California Climate Investments: Proposed 2018 Funding Guidelines Response to Comments

California Air Resources Board (CARB) recently released Draft Revised 2018 Funding Guidelines for agencies administering California Climate Investments. As part of the public process, CARB participated in a series of community meetings, held a public workshop with a webcast and audio in English and Spanish, and collected written comments to solicit feedback on the draft document.

This document summarizes common themes in comments received as part of developing the Funding Guidelines and discusses how comments were addressed and, where appropriate, incorporated into the Proposed 2018 Funding Guidelines. Comment letters and community members largely voiced support for the increased flexibility provided in the Draft Revised 2018 Funding Guidelines. The feedback specifically supported using the flexibility to allow agencies to improve access to funding and further achieve important co-benefits. CARB staff addressed many of the comments with additional changes included in the Proposed 2018 Funding Guidelines and other program guidance, as described below. Page references correspond to edits shown in the Proposed 2018 Funding Guidelines document with tracked changes, available at: www.arb.ca.gov/cci-fundingguidelines.

Job creation, job training, and measuring employment outcomes. Across the State, communities echoed the importance of investments to foster job creation and job training, and to ensure that local businesses and residents are the recipients of employment opportunities. Training programs with an established record of placement, specifically for industries that support a clean economy, were identified as critical in achieving long-term benefits. Many commenters asked CARB to establish a robust, standardized tracking system for measuring the quantity and quality of employment benefits from California Climate Investments.

> **CARB response:** Existing reporting requirements include several metrics on the quantity and quality jobs and job training directly funded by California Climate Investments. Administering agencies have historically underreported this data due to complexities in collecting and consolidating this information from employers and a lack of standardized approach for tracking this information, among other reasons. In response to the continued demand for robust job tracking information, projects that meet certain thresholds must report employment outcomes (§VI.D.4 [p.59-60]).
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> Additionally, CARB is in the process of developing methods to assess jobs co-benefits. Once available, administering agencies will be required to use the jobs co-benefit assessment methodology to estimate and report potential employment benefits (§IV.C.4 [p.39-40], §VI.D.3 [p.59], §VI.D.4 [p.59-60]).

Technical assistance and capacity building for applicants. Commenters noted a strong need for administering agencies to provide direct assistance to applicants when soliciting for a specific program, particularly for low-income applicants and applicants in disadvantaged communities. Comments also emphasized the importance of general application training to increase capacity of local entities and residents to apply for a wide range of California Climate Investments programs.

> **CARB response:** Technical assistance efforts have been increasing in response to early years of program implementation. In 2016, the Legislature appropriated $2 million to the Strategic Growth Council to provide technical assistance to disadvantaged communities. Five administering agencies are implementing the technical assistance funding for fiscal year 2017-18 programs using a variety of approaches.
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> In addition, CARB staff identified additional strategies for administering agencies providing technical assistance to further encourage partnerships with community organizations and local government entities to develop projects and prepare and submit applications (§III.D.2 [p.12-13], §IV.A.5 [p.26-28], §V.B.3 [p.46-47]).

Unintended harms. Community members voiced concern about potential unintended consequences of project implementation and the importance of avoiding additional burdens in vulnerable communities. Community members identified potential projects harms specific, which were often region-specific, and included: wood-burning stove replacements incentivizing wood burning and increasing toxics; dairy digester projects increasing herd size and thereby increasing local impacts; housing and transit displacing low-income residents and businesses; dust impacts from land use change associated with renewable energy infrastructure; and centralized waste processing increasing localized truck traffic.

> **CARB response:** Earlier versions of the Funding Guidelines required avoiding harms if a project may be counted as benefiting priority populations. In the Draft Revised 2018 Funding Guidelines, CARB staff added a new guiding principle for all programs, in which administering agencies are encouraged to design programs and select projects that avoid substantial burdens to priority populations. The Proposed Funding Guidelines amended this guiding principle to be a requirement and added specific examples of projects that utilize strategies to avoid substantial burdens (§III.D.7 [p.16-17]).

Education and outreach on funding availability. Community members encouraged contracting with, and deploying, local organizations that have already built trust in communities to increase awareness about programs. Leadership training programs were identified as a way to support local leaders and further promote California Climate Investments. CARB and administering agencies were encouraged to utilize the media (e.g., radio, television, newspapers, social media) to advertise funding opportunities.

> **CARB response:** To address existing gaps, CARB contracted with the Foundation for California Community Colleges (Foundation) in Fall 2016 to increase outreach to disadvantaged communities and create tools to provide information including a summary factsheet for each program, a summary of current funding opportunities for individuals and organizations, and a set of frequently asked questions. The Foundation also engages directly with the public through a bilingual hotline for program questions and at community events (e.g., festivals, fairs, conventions, and conferences) to directly reach priority populations.
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> In the Proposed Funding Guidelines, CARB staff included additional recommendations for administering agencies when conducting outreach as suggested by community members, including using a wide variety of media, partnering with community organizations, and engaging communities for entire programs as well as for individual projects (§IV.A.5 [p.26-28]).

Strengthening partnerships. The importance of multi-stakeholder partnerships was a common theme from comments and community feedback. Community members communicated the importance of involving local organizations as an effective tool to implement successful projects. Commenters also recommended agencies and funding recipients subcontract or partner with smaller entities to encourage organizational capacity building for entities that may not be competitive as a standalone applicant.

> **CARB response:** CARB staff included a recommendation to prioritize projects that include partnerships as a way to target investments that enhance benefits provided to priority populations (§V.B.3 [p.47]).

Capacity for up-front costs. Many comments raised a significant concern that small organizations and businesses, particularly those in disadvantaged communities, lack resources and capital to fund project costs in advance. Commenters cautioned that programs that only provide project funding on a reimbursement basis may make it harder for smaller entities to apply for funding.

> **CARB response:** CARB does not provide payment provisions in the Funding Guidelines. Administering agencies have individual fiscal and accountability requirements that may limit programs in providing advanced payment to funding recipients.

CARB staff included examples about the different ways that an agency can design their program. Agencies may choose to contract with a third party to issue consumer rebates, may issue competitive solicitations, or set up revolving loan funds. CARB highlighted example strategies in part to inform agencies of alternative approaches for incentive programs (§III.C [p.9-10]). Certain funding structures may be better suited to funding projects in advance, to enable participation of smaller entities that may not have the capacity to participate in a reimbursement-only program.

Greenhouse gas quantification methods: Several comments included specific suggestions about the methods and the scope of activities considered for quantifying greenhouse gas (GHG) emission reductions. Commenters suggested broader inclusion of the nexus between water use and energy consumption, revising methods for assessing land use changes in rural areas, incorporating additional emission sources for projects located on dairy farms, and enhancing quantification of the GHG benefits of ecosystem services.

CARB response: CARB staff periodically reviews and updates GHG quantification methodologies and co-benefit assessment methodologies, as needed. The Funding Guidelines reference these methodologies, which are published on CARB's website and are open for public comment when drafted or revised. The comments received specific to individual quantification methodologies will be considered as those methodologies are updated.

Within the Funding Guidelines, CARB staff added clarifying text on the use of quantification methods. For project types that have an existing CARB quantification methodology, agencies must use those methodologies to quantify to GHG emission reductions (§III.D.1 [p.12-12], §IV.C [p.36-40]). This enables standardized accounting of project benefits across all California Climate Investments, where appropriate.

Investment targets: Several commenters suggested adopting regional investments targets, establishing rural set-asides, increasing existing statutory minimums for priority populations, or mandating allocations for specific investment sectors.

CARB response: CARB's role in California Climate Investments is to provide guidance to administering agencies on how to meet the program-wide statutory requirements established by the Legislature, such as investment minimums for priority populations in Assembly Bill 1550. Agencies may have agency-specific statutory requirements (e.g., disadvantaged community funding targets) and may voluntarily implement additional targets (e.g., minimum investments for rural areas, regional set-asides) that are not part of existing legislation. These additional requirements are not included as part of the Funding Guidelines.

Addressing community needs: Comments expressed concern that as part of meeting the investment minimums for priority populations, programs may not address the needs identified by community members.

> **CARB response**. As part of evaluating whether a project provides direct, meaningful, and assured benefits to priority populations, administering agencies must identify a community need. CARB staff recommends direct community engagement as the most effective approach for identifying community needs. CARB staff noted these approaches as the recommended approaches within the benefit criteria tables provided for each project type (Benefit Criteria Tables) for additional clarity.
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> For a project to be counted as benefiting priority populations, administering agencies must evaluate whether a project both addresses a community need and provides a benefit. CARB staff clarified language in the Funding Guidelines and benefit criteria tables to emphasize that the benefit provided to priority populations must directly address the need identified by the administering agency (§V.C.1 [p.47-48], §V.C.4 [p.52], Benefit Criteria Tables).

Benefit Criteria Tables. Several commenters requested more clarity on the purpose and use of the benefit criteria tables. Concerns focused on accountability and transparency for claimed benefits and the role of benefit criteria tables in the application process and incentivizing multiple benefits.

> **CARB response:** CARB staff included clarifying information on how agencies are expected to use the benefit criteria tables (§V.C.1 [p.47-48]). Benefit criteria tables specific to each project type are published on CARB's website and are referenced in the Funding Guidelines. Benefit criteria tables are used by administering agencies to determine if a project provides direct, meaningful, and assured benefits to a priority population. Administering agencies may choose to have applicants assess their proposed project against the criteria and provide the benefit criteria table(s) as part of solicitation materials. However, applicants are not required to complete the table and are not required to submit the table to administering agencies or CARB. Section VI of the Funding Guidelines and the reporting templates include information to report on how projects provide benefits to priority population.
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> The benefit criteria tables do not provide information about the magnitude or multitude of benefits a project may provide; they are intended solely for the purposes of determining compliance with the statutory investment minimums in Assembly Bill 1550. For projects counting toward these minimums, administering agencies are required to prioritize projects that maximize benefits to disadvantaged communities. To maximize benefits, administering agencies can give preference to projects that provide multiple benefits or the most significant benefits, as defined by the administering agency. The Funding Guidelines encourage administering agencies to use co-benefit assessment methodologies

to quantify project benefits at the application stage and when prioritizing and selecting projects.

Balancing accountability with reporting burden. Commenters noted the importance of accountability and transparency. Commenters wanted robust reporting and quantification of co-benefits, including potential negative co-benefits (e.g., increased air pollutant emissions). Commenters requested administrative costs for administering agencies, grantees, and any subcontractors to be tracked and reported.

While many requests highlighted the importance and need to have robust tracking and reporting, participants also recognized the reporting burden for funding recipients. As a way to minimize reporting burden to applicants and funding recipients, participants suggested implementing reporting thresholds for certain metrics.

CARB response: CARB staff acknowledges the importance of tracking project outcomes and the effort necessary to collect, compile, and report this information. Most reported information represents data that should be readily available to project applicants and funding recipients. Where feasible, quantification of co-benefits uses information already used to quantify GHG emission reductions. Some co-benefit assessments that require additional information are optional, but encouraged. This allows flexibility for each administering agency to consider the burden on applicants when requesting additional information. Due to the ongoing interest and importance of employment benefits, CARB staff is requiring administering agencies to estimate potential employment benefits for all projects using the jobs co-benefit assessment methodology and report direct employment outcomes for projects that meet certain thresholds, generally large infrastructure projects or projects that focus on job creation/training (§IV.C.4 [p.39-40], §VI.D.3 [p.59], §VI.D.4 [p.59-60]).