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SB 535: GREENHOUSE GAS REDUCTION FUND

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In 2006, the California Legislature passed AB 32, the Global Warming Solutions Act, establishing the most comprehensive statewide climate change reforms in the nation. Among these were plans for the implementation of a cap-and-trade emissions program, designed to reduce California's Greenhouse Gas (GHG) emissions. A portion of state profits from this program go into the Greenhouse Gas Reduction Fund (GGRF). In 2012, the California legislature passed SB 535, a bill requiring that a minimum of 25% of the money in the GGRF go towards projects benefitting disadvantaged communities. The Inland Empire, comprised of San Bernardino and Riverside counties, contains many areas identified as disadvantaged communities that receive GGRF funding. SB 535 has a broad and complex impact on the Inland Empire; although it positively impacts the area as a whole, its influence on individual disadvantaged communities is more difficult to discern.

Under California's cap-and-trade emissions program, the state sets a cap on the volume of carbon emissions (in tons) that can be released in the state and its airways. According to the Center for Climate and Energy Solutions, this program is designed to discourage carbon emissions while allowing businesses to decide how to reduce their carbon footprint; companies have the option either to reduce their own emissions, purchase emission allowances, or trade allowances with other groups. Each year, the program's greenhouse gas emission cap decreases by 3 %, and the cap is slated to decrease annually by an even faster rate after 2020. The price of the emissions permits also increases each year by a rate of 5% plus inflation, incentivizing companies to decrease their carbon emissions instead of buying permits. The California Air Resource Board (CARB) began selling emission permits in 2012. The cap-and-trade program was first limited to industrial and power plants that emitted a minimum of

CALIFORNIA CLIMATE INVESTMENTS IMPLEMENTED BY REGION (DOES NOT INCLUDE \$626M FOR HIGH-SPEED RAIL PROJECT)

| Region | Total Implemented Funds | % of Implemented Funds (\$3.36 Billion) | Regional Funds Benefitting Priority Population | % of Regional Funds Benefitting Priority Populations |
|---------------------------|-------------------------|---|--|--|
| Bay Area | \$949,224,494 | 22.3% | \$646,618,535 | 68.1% |
| Los Angeles/Inland Empire | \$1,688,043,803 | 39.6% | \$1,408,932,904 | 83.5% |
| San Diego/ Imperial | \$279,174,525 | 6.6% | \$217,753,717 | 78.0% |
| San Joaquin Valley | \$883,496,365 | 20.7% | \$739,766,628 | 83.7% |
| Other Regions | \$672,353,627 | 15.8% | \$372,032,281 | 55.3% |

Source: California Climate Investments Implemented by Region, Metropolitan Planning Organization, County, Urban/Rural Designation, and Legislative District

25,000 tons of carbon dioxide per year, but the state expanded the program in 2015 to include gasoline and diesel companies whose emissions meet the same minimum threshold of 25,000 tons of carbon dioxide. The California legislature narrowly passed legislation in 2017 to extend the cap-and-trade program and continue lowering carbon emission goals through 2030.

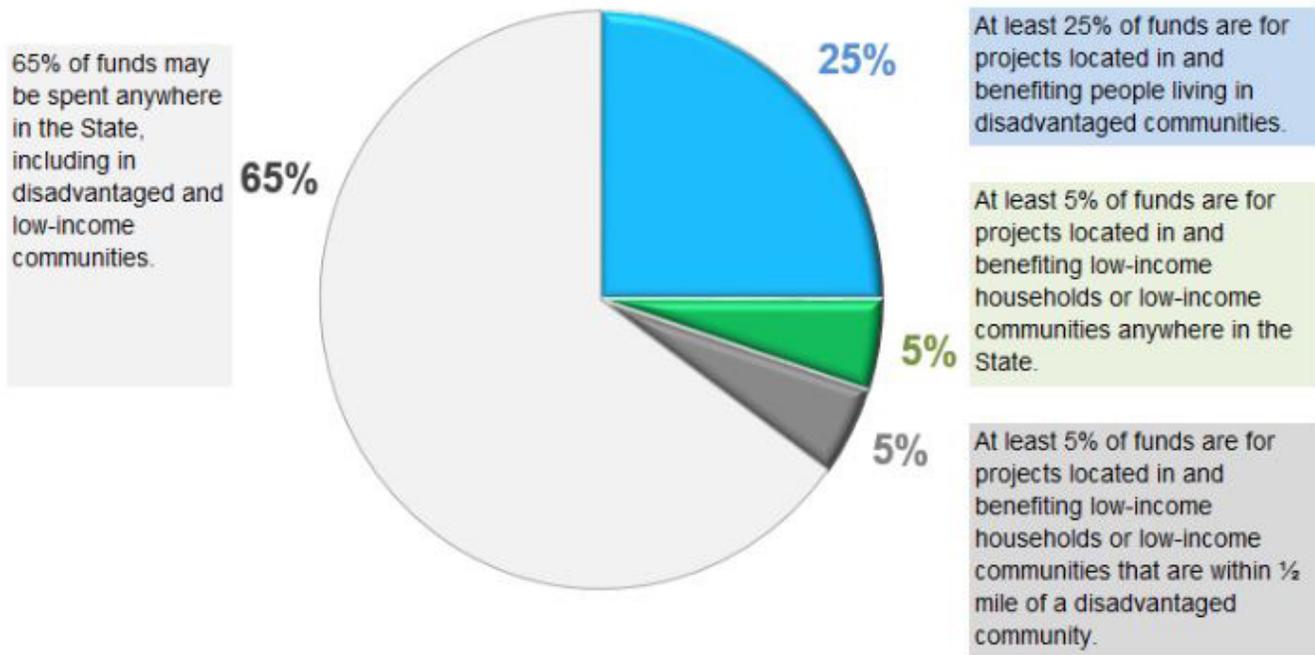
In 2012, California enacted SB 535 as an amendment to the California Global Warming Solutions Act. SB 535 mandates that 25% of the funds in the GGRF go towards projects benefiting disadvantaged communities, with at least 10% of the available funds allocated to projects located within those disadvantaged communities. The remainder of the money in the GGRF still goes towards projects combating climate change, both by reducing GHG emissions and by implementing projects to alleviate the impacts of climate change; however, the funds are not specifically aimed at benefiting disadvantaged communities. In 2016, California enacted AB 1550, which expands the distribution of the funding from the GGRF. AB 1550 increased the percent of funds for projects located in disadvantaged communities from 10% to 25%. It replaced the SB 535 requirement that 25% must benefit those communities by

requiring the funds to be spent on projects located in disadvantaged communities. It also mandates that an additional 5% of GGRF funds must be invested in projects benefiting communities within half a mile of a disadvantaged community and another 5% must fund projects located within and benefiting low-income communities

SB 535 directed the California Environmental Protection Agency (CalEPA) to identify the disadvantaged communities that will receive funding from SB 535. To do so, the CalEPA uses the California Communities Environmental Health Screening Tool 3.0 (CalEnviroScreen 3.0), a tool developed by the California Office of Environmental Health Hazard Assessment (OEHHA) to identify highly polluted communities. The CalEnviroScreen 3.0 analyzes communities by census tract and evaluates them on 20 different metrics including the health conditions of residents, amount of hazardous waste, and number of people living below the federal poverty level. The CalEnviroScreen score is calculated by combining the individual indicator scores within each of the four component, then multiplying Pollution Burden and Population Characteristics scores to produce a final score. According to the California EPA, disadvantaged communities “represent the 25%

PRIORITY POPULATION INVESTMENTS

Investment Minimums and Requirements



Source: Priority Population Investments, California Air Resources Board, October 1, 2018.

highest scoring census tracts in CalEnviroScreen 3.0, along with other areas with high amounts of pollution and low populations.”

When CalEnviroScreen 3.0 was released in January 2017, it became the quantitative metric used to identify disadvantaged communities and drastically improved the implementation of SB 535. Research conducted on SB 535 prior to this switch does not reflect the same consistency. For example, a 2014 report published by the UCLA Luskin School of Public Affairs, noted that “although SB 535 mandates that at least 25 percent of the GGRF funded projects should benefit disadvantaged communities, the State has not yet offered a detailed definition of what it means to “benefit disadvantaged communities,” what that entails in practice, nor a systematic process for doing so.” Since the CalEPA switched to using the CalEnviroScreen to identify disadvantaged communities, it has streamlined the process of implementing projects in these areas. It has also increased transparency and accountability to ensure

that the promises outlined in SB 535 are carried out as quickly and effectively as possible.

The CARB and CalEPA have together created guidelines for the allocation GGRF money, but the funds are distributed by California agencies, including the CARB, the State Department Agency, the Department of Community Services and Development, and the Strategic Growth Council. In August 2019, California Climate Investments, a branch of the ARB, reported that \$3.39 billion dollars of the \$4.47 billion GGRF dollars allocated towards community projects were used in disadvantaged communities. More specifically, in Los Angeles and the Inland Empire, \$ 1,408,932,904, or 83.5% of the total \$ 1,688,043,803 allocated for the region, benefitted disadvantaged communities.

On September 10, 2018, California Governor Jerry Brown signed Senate Bill 100, a bill that aims to increase the state’s reliance on renewable energy and to make all electricity in retail carbon-free by

2045. While this legislation proposes innovative reforms, it could also jeopardize the future funding of the GGRF. California, despite its progressive environmental policies, contains eight of the ten most highly-polluted cities in America. Despite the environmental benefits, the transition to renewable energy in California cannot mitigate the impacts of the current pollution levels. A reduction of carbon usage, and therefore a reduction of money in the GGRF, will decrease funding to areas of California that see impacts of pollution the most: disadvantaged communities.

Although researchers have investigated the statewide impacts of SB 535, there is a lack of information or case studies regarding the impacts of GGRF funding on disadvantaged communities in the Inland Empire. This article will provide the initial findings of a case study examining the impacts of SB 535 on the Inland Empire that relies on an analysis of Cal EPA data and interviews with local officials who have participated in the implementation of GGRF-sponsored projects within their communities.

The Inland Empire has a diverse composition. Although it was once primarily comprised of agricultural communities, its economy has diversified in recent years to include tourism, industry, and commercial development. As reported by Emily Alpert Reyes, in the LA Times, in the past year, unemployment has decreased significantly in this region, breaking a 15-year trend of staggeringly high unemployment that reached 14% at the peak of the recession. The typically high unemployment rate has not stopped the population of the Inland Empire from growing rapidly. The 2010 census revealed that county-to-county migration from Los Angeles County to San Bernardino and Riverside County were the most significant numbers in the nation. Reyes also reported that between 2007 and 2011, approximately 35,000 more people moved to the Inland Empire from the greater Los Angeles area than people moving the opposite way. The Inland Empire is also geographically diverse; it contains mountain communities such as Big Bear and Arrowhead, desert communities in Palm Desert and Palm Springs,

and valleys such as Pomona and San Bernardino. According to the California Department of Finance, the population of the Inland Empire is 4,590,893, comprising 11.53% of California's total population. An analysis of data from the California Environmental Protection Agency shows that the Inland Empire contains 257 census tracts (of the approximately 8,000 in California) designated as Disadvantaged Communities. This represents 12.8% of the 2008 total Disadvantaged Communities identified by the CalEPA, slightly higher than the Inland Empire's share of California's population (11.53%). Moreover, 44 out of the 257 Disadvantaged Communities census tracts within the Inland Empire scored in the top 95-100% of the CalEnviroScreen. The 44 top-scoring communities from the Inland Empire comprise 11% out of the total of 397 of the most highly-polluted communities in California.

When examining the implementation of GGRF funding, it is difficult to examine the appropriations on a town-by-town basis given the method of financial distribution; allowing statewide organizations to oversee the distribution and utilization of GGRF funding means that the funds oftentimes go to projects that span across groups of towns. Additionally, given the nature of pollution and other environmental issues, it would not be possible to address these problems adequately while concentrating efforts on single towns. Therefore, while the funding can be traced to counties and general geographic areas, most projects can be traced back to their purpose and their funding, but not a singular area.

For this case study, the data was drawn from projects that included San Bernardino and Riverside counties, although in some instances, the money used to fund projects in the Inland Empire also went towards projects overlapping with Los Angeles, Orange, San Diego, San Luis Obispo, Ventura, and San Joaquin counties. Again, this is just a reflection of the nature of the projects used to address pollution. For example, the largest spending category between 2015-2018 was funding for commuter trains. Nearly 50% of the total spending over the past three years, \$41,181,000, went towards replacing seven trains and

CALIFORNIA CLIMATE INVESTMENTS APPROPRIATIONS FROM THE GREENHOUSE GAS REDUCTION FUND AS OF JULY 1, 2019

| Agency | Program | Appropriations FY 2019-20 (\$M) | Total Appropriations to Date (\$M) |
|---|---|------------------------------------|--|
| California Air Resources Board | | | |
| | Community Air Protection | \$291 | \$847 |
| | Funding Agricultural Replacement Measures for Emissions Reductions | \$65 | \$262 |
| | Low Carbon Transportation | \$492 | \$2,214 |
| | Fluorinated Gases Emission Reduction Incentives | \$1 | \$1 |
| | Woodsmoke Reduction | -- | \$8 |
| | Prescribed Fire Smoke Monitoring | \$2 | \$8 |
| California Department of Transportation | | | |
| | Active Transportation | -- | \$10 |
| | Low Carbon Transit Operations (5% Continuous Appropriation) | TBD* | \$459 |
| California High-Speed Rail Authority | | | |
| | High-Speed Rail Project (25% Continuous Appropriation) | TBD* | \$2,523 |
| California State Transportation Agency | | | |
| | Transit and Intercity Rail Capital (10% Continuous Appropriation) | TBD* | \$1,030 |
| Strategic Growth Council | | | |
| | Affordable Housing and Sustainable Communities (including Sustainable Agricultural Lands Conservation) (20% Continuous Appropriation) | TBD* | \$1,877 |
| | Climate Change Research | \$5 | \$34 |
| | Technical Assistance | \$2 | \$6 |
| | Transformative Climate Communities | \$60 | \$250 |
| California Department of Community Services and Development | | | |
| | Low-Income Weatherization | \$10 | \$212 |
| California Department of Food and Agriculture | | | |
| | Alternative Renewable Fuels | -- | \$3 |
| | State Water Efficiency and Enhancement | -- | \$65 |
| | Dairy Methane | \$34 | \$293 |
| | Healthy Soils | \$28 | \$41 |
| California Department of Water Resources | | | |
| | State Water Project Turbines | -- | \$20 |
| | Water-Energy Grant | -- | \$50 |
| California Energy Commission | | | |
| | Food Production Investment | -- | \$124 |
| | Low-Carbon Fuel Production | -- | \$13 |
| | Renewable Energy for Agriculture | -- | \$10 |

CALIFORNIA CLIMATE INVESTMENTS APPROPRIATIONS FROM THE GREENHOUSE GAS REDUCTION FUND AS OF JULY 1, 2019

| Agency | Program | Appropriations FY 2019-20 (\$M) | Total Appropriations to Date (\$M) |
|---|---|------------------------------------|--|
| California Coastal Commission | | | |
| | Local Coastal Program | \$2 | \$5 |
| California Conservation Corp | | | |
| | Training and Workforce Development | \$14 | \$38 |
| California Department of Fish and Wildlife | | | |
| | Wetlands and Watershed Restoration | -- | \$47 |
| California Department of Forestry and Fire Protection | | | |
| | Fire Prevention | \$84 | \$191 |
| | Prescribed Fire | \$35 | \$60 |
| | Sustainable Forests | \$170 | \$627 |
| | Wildland Urban Interface | \$10 | \$10 |
| California Department of Resources Recycling and Recovery | | | |
| | Waste Diversion | \$25 | \$161 |
| California Governor's Office of Emergency Services | | | |
| | Wildfire Response and Readiness | \$1 | \$51 |
| California Natural Resources Agency | | | |
| | Regional Forest and Fire Capacity | -- | \$20 |
| | Urban Greening | \$30 | \$156 |
| California State Coastal Conservancy | | | |
| | Climate Ready | -- | \$7 |
| California Wildlife Conservation Board | | | |
| | Climate Adaption and Conservation Easements | -- | \$20 |
| San Francisco Bay Conservation and Development Commission | | | |
| | Coastal Resilience Planning | \$2 | \$3 |
| California Environmental Protection Agency | | | |
| | Transition to a Carbon-Neutral Economy | \$3 | \$3 |
| California State Water Resources Contral Board | | | |
| | Safe Drinking Water (5% Continuous Appropriation) | \$100 | \$100 |
| California Workforce Development Board | | | |
| | Low Carbon Economy Workforce | \$35 | \$35 |
| TOTAL | | \$1,501 | \$11,894 |

*FY 2019-20 auctions have not yet occurred. Each quarterly auctions will increase Fiscal Year 2019-20 appropriations for programs with continuous appropriations.

Source: www.caclimateinvestments.ca.gov

purchasing two additional trains to ensure safe and reliable transportation within the Inland Empire and surrounding communities.

By comparison, the second largest allocation of the funding, \$9,100,800, was used by the San Bernardino Associated Governments (SANBAG) to purchase zero-emission trucks for large distribution centers and rail yards. Spending exceeded \$1 million in 11 remaining categories: AD, Capital, Clean Vehicle Rebate Project (CVRP), compost, operations, rebate/incentive programs, residential water efficiency, single family solar PV, transfer program, transit, and voucher incentives. These larger sums of money have gone towards funding large-scale projects in Southern California: acquiring additional trains to be used on the Metrolink commuter rail service, to provide rebates for efficient or zero-emission vehicles, expanding the California FasTrak freeway express lane, installing water-saving devices, making public transportation more efficient, and providing solar photovoltaic systems to single-family, low-income homes.

These state programs have successfully used funding from the GGRF to implement large-scale projects, but when looking at the ways that GGRF funds have benefitted specific disadvantaged communities, the funding and implementation of projects is more difficult to discern. Of the 18 city managers and supervisors contacted by the author, only four responded. Of those who responded, none could speak to the impacts of SB 535 funding on their community. Luke Watson, the Director of Community Development for the city of Temecula, said that, “Climate change via greenhouse [sic] gas is global, so the focus on funding for disadvantage

communities, while noble, seems to lose sight of the fact that the problem exists everywhere.” Jeff Greene, the Chief of Staff for Supervisor Kevin Jeffries of Riverside County District 1 said that their district has not yet received funding as a result of SB 535, but noted, “Distribution of the first cycle was very political, and the Inland Empire was nearly entirely shut out.” Greene also spoke to a lack of state support in terms of the distribution of implementation of funding, but said that he had “heard from [his] transportation partners that it has gotten better.” Debbie Brazill, the Deputy City Manager for Fontana, CA, said that the city has not yet received SB 535 funding, even though it contains 18 of the census tracts identified as being Disadvantaged Communities.

As of 2018, \$740,581,030 of the GGRF funds have been implemented, \$89,559,603, or about 12.1% of those funds have gone towards projects benefitting the Inland Empire. Although this is similar to the percentage of disadvantaged communities in the Inland Empire, relative to the total number of disadvantaged communities (12.8%), it is important to acknowledge the ways in which this funding impacts people in different districts. The large-scale projects—such as transit improvements—are important, but the funding is spread across multiple counties. Even though it is possible that people from the Inland Empire are still benefiting from transit that extends to other counties, this still reflects the fact that there is less money going into the Inland Empire than the numbers suggest. Furthermore, although large-scale projects benefit people within the Inland Empire, there is little being done with GGRF funds to mitigate the impacts of climate change within communities themselves. ♦

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