

California Climate Investments: 2018 Funding Guidelines Discussion Document



The purpose of this discussion document is to provide a description of proposed changes to the Funding Guidelines for Agencies that Administer California Climate Investments (Funding Guidelines) and solicit public comment.

On August 4, 2017, the California Air Resources Board (CARB or Board) released a draft document to update the Funding Guidelines (Draft 2017 Funding Guidelines) to reflect legislation passed in 2016 and to incorporate public and agency comments on early years of California Climate Investments program implementation.

In September 2017, the Legislature approved and the Governor signed a Budget to appropriate Fiscal Year (FY) 2017-18 funds, which included new programs and project types not addressed in the Draft 2017 Funding Guidelines. The direction provided in Assembly Bill (AB) 398 (Garcia, Chapter 135, Statutes of 2017),¹ along with the FY 2017-18 appropriations, reflect the increasingly important role of California Climate Investments in addressing a myriad of the State's climate goals by reducing air pollution; helping communities adapt to the impacts of climate change; and providing meaningful benefits to disadvantaged communities, low-income communities, and low-income households, while also facilitating greenhouse gas (GHG) emission reductions.

CARB staff is revising the Draft 2017 Funding Guidelines in response to recent legislation. The revised document will reflect the evolving role of California Climate Investments in addressing our overall climate challenges, and ensure programs can meet relevant statutory requirements, provide flexibility in implementing more diverse sets of investment types, and maintain transparency of reported outcomes from these investments while continuing to prioritize community benefits. CARB staff will also incorporate feedback received through the public process on the Draft 2017 Funding Guidelines.

CARB staff is releasing this discussion document to facilitate immediate implementation of anticipated revisions and solicit public comment. For more information or to submit written comments, please visit:

www.arb.ca.gov/lispub/comm2/bcsubform.php?listname=fundingguidelines-ws&comm_period=1.

¹ AB 398 lists the following legislative priorities for GGRF expenditures: "(1) Air toxic and criteria air pollutants from stationary and mobile sources. (2) Low- and zero-carbon transportation alternatives. (3) Sustainable agricultural practices that promote the transitions to clean technology, water efficiency, and improved air quality. (4) Healthy forests and urban greening. (5) Short-lived climate pollutants. (6) Climate adaptation and resiliency. (7) Climate and clean energy research." Health and Safety Code section 38590.1(a).

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The release of the draft revisions to the Funding Guidelines (Revised 2018 Funding Guidelines) and community meetings are anticipated in Spring 2018, affording additional opportunity for public review and comment. CARB staff will incorporate feedback and release proposed Funding Guidelines with a formal public hearing and testimony to the Board expected in Summer 2018, as shown in Table 1.

Table 1. Public Process for the Revised 2018 Funding Guidelines

| Timeframe | Milestone |
|------------------|---|
| February 2018 | Release discussion document for public review and comment. |
| Spring 2018 | Release Draft Revised 2018 Funding Guidelines and hold community meetings. |
| Summer 2018 | Release Proposed Revised 2018 Funding Guidelines to incorporate feedback from public process and hold public Board hearing. |
| Summer 2018 | Release Final Revised 2018 Funding Guidelines to incorporate Board's direction after public testimony. |

Background on California Climate Investments

State proceeds from Cap-and-Trade auctions and reserve sales fund California Climate Investments. The proceeds, first deposited in the Greenhouse Gas Reduction Fund (GGRF or Fund), are appropriated by the Legislature through the State Budget. Funded projects contribute to the State's climate goals and provide benefits to residents of disadvantaged communities, low-income communities, and low-income households. To date, the Legislature has appropriated \$6.1 billion of Cap-and-Trade auction proceeds to State agencies for California Climate Investments. More information on historic investments can be found at: www.caclimateinvestments.ca.gov, including the Annual Report to the Legislature, an online map, and a downloadable list of projects.

CARB must develop guidance for agencies that administer Fund appropriations, including guidance on reporting, quantification methods, and maximizing benefits for disadvantaged communities.² In 2015, CARB released the "Funding Guidelines for Agencies that Administer California Climate Investments", followed by a Supplement document in 2016 to provide direction for agencies with September 2016 budget appropriations.³ In 2017, CARB staff drafted updates to the Funding Guidelines to reflect public input and new legislative requirements, primarily from AB 1550 (Gomez, Chapter 369, Statutes of 2016). CARB released Draft 2017 Funding Guidelines on August 4, 2017 for public comment. CARB instructed administering agencies to begin

² Senate Bill 862, Chapter 36, Statutes of 2014, Health and Safety Code Section 39715.

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

adhering to the Draft 2017 Funding Guidelines, as feasible, to facilitate incorporating the 2016 legislation into California Climate Investments programs.⁴

The Funding Guidelines describe statutory requirements for agencies that administer California Climate Investments, including:

1. Moneys facilitate the achievement of reductions of GHG emissions;
2. Target funding to disadvantaged communities, low-income communities, and low-income households as appropriate and maximize benefits for disadvantaged communities; and
3. Report on status and outcomes of projects funded.

Proposed Revisions from Draft 2017 Funding Guidelines

CARB staff identified several revisions to the Draft 2017 Funding Guidelines necessary to reflect new legislation and appropriations; streamline program implementation; provide flexibility for a variety of project types, thereby reducing the need for frequent revisions; and reflect comments from the public and administering agencies. The major revisions to the key requirements include:

1. Moneys facilitate the achievement of reductions of GHG emissions.⁵

- **GHG Emission Reductions:** Legislation passed in 2017 and the FY 2017-18 GGRF appropriations present additional ways of facilitating GHG emission reductions through a diverse set of investments for accomplishing the State's ambitious climate goals. In light of this legislation, the Revised 2018 Funding Guidelines will allow agencies to demonstrate how a program's combined investments facilitate GHG emission reductions. For example, administering agencies may implement programs that prioritize objectives such as protecting community health while also contributing to achieving and maintaining GHG emission reductions.

Under the Revised 2018 Funding Guidelines, all programs, when considering all funded projects, must facilitate GHG emission reductions. Administering agencies are responsible for demonstrating how expenditures facilitate GHG emission reductions. Agencies may use CARB quantification methods, where feasible, to support their assessment. CARB will continue to develop guidance for agencies on methods to demonstrate compliance with statutory requirements. Guidance may include direction for agencies to develop qualitative assessments of GHG emission reduction facilitation for programs that do not implement

⁴ CARB's development of these guidelines is exempt from requirements of the Administrative Procedure Act, Government Code section 11340 et seq., Health and Safety Code section 39715(c), Government Code section 164238.9(b).

⁵ Health and Safety Code section 39712(b).

projects with near-term GHG emission reductions (e.g., outreach, technical assistance, climate research, adaptation planning).

- **Expenditure Records:** Administering agencies must continue to consult with CARB to identify applicable requirements and discuss approaches for assessing project outcomes. To streamline program implementation, the process to complete Expenditure Records no longer requires CARB concurrence. Administering agencies prepare an Expenditure Record in accordance with the statutory requirements.⁶ An administering agency's Secretary and Department Director (or equivalent) must sign, and submit to CARB to publicly post, a memorandum attesting that the proposed use of funds meets statutory requirements.

2. Target funding to disadvantaged communities, low-income communities, and low-income households as appropriate and maximize benefits for disadvantaged communities.⁷

- **Protecting Communities:** In response to community feedback, ensure all program designs avoid or minimize substantial burdens on communities (such as physical or economic displacement of disadvantaged and low-income communities or low-income households). Include a new guiding principle for all California Climate Investments to focus on project types that avoid or minimize potential substantial burdens to disadvantaged communities and low-income communities.
- **Community Engagement:** In response to community feedback, enhance guidance on conducting meaningful community engagement. Update the requirements for agencies to focus more on outreach and the need for continued community engagement on programs and projects. Technical assistance for applicants is encouraged to better increase community access to funding.
- **Program Targets for Disadvantaged Communities and Low-Income Communities and Households:** To expedite program implementation and minimize the frequency of Funding Guidelines updates, CARB will post future program targets as needed. The Funding Guidelines previously included investment targets for each program. The Draft 2017 Funding Guidelines did not include individual program investment targets. Investment targets for FY 2017-18 funds are available at: www.arb.ca.gov/cci-fundingguidelines.
- **Project Analysis:** To maintain stringency for claiming benefits to disadvantaged and low-income communities and households, all projects must follow the existing requirements in the Draft 2017 Funding Guidelines to be considered a benefit under AB 1550.⁸ Projects that do not achieve direct GHG emission reductions may provide other direct benefits to disadvantaged and low-income

⁶ Government Code section 16428.9(a)

⁷ Health and Safety Code sections 39713, 39715.

⁸ CARB may develop additional criteria for new project types not included in the existing Draft 2017 Funding Guidelines.

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communities and households. This process requires an analysis of each project to determine if the project meets the criteria for providing direct, meaningful, and assured benefits and meets an important community need.

3. *Report on status and outcomes of projects funded.*⁹

- Reporting Frequency: Collect project data from agencies semi-annually. CARB will use the reported data to update online maps and publicly-accessible project information.
- Guidance by Project Type: To expedite program implementation and minimize the frequency of Funding Guidelines updates in the future, CARB will remove project specific reporting requirement tables and AB 1550 benefit criteria tables from the Funding Guidelines. CARB will post the tables separately and provide an opportunity for public review as new or updated tables for reporting or claiming AB 1550 benefits are developed, similar to quantification methods. CARB will also revise the reporting tables to apply more broadly, reduce duplication, and align with the online reporting system.

CARB staff intends to include the changes summarized in this discussion document in the forthcoming Draft Revised 2018 Funding Guidelines. To submit written comments on the changes proposed, please visit:

https://www.arb.ca.gov/lispub/comm2/bcsubform.php?listname=fundingguidelines-ws&comm_period=1.

⁹ Health and Safety Code section 39721.