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PROJECT CLIMATE

CALIFORNIA CLIMATE POLICY FACT SHEET: CALIFORNIA CLIMATE INVESTMENTS

California Climate Investments (CCI) is a comprehensive and coordinated investment program to further California's climate goals by directing funds from California's Cap-and-Trade program to projects aimed at reducing greenhouse gas (GHG) emissions, strengthening the economy, and improving public health and the environment, especially in disadvantaged communities. Developed to help achieve the emissions reductions goals set out in Assembly Bill 32 (Health & Safety Code § 38500 et seq.), CCI projects include low-carbon transportation, affordable and efficient housing, wildfire and forest management, sustainable agriculture, and more. These projects are funded through the Greenhouse Gas Reduction Fund (GGRF), which defines how California spends money generated by Cap-and-Trade program allowance auctions. This California Climate Policy Fact Sheet outlines the basic components and legal background of California's climate investment initiatives as the state works towards reducing GHG emissions across all sectors.

Understanding California Climate Investments:
CCI is the umbrella initiative for all programs funded by Cap-and-Trade dollars, which flow into the GGRF. The Legislature and Governor annually appropriate funds from the GGRF to state agencies such as the California Air Resources Board (CARB) and the California Department of Transportation (Caltrans). These agencies use the money to fund programs in areas like community air quality improvement, public transit expansion, and more. CCI has grown to include more than 20 state agencies that work collaboratively to further the purposes of Assembly Bill 32 and contribute to statewide GHG emissions reductions.

The administering agencies send data and updates to CARB throughout the process. Those data are used to inform a report to the Legislature each year from the Department of Finance. In the first half of 2019, administering agencies implemented $914 million of projects (out of $1.5 billion appropriated for the year), compared to $1.4 billion and $720 million for all of 2018 and 2017, respectively.

Notably, the funds implemented through CCI initiatives prioritize California's most vulnerable populations. In 2018, 57 percent of implemented investments were directed towards these populations, exceeding the required 35 percent investment minimum established in Senate Bill 535 (Health & Safety Code § 39713 et al.) and expanded in Assembly Bill 1550.

California Climate Investments Program Administration:
There are five major steps for Cap-and-Trade proceeds deposited in the GGRF to be implemented through CCI:

1. *Fund Generation*: California's Cap-and-Trade program includes an auction in which polluting entities purchase allowances from the state. Portions of these proceeds are deposited into the GGRF.
2. *Fund Appropriation*: The Legislature and Governor authorize agencies to make expenditures from the GGRF for a specified program and period.
3. *Fund Allocation*: Once agencies are appropriated funds from the GGRF, the agencies allocate these funds to one or more selected funding recipients within the funded programs.
4. *Fund Awards*: Agencies award funds to recipients. At this stage, GHG emissions reductions are estimated as well since project designs are known.
5. *Fund Implementation*: The funding recipient receives funds and develops projects over a set timeframe.

California Climate Investments Program Funding Highlights:
CCI has funded a number of programs that deliver benefits directly to California residents, including:

- The Low-Income Weatherization Program, administered by the Department of Community Services and Development, which provides no-cost rooftop solar and energy efficiency installations to low-income households;
- The Clean Vehicle Rebate Project, administered by CARB, which offers up to $7,000 to residents who buy zero-emission or plug-in hybrid vehicles; and
- The Affordable Housing and Sustainable Communities program, administered by the Strategic Growth Council, which funds affordable housing and transit improvements throughout the state.

Evolution of California Climate Investments:
California's climate investment initiatives have evolved over the past decade with increased funding and increased support for the state's most impacted and vulnerable communities. This evolution occurred through legislation focused on reducing statewide GHG emissions and yielding other social, economic, or environmental co-benefits.

- AB 32 tasked CARB with developing a plan to achieve technologically feasible and cost-effective statewide GHG emission reductions of 1990 levels by 2020, which California has subsequently built upon. Today, the state has a goal of meeting a target of 80 percent below 1990 levels by 2050 and achieving carbon neutrality.
- Senate Bill 1018 (Govt. Code § 16428.8 et al.) established the GGRF as the account to receive Cap-and-Trade proceeds.
- Assembly Bill 1532 (Health & Safety Code § 39712 et al.) requires that Cap-and-Trade proceeds be used to facilitate GHG emission reductions and maximize economic and health-related co-benefits. Also requires the Department of Finance to submit a recurring three-year investment plan for opportunities for GHG emissions reductions.
- SB 535 requires the California Environmental Protection Agency to identify disadvantaged communities for the purposes of CCI and requires that a minimum of 25 percent of the investments provide benefits to disadvantaged communities.
- Senate Bill 862 (Health & Safety Code § 39715 et al.) requires CARB to develop guidance on investments for disadvantaged communities as well as various reporting and tracking approaches to by used by all agencies that receive GGRF appropriations.
- AB 1550 amends and expands upon the SB 535 requirements related to disadvantaged communities by requiring at least 35 percent of the investments be made in disadvantaged communities and low-income communities and households.

Key Outcomes and Next Steps for California Climate Investments:
While CCI alone will not achieve California's climate goals, the program is seen as being successful and a model for transformative change within the state. To date, over $11 billion in Cap-and-Trade proceeds have been appropriated to 20 state agencies since 2013. Achieving the state's climate goals will require further building on coordinated efforts from state and local agencies and communities. Projects that support employment and workforce development, build resiliency from natural disasters, and continue to emphasize community engagement will be crucial to these efforts and will require continued legislative and economic investment.