraging people to shift from cars to transit).

Potential administering agencies: CalSTA/CTC, Caltrans/Local Transit Agencies, SGC

### CRITERIA TO EVALUATE PROJECTS

*Agencies can also use criteria in other applicable tables.*

When selecting projects for a given investment, give priority to those that maximize benefits to disadvantaged communities (e.g., use scoring criteria that favor projects which provide multiple benefits or the most significant benefits).

**Step 1 – Located Within:** Evaluate the project to see if it meets at least one of the following criteria for being located in a DAC census tract\* and provides direct, meaningful, and assured benefits to a DAC.

Project must meet at least one of the following criteria focused on increasing transit service along transit lines or corridors that have stations or stops in a DAC, or improving transit access for DAC residents, or reducing air pollution in a DAC:

- A. Project provides improved transit or intercity rail service for stations or stops in a DAC (e.g., new transit lines, more frequent service, greater capacity on existing lines that are nearing capacity, improved reliability, bus rapid transit service for DAC residents); or
- B. Project provides transit incentives to residents with a physical address in a DAC (e.g. vouchers, reduced fares, transit passes); or
- C. Project improves transit connectivity at stations or stops in a DAC (e.g. network/fare integration, better links between transit and active transportation); or
- D. Project improves connectivity between travel modes for vehicles or equipment that service stations or stops in a DAC (e.g., bicycle racks on transit vehicles ); or
- E. Project creates or improves infrastructure or equipment that reduces air pollution at a station, stop or transit facility in a DAC (e.g., auxiliary power, charging stations); or
- F. Project creates or improves infrastructure or equipment that reduces air pollution on regular routes that are primarily within a DAC (e.g., rail electrification, zero-emission bus); or
- G. Project provides greater mobility and increased access to clean transportation for DAC residents by placing services in a DAC, including ride-sharing, car-sharing, or other advanced technology mobility options associated with transit (e.g., neighborhood electric vehicles, vanpooling, shuttles, smartphone application-based ride-sharing services, bikesharing services); or
- H. Project improves transit stations or stops in a DAC to increase safety and comfort (e.g., lights, shelters, benches).

*Continued on next page.*

**Table A-2 Transit Projects (continued):** Projects will achieve GHG reductions by reducing passenger vehicle miles travelled through incentives, infrastructure, or operational improvements (e.g., providing better bus connections to intercity rail, encouraging people to shift from cars to transit).

Potential administering agencies: CalSTA/CTC, Caltrans/Local Transit Agencies, SGC

### CRITERIA TO EVALUATE PROJECTS

*Agencies can also use criteria in other applicable tables.*

When selecting projects for a given investment, give priority to those that maximize benefits to disadvantaged communities (e.g., use scoring criteria that favor projects which provide multiple benefits or the most significant benefits).

**Step 2 – Provides Benefits To:** *If the project does not meet the above criteria for “located within,” evaluate the project to see if it meets at least one of the following criteria for providing direct, meaningful, and assured benefits to a DAC.*

Project must meet at least one of the following criteria focused on increasing transit service along transit lines or corridors that are accessible to DAC residents, or improving transit access for DAC residents, or reducing air pollution in a DAC:

- A. Project provides improved local bus transit service for riders using stations or stops that are accessible by walking within ½ mile of a DAC (e.g., more frequent service, greater capacity on existing lines that are nearing capacity, improved reliability, bus rapid transit service); or
- B. Project improves local bus transit connectivity for riders using stations or stops that are accessible by walking within ½ mile of a DAC (e.g., better links to active transportation, bicycle racks on local bus); or
- C. Project provides improved intercity rail (and related feeder bus service), commuter bus or rail transit service for riders using stations or stops in a ZIP code that contains a DAC census tract or within ½ mile of a DAC (e.g., new lines, express bus service); or
- D. Project provides improved intercity rail (and related feeder bus service), commuter bus or rail transit connectivity for riders using stations or stops in a ZIP code that contains a DAC census tract or within ½ mile of a DAC (e.g., network/fare integration, better links between local bus and intercity rail, bicycle racks on rail); or
- E. Project will increase intercity rail (and related feeder bus service), commuter bus or rail transit ridership, with at least 25% of new riders from DACs; or
- F. Project provides greater mobility and increased access to clean transportation for DAC residents by placing services that are accessible by walking within ½ mile of a DAC, including ride-sharing, car-sharing, or other advanced technology mobility options associated with transit (e.g., neighborhood electric vehicles, vanpooling, shuttles, bikesharing services); or
- G. Project improves transit stations or stops that are accessible by walking within ½ mile of a DAC, to increase safety and comfort (e.g., lights, shelters, benches); or
- H. Project includes recruitment, agreements, policies or other approaches that are consistent with federal and state law and result in at least 25% of project work hours performed by residents of a DAC; or
- I. Project includes recruitment, agreements, policies or other approaches that are consistent with federal and state law and result in at least 10% of project work hours performed by residents of a DAC participating in job training programs which lead to industry-recognized credentials or certifications.

\* For maps of DAC census tracts, refer to <http://oehha.ca.gov/ej/ces2.html>

**Table A-3 Affordable Housing and Sustainable Communities Projects:** Projects will achieve GHG reductions by reducing vehicle miles travelled (e.g., increasing accessibility of housing, employment centers, and key destinations via complete streets and/or low-carbon transportation options such as walking, biking, and transit).

Potential administering agencies: SGC

### CRITERIA TO EVALUATE PROJECTS

*Agencies can also use criteria in other applicable tables.*

When selecting projects for a given investment, give priority to those that maximize benefits to disadvantaged communities (e.g., use scoring criteria that favor projects which provide multiple benefits or the most significant benefits).

**Step 1 – Located Within:** *Evaluate the project to see if it meets at least one of the following criteria for being located in a DAC census tract\* and provides direct, meaningful, and assured benefits to a DAC.*

Project must meet the following criteria focused on reducing passenger vehicle miles travelled by DAC residents or in a DAC:

- A. A majority (50%+) of the project is within one or more DACs and reduces vehicle miles travelled, and the project is designed to avoid displacement of DAC residents and businesses.

**Step 2 – Provides Benefits To:** *If the project does not meet the above criteria for “located within,” evaluate the project to see if it meets at least one of the following criteria for providing direct, meaningful, and assured benefits to a DAC.*

Project must meet at least one of the following criteria focused on reducing passenger vehicle miles travelled by DAC residents or in a DAC:

- A. Project is accessible by walking within ½ mile of a DAC and reduces vehicles miles travelled, and is designed to avoid displacement of DAC residents and businesses; or
- B. Project includes recruitment, agreements, policies or other approaches that are consistent with federal and state law and result in at least 25% of project work hours performed by residents of a DAC; or
- C. Project includes recruitment, agreements, policies or other approaches that are consistent with federal and state law and result in at least 10% of project work hours performed by residents of a DAC participating in job training programs which lead to industry-recognized credentials or certifications.

\* For maps of DAC census tracts, refer to <http://oehha.ca.gov/ej/ces2.html>

**Table A-4 Energy Efficiency and Renewable Energy:** Projects will achieve GHG reductions by increasing energy efficiency or renewable energy generation (e.g., more efficient heating, ventilation and air conditioning equipment, installation of solar water heaters and photovoltaic systems, upgraded lighting systems, better building envelopes such as insulation and window shading devices, energy management systems, more efficient fans, motors, pumps and variable speed controls).

Potential administering agencies: CSD and CEC

### CRITERIA TO EVALUATE PROJECTS

*Agencies can also use criteria in other applicable tables.*

When selecting projects for a given investment, give priority to those that maximize benefits to disadvantaged communities (e.g., use scoring criteria that favor projects which provide multiple benefits or the most significant benefits).

**Step 1 – Located Within:** Evaluate the project to see if it meets at least one of the following criteria for being located in a DAC census tract\* and provides direct, meaningful, and assured benefits to a DAC.

Project must meet the following criteria focused on energy efficiency improvements and renewable energy for DAC residents:

- A. The project provides upgrades for buildings that are located within a DAC (e.g., public buildings in a DAC, single- or multi-family housing units in a DAC).

**Step 2 – Provides Benefits To:** If the project does not meet the above criteria for “located within,” evaluate the project to see if it meets at least one of the following criteria for providing direct, meaningful, and assured benefits to a DAC.

Project must meet at least one of the following criteria focused on economic opportunities for DAC residents:

- A. Project includes recruitment, agreements, policies or other approaches that are consistent with federal and state law and result in at least 25% of project work hours performed by residents of a DAC; or
- B. Project includes recruitment, agreements, policies or other approaches that are consistent with federal and state law and result in at least 10% of project work hours performed by residents of a DAC participating in job training programs which lead to industry-recognized credentials or certifications.

\* For maps of DAC census tracts, refer to <http://oehha.ca.gov/ej/ces2.html>

**Table A-5 Water Use Efficiency:** Projects will achieve GHG reductions by increasing the efficient use of water and decreasing the energy needed to supply, treat or transport water (e.g., fixing leaks; installing water-saving fixtures and appliances; making landscaping more water-efficient, increasing efficiency of agricultural irrigation systems).

Potential administering agencies: DWR, CDFA

### CRITERIA TO EVALUATE PROJECTS

*Agencies can also use criteria in other applicable tables.*

When selecting projects for a given investment, give priority to those that maximize benefits to disadvantaged communities (e.g., use scoring criteria that favor projects which provide multiple benefits or the most significant benefits).

**Step 1 – Located Within:** *Evaluate the project to see if it meets at least one of the following criteria for being located in a DAC census tract\* and provides direct, meaningful, and assured benefits to a DAC.*

Project must meet at least one of the following criteria focused on water use efficiency:

- A. The project provides water use efficiency incentives or other services to water users (e.g., residential, commercial, agricultural) with a physical address in a DAC; or
- B. The project improves, repairs, or replaces water system infrastructure within a DAC.

**Step 2 – Provides Benefits To:** *If the project does not meet the above criteria for “located within,” evaluate the project to see if it meets at least one of the following criteria for providing direct, meaningful, and assured benefits to a DAC.*

Project must meet at least one of the following criteria focused on water use efficiency, or economic opportunities for DAC residents:

- A. The project repairs or replaces leaking water conveyance or distribution systems that directly serve a DAC; or
- B. Project includes recruitment, agreements, policies or other approaches that are consistent with federal and state law and result in at least 25% of project work hours performed by residents of a DAC; or
- C. Project includes recruitment, agreements, policies or other approaches that are consistent with federal and state law and result in at least 10% of project work hours performed by residents of a DAC participating in job training programs which lead to industry-recognized credentials or certifications.

\* For maps of DAC census tracts, refer to <http://oehha.ca.gov/ej/ces2.html>

**Table A-6 Land Preservation or Restoration:** Projects will achieve GHG reductions through net increases in GHG sequestration or by protecting natural lands from GHG-intensive development (e.g., agricultural land conservation easements, wetland restoration, forest conservation easements).

Potential administering agencies: CAL FIRE, SGC, DFW

### CRITERIA TO EVALUATE PROJECTS

*Agencies can also use criteria in other applicable tables.*

When selecting projects for a given investment, give priority to those that maximize benefits to disadvantaged communities (e.g., use scoring criteria that favor projects which provide multiple benefits or the most significant benefits).

**Step 1 – Located Within:** *Evaluate the project to see if it meets at least one of the following criteria for being located in a DAC census tract\* and provides direct, meaningful, and assured benefits to a DAC.*

Project must meet the following criteria focused on maintaining or providing green space or open space:

- A. Project preserves or restores a site where the majority of the land area is located within a DAC.

**Step 2 – Provides Benefits To:** *If the project does not meet the above criteria for “located within,” evaluate the project to see if it meets at least one of the following criteria for providing direct, meaningful, and assured benefits to a DAC.*

Project must meet at least one of the following criteria focused on economic opportunities or providing environmental improvements for DAC residents:

- A. Project preserves a site that allows public access and is accessible by walking within ½ mile of a DAC; or
- B. Project significantly reduces flood risk to one or more adjacent DACs; or
- C. Project includes recruitment, agreements, policies or other approaches that are consistent with federal and state law and result in at least 25% of project work hours performed by residents of a DAC; or
- D. Project includes recruitment, agreements, policies or other approaches that are consistent with federal and state law and result in at least 10% of project work hours performed by residents of a DAC participating in job training programs which lead to industry-recognized credentials or certifications.

\* For maps of DAC census tracts, refer to <http://oehha.ca.gov/ej/ces2.html>

**Table A-7 Urban Forestry and Urban Greening:** Projects will achieve GHG reductions through net increases in carbon sequestration as a result of planting, cultivating, and maintaining trees and related vegetation in urban areas. Projects may also reduce energy usage by improving the green canopy and providing shade.

Potential administering agencies: CAL FIRE, SGC

### CRITERIA TO EVALUATE PROJECTS

*Agencies can also use criteria in other applicable tables.*

When selecting projects for a given investment, give priority to those that maximize benefits to disadvantaged communities (e.g., use scoring criteria that favor projects which provide multiple benefits or the most significant benefits).

**Step 1 – Located Within:** *Evaluate the project to see if it meets at least one of the following criteria for being located in a DAC census tract\* and provides direct, meaningful, and assured benefits to a DAC.*

Project must meet the following criteria focused on environmental improvements for DAC residents:

- A. The majority of trees planted by the project are within a DAC and the project terms provide for maintenance of the trees and related vegetation.

**Step 2 – Provides Benefits To:** *If the project does not meet the above criteria for “located within,” evaluate the project to see if it meets at least one of the following criteria for providing direct, meaningful, and assured benefits to a DAC.*

Project must meet at least one of the following criteria focused on economic opportunities, or providing green space or open space, for DAC residents:

- A. The majority of trees planted by the project are accessible by walking within ½ mile of a DAC and the project terms provide for maintenance of the trees and related vegetation; or
- B. Project significantly reduces flood risk to one or more adjacent DACs; or
- C. Project includes recruitment, agreements, policies or other approaches that are consistent with federal and state law and result in at least 25% of project work hours performed by residents of a DAC; or
- D. Project includes recruitment, agreements, policies or other approaches that are consistent with federal and state law and result in at least 10% of project work hours performed by residents of a DAC participating in job training programs which lead to industry-recognized credentials or certifications.

\* For maps of DAC census tracts, refer to <http://oehha.ca.gov/ej/ces2.html>

**Table A-8 Waste Diversion and Utilization:** Projects will achieve GHG reductions by diverting waste from landfills or agricultural operations (e.g., composting operations, dairy digesters, anaerobic digestion, and recycling).

Potential administering agencies: CalRecycle, CDFA

### CRITERIA TO EVALUATE PROJECTS

*Agencies can also use criteria in other applicable tables.*

When selecting projects for a given investment, give priority to those that maximize benefits to disadvantaged communities (e.g., use scoring criteria that favor projects which provide multiple benefits or the most significant benefits).

**Step 1 – Located Within:** *Evaluate the project to see if it meets at least one of the following criteria for being located in a DAC census tract\* and provides direct, meaningful, and assured benefits to a DAC.*

Project must meet at least one of the following criteria focused on environmental improvements for DAC residents:

- A. Project provides incentives for a facility in a DAC and the project results in direct air or water quality benefits in the DAC; or
- B. Project provides incentives for an anaerobic digestion system (e.g., organic waste digester or dairy digester) that is located in a DAC.

**Step 2 – Provides Benefits To:** *If the project does not meet the above criteria for “located within,” evaluate the project to see if it meets at least one of the following criteria for providing direct, meaningful, and assured benefits to a DAC.*

Project must meet at least one of the following criteria focused on environmental improvements and economic opportunities for DAC residents:

- A. The majority of waste processed in a digester/composting facility is diverted from landfills located in a DAC or is generated by agricultural operations in a DAC; or
- B. Food rescue projects increase food access to DAC residents; or
- C. Project includes recruitment, agreements, policies or other approaches that are consistent with federal and state law and result in at least 25% of project work hours performed by residents of a DAC; or
- D. Project includes recruitment, agreements, policies or other approaches that are consistent with federal and state law and result in at least 10% of project work hours performed by residents of a DAC participating in job training programs which lead to industry-recognized credentials or certifications.

\* For maps of DAC census tracts, refer to <http://oehha.ca.gov/ej/ces2.html>

**APPENDIX B**

**MAP OF DISADVANTAGED COMMUNITIES  
FOR THE PURPOSES OF INVESTMENT**

## APPENDIX B

This Appendix contains information on maps that graphically represent the geographic criteria identified in Appendix A. These maps are based on the decision made by the Secretary for Environmental Protection to identify the top 25% of CalEnviroScreen 2.0 census tracts as disadvantaged communities for the purposes of implementing SB 535. Detailed maps for all regions of California are available at [www.arb.ca.gov/auctionproceeds](http://www.arb.ca.gov/auctionproceeds).

The Office of Environmental Health Hazard Assessment developed the CalEnviroScreen tool under CalEPA's guidance to assess areas that are disproportionately affected by multiple types of pollution and areas with vulnerable populations. Additional information on CalEnviroScreen and the identification of disadvantaged communities is available at <http://oehha.ca.gov/ej/ces2.html>.

The ARB website contains maps that can be used to evaluate whether projects meet the criteria in Appendix A for being located within or benefiting disadvantaged communities. Figure B-1 is a statewide map. More detailed regional maps that are available at [www.arb.ca.gov/auctionproceeds](http://www.arb.ca.gov/auctionproceeds) show the following areas:

- Census tracts that have been identified as disadvantaged communities;
- Half-mile zones around disadvantaged community census tracts; and
- ZIP codes containing disadvantaged community census tracts.

## 1. HALF-MILE ZONES

Projects may be considered to benefit disadvantaged communities if –

- **Located Within:** The project is located in the census tract and it meets the criteria provided in Appendix A for “Step 1 – Located Within;” **OR**
- **Provides Benefits To:** The project is located in the half-mile zone around a census tract and it meets at least one of the following criteria provided in Appendix A for “Step 2 - “Provides Benefits To.”

The following project types have criteria based on half-mile zones:

| <b>Project Type</b>                            | <b>References for Criteria Based on Half-Mile</b><br><i>(see Appendix A for full criteria)</i> |
|--|--|
| Low Carbon Transportation                      | Table A-1: Step 2.D.   |
| Transit Projects                               | Table A-2: Steps 2.A., 2.B., 2.C., 2.D., 2.F., 2.G.  |
| Affordable Housing and Sustainable Communities | Table A-3: Step 2.A.   |
| Land Preservation or Restoration               | Table A-6: Step 2.A.   |
| Urban Forestry and Urban Greening              | Table A-7: Step 2.A.   |

## 2. ZIP CODE ZONES

Projects may also be considered to benefit disadvantaged communities if –

- **Located Within:** The project is located in the census tract and it meets the criteria provided in Appendix A for “Step 1 – Located Within;” **OR**
- **Provides Benefits To:** The project is located in a ZIP code that contains a census tract and it meets at least one of the following criteria provided in Appendix A for “Step 2 - “Provides Benefits To.”

The following project types have criteria based on ZIP codes containing disadvantaged communities:

| <b>Project Type</b>       | <b>References for Criteria Based on ZIP Codes</b><br><i>(see Appendix A for full criteria)</i> |
|---------------------------|--|
| Low Carbon Transportation | Table A-1: Steps 2.A., 2.C.  |
| Transit Projects          | Table A-2: Steps 2.C., 2.D.  |

**Figure B-1: Statewide Map of Disadvantaged Communities**  
CalEnviroScreen Version 2.0 (October 31, 2014)  
Top 25% Highest Scoring Census Tracts

For more detailed regional maps that allow users to zoom in, refer to:  
[www.arb.ca.gov/auctionproceeds](http://www.arb.ca.gov/auctionproceeds)

