



Cap-and-Trade Auction Proceeds

Supplement to the Draft Funding Guidelines for Agencies that Administer California Climate Investments (Greenhouse Gas Reduction Fund)

For Public Discussion

July 13, 2015

On June 16, 2015, the Air Resources Board (ARB or Board) staff released a discussion draft of its Cap and Trade Auction Proceeds Funding Guidelines for Agencies that Administer California Climate Investments to seek public comment prior to Board consideration in late July. A range of stakeholders provided written comments, many in the form of letters from large coalitions of organizations.

Nearly all of the commenters urged ARB to extend the public process to allow more time for review, development of coalition responses, and input to influence the revised proposal to be presented to the Board. ARB staff is implementing several changes to enhance the public process.

1. ARB has moved Board consideration of the proposed Funding Guidelines from its July 23 meeting to its September 24-25, 2015 meeting (in Diamond Bar). This change will allow us to continue accepting public comment on the June 16th draft through late August. We will leave the electronic comment log (<http://www.arb.ca.gov/cc/capandtrade/auctionproceeds/fundingguidelines.htm>) open until we publish the next version (the proposed Guidelines) in late August/early September for Board consideration in September.
2. ARB has added a second dedicated workshop on the draft Funding Guidelines, scheduled in Los Angeles on July 16.
3. ARB will shortly be announcing a series of public workshops on both a draft Investment Plan concept paper and the draft Funding Guidelines to be held in multiple locations around the State during the first two weeks of August.

Purpose of this Document. In addition, we are making this supplement to the draft Funding Guidelines available to seek public input on ARB staff's preliminary thinking regarding changes to address two primary areas of comment:

- *Transparency requirements for agencies to provide greater public access to information on projects and project applications submitted in response to competitive solicitations, both before and after project selection.*
- *Additional guidance on maximizing benefits to disadvantaged communities.*

Supplement to the Draft Funding Guidelines for Agencies that Administer California Climate Investments – for Public Discussion

1. Transparency

A broad spectrum of commenters requested greater public transparency, particularly regarding the projects submitted for funding in competitive processes. ARB staff is considering the following revisions to the draft Funding Guidelines, with the potential new text in *blue italics*.

1.1 How can agencies provide transparency regarding applications?

Public access and transparency: All administering agencies must provide public access to information on programs and projects funded by the GGRF. Each agency should maintain a website that provides up-to-date program information (e.g., guidelines, workshops, solicitations, application procedures, funding awards). *The website also needs to provide access to information about proposed projects and locations.*

***Prior to Funding Decisions:** For programs that will fund projects with competitive grant, loan, or contract solicitations (i.e., not “first come, first served” vouchers or rebates), agencies must post basic information about all of the applications or proposals that are submitted for consideration. Agencies must post this information on their program websites at least ten days before the agency makes a decision on funding awards. Agencies can provide this information on their website using the format that works best for their program (e.g., a list of all applications, brief narrative summaries of each application, concept proposals, etc.). Since each agency is responsible for its own project selection criteria and process, the type of information that is posted may vary by program. The minimum items that must be posted include:*

For each project application or proposal

- Name of applicant.*
- Brief description of proposed project, including location (excluding personally identifiable information for any private individuals).*
- Amount of GGRF funding requested.*
- Whether the project is expected to be located within or provide benefits to a disadvantaged community.*

For each solicitation

- A reference or website link to the project evaluation and selection criteria that are contained in the agency’s guidelines and solicitation materials, to inform the public about the factors that will influence the agency’s decision making.*

In addition to the items shown above, agencies could choose to list or describe other key data (qualitative or quantitative) for each project that is being considered in project selection according to the program guidelines or solicitation materials.

Supplement to the Draft Funding Guidelines for Agencies that Administer California Climate Investments – for Public Discussion

After Funding Decisions: After projects are selected and all funds are encumbered, agencies must post an updated list within 90 days that identifies the status for all project applications. At a minimum, the status must identify the projects funded and the amount of funding awarded. Agencies may choose to provide additional or updated information if they determine such information would be useful to promote transparency.

Reference: Volume 1, Chapter V. Program Design, Section 7, “Establish GGRF administrative policies and procedures”.

2. Maximizing Benefits to Disadvantaged Communities

Commenters also requested that ARB provide stronger direction to administering agencies to maximize benefits to disadvantaged communities, with the goal of achieving significant benefits that address community needs. ARB staff is considering the following revisions to the draft Funding Guidelines, with the potential new text in *blue italics*.

2.1 How should agencies design their programs to maximize disadvantaged community benefits?

a. Requiring that agencies include the following items on each Expenditure Record:

- Percentage of total funding that will be expended for projects that are *“located within” and “provide benefits to”* disadvantaged communities.
- Describe the disadvantaged community benefits *and explain strategies the agency will use to maximize benefits.*

Reference: Volume 1, Appendix 1.A, Chapter VIII. “What are the required elements of an Expenditure Record?” This requirement would be listed under Element (4).

b. Including additional clarification on how agencies can structure their guidelines and solicitation materials to maximize benefits:

...In guidelines and solicitation materials, describe how the agency will evaluate projects for potential benefits and structure the program to maximize benefits to disadvantaged communities...

- Describe efforts to address common needs in disadvantaged communities or specific needs identified by community residents or representatives. *To determine these needs, agencies can use a variety of approaches, such as requiring project applicants to: assess the factors in CalEnviroScreen that caused an area to be defined as a disadvantaged community; host a community meeting to get input; or refer to the list of common needs in Volume 2, Table 2-2.*

Reference: Volume 1, Chapter VI. “Guidelines and Solicitation Materials”, Section VI.B.2, “Maximizing Benefits to Disadvantaged Communities”

**Supplement to the Draft Funding Guidelines for Agencies
that Administer California Climate Investments – for Public Discussion**

- c. Including a list of possible strategies that administering agencies can use to design their programs in ways that help maximize benefits to disadvantaged communities:

NEW Figure 2-X Examples of Strategies for Maximizing Benefits to Disadvantaged Communities

Program Design	<ul style="list-style-type: none"> • <i>Set aside a portion of funding for projects with benefits</i> • <i>Create a program where all projects must provide benefits</i> • <i>Offer higher incentive amounts if project provides benefits</i> • <i>Require that projects be designed to avoid substantial burdens</i>
Competitive Solicitations	<p><i>Prioritize or award extra points for projects that:</i></p> <ul style="list-style-type: none"> • <i>Address an important community need</i> • <i>Provide multiple co-benefits</i> • <i>Meet multiple criteria in Appendix 2.A</i>
Outreach	<ul style="list-style-type: none"> • <i>Provide assistance for community residents and increase their access to GGRF programs and funding opportunities</i> • <i>Start outreach early and use a variety of approaches (public meetings, list serves, social media, workgroups)</i> • <i>Improve accessibility of outreach for community members through scheduling and location choices, and translation</i>

Reference: Volume 2, Chapter V. “Guidance on Maximizing Benefits to Disadvantaged Communities”, Section V.C”, “Recommendations for Administering Agencies to Maximize Funding to Benefit Disadvantaged Communities”

- d. Recommending agencies provide additional points or prioritization in a solicitation for projects that meet disadvantaged community needs:

- *Hold competitive solicitations that prioritize or award extra points to projects that meet the criteria in Appendix 2.A and include additional elements to help maximize benefits to disadvantaged communities. Types of projects might include:*
 - *Projects that address an important need in a disadvantaged community. Applicants should describe the link between the needs of the community and the benefits that their project will provide to that community, consistent with the criteria in Appendix 2.A. To determine community needs, applicants can use a variety of approaches such as: looking at the factors in CalEnviroScreen that caused an area to be defined as a disadvantaged community; hosting community meetings to get local input; referring to the list of common needs in Table 2-2; or receiving documentation of community support (e.g., letters or emails). If the administering agency has held community meetings or workshops, applicants can refer to the community needs discussed during those events.*

Supplement to the Draft Funding Guidelines for Agencies that Administer California Climate Investments – for Public Discussion

- *Projects that provide multiple co-benefits, as listed on the common needs Table 2-2. Applicants should describe the co-benefits that will result from the project.*
- *Projects that meet multiple criteria on the tables in Appendix 2.A. Applicants should describe all of the criteria from Appendix 2.A that the project will meet...*

Reference: Volume 2, Chapter V. “Guidance on Maximizing Benefits to Disadvantaged Communities”, Section V.C”, “Recommendations for Administering Agencies to Maximize Funding to Benefit Disadvantaged Communities”

- e. Recommending agencies identify and avoid negative impacts of GGRF projects:
- Require that projects be designed to avoid *substantial burdens, such as displacement of disadvantaged community residents and businesses or increased exposure to toxics or other health risks...*

Reference: Volume 2, Chapter V. “Guidance on Maximizing Benefits to Disadvantaged Communities”, Section V.C”, “Recommendations for Administering Agencies to Maximize Funding to Benefit Disadvantaged Communities”

2.2 How can agencies identify disadvantaged community needs?

- a. ARB staff is considering including text that identifies and clarifies how a project applicant or administering agency can identify disadvantaged community needs.

“...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 documents that indicate community support (e.g., letters or emails submitted with funding applications); look at the factors in CalEnviroScreen that caused an area to be identified as a disadvantaged community; or refer to Table 2-2 for examples of commonly identified needs of disadvantaged communities...*”

Reference: Volume 2, Chapter V. “Guidance on Maximizing Benefits to Disadvantaged Communities”, Section V.B.3 “Guiding principles for agencies having investments that may be located within or provide benefits to disadvantaged communities”.

Supplement to the Draft Funding Guidelines for Agencies that Administer California Climate Investments – for Public Discussion

Table 2-2 Illustrative Examples of Common Needs of Disadvantaged Communities (as Identified by Community Advocates)

(only changes and additions to the existing table are shown here)

- *Increase access to parks, greenways, open space, recreation, and other community assets.*
- 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, *using project labor agreements, community benefit agreements, etc.*).
- Revitalize local economies (e.g., increased use of local businesses) *and support California-based* small businesses.
- *Preserve community stability and maintain housing affordability for low-income households (e.g., prioritize projects in jurisdictions with anti-displacement policies in place.)*
- Reduce exposure to local *environmental contaminants, such as* toxic air contaminants, *criteria air pollutants, and drinking water contaminants* (e.g., provide a buffer between bike/walk paths and corridors with high levels of transportation-*related air* pollution).
- *Reduce exposure to pesticides in communities near agricultural operations.*

Reference: Volume 2, Chapter V. "Guidance on Maximizing Benefits to Disadvantaged Communities", Section V.B.3 "Guiding principles for agencies having investments that may be located within or provide benefits to disadvantaged communities"

2.3 How will ARB and agencies provide assistance to disadvantaged communities to improve awareness and access to GGRF funds?

- a. In the FY2015-16 Budget Act enacted on June 24, 2015, ARB and some of the administering agencies received a dedicated staff position to expand GGRF outreach efforts with disadvantaged communities. We plan to add a description to the Funding Guidelines to identify the activities and additional support we will be providing:

ARB plans to hire a contractor(s), likely a university or non-profit entity(ies), to conduct outreach to disadvantaged communities and improve the availability of assistance. ARB's staff or contractors would act as the first point of contact for community representatives to help them determine which GGRF programs may be most responsive to needs identified by the community, and connect those representatives with the appropriate liaison(s) at the agencies administering those programs. Administering agency staff could then provide general assistance related to their GGRF program(s). Based on the level of resources available, we do not expect that this assistance will include State agency preparation of proposals or completion of applications on behalf of disadvantaged community applicants.

**Supplement to the Draft Funding Guidelines for Agencies
that Administer California Climate Investments – for Public Discussion**

ARB staff will coordinate with the liaisons at each administering agency to prioritize the work of the contractor(s), develop outreach strategies to maximize the effectiveness of the contractor(s), and facilitate information sharing to keep the contractor(s) up to date on program opportunities. In addition, ARB staff will analyze the effectiveness of the disadvantaged community assistance and outreach efforts and implement improvements as necessary.

Reference: Volume 2, Chapter V. “Guidance on Maximizing Benefits to Disadvantaged Communities”, Section V.B.2, “Requirements for agencies having investments that may be located within or provide benefits to disadvantaged communities”