

Funding Guidelines for Agencies that Administer California Climate Investments

2022 Update to Section VII.B on Priority Population Definitions



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PROGRAM WEBPAGE

For more information on this topic and upcoming meetings, please see the program website for Administration activities at:

<http://www.arb.ca.gov/auctionproceeds>.

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Purpose of this Guidance

This document provides guidance to agencies administering California Climate Investments programs funded through the Greenhouse Gas Reduction Fund (GGRF) on applying updated designations of disadvantaged communities and low-income communities and households to program design and implementation. California Climate Investments is a statewide initiative that puts billions of Cap-and-Trade dollars to work reducing greenhouse gas emissions; strengthening the economy; improving public health and the environment; and providing benefits to residents of disadvantaged communities, low-income communities, and low-income households, collectively referred to as “priority populations.” Senate Bill (SB) 862 (Budget and Fiscal Review Committee, Chapter 36, Statutes of 2014) requires the California Air Resources Board (CARB) to develop funding guidelines for administering agencies that receive appropriations from the GGRF to ensure statutory requirements are met. In 2018, after a public process, the Board approved and CARB released the current version of the *Funding Guidelines for Agencies that Administer California Climate Investments*¹ (Funding Guidelines).

Providing benefits to priority populations, which include disadvantaged communities and low-income communities and households, is a core component of the California Climate Investments portfolio. SB 535 (De León, Chapter 830, Statutes of 2012) set a minimum requirement for investment in disadvantaged communities and tasks the California Environmental Protection Agency (CalEPA) with identifying disadvantaged communities. Assembly Bill (AB) 1550 (Gomez, Chapter 369, Statutes of 2016) revised the investment minimums for disadvantaged communities and established investment minimums for low-income communities and households. AB 1550 also provided thresholds for defining low-income communities and households. SB 535 and AB 1550 together require that a minimum of 35 percent of California Climate Investments funding benefit these priority populations.

In October 2021, the California Office of Environmental Health Hazard Assessment released CalEnviroScreen 4.0, an updated version of the screening tool that CalEPA has historically used to identify disadvantaged communities. Beginning in late 2021, CalEPA began the process of updating its disadvantaged communities designation. The final designation was released in May 2022. In addition, as specified in the Funding Guidelines, CARB has updated the reference year(s) used to identify low-income communities and households in response to CalEPA’s updated disadvantaged community designation. CARB and administering agencies will need to transition to full implementation of these updated designations no later than July 1, 2022.

These updates have necessitated some modifications to the project selection and reporting requirements for California Climate Investment programs. This document, the 2022 Update to Section VII.B on Priority Population Definitions (2022 Update to Section VII.B) provides guidance for administering agencies transitioning to the updated designations, which are effective as of July 1, 2022. For project selection occurring after July 1, 2022, this 2022 Update to Section VII.B replaces Section VII.B of the Funding Guidelines, although agencies

¹ The Funding Guidelines are available at: <https://ww2.arb.ca.gov/sites/default/files/auction-proceeds/2018-funding-guidelines.pdf>

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may apply the updated designations earlier as specified in this document.² There may be limited cases where this guidance requires additional clarification for individual programs. In these cases, programs should work directly with CARB staff to determine applicability.

The 2022 Update to Section VII.B is to be used in conjunction with the Funding Guidelines. Each agency is ultimately responsible for applying the provisions of the Funding Guidelines and this 2022 Update to Section VII.B when designing its programs and developing its administrative guidelines or administrative requirements that establish the agency's project selection and project implementation criteria.

This technical Funding Guidelines update does not include any policy changes related to the implementation of AB 680 (Burke, Chapter 746, Statutes of 2021). CARB will initiate a public process to include required updates to comply with AB 680 and other potential Funding Guidelines changes in the coming months.

² At the July 26, 2018 Board meeting, the Board adopted Resolution 18-27, which delegates authority to the Executive Officer or his or her designee to, "make future updates to the Funding Guidelines or to develop additional guidance that is needed to address...any CalEPA updates to the identification of disadvantaged communities, and any updates to the information used to define low-income communities and low-income households."

VII.B. Definitions of Priority Populations

VII.B.1. Disadvantaged communities

State law directs the Secretary for Environmental Protection at CalEPA to identify “disadvantaged communities.”³ Identification must be based on geographic, socioeconomic, public health, and environmental hazard criteria. 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 statutory mandate, CalEPA has historically used a tool called CalEnviroScreen to help identify disadvantaged communities for the purpose of AB 1550 investments. The Office of Environmental Health Hazard Assessment (OEHHA) developed this screening 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: “Pollution Burden,” which includes exposures and environmental effects, and “Population Characteristics,” which includes sensitive population and socioeconomic factors. The indicator scores are combined in the tool for each census tract to determine an overall CalEnviroScreen score. The higher the score, the higher the level of cumulative burden according to these indicators.

In October 2021, OEHHA released CalEnviroScreen version 4.0 based on 21 indicators that were evaluated at the census tract scale. In May 2022, using CalEnviroScreen 4.0 and the American Indian Areas Related National Geodatabase, CalEPA identified the list of disadvantaged community census tracts and land areas for the purpose of implementing California Climate Investments under SB 535 and AB 1550. Under the new designation, the identified disadvantaged communities include:

- The census tracts with the highest 25 percent of overall scores in the State based on CalEnviroScreen 4.0;
- Census tracts lacking overall scores in CalEnviroScreen 4.0 due to data gaps but receiving the highest five percent of scores on a composite score measuring cumulative pollution burden;
- Census tracts identified in the 2017 SB 535 disadvantaged communities designation as disadvantaged, regardless of their scores in CalEnviroScreen 4.0; and
- Lands under the control of federally recognized Tribes.

CalEPA is providing for a consultation-based process with any interested federally recognized Tribe to identify land under its control that is not accounted for in the American Indian Areas

³ Health and Safety Code section 39711, added by SB 535.

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Related National Geodatabase. Administering agencies receiving questions from federally recognized Tribes on the potential inclusion of new areas in the designation of disadvantaged communities should direct Tribes to the CalEPA office of the Deputy Secretary for Environmental Justice, Tribal Affairs, and Border Relations at TribalAffairs@calepa.ca.gov. CARB will provide guidance to administering agencies on claiming priority population benefits for any lands that CalEPA adds to the disadvantaged communities designation based on consultation with federally recognized Tribes.

Please note that CalEnviroScreen is a screening tool that informs the identification of disadvantaged communities based on currently available data. As community characteristics change over time and the tool is updated, CalEPA will periodically review and update its SB 535 designation of disadvantaged communities. As CalEPA updates the list of census tracts identified as disadvantaged communities over time, CARB will issue new guidance to provide direction to agencies on the applicability of new designations.

VII.B.2. Low-income communities

AB 1550 defines “low-income communities” as those census tracts with: 1) median household incomes at or below 80 percent of the statewide median income, or 2) median household incomes at or below the threshold designated as low-income by Department of Housing and Community Development’s State Income Limits (HCD State Income Limits).⁴ Census tracts that satisfy either of these definitions were identified as “low-income” for the purpose of AB 1550 implementation.

To identify the low-income census tracts using the statewide median household income, the median household income of each census tract was determined from the 2015-2019 American Community Survey (ACS) and compared against the statewide median household income determined by the same survey, which was \$75,235.⁵ Any census tract with a median household income at or below 80 percent of \$75,235 (i.e., \$60,188) was identified as low-income.

Additional census tracts were identified based on the threshold designated as low-income by HCD State Income Limits.⁶ The HCD State Income Limits vary by household size for each county and provide income thresholds for “Acutely Low,” “Extremely Low,” “Very Low,” “Low,” “Median,” and “Moderate” income categories. AB 1550 refers to the “Low” income thresholds within the HCD State Income Limits.

The county-level “low-income” limit from the HCD State Income Limits was used to define “low-income” at the census tract level using the average household size (rounding to the nearest whole number) for each census tract, using the data from the 2015-2019 ACS. The

⁴ Health and Safety Code section 39713(d), citing HCD State Income Limits, adopted pursuant to the Health and Safety Code Section 50093.

⁵ US Census Bureau, American Community Survey 2019 5-year Estimates (2015-2019).

⁶ California Department of Housing and Community Development. “State and Federal Income, Rent, and Loan/Value Limits: Official State Income Limits for 2021.” www.hcd.ca.gov/grants-funding/income-limits/state-and-federal-income-limits.shtml.

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average household size of each census tract was then used to determine the appropriate “low-income” limit from HCD’s State Income Limits for the appropriate county. The median household income for each census tract was also determined from the ACS, which was then compared to the appropriate HCD low-income limit. If the median household income for a given census tract was equal to or less than the appropriate HCD low-income limit, then the census tract was defined as “low-income” for the purposes of AB 1550. For example, in Sacramento County, any census tract with an average household size of two, and a median income less than \$58,000, is designated as low-income, while for census tracts with an average household size of three the low-income threshold becomes \$65,250.

VII.B.3. Low-income households

AB 1550 defines “low-income households” as those with: 1) a household income at or below 80 percent of the statewide median income, or 2) a household income at or below the threshold designated as low-income by HCD State Income Limits.⁷ The low-income household definition applies to individual households and therefore it is not mapped.

For programs that target investments to benefit low-income households for the purpose of meeting AB 1550 investment minimums, administering agencies must determine an approach to assess whether households meet the definition of low-income. See Section V.C.2 of the 2018 Funding Guidelines for strategies for identifying income eligibility.

VII.B.4. Applicability and updates of definitions and designations

Following the 2022 release of the updated disadvantaged communities and low-income communities and households designations described above, administering agencies selecting projects on or after July 1, 2022 are required to adopt the updated designations for the purposes of program design, guidance materials, project selection and implementation, and reporting. To avoid disruption of ongoing program activities, administering agencies are not required to modify ongoing solicitations initiated prior to July 1, 2022 in response to this guidance.

Solicitations and project selections occurring before July 1, 2022 can continue reporting under the designations and thresholds in place at the time the solicitation was released, or the project was selected, as applicable. Programs may also choose to apply the updated designations for project selection or new solicitations prior to July 1, 2022 upon release of this guidance and the updated version of the Priority Populations Mapping Tool that reflects the updated designations. However, any given project should maintain its respective framework, for the purposes of reporting, throughout the project lifecycle to ensure consistency in project implementation and reporting. For information on applicable designations and thresholds prior to July 1, 2022, see the Section VII.B of the 2018 Funding Guidelines.

For program activities that do not fit clearly into the above scenarios, administering agencies should work with CARB staff to develop an approach for implementing the updated designations on a case-by-case basis.

⁷ Health and Safety Code section 39713(d),

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As CalEPA updates its designation of disadvantaged communities over time, CARB will update the list of low-income communities and the income thresholds for the identification of low-income households.⁸ In the case that CalEPA makes limited, case-by-case additions to the designation of disadvantaged communities based on consultation with federally recognized Tribes, minor technical adjustments, or other processes, CARB will update mapping tools and other resources to include these new areas but, in order to reduce program disruption, will not update the list of low-income communities and income thresholds. All California Climate Investments must use the most recent definitions and designations made by CalEPA, in accordance with guidance from CARB on an effective date and applicability for new designations.

For effective administration of California Climate Investments programs, the designations will remain with a given project from the time of selection through implementation, regardless of when the funds are actually expended. Current definitions and designations are available at: www.arb.ca.gov/cci-communityinvestments

⁸ While the two definitions of “low-income” are defined by statute and not subject to change, statewide median household income and county-specific HCD low-income limits will change over time. Hence any update to the identification of low-income communities or households will not be a revision of the low-income definition, but an update with respect to which reference year(s) are used in the identification of low-income communities and households for the purposes of California Climate Investments programs.