



THE
CHISHOLM
LEGACY
PROJECT



December 5, 2022

Michael Regan, Administrator
US Environmental Protection Agency
Office of the Administrator, Mail Code 1101A
1200 Pennsylvania Avenue, NW
Washington, DC 20460

Re: Docket ID No. EPA-HQ-OA-2022-0859

Dear Administrator Regan, EPA Staff, and Members of the Environmental Financial Advisory Board,

Americans for Financial Reform Education Fund, The Chisholm Legacy Project, The Greenlining Institute, Public Citizen, and WE ACT for Environmental Justice appreciate the opportunity to comment in response to the Environmental Protection Agency's (the "EPA") Request For Information ("RFI") on the Greenhouse Gas Reduction Fund (the "Fund") program design and implementation. We write to urge you to prioritize environmental, racial, and economic justice as you administer the Greenhouse Gas Reduction Fund, as authorized by the Inflation Reduction Act of 2022.

The EPA should plan the implementation of the Fund to ensure it achieves both the equity and climate goals of the Inflation Reduction Act and President Biden's Justice40 Initiative.¹ Our letter first summarizes equity principles that we urge the EPA to incorporate in its design and implementation of the Fund, then provides more detailed recommendations below in direct response to questions posed in the RFI.

¹ "Justice40 A Whole-of-Government Initiative." The White House. <https://www.whitehouse.gov/environmentaljustice/justice40/>

Our equity-centered priorities for the implementation of the Fund include:

- For the goals of this Fund to be meaningfully achieved, the requirement that 40% of dollars benefit low-income and disadvantaged communities, aligned with Justice40, must be a floor not a ceiling. A maximum amount of the dollars must flow to these historically disinvested communities to catalyze the emissions reductions and market transformation goals.
- Investments should be stewarded by trusted community-based financial institutions and green banks with proven track records of investment in community-driven projects, offering the best opportunity to leverage private dollars to achieve the Fund's goals.
- Additionality will be best achieved by maximizing investment in low-income and disadvantaged communities, with an emphasis on Black communities and additional communities of color.
- Opportunities to enhance economic well-being and wealth-building in low-income and disadvantaged communities should be emphasized.
- Smaller-dollar, community-oriented projects should make up a considerable portion of the portfolio of projects financed from the Fund, to promote the use of proven emissions-reducing technologies that improve the health and livelihoods of communities.
- Information regarding financed projects should be collected and publicly shared to ensure accountability and guarantee funds are reaching low-income and disadvantaged communities.

Section 1: Low-Income and Disadvantaged Communities

Low-income and disadvantaged communities should be thought of as not only passive beneficiaries of the Fund, but explicit recipients of dollars and active implementers of air pollution and greenhouse gas reducing projects. In designing and implementing the Fund, the EPA should precisely indicate the need for these communities to receive tangible financial and wealth-building benefits, in addition to pollution reduction, health improvements, and decreasing economic and financial burdens.

The EPA has multiple statutory mandates in implementing the Fund, including ensuring financial and technical assistance reaches low-income and disadvantaged communities, financing emissions-reducing projects, and prioritizing investment in qualified projects that would otherwise lack access to financing. In order to accomplish these goals, the criteria for what constitutes low-income and disadvantaged must simultaneously be wide ranging enough to capture economic and environmental burdens faced by communities, and sufficiently targeted to assure direct benefits flow to those most in need. Benefits to communities should be direct,

meaningful, and assured, with resources from the Fund addressing a community-identified need.² Furthermore, an understanding of historical context and the severity of the persistent racial wealth gap, as well as impaired access to financial services, credit markets, and non-predatory capital should be a priority for the EPA and all recipients of the Fund in determining what constitutes low-income and disadvantaged.

Low-Income Communities

In defining "low-income" communities, the EPA should consider using 50% Area Median Income (AMI). This metric is aligned with the Community Reinvestment Act (CRA), which designates communities below 50% AMI as "low-income" and those between 50-80% AMI to be "moderate-income."³ The AMI is a common metric used to determine eligibility for programs especially in the housing and economic development spaces.⁴ We recommend that the EPA utilize the 50% AMI threshold to provide direction and incentives for recipients of dollars to target their funds for those at lower income thresholds. The 50% AMI metric should be utilized on a household basis to qualify single consumer loans, and on a census tract level to qualify loans for businesses or community projects that will serve low-income populations. Where communities rather than households are the unit of designation, care should be taken that projects actually serve the low-income residents of those communities, and that they do not lead to displacement of low-income residents. If a higher threshold such as 80% AMI is implemented, the EPA should still require that a significant subset of the funds go to individuals and communities at the 50% AMI threshold.⁵

Disadvantaged Communities

In defining "disadvantaged communities," the EPA should consider applying the White House Justice40 Initiative's definition of "disadvantaged communities." This will facilitate critical alignment with other significant public funding programs, as well as opportunities for leverage to allow for maximum transformative impact in communities. Disadvantaged communities should be understood primarily in the context of historical economic harms, toxic exposure, health outcomes, and current economic instability and inability to access the many opportunities as the U.S. moves toward a cleaner economy. As part of the implementation of President Biden's Executive Order establishing the Justice40 Initiative, interim guidance defines "disadvantaged communities" as a combination of variables that include low-income and/or persistent poverty,

² "CCI Quantification, Benefits, and Reporting Materials." California Air Resources Board.

<https://ww2.arb.ca.gov/resources/documents/cqi-quantification-benefits-and-reporting-materials>

³ "Community Reinvestment Act (CRA)." Board of Governors of the Federal Reserve System.

https://www.federalreserve.gov/consumerscommunities/cra_resources.htm

⁴ McCabe, Brian, "The Area Median Income (AMI), explained." Greater Greater Washington. September 2016.

<https://ggwash.org/view/42671/the-area-median-income-ami-explained>

⁵ "HUD's Public Housing Program," U.S. Department of Housing and Urban Development.

https://www.hud.gov/topics/rental_assistance/phprog; "Affordable Housing and Community Development," Federal Housing Finance Agency.

<https://www.fhfa.gov/PolicyProgramsResearch/Programs/AffordableHousing/Pages/Fannie-Mae-and-Freddie-Mac-Housing-Goals-Performance.aspx>

racial and ethnic residential segregation, distressed neighborhoods, high energy cost burden and low energy access, and disproportionate impacts from climate change.⁶

Tools

We recommend the EPA utilize the Climate and Economic Justice Screening Tool (CEJST) from Justice40 to assist recipients of funds in targeting products and clarify what communities will “count” as disadvantaged communities. The recently finalized version of the tool takes into account critical indicators that were left out of the draft version, including incorporating Tribal Nations and data regarding historic redlining practices.⁷ The tool also displays demographic information for each census tract. With these latest revisions, we feel the CEJST represents the best, most straight-forward option for EPA to direct resources from these Funds related to disadvantaged communities.

Further, the EPA should provide reference to other federal tools that help illuminate environmental and socioeconomic burden in communities, such as the Department of Energy’s Energy Justice Mapping Tool⁸ and the Environmental Justice Index which comes from the Department of Health and Human Services’ Office of Environmental Justice, the Centers for Disease Control and Prevention, and the Agency for Toxic Substances and Disease Registry.⁹

Limitations and Suggested Additional Factors

While we feel the above definition of “disadvantaged” does the best job of any established federal definition of capturing the comprehensive nature in which communities experience burden and harm, it does not include every factor that may render a community at relative disadvantage from either attracting investment or being vulnerable to climate impacts. For example, the Justice40 definition does not name race as a factor, which countless studies have acknowledged to be a primary driver of understanding economic and environmental impact.¹⁰ The EPA should also consider utilizing a cumulative impact approach, as does the California Communities Environmental Health Screening Tool (CalEnviroScreen), which takes into account the specific sensitivity some communities may face due to experiencing so many different impacts.¹¹ Low-income and disadvantaged communities experience higher levels of poverty,

⁶ “Interim Implementation Guidance for the Justice40 Initiative.” Office of Management and Budget Executive Office of the President. July 2021. <https://www.whitehouse.gov/wp-content/uploads/2021/07/M-21-28.pdf>

⁷ “Biden-Harris Administration Launches Version 1.0 of Climate and Economic Justice Screening Tool, Key Step in Implementing President Biden’s Justice40 Initiative.” The White House. November 2022. <https://www.whitehouse.gov/ceq/news-updates/2022/11/22/biden-harris-administration-launches-version-1-0-of-climate-and-economic-justice-screening-tool-key-step-in-implementing-president-bidens-justice40-initiative/>

⁸ “Energy Justice Mapping Tool - Disadvantaged Communities Reporter.” Department of Energy. <https://energyjustice.egs.anl.gov/>

⁹ “Environmental Justice Index.” Agency for Toxic Substances and Disease Registry. <https://www.atsdr.cdc.gov/placeandhealth/eji/index.html>

¹⁰ Shrestha, Rajat and Jillian Neuberger, Sujata Rajpurohit, and Devashree Saha. “6 Takeaways from the CEQ Climate and Economic Justice Screening Tool.” World Resources Institute. March 2022. <https://www.wri.org/insights/6-takeaways-ceq-climate-and-economic-justice-screening-tool>

¹¹ “About CalEnviroScreen.” California Office of Environmental Health Hazard Assessment. <https://oehha.ca.gov/calenviroscreen/about-calenviroscreen>

unemployment, and population loss related to climate migration,¹² with these cumulative impacts rendering them more vulnerable to the effects of climate change.

Further examples of environmental and socioeconomic factors and indicators the EPA should consider in defining “disadvantaged” include the following, with many of these included in the above-mentioned CalEnviroScreen tool, as well as in EPA’s own Environmental Justice Screen (EJ Screen),¹³ and New York State’s Draft Disadvantaged Communities Criteria:¹⁴

- Race and ethnicity¹⁵
- Experiencing heat island effect¹⁶
- Exposure to pesticides¹⁷
- Proximity to power generation facilities¹⁸
- Infant mortality rates and low birth weight rates¹⁹
- Maternal mortality rates²⁰

In addition to indicators suggested above, there are additional trends and challenges faced by low-income and disadvantaged communities that, while they may be challenging to quantify with existing data at this time, are nonetheless critical factors in understanding wealth erosion and contributing to persistent poverty, particularly for communities of color. The Federal Reserve’s financial accounts and distributional accounts pages provide some of this data to help form an understanding of wealth distribution in the U.S.²¹ We encourage the EPA to take into consideration issues such as these in its implementation guidance to ensure recipients are clear that products and services from this Fund should aim to ameliorate some of the trends listed below.

¹² Zonta, Michela and Caius Z. Willingham. “A CRA To Meet the Challenge of Climate Change,” Center for American Progress. December 2020. <https://www.americanprogress.org/article/cra-meet-challenge-climate-change/>

¹³ “EJScreen: Environmental Justice Screening and Mapping Tool.” United States Environmental Protection Agency. <https://www.epa.gov/ejscreen>

¹⁴ “New York State’s Draft Disadvantaged Communities Criteria.” New York State Department of Environmental Conservation and New York State Energy Research and Development Authority. 2022. <https://climate.ny.gov/-/media/Project/Climate/Files/LMI-dac-criteria-fact-sheet.pdf>

¹⁵ “Overview of Socioeconomic Indicators in EJScreen.” United States Environmental Protection Agency. <https://www.epa.gov/ejscreen/overview-socioeconomic-indicators-ejscreen>

¹⁶ “Learn About Heat Islands.” United States Environmental Protection Agency. <https://www.epa.gov/heatislands/learn-about-heat-islands>

¹⁷ “Human Health Issues Related to Pesticides.” United States Environmental Protection Agency. <https://www.epa.gov/pesticide-science-and-assessing-pesticide-risks/human-health-issues-related-pesticides>

¹⁸ “Power Plants and Neighboring Communities.” United States Environmental Protection Agency. <https://www.epa.gov/airmarkets/power-plants-and-neighboring-communities>

¹⁹ “Low Birth Weight Infants.” California Office of Environmental Health Hazard Assessment. <https://oehha.ca.gov/calenviroscreen/indicator/low-birth-weight-infants>

²⁰ Boyles, Abee, et al. “Environmental Factors Involved in Maternal Morbidity and Mortality.” Journal of Women’s Health. February 2021. <https://www.liebertpub.com/doi/10.1089/jwh.2020.8855>

²¹ “Distribution of Household Wealth in the U.S. since 1989.” Board of Governors of the Federal Reserve System. <https://www.federalreserve.gov/releases/z1/dataviz/dfa/distribute/table/>; “Financial Accounts of the United States,” Board of Governors of the Federal Reserve System. <https://www.federalreserve.gov/releases/z1/default.htm>

- Underrepresentation in the renewable energy economy, either as owners or as employees²²
- Rate of downward economic mobility in households, particularly of those who will be in an income quintile lower than that of their parents²³
- Historic and current lack of access to consumer credit,²⁴ bond markets, and financing for municipal projects²⁵
- Communities with high rates of sole proprietorships with limited access to traditional financial institutions²⁶
- Lower credit scores and credit trajectories²⁷
- Coming from groups that experience high failure rates of assets transferred upon death of a parent or elder²⁸
- High percentage of median total net wealth held in depreciating assets or durable goods²⁹
- Rural communities, particularly rural indigenous communities³⁰ and rural communities in the Deep South³¹ as well as unincorporated communities³² and Freedmen’s Settlements³³
- Areas where a majority of adults carry student debt³⁴

²² “Help Wanted: Diversity in Clean Energy.” E2, Alliance to Save Energy, American Association of Blacks in Energy, Energy Efficiency for All, Black Owners of Solar Services, BW Research Partnership. 2021.

<https://e2.org/wp-content/uploads/2021/09/E2-ASE-AABE-EEFA-BOSS-Diversity-Report-2021.pdf>; “Green Jobs Report: Creating A Green Workforce: Community-Based Solutions for a Diverse Green Jobs Sector,” WeAct for Environmental Justice. 2020. <https://www.weact.org/publications/green-jobs-report/>

²³ Smith, Ember, et al. “Stuck on the ladder: Wealth mobility is low and decreases with age.” Brookings. June 2022. <https://www.brookings.edu/blog/up-front/2022/06/29/stuck-on-the-ladder-wealth-mobility-is-low-and-decreases-with-age/>

²⁴ “CFPB Report Finds 26 Million Consumers Are Credit Invisible.” Consumer Financial Protection Bureau. May 2015. <https://www.consumerfinance.gov/about-us/newsroom/cfpb-report-finds-26-million-consumers-are-credit-invisible/>

²⁵ Marohn, Charles. “Financial Fragility Is To Blame for Jackson’s Water Crisis.” Strong Towns. September 2022. <https://www.strongtowns.org/journal/2022/9/12/financial-fragility-is-to-blame-for-jacksons-water-crisis>

²⁶ Liu, Sifan and Joseph Parilla. “New data shows small businesses in communities of color had unequal access to federal COVID-19 relief.” Brookings. September 2020. <https://www.brookings.edu/research/new-data-shows-small-businesses-in-communities-of-color-had-unequal-access-to-federal-covid-19-relief/>

²⁷ Garon, Thea. “Young Adults’ Credit Trajectories Vary Widely by Race and Ethnicity.” Urban Institute. August 2022. <https://www.urban.org/urban-wire/young-adults-credit-trajectories-vary-widely-race-and-ethnicity>

²⁸ True, Sarah. “Debt After Death: The Painful Blow of Medicaid Estate Recovery.” US News and World Report. October 2021. <https://www.usnews.com/news/health-news/articles/2021-10-14/debt-after-death-the-painful-blow-of-medicaid-estate-recovery>

²⁹ Carasso, Adam and Signe-Mary McKernan. “The Balance Sheets of Low-Income Households: What We Know about Their Assets and Liabilities.” Office of the Assistant Secretary for Planning and Evaluation. October 2007. <https://aspe.hhs.gov/reports/balance-sheets-low-income-households-what-we-know-about-their-assets-liabilities-1>

³⁰ Dewees, Sarah and Benjamin Marks. “Twice Invisible: Understanding Rural Native America.” First Nations Development Institute. April 2017. <https://www.usetinc.org/wp-content/uploads/bvenuti/WWS/2017/May%202017/May%208/Twice%20Invisible%20-%20Research%20Note.pdf>

³¹ Rodd, Scott. “Depths of Poverty in the Deep South.” Inequality.org. June 2015. <https://inequality.org/research/depths-poverty-deep-south/>

³² Gomez-Vidal, Cristina and Anu Manchikanti Gomez. “Invisible and unequal: Unincorporated community status as a structural determinant of health.” Social Science and Medicine. September 2021. <https://www.sciencedirect.com/science/article/pii/S0277953621006249>

³³ Sitton, Thad. “Freedmen’s Settlements.” Texas State Historical Association. <https://www.tshaonline.org/handbook/entries/freedmens-settlements>; Sanders, Brandee. “History’s Lost Black Towns.” The Root. January 2011. <https://www.theroot.com/historys-lost-black-towns-1790868004>

³⁴ Canchola, Aissa and Seth Frotman. “The significant impact of student debt on communities of color.” Consumer Financial Protection Bureau. September 2016. <https://www.consumerfinance.gov/about-us/blog/significant-impact-student-debt-communities-color/>

- High rate of non-typical intrafamilial and/or inter vivos transfers or support, such as an adult child covering monthly expenses for parents or grandparents or grandparents covering expenses for grandchildren.³⁵

Technical Assistance to Low-Income and Disadvantaged Communities

Technical assistance should allow for a wide provision of support, including for both institutions disbursing funds and for communities to help develop projects that can eventually seek resources from the Fund.

For community-oriented technical assistance, support should include education and capacity-building related to project development and financing that the Fund can facilitate to help lay appropriate groundwork for projects to emerge. Technical assistance should also include a spectrum of services that will assist communities in developing a potential pipeline of fundable projects, including education, pre-project development, and both application and project implementation support, such that when communities are prepared to seek funds they are successful in going through the process.

As an example of robust technical assistance provision to support communities in accessing dollars for emissions-reducing projects, the EPA should consider lessons learned from California Climate Investments, which, similar to the Fund, directs dollars to greenhouse gas-reducing projects with an emphasis on low-income and disadvantaged communities.³⁶ Initial implementation of CCI programs demonstrated that in order to meet statutory requirements to benefit priority communities, those communities needed robust technical assistance to envision and successfully apply for funding. After years of piloting various models of technical assistance, the California Strategic Growth Council has developed a best practices guide for technical assistance, taking lessons learned from implementing technical assistance for a variety of programs from affordable housing to climate smart agriculture, that meets community needs and outlines different approaches.³⁷ The EPA should utilize some of these best practices in its program design for technical assistance for the Fund, including definitions of technical assistance and capacity building as well as principles for technical assistance program design that include trust-building, community engagement, and community relevance.

Another example of a successful, equity-oriented model of technical assistance delivery includes the Department of Energy's (DOE) National Community Solar Partnership (NCSP), which provides technical assistance support for: policy, legislation, and regulation research; project

³⁵ Parker, Kim and Eileen Patten. "The Sandwich Generation: Rising Financial Burdens for Middle-Aged Americans." Pew Research Center. January 2013. <https://www.pewresearch.org/social-trends/2013/01/30/the-sandwich-generation/>

³⁶ "California Climate Investments: Cap-and-Trade Dollars at Work." State of California. <https://www.caclimateinvestments.ca.gov/>

³⁷ "Technical Assistance Guidelines for State Agencies." California Strategic Growth Council. August 2020. https://sgc.ca.gov/programs/cace/docs/20200826-TA_Guidelines.pdf

financing analysis; outreach and engagement strategies; program design; and, technical issues.³⁸ This model demonstrates the necessity of having collaborative processes and stakeholder engagement that builds trust within communities as an essential component of technical assistance delivery.

Further, for the Fund to facilitate support and prioritization of businesses owned or led by members of low-income or disadvantaged communities, the EPA should refer to the Department of Treasury’s best practices for small business lending, and engage with and request input from the Treasury’s Office of Small and Disadvantaged Business Utilization.³⁹ The EPA should also engage with and request input from the Department of Treasury regarding how they are disbursing \$10 billion as part of the State Small Business Credit Initiative (SSBCI), and the Department of Commerce as they are implementing a significant technical assistance component focused on underserved entrepreneurs.⁴⁰

In addition to community-centered technical assistance delivered by trusted experts, the EPA should design and support a technical assistance platform, as well as a data dashboard (see Section 5 response), to provide lender education, product information, suggested underwriting standards, as well as metrics for decarbonization, professional certification standards for third parties, and capacity building.⁴¹ This platform would serve as a critical tool to share information efficiently across the country and help develop some consistency in technical assistance delivery across varying circumstances and geographies.

Structuring Financial Assistance to Effectively and Efficiently Reach Low-Income and Disadvantaged Communities

Financial assistance for projects should include, but not necessarily be limited to cash grants, zero percent interest loans and other low cost loans, recoverable grants, as well as opportunities to cover soft costs such as fees, operational costs, and costs for accreditation, and credit enhancements such as loan loss reserves.

While a diversity of financial assistance options will be necessary to ensure successful deployment of funds to low-income and disadvantaged communities, a few forms of assistance should not be emphasized. As one example, while balance sheet equity can be important to shore

³⁸ “Technical Assistance Opportunities: Community Solar,” U.S. Department of Energy.

<https://www.energy.gov/communitysolar/technical-assistance-opportunities>

³⁹ “Technical Assistance and Best Practices.” U.S. Department of Treasury.

<https://home.treasury.gov/policy-issues/small-business-programs/state-small-business-credit-initiative-ssbci/technical-assistance-and-best-practices>; “Small and Disadvantaged Business Utilization.” U.S. Department of Treasury.

<https://home.treasury.gov/policy-issues/small-business-programs/small-and-disadvantaged-business-utilization-0>

⁴⁰ “Treasury Announces Plans to Deploy \$300 Million in Technical Assistance to Underserved Entrepreneurs and Very Small Businesses through the State Small Business Credit Initiative.” U.S. Department of Commerce Minority Business Development Agency. April 2022.

<https://www.mbda.gov/news/news-and-announcements/2022/04/treasury-announces-plans-deploy-300-million-technical>

⁴¹ “Comments related to EPA’s Greenhouse Gas Reduction Fund,” Natural Resources Defense Council.

<https://www.nrdc.org/sites/default/files/comments-epa-greenhouse-gas-reduction-fund-20221011.pdf>

up institutions' ability to do community-oriented activities, it is important to ensure that Fund resources are being deployed to actual on-the-ground projects. At times, green banks and other community-based financial institutions have a tendency to hold on to dollars.⁴² We recommend that the EPA suggest a deployment ratio goal of approximately 80% in order to incentivize recipients to proactively seek projects and keep dollars flowing. A recent survey of Community Development Financial Institutions (CDFIs) that primarily finance small businesses found that over 25% of institutions were able to meet or exceed this benchmark.⁴³ Additionally, the EPA implementation guidance should discourage the use of too many financial intermediaries with little ties to the communities aimed to be served, beyond those outlined in the statute creating the Fund, to minimize administrative costs or other mark-ups to the cost of this capital, which would be antithetical to the purpose of this Fund.

Section 2: Program Design

Overarching Priorities for Program Design

The intended final beneficiaries of these projects – low-income and disadvantaged communities – should be top of mind for the EPA in designing implementation guidance for the Fund. While there may be a variety of direct recipients (“eligible recipients”) and indirect recipients, guidance should ensure that Black and other BIPOC communities, and institutions that have historically been present in and represented by these communities, be provided financial and technical assistance to engage in this historic green financing opportunity. This will help create investment in qualified projects that would otherwise lack access to financing.

As a result of this top-line priority, traditional principles of revenue return and private sector leverage, while instructive, may need to be reconsidered in instances where opportunities to deliver benefits to truly disinvested communities are available. This can and should include a strong “but for” test (but for the action, the result would not have happened) when financing projects to reach low-income and disadvantaged communities to justify alternative criteria and potentially the allocation of deeper grant subsidies (see criteria for “but for” test below). This should also include prioritizing small-dollar, community-driven projects for financing. Further, recipients should strategize how to leverage the entire portfolio utilizing resources from the Fund in order to recycle sufficient funds to provide flexibility to extend capital for harder-to-finance projects and entities.

⁴²“Performance still holding steady as CDFIs emerge from the pandemic yet continue to face a challenging economy.” Aeris. June 2022.

https://www.aerisinsight.com/2022/10/17/performance-still-holding-steady-as-cdfis-emerge-from-the-pandemic-yet-continue-to-face-a-challenging-economy/?utm_source=rss&utm_medium=rss&utm_campaign=performance-still-holding-steady-as-cdfis-emerge-from-the-pandemic-yet-continue-to-face-a-challenging-economy

⁴³ Sereleas, Lolita, Ruth Barber, and Moira Warnement. “Deployment Strategies for CDFI Small Business Lenders.” Opportunity Finance Network. https://www.cdfifund.gov/sites/cdfi/files/documents/deployment_strategies_ta_memo.pdf

With priorities of the Fund including additionality, continued operability, and maximizing pollution and emissions reductions, the EPA should think about the different kinds of crucial expertise of different institutions. For example, green banks have perhaps the most experience with green finance, while community-based financial institutions, such as Community Development Financial Institutions (CDFIs), Minority Depository Institutions (MDIs), Low-Income Credit Unions (LICUs), and other credit unions have expertise in the needs of the communities they serve and how to extend credit in those communities. The longevity of the impact of this Fund depends on the normalization of green finance to more institutions across all geographies. Financial institutions which have not previously provided much in the way of green finance need to be included and supported through financial and technical assistance, in order for this Fund to support a complete and continuing economic transition toward a net zero economy. Private market uptake and market transformation can only occur if this financing becomes an understood and everyday practice for all types of institutions.

Private Sector Leverage

Regarding leverage of private funds, especially when it comes to leveraging funds for projects benefiting low-income and disadvantaged communities, the EPA should consider the opportunities for deposit-taking community-based financial institutions, such as credit unions and MDIs, to highly leverage their deposits. Additionally, CDFIs have immense opportunities to leverage private sector capital via the CDFI Fund at an 8-to-1 ratio,⁴⁴ and green banks have a track record of leveraging \$2 billion in funding to attract an additional \$5 billion in private capital.⁴⁵ These opportunities further emphasize the importance of having a diverse, ecosystem approach to possible direct and indirect recipients.

The EPA should also ensure alignment with the incentives that financial institutions have to invest in similar projects. One powerful incentive to understand is the Community Reinvestment Act (CRA), a civil rights era law that obligates banks to reinvest in low- and moderate-income communities, implemented by the Federal Reserve Bank, the Federal Deposit Insurance Corporation (FDIC), and the Office of the Comptroller of the Currency (OCC).⁴⁶ CDFIs are able to attract significant portions of their overall capital stack from financial institutions as a direct result of the CRA. EPA should consult with the three regulators regarding how they intend to finalize recently proposed regulations to incorporate climate resilience. This will ensure that recipients of dollars from this Fund will be able to leverage it with CRA dollars.

⁴⁴ “U.S. Treasury CDFI Fund.” Opportunity Finance Network.

<https://www.ofn.org/us-treasury-cdfi-fund/#:~:text=The%20CDFI%20Fund's%20innovative%20model.every%20%241%20in%20public%20funding>.

⁴⁵ “Total U.S. Green Bank Investment Reaches \$7 Billion per Newly Released 2020 Annual Green Bank Report.” Coalition for Green Capital. May 2021.

<https://coalitionforgreencapital.com/total-u-s-green-bank-investment-reaches-7-billion-per-newly-released-2020-annual-green-bank-report/>

⁴⁶ Ibrahim, Rami. “Reimagining the Community Reinvestment Act.” The Greenlining Institute. June 2022.

<https://greenlining.org/blog-category/2022/reimagining-community-reinvestment-act/#:~:text=Greenlining%20recommends%20that%20an%20updated,communities%20vulnerable%20to%20climate%20change>.

Additionality

The first step to this Fund creating additionality, i.e. funding projects that otherwise would not have been funded, is by prioritizing low-income and disadvantaged community projects. These funds should reach places that the private market is not yet reaching, and ideally seed funding in a way that private markets ultimately do gain interest, so that the funds can be recycled.

Additionality can occur in the types of projects that currently do not have significant funding sources outside of public dollars. Examples include heat pump financing, microgrid development, brownfield remediation, conservation projects, weatherization projects, transportation, and water projects. The EPA in its funding criteria should require recipients to find a balance of offering financing products paired with grant opportunities to ensure the hardest-to-finance projects and efforts have an opportunity.

To implement this practically, the EPA should institute a strong “but for” test which recipients must utilize to justify investments. Criteria or questions that should be considered in such a test could include:

- Could the recipient receive traditional financing (particularly private sector financing) for the project?
- Are there other incentives/programs that would better suit this project?
- Is there evidence to show that projects of similar type have been underserved by or excluded from programs or incentives that the project qualifies for (for example, as a result of historic discrimination or programs shown to have under-served portions of the eligible populations)?⁴⁷

Projects that are not likely to pass such a test, and perhaps do not best serve additionality goals, include utility-scale renewable energy projects or research and development projects for emerging technologies (see Section 3 response).

Another consideration in additionality for the Fund is to ensure that community-based lenders that may have less experience in green lending, and conversely green banks with less community lending experience, are directly engaged with each other. By providing financial and technical assistance to a wider array of institutions project opportunities could be realized that make the most of community expertise and green finance.

Continued Operability of the Fund

While we recommend that a sufficient amount of funds be recycled to ensure some length of continued operability, we do not believe maximum return on investment is a priority for this Fund. More specifically, we recommend a majority of the capital should be recycled through the

⁴⁷ “Despite Progress, Low-Income Households Underserved by Utilities’ Efficiency Programs.” ACEEE. November 2022. <https://www.aceee.org/press-release/2022/11/report-despite-progress-low-income-households-underserved-utilities>

use of low-cost loans, zero-interest loans, and recoverable grants. Grants should be focused on projects in low-income and disadvantaged communities that would not be viable without grant money. Projects should be ineligible for grants if they do not explicitly benefit low-income and disadvantaged communities. It is critical for capital to be deployed in a manner that is affordable to low-income and disadvantaged communities in a non-predatory manner such that investment will not result in potentially dangerous debt burden. These safeguards will help ensure that funds are recycled and that the Fund can continue to operate.

Projects with an anticipated revenue stream, such as electric vehicle charging infrastructure or other energy projects, should not necessitate grants unless specifically benefitting low-income and disadvantaged communities. They instead should consider using Fund capital for the creation of revolving loan funds, also known as green revolving funds, where cost savings from energy efficiency or renewable energy projects are realized as economic benefits to individuals and small businesses in low-income and disadvantaged communities as well as recycled back into the revolving fund for future projects.⁴⁸

Projects with less certain cash flows, such as resilience hubs, should be considered for grant funding. One option to consider are so called “recoverable” grants which are grants in which the grantors expect to be repaid in order to be able to recycle the capital into future projects. However, under extraordinary circumstances, the grant can be forgiven.⁴⁹ Recoverable grant is not a legally defined term and entities should be careful in constructing them so that they are not confused with loans. Forgivable loans are also an option. Unlike grants (recoverable or not), they do require debt to be taken on for a project, but if certain metrics are met, then the debtor is not required to make repayment.⁵⁰

Capital from the Fund should allow recipients to finance a mix of projects and consider continued operability at the portfolio level. This allows for maximum flexibility for the recipient and does not disincentivize them from funding or financing hard-to-reach projects.

Reducing Burden on Potential Borrowers

The EPA should encourage recipients to use alternative underwriting criteria when considering low-income and disadvantaged borrowers so that they are not shut out from accessing this opportunity as they may have been from previous financing programs. For example, payment history criteria should be considered as an alternative to traditional credit scores in evaluating loan applications. Payment history is perhaps the most important credit factor, as it accounts for

⁴⁸ “Revolving Loan Funds in Commercial Real Estate,” Better Buildings Alliance with the U.S. Department of Energy. https://betterbuildingsolutioncenter.energy.gov/sites/default/files/attachments/Revolving_Loan_Funds_in_CRE.pdf

⁴⁹ “Recoverable Grant FAQ.” Echoing Green. 2021. https://echoinggreen.org/wp-content/uploads/2021/03/echoing_green_recoverable_grant_faq.pdf

⁵⁰ “Innovative Finance Focus: Doing More With Less Through Recoverable Grants.” The National Law Review. January 2021. <https://www.natlawreview.com/article/innovative-finance-focus-doing-more-less-through-recoverable-grants>

35% of a FICO Score calculation.⁵¹ Evaluating ‘ability to pay’ or ‘proof of payment’ from bill history can reduce credit barriers, particularly for low-income and disadvantaged communities.

For minimizing barriers for potential borrowers, the EPA should ensure that recipients provide simple, streamlined application processes that are not overly onerous, which can have the unintended consequence of excluding those most in need of these resources. Some key best practices for ensuring an equitable application process include keeping applications brief, allowing for revisions, reducing the amount of paperwork or back up documentation required, and having technical assistance available that can help applicants with the application process. The EPA could consider implementing a standard application for any potential borrower which could be utilized by all recipients of funds.⁵²

Recipients should be required to consider the digital divide as well, as internet access and internet speed are huge barriers for many individuals across the country, particularly in low-income communities, rural communities, and tribal communities.⁵³ Further, the EPA should require recipients to consider language access within their geographies of focus, to ensure those that are Limited English Proficient (LEP) are able to access resources and in order to improve consumer protection.⁵⁴ Recipients should be able to demonstrate how best to reach their communities given these potential limitations, to ensure access to the Fund and to facilitate the application process.

The EPA should also consider the special circumstances facing renters when it comes to accessing financing programs to participate and benefit from renewable energy as well as improve the health and safety of their homes and communities. Renters face additional barriers to accessing opportunities to invest in their homes, as landlords need to be incentivized to make these investments on behalf of their residents while tenants need to be protected from potential financial burden and displacement. For one example of how a building decarbonization program is handling this challenge, specifically for multifamily properties, the Solar on Multifamily Affordable Housing (SOMAH) program directly markets incentives to landlords, such as low-cost solar and lowering building operating costs, while emphasizing benefits and protections for tenants such as lower energy bills and protection against rent increases.⁵⁵ Measures like this should be required for any product involving tenants.

⁵¹ Kiah, Treece and Jordan Tarver, “Focus On Payment History—It’s The Most Important Credit Factor.” Forbes. March 2022. <https://www.forbes.com/advisor/credit-score/payment-history/>

⁵² “Capacity Building with Frontline Community Leaders: Best Practices and Recommendations.” California Strategic Growth Council. June 2022. https://sgc.ca.gov/programs/pace/docs/20221017-PACE_Recommendations_Report_June_2022.pdf

⁵³ Bauer, Anahid, D.L Feir and Matthew T. Gregg. “The Tribal Digital Divide: Extent and Explanations.” Center for Indian Country Development. Federal Reserve Bank of Minneapolis. June 2022. <https://www.minneapolisfed.org/~media/assets/papers/cicdwp/2021/cicd-wp-2021-03.pdf>

⁵⁴ Hofstetter, Jacob, Margie McHugh and Anna O’Toole. “A Framework for Language Access: Key Features of U.S. State and Local Language Access Laws and Policies.” Migration Policy Institute. October 2021. https://www.migrationpolicy.org/sites/default/files/publications/language-access-2021_final.pdf

⁵⁵ “Tenant Benefits.” Solar on Multifamily Affordable Housing. <https://calsomah.org/tenant-benefits>

Labor Opportunities

In addition to prevailing wage requirements, job quality and job access measures are critical to the success of this Fund. Training programs on their own without dedicated pathways to employment are not sufficient for building the high-skill workforce needed to implement eligible projects, and especially to ensure low-income and disadvantaged communities have access to the economic prosperity that could come from being part of a clean energy economy. We emphasize the role of partnerships in ensuring equity in developing the labor standards and project selection criteria. We recommend that the EPA require recipients to adhere to these general principles:

- *Prioritize partnerships across programs:* Partnerships across programs, agencies and training providers have proven to improve employment outcomes for populations with higher barriers to employment than a single pipeline program itself.
- *Utilize Project Labor Agreements (“PLAs”) and Community Workforce Agreements (“CWAs”):* The EPA should encourage engaging with PLAs and CWAs that promote quality jobs and family sustaining wages to ensure equity in implementation.⁵⁶ The EPA should also consider incorporating training programs within PLAs to streamline resources.
- *Orient toward broad occupational training:* Orienting toward earn-as-you-learn apprenticeship training for broad occupational skills provides a range of career opportunities as opposed to training for specific tasks related to clean energy.
- *Prepare students for Union apprenticeships:* Financed projects should promote training geared toward success in union apprenticeships that put them on a pathway to a career with family sustaining wages and benefits instead of providing project-by-project jobs without job security.
- *Establish formal agreements with apprenticeship programs:* When agreements are created between apprenticeship programs and employers, the students benefit from the removal of certain entry cost barriers.
- *Provide additional support to address multiple challenges:* Funding needs to be available to support additional challenges that workers with high barriers to employment face such as transportation, homelessness, racism, child care, hunger etc.

Further, the EPA should consider the differences and nuances between commercial labor, which is often unionized, specialized, highly regulated, and paid a higher wage, and residential labor, which is often lower-wage and less safe for workers.⁵⁷ Workforce development opportunities should take these considerations into account and ensure that low-income and disadvantaged community participants are not being tracked into riskier work with less upward mobility.

⁵⁶ “High-Road Workforce Guide for City Climate Action.” Inclusive Economics. April 2021.

https://www.usdn.org/uploads/cms/documents/workforce-guide_4.12.21_form.pdf

⁵⁷ Clark, Steve. “Residential Construction Presents Many Hazards.” Laborers’ Health and Safety Fund of North America. May 2008. <https://www.lhsfna.org/residential-construction-presents-many-hazards/>

Title VI of the Civil Rights Act

Given the requirements to invest in and benefit low-income and disadvantaged communities, it will be absolutely necessary for the EPA to track the flow of capital to understand demographic and geographic spread of investments. (See also, response below to Section 5).

Collecting this data is common practice for the kinds of financial institutions that will be deploying capital from the Fund. For example, the Consumer Financial Protection Bureau (CFPB) explains that CDFIs receiving financial assistance from the CDFI Fund may collect demographic information on the individuals the CDFI serves despite perceived limitations for creditors outlined in the Equal Credit Opportunity Act (ECOA).⁵⁸ Additionally, pursuant to the Home Mortgage Disclosure Act (HMDA),⁵⁹ data regarding race and ethnicity on borrowers of home mortgages continues to be collected.

Alignment with Other Federal and Private-Sector Priorities

Alignment of the Fund with other federal programs should be for the purpose of increasing opportunities for low-income and disadvantaged communities and difficult to fund projects, while still encouraging private investment. When these funds are being targeted to the “riskiest,” least likely to be financed projects, there needs to be a certain degree of alignment with other federal and private-sector priorities that are currently being incentivized. The EPA should be meeting regularly with other federal agencies with not only significant resources to invest in climate-related projects, but also those that maintain critical community partnerships.

Guidance to Tribal and/or Territorial Governments

Guidance specific to Tribal and/or territorial governments is absolutely necessary for equitable implementation of the Fund. There are specific considerations related to sovereignty and consultation that need to be thoughtfully taken into account.

As of 2021, there were more than 70 Native CDFIs operating in the United States.⁶⁰ Native CDFIs should be recipients of the Fund, as they have a significant presence and value for Native communities across the country. Native CDFIs and CDFIs that specialize in lending in Indian Country have essential expertise and models that should be leveraged for the Fund. This is important for a variety of reasons, including that Native CDFIs improve credit outcomes for Indian Country residents, while non-Native CDFIS do not improve those outcomes.⁶¹

⁵⁸ “Statement on Collection of Demographic Information by Community Development Financial Institutions.” Consumer Financial Protection Bureau. June 2019. <https://www.consumerfinance.gov/compliance/supervisory-guidance/statement-collection-demographic-information-community-development-financial-institutions/>

⁵⁹ Richardson, Jason. “NCRC’s HMDA 2018 Methodology: How To Calculate Race And Ethnicity.” National Community Reinvestment Coalition. September 2019. <https://ncrc.org/ncrcs-hmda-2018-methodology-how-to-calculate-race-and-ethnicity/>

⁶⁰ “Mapping Native American Financial Institutions.” Federal Reserve Bank of Minneapolis. <https://www.minneapolisfed.org/indiancountry/resources/mapping-native-banks>

⁶¹ Kokodoko, Michou, et al. “Native CDFIs improve credit outcomes for Indian Country residents.” Federal Reserve Bank of Minneapolis. April 2021. <https://www.minneapolisfed.org/article/2021/native-cdfis-improve-credit-outcomes-for-indian-country-residents>

Specific legal issues should be addressed in guidance issued by the EPA. The EPA should consult with the CDFI Fund regarding their Native Initiatives Program⁶², as well as with Native CDFIs themselves to understand specific challenges that remain unresolved that could be addressed with this Fund. Key legal issues include waivers of sovereign immunity,⁶³ tax implications,⁶⁴ and recourse in the case of default.

Regarding technical assistance, nuances of working with tribes should also be considered in program design. In addition to the technical assistance resources highlighted in Section 1, the California Strategic Growth Council also has guidance related to providing assistance to tribes.⁶⁵ A practice of cultural humility, an acknowledgement and understanding of historic violence, and strong consultation and communication policies are key components to successful technical assistance delivery.

Section 3: Eligible Projects

General Project Requirements

We recommend the EPA allow direct and indirect recipients a certain amount of flexibility with Fund dollars in order to facilitate the financing of innovative projects that may meet unique community needs. It may be that certain investments deliver deeper greenhouse gas emissions reductions while others deliver more co-benefits to low-income and disadvantaged communities. Direct and indirect recipients should balance their portfolio of projects to advance both Fund goals as much as possible.

While we support flexibility and the funding of a variety of projects, resources from this Fund generally should not be deployed for programs or projects that have sufficient other financing opportunities. As articulated above in Section 2, projects should be required to meet a “but for” test in order to qualify for financing. Projects likely to fail this “but for” test include mature technologies that are well-served by current financing such as utility-scale renewables or transmission. Other areas that are relatively well-funded or already targeted via other federal provisions in the Infrastructure Investment and Jobs Act (IIJA) and Inflation Reduction Act

⁶² “Native Initiatives,” U.S. Department of the Treasury Community Development Financial Institutions Fund. <https://www.cdfifund.gov/programs-training/programs/native-initiatives#:~:text=Native%20CDFIs%20help%20Native%20Communities,of%20CDFIs%20serving%20Native%20Communities>.

⁶³ Congdon, Charles. “Tribal Finance: Irrevocable Limited Waiver of Sovereign Immunity.” Thomson Reuters Practical Law. [https://content.next.westlaw.com/practical-law/document/I6556b9636ff511e498db8b09b4f043e0/Tribal-Finance-Irrevocable-Limited-Waiver-of-Sovereign-Immunity?viewType=FullText&transitionType=Default&contextData=\(sc.Default\)&firstPage=true](https://content.next.westlaw.com/practical-law/document/I6556b9636ff511e498db8b09b4f043e0/Tribal-Finance-Irrevocable-Limited-Waiver-of-Sovereign-Immunity?viewType=FullText&transitionType=Default&contextData=(sc.Default)&firstPage=true)

⁶⁴ “Redefining Indigenous Wealth with a Bold, New Opportunity: Q&A with Nick Tilsen and Gaby Strong.” NDN Collective. December 2021. <https://ndncollective.org/redefining-indigenous-wealth-with-a-bold-new-opportunity-qa-with-nick-tilsen-and-gaby-strong/>

⁶⁵ “Tribal Appendix to the Technical Assistance Guidelines for State Agencies.” California Strategic Growth Council. October 2020. https://sgc.ca.gov/programs/cace/docs/20201015-TA_Guidelines-Apdx_A.pdf

(IRA) include grants to reduce air pollution at ports, methane emissions reduction programs, and clean heavy-duty vehicles.

However, as allowable by law, resources from this Fund should be stackable and complementary to other IIJA and IRA programs where beneficiaries are low-income or disadvantaged. This could include programs like the Energy Infrastructure Reinvestment Program at the Department of Energy.⁶⁶ While it is important to ensure additionality with Fund resources and focus on projects that otherwise would not be funded, where there are opportunities to maximize the economic and environmental well-being of low-income and disadvantaged individuals and households, project applicants should not be unnecessarily precluded from leveraging other IIJA and IRA resources.

Entities such as corporates, investment-grade rated institutions with no demonstrated mission focus, affluent customers, and commercial real estate developers – which do not have missions or mandates to benefit low-income or disadvantaged communities – should be deprioritized to receive resources from this Fund.⁶⁷

Further, community consultation and relationship building should be critical components of finalizing and approving projects for financing. The California Air Resources Board, implementers of California Climate Investments, offers key principles for successful community engagement, including the need to build trust, advance social equity, and promote mutual learning. For investments from this Fund to succeed, direct and indirect recipients should work to both broaden and deepen their relationships with local community-based and/or environmental and climate justice organizations, as well as community development entities that serve low-income and disadvantaged communities. In order to ensure proper community engagement is being conducted,⁶⁸ recipients should be required to report on their outreach to and engagements with organizations, including where and how these efforts were made and how the engagement shaped financed projects.

Financial assistance products should be designed to be as easy as possible for communities to access. This means the application and deployment process should be relatively simple, easy to explain, and not burdensome to pursue. It also means the Fund should be used to meet people and communities where they are, on the projects they are interested in or are already pursuing.

⁶⁶ NCSL Staff. “Inflation Reduction Act of 2022 Provisions.” National Conference of State Legislatures. 2022. <https://www.ncsl.org/Portals/1/Documents/NCSL/NCSL-Summary-Inflation-Reduction-Act.pdf>; “Infrastructure Investment and Jobs Act.” The House Committee on Transportation and Infrastructure. <https://transportation.house.gov/committee-activity/issue/infrastructure-investment-and-jobs-act#:~:text=The%20Infrastructure%20Investment%20and%20Jobs.create%20good%2Dpaying%20union%20jobs>; “Energy Infrastructure Reinvestment.” U.S. Department of Energy Loan Programs Office. <https://www.energy.gov/lpo/energy-infrastructure-reinvestment>

⁶⁷ “Comments related to EPA’s Greenhouse Gas Reduction Fund,” Natural Resources Defense Council. <https://www.nrdc.org/sites/default/files/comments-epa-greenhouse-gas-reduction-fund-20221011.pdf>

⁶⁸ “Community Engagement Brief,” WE ACT for Environmental Justice. September 2022. <https://www.weact.org/wp-content/uploads/2022/10/Community-Engagement-Brief-092322-FINAL.pdf>

To facilitate this type of arrangement, recipients should have the flexibility to structure project financing in a way that allows for a variety of mechanisms to meet the stated goals of the statute, especially to facilitate investment in projects that are directly owned and operated by low-income and disadvantaged community members. Practically, this could include structuring parts of deals as grants or forgivable loans, being able to fund loan loss reserve funds, and credit enhancements. (See response to Section 1 for more on financial assistance).

The EPA should require that all projects supported by the Fund ensure consumers are protected against unsafe and unfair business practices and are designed to minimize risk to participants, by including consumer protections such as those of the Illinois Solar for All program.⁶⁹ We further urge the EPA to require that the eligible loan products for the Fund are structured in ways that build wealth and financial sustainability for low-income and disadvantaged communities, and do not result in or rely on predatory lending practices. For example, there has been significant and justified criticism of the residential Property Assessed Clean Energy (PACE) program in which bad actors preyed upon low-income consumers, older adults, and homeowners of color, including through deceptive contractor practices and targeting communities of color, which has resulted in problematic lien structures and foreclosure risks.⁷⁰ These problems resulted from a lack of consumer protections incorporated into the program, and the EPA should learn lessons from PACE on the need for careful assessment of what financing models to permit and promote.

Priority Projects

While we recommend a certain degree of flexibility for recipients to be able to design products to meet community needs, we recommend that the EPA also provide an illustrative, non-exhaustive list of possible projects in order to assist recipients in beginning community engagement to seek projects and ensure key solutions that meet community-identified needs are well promoted.

One solution to highlight is inclusive utility investment (IUI), also known as tariffed on-bill financing. This mechanism allows utilities to make site-specific energy efficiency improvements to buildings, pay for the costs, and recoup the cost via a tariff on the customer's bill, typically at a rate that allows the customer to still enjoy lower bills.⁷¹ For the purposes of this Fund, entities would provide resources directly to utilities to finance these upgrades, which would make for an efficient structure for financing upgrades to low-income and disadvantaged community households. To-date, conventional debt products to fund energy efficiency upgrades for residential customers have seen little scale.⁷² IUI offers a promising opportunity for low-income and disadvantaged customers to benefit from a more energy efficient home and lower energy bills without taking on debt. Important consumer protections to include in IUI implementation

⁶⁹ "Consumer Protections." Illinois Solar For All. <https://www.illinoisfa.com/consumer-protections/>

⁷⁰ "PACE Energy Efficiency Loans: Good Intentions, Big Risks for Consumers." National Consumer Law Center. September 2016. <https://www.nclc.org/issues/pace-energy-efficiency-loans.html>

⁷¹ "Inclusive Utility Investment." Energy Star. https://www.energystar.gov/products/inclusive_utility_investment

⁷² "Long-Term Performance of Energy Efficiency Loan Portfolios." State and Local Energy Efficiency Action Network. March 2022. https://eta-publications.lbl.gov/sites/default/files/see_action_loan_performance_full_study_final.pdf

such that customers are not harmed and can best benefit from this model include guaranteed bill savings, provisions to not disconnect service over non-payment, and ensuring customers that may be eligible for direct support programs are referred to those first. We recommend the EPA highlight this IUI product as one that can meet multiple goals of the Fund and encourage direct and indirect recipients to pursue financing of these investments.

As long as other criteria as outlined in this letter are met – such as passing a “but for” test, being non-predatory, and benefiting low-income and disadvantaged communities – examples of projects we believe are especially in need of support from this Fund include the following:

- Community solar and microgrids⁷³
- Rooftop solar⁷⁴
- Equitable energy storage⁷⁵
- Community Resilience Centers (also known as Resilience Hubs) which utilize energy efficiency measures and/or solar plus storage⁷⁶
- Energy efficiency and weatherization, including home repair needs, such as health and safety improvements, and energy audits, in preparation for these projects⁷⁷ (consider California’s San Joaquin Valley Affordable Energy Pilots which allows for home repair up to \$5,000⁷⁸)
- Building electrification for single-family homes, multi-family homes, and small businesses, including for heat pumps⁷⁹
- Transportation electrification, including publicly-accessible electric vehicle charging stations⁸⁰ as well as financing for the purchase or lease of new or used electric vehicles⁸¹

⁷³ “Community Solar Basics.” U.S. Department of Energy Office of Energy Efficiency and Renewable Energy. <https://www.energy.gov/eere/solar/community-solar-basics>; “Community solar in D.C.” Solar United Neighbors. <https://www.solarunitedneighbors.org/dc/learn-the-issues-in-dc/community-solar-in-dc/>; “Solar for All.” New York State Energy Research and Development Authority. <https://www.nyserda.ny.gov/solar-for-all/>; “Community Solar and Microgrids.: Fireflower Alternative Energy.

<https://www.fireflower-alternative-energy.com/single-post/2015/11/28/time-is-money#:~:text=Microgrid%20and%20community%20solar%20projects,is%20grid%2Dconnected%20or%20not>

⁷⁴ “Rooftop Solar.” Solar Energy Industries Association. <https://www.seia.org/initiatives/rooftop-solar>

⁷⁵ Richardson, Jeremy. “How to Ensure Energy Storage Policies Are Equitable.” Union of Concerned Scientists. November 2019. [https://www.ucsusa.org/sites/default/files/2021-11/Legislative Language for Equitable Energy Storage.pdf](https://www.ucsusa.org/sites/default/files/2021-11/Legislative%20Language%20for%20Equitable%20Energy%20Storage.pdf)

⁷⁶ Bryn Grunwald, Mia Reback, and Ryan Warsing, “Weathering Climate Disasters with Resilience Hubs,” Rocky Mountain Institute. October 26, 2022. <https://rmi.org/weathering-climate-disasters-with-resilience-hubs/>; “What Are Resilience Hubs?” Urban Sustainability Directors Network. <http://resilience-hub.org/what-are-hubs/>; “Community Resilience Centers.” California Strategic Growth Council. <https://sgc.ca.gov/programs/community-resilience-centers/>

⁷⁷ Miller, Marla R. “Sealing the Cracks in Weatherization and Home Repair.” Shelterforce. August 2022.

<https://shelterforce.org/2022/08/05/in-pa-bill-aims-to-help-homeowners-pay-for-costly-home-repairs/>

⁷⁸ “Decision Approving San Joaquin Valley Disadvantaged Communities Pilot Projects.” December 2018.

<https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M252/K522/252522682.PDF>

⁷⁹ Rosenberg, Joel. “Electrify Everything in Your Home: A Guide to Comfy, Healthy, Carbon-Free Living.” Rewiring America. December 2021. <https://content.rewiringamerica.org/reports/electrify-home-guide.pdf>

⁸⁰ Aguayo, Leslie. “Achieving Electrification Equitably: Principles for Building EV Charging Infrastructure for Everyone.” The Greenlining Institute. <https://greenlining.org/blog-category/2022/achieving-electrification-equitably/>

⁸¹ “Clean Vehicle Financing.” Beneficial State Bank.

<https://www.beneficialstatebank.com/personal/auto-loans#clean-vehicle-financing>

(for those ineligible for the IRA tax credit such as those who are low-income and pay little to no taxes or nonprofit institutions)

- Local permanent conservation projects, community gardens, or creation of local parks that avoid or reduce greenhouse gas emissions and create ecosystem, economic, and social justice benefits to communities without facilitating gentrification⁸²

To further maximize benefits to these communities, the EPA should require projects to demonstrate deep community engagement and consultation, as mentioned above, to inform both the development and implementation of a project. This could include evidence of an established partnership or documentation of how feedback directly impacts decision-making.

Ineligible Projects

While we recommend flexibility to facilitate project financing, we also believe certain projects should be categorically ineligible for support from the Fund. Some projects that claim to reduce emissions and provide community benefits may actually cause other unintended consequences in the communities the Fund is meant to primarily benefit, thus rendering them ineffective in the broader fight against climate change or the effort to benefit low-income and disadvantaged communities.⁸³ Projects that should not receive capital or investments from the Fund include:

- Carbon capture and sequestration (CCS) or carbon capture, utilization, and storage (CCUS) projects, as these technologies are likely to continue oil and gas extraction processes that disproportionately burden disadvantaged communities.⁸⁴ While point source carbon capture is hypothetically able to remove 85-90% of carbon dioxide, the filtering process does not remove simultaneously-emitted air toxics that contribute to overall public health burden, and levels allowed by environmental regulators still harm public health.⁸⁵ In addition, the carbon-reduction benefits are overstated. These projects are overly expensive, have not achieved the capture rates that were anticipated, and most of the captured CO₂ is used to produce additional oil, which means supporting further fossil fuel supply, not reducing carbon pollution.⁸⁶

⁸² Rigolon, Alessandro and Jon Christensen. "Greening without Gentrification: Learning from Parks-Related Anti-Displacement Strategies Nationwide." University of California Los Angeles Institute of the Environment and Sustainability. <https://www.ioes.ucla.edu/project/prads/>

⁸³ Field, Sandy. "False Solutions to the Climate Crisis." Sierra Club Pennsylvania. December 2021. <https://www.sierraclub.org/pennsylvania/blog/2021/12/false-solutions-climate-crisis>

⁸⁴ "Carbon Capture: The Fossil Fuel Industry's False Climate Solution." Earthjustice. September 2022. <https://earthjustice.org/from-the-experts/2022-september/carbon-capture-the-fossil-fuel-industrys-false-climate-solution#:~:text=CCS%20projects%20are%20energy%20intensive,our%20reliance%20on%20dirty%20fuels>

⁸⁵ Liu, Cong, et al. "Ambient Particulate Air Pollution and Daily Mortality in 652 Cities," The New England Journal of Medicine. August 2019. <https://www.nejm.org/doi/full/10.1056/nejmoa1817364>; Hanigan, Ivan, et al. "All-cause mortality and long-term exposure to low level air pollution in the '45 and up study' cohort, Sydney, Australia, 2006-2015." National Library of Medicine. March 2019. <https://pubmed.ncbi.nlm.nih.gov/30878871/>; Jacobson, Mark Z. "The health and climate impacts of carbon capture and direct air capture." Energy and Environmental Science. October 2019. <https://web.stanford.edu/group/efmh/jacobson/Articles/Other/19-CCS-DAC.pdf>

⁸⁶ Robertson, Bruce and Milad Mousavian. "The carbon capture crux: Lessons Learned." Institute for Energy Economics and Financial Analysis. September 2022. <https://ieefa.org/resources/carbon-capture-crux-lessons-learned>

- Biomass, specifically (but not exclusively) wood pellet production, because neither the production nor later burning of biomass is clean or carbon neutral and it disproportionately harms low-income communities and communities of color.⁸⁷
- Anaerobic digestion or “Dairy Digestors,” as the technology may actually be leading to an increase in methane emissions because of dairy expansion.⁸⁸

The EPA should also exclude emerging technologies from eligibility in the distribution of these funds.⁸⁹ Examples include small modular (nuclear) reactors and hydrogen.⁹⁰ The focus of Fund support should be on established (i.e., mature, proven, and deployable at scale) technologies that can deliver guaranteed benefits to communities, consumers, and households in short order.⁹¹ Emerging clean energy or other climate mitigation technologies can and will continue to be developed and funded through other public or private investment.⁹² A technology that is still emerging at present might become established during the lifetime of the Fund. The EPA could provide updated guidance on eligible technologies for the Fund every couple of years in coordination with the Department of Energy and the Fund’s oversight commission (see Section 5).

Section 4: Eligible Recipients

Competitive Selection Process for Multiple Eligible Recipients

To ensure that a diverse set of entities are able to access the Fund, we urge the EPA to set forth a competitive, transparent process for selecting direct recipients (“eligible recipients”) to receive Fund dollars. We recommend issuing a Request for Proposals (RFP) to generate a diverse applicant pool and prioritize entities with proven grantmaking or financing relationships to Black, Indigenous, People of Color (BIPOC)-led organizations. These entities should have experience with, and demonstrate via the RFP that they will partner with, community-based financial institutions to deliver maximum investment to the low-income, low-wealth, and disadvantaged communities whom the Fund is intended to reach. We also urge you to ensure

⁸⁷ “SELC, 95 other groups warn Biden about dangers of biomass.” Southern Environmental Law Center. September 2021. <https://www.southernenvironment.org/news/selc-95-other-orgs-warn-president-biden-about-dangers-of-biomass-energy/>

⁸⁸ Spector, Rebecca and Dasha Murawski. “The Dairy Digester Dilemma: A False Climate Solution.” Center for Food Safety. October 2021. <https://www.centerforfoodsafety.org/blog/6457/the-dairy-digester-dilemma-a-false-climate-solution>

⁸⁹ “What is Emerging Technologies,” IGI Global. <https://www.igi-global.com/dictionary/emerging-technologies/37736>; “What is the Definition of Emerging Technology?,” Winston and Strawn LLP. <https://www.winston.com/en/legal-glossary/emerging-technology.html>

⁹⁰ “DOE Establishes New Office of Clean Energy Demonstrations Under the Bipartisan Infrastructure Law,” U.S. Department of Energy. December 2021. <https://www.energy.gov/articles/doe-establishes-new-office-clean-energy-demonstrations-under-bipartisan-infrastructure-law>

⁹¹ Zappa, Michell. “17 Emerging Energy Technologies That Will Change The World.” Business Insider. April 2014. <https://www.businessinsider.com/17-emerging-energy-technologies-2014-4>

⁹² “About NREL.” National Renewable Energy Laboratory U.S. Department of Energy. <https://www.nrel.gov/about/>; “DOE Applied Energy Budget: FY22 Outcomes and FY23 Request,” American Institute of Physics. June 2022. <https://www.aip.org/fyi/2022/doe-applied-energy-budget-fy22-outcomes-and-fy23-request>

good coverage of benefits across all geographies and within different networks and types of financial institutions.

Eligible recipients should have experience with and have explicit plans to work within the nation's capillary banking system. This includes, as a priority, the networks of community-based financial institutions, including CDFIs, MDIs, and LICUs, that are well positioned to lend to the targeted communities with speed and efficiency. Furthermore, channeling lending in this manner further serves those communities by strengthening local businesses and institutions. Additionally, partnering with green banks that possess deep community partnerships and a demonstrated track record of supporting projects for low-income and disadvantaged communities should also be encouraged.

We are pleased that the IRA requires 40% of Fund dollars to benefit low-income and disadvantaged communities, in alignment with the Biden Administration's Executive Order on Justice40.⁹³ However, this threshold must be a floor, not a ceiling. For the goals of this Fund to be meaningfully achieved, a maximum amount of the dollars must flow to these historically disinvested communities to catalyze emissions and air pollution reductions and market transformation. These funds must be equitably administered to help low-income and disadvantaged communities from across the country participate in the energy transition, build wealth and resilience, and have greater opportunities for self determination and empowerment.

It is critical that more than 40% of the Fund benefit low-income and disadvantaged communities for the sake of equity and parity. Some tools that have been used in states define a larger proportion of their population as "disadvantaged" than the funding required for investment (such as California defining 28.4% of its population as disadvantaged while only requiring 25% of climate dollars to benefit these communities).⁹⁴ The CEJST 1.0 identifies 33% of the US population as disadvantaged, which is close to the 40% requirement in the Fund's enabling legislation.⁹⁵ Adding in the percentage of the U.S. population that is likely to be considered low-income but outside the definition of disadvantaged, it is very likely that more than 40% of the U.S. population would qualify under either definition. Therefore, in order to be truly equitable, the Fund needs to deliver far more than 40% in benefits to low-income and disadvantaged communities. As part of an RFP process, the EPA should assess whether applicants can maximize these goals based on their past track records and what they propose to do with resources from the Fund.

⁹³ "Justice40 A Whole-Of-Government Initiative." The White House.

<https://www.whitehouse.gov/environmentaljustice/justice40/>

⁹⁴ Sotolongo, Marisa. "Justice40 and Community Definition: How Much of the U.S. Population Is Living in a 'Disadvantaged Community?'" Initiative for Energy Justice. <https://iejusa.org/justice-40-and-community-definition-blog/>

⁹⁵ "White House Releases version 1.0 of the Climate and Economic Justice Screening Tool (CEJST)." The White House. https://www.youtube.com/watch?v=XwilQp3EXRQ&ab_channel=TheWhiteHouse

The EPA may want to consider a combination of structures for direct recipients of the Fund, in order to better leverage different expertise, and maximize the amount of green banks, community lenders, and other such mission-oriented organizations involved in the Fund's implementation. Efforts such as the Strong, Prosperous, And Resilient Communities Challenge⁹⁶ (SPARCC), the Partnership for the Bay's Future,⁹⁷ the Rural Community Assistance Partnership⁹⁸ (RCAP), and Partners for Rural Transformation⁹⁹ offer models of how CDFIs have partnered with other nonprofits to strategically deploy capital and build local capacity to meet local resilience and community development needs. By encouraging consortiums of entities to apply jointly, the EPA can better assure the full range of expertise is at-hand to achieve the goals set out in the statute and provide additional checks and balances on recipients.

The RFP should be done on a rolling basis, so that not all eligible recipients must apply, receive grants, and deploy funds right away. This would provide opportunity for those that have more capacity to begin disbursing dollars soon to hit the ground running and allow others to plan strategically and seek funds at a later date. Recognizing the need to disburse funds quickly, it is also important to recognize that immense speed in allocation processes often does a disservice to low-income and disadvantaged communities. EPA should structure this process to facilitate both expediency and equity-oriented needs.

Criteria for Eligible Recipients in Their Applications

All direct recipients should meet the following criteria in their grant applications for the RFP to ensure that they will be responsible stewards of this historic green financing opportunity through the Fund:

- Demonstrate engagement with existing mission-based financing entities that leverage public and private capital, including CDFIs, MDIs, LICUs, established state and local green banks, credit unions, housing finance agencies, public housing authorities, and others.
- Demonstrate an understanding of proven and emerging financing solutions for climate mitigation and resilience
- Demonstrate a commitment to distribute funds to projects that will benefit low-income and disadvantaged communities
- Submit a strategic plan, which includes how they will:
 - meet greenhouse gas and air pollution reduction goals;
 - create additionality, private leverage, and continued operability of the funds;

⁹⁶ "Our Team." SPARCC. <https://www.sparcchub.org/about/our-team/>

⁹⁷ "Who We Are." Partnership for the Bay's Future. <https://baysfuture.org/about-us/>

⁹⁸ "About Us." Rural Community Assistance Partnership. <https://www.rcap.org/about-us/>

⁹⁹ "About." Partners for Rural Transformation. <https://www.ruraltransformation.org/>

- meet, track, and report on the metrics and indicators for program outcomes (outlined in Section 5 below), and require their recipients (indirect recipients) to provide the data necessary to do so;
- balance financial and technical assistance needs;
- incorporate opportunities for community ownership and wealth-building strategies in deployment of clean energy technologies;¹⁰⁰ and
- address deployment hurdles in each product vertical in which the direct recipient intends to deploy support.

Section 5: Oversight and Reporting

Given the diversity of entities that could ultimately be implementers of projects, the clear mandate to benefit low-income and disadvantaged communities, as well as the broad opportunity the Fund provides to finance emissions-reducing projects, it is important to put in place governance structures to effectively monitor all of these moving pieces.

Community Accountability

The EPA should require each direct recipient to establish a Community Accountability Board (CAB) to oversee the disbursement of its funds and ensure capital is flowing in a manner that meets local community needs. This CAB should be representative of the communities the recipient is aiming to serve, both in geography and demographically with an emphasis on low-income and disadvantaged community representation. The CDFI Fund requires something similar per its implementing statutes, framed as an advisory board, to provide “accountability to residents of its investment area or targeted population.”¹⁰¹ However, we recommend that EPA require CABs to have more decision-making authority and direct oversight over the investments that are made utilizing dollars from the Fund. By moving beyond simply having an advisory board that provides feedback that may or may not influence the ultimate decision-makers, if this Fund is truly to be successful in meeting the needs of disinvested communities, those very communities need to be more centrally involved and power must be shared. For reference, there are many frameworks that demonstrate a spectrum of community engagement that moves from informing and consultation to more transformative partnerships that include collaboration and ownership. The Movement Strategy Center’s framework outlines activities that can help implement these steps as well as a sense of resource allocation needed to accomplish the engagement goal.¹⁰²

¹⁰⁰ Kent, Adam. “An Opportunity for Equitable Climate Finance.” Natural Resources Defense Council. October 2022. <https://www.nrdc.org/experts/adam-kent/opportunity-transform-climate-finance>

¹⁰¹ “Community Development Financial Institution Certification Application: Overview of FINAL Revisions and Modifications.” CDFI Fund. October 2022. https://www.cdfifund.gov/sites/cdfi/files/2022-10/CDFICertification_Application_Overview_Oct_2022.pdf

¹⁰² “The Spectrum of Community Engagement to Ownership.” Facilitating Power. <https://movementstrategy.org/wp-content/uploads/2021/08/The-Spectrum-of-Community-Engagement-to-Ownership.pdf>

Oversight Commission

In addition to EPA staff oversight, to provide further accountability and also to foster a spirit of mutual learning and sharing of best practices, the EPA should create an oversight commission consisting of representation of senior leadership from each direct recipient of the \$20 billion portion of the Fund, the EPA Office of Environmental Justice and External Civil Rights, the White House Environmental Justice Advisory Council, the White House Council on Environmental Quality, and the Department of Treasury's CDFI Fund.

The oversight commission should also be required to coordinate with regional EPA administrators to receive additional input on whether the Fund is adequately reaching low-income and disadvantaged communities in their respective regions, and especially how the \$7 billion portion dedicated to states, municipalities, and tribal governments is being deployed. The oversight commission should be granted the power to implement standard remedies, such as withholding of subsequent rounds of funding or clawing back funds already distributed, if recipients are found to have failed to live up to low-income and disadvantaged community benefit commitments.

Metrics and Indicators

It will be important for the EPA to track program outcomes for accountability, and as proof of concept for how these funds are facilitating market transformation and benefits to historically disinvested communities. Given the multi-pronged set of goals outlined in the RFI (emissions reductions, benefits to communities, leveraged funds, etc.), indicators should be developed for each goal such that direct recipients can help indirect recipients effectively track outcomes.

Examples of indicators for a selection of the stated goals listed in the RFI could include:

- Reductions in greenhouse gas emissions and air pollution:
 - Annual and lifetime avoided emissions from a project, aggregated in carbon dioxide equivalent and disaggregated by greenhouse gas;
 - Reductions in toxic air pollutants, including particulate matter.
- Allocation of benefits to low-income and disadvantaged communities (some suggested indicators below are referenced from California Air Resources Board for Assessment Methodologies for co-benefits).¹⁰³
 - Recipient of Fund dollars is a resident of a low-income or disadvantaged community;
 - Beneficiaries of Fund dollars are residents of low-income or disadvantaged communities;

¹⁰³ "California Climate Investments Co-benefit Assessment Methodologies." California Air Resources Board. <https://ww2.arb.ca.gov/resources/documents/cci-methodologies>

- Number of “clean” or “green” jobs supported, including direct jobs and indirect or induced jobs;¹⁰⁴
- Qualitative description of the jobs and companies engaged in those jobs, including whether those businesses are minority or women owned;
- Additional job tracking, including new job training and apprenticeship programs, job placement outcomes, and retention statistics;
- Utility (energy and water) cost savings to consumers;
- Improvements to climate resiliency (including extreme heat, drought, sea level rise, and inland flooding);
- Community ownership and wealth-building opportunities, including increased net worth or net profits of individuals, cooperatives, or firms in low-income and disadvantaged communities;
- Opportunities provided by the project applicant for community members to provide input or have decision-making authority over components of the project, for example via community meetings or community needs assessments.
- Private sector leverage, additionality, and recyclability of funds:
 - Percent of project budget supplied by Fund dollars;
 - Dollar amount of additional public and private capital utilized to finance a project;
 - Leverage ratio of public to private funds;
 - Product structure (grant, loan, etc.), including interest rates and terms;
 - Repayment rates and additional loan performance information.
- Distribution of projects at the national, regional, state, and local levels:
 - Project geographic location by zip code and census tract.

Through the data collection and reporting process, if it is found that recipients are lending more than 40% to low-income and disadvantaged communities (see response in Section 4), then the oversight commission should encourage recipients to drive up the percentage going to those communities even further.

EPA Web Portal and Dashboard

The EPA should create a publicly-facing web portal and dashboard, in addition to a technical assistance platform (see Section 1 response), that hosts the data on the Fund’s financial, climate and community benefit outcomes. The eligible recipients should be required to, at minimum, annually report to the EPA on where and how the funds are being distributed. Data collection should include which institutions are receiving the funds, the types of projects being funded, when loans are repaid, and the mix of funding (or capital stack) for each project that is receiving

¹⁰⁴ “Employment Direct Indirect And Induced.” Sustainable Energy Jobs Platform. <https://sejplatform.org/Key-concepts/Employment-Direct-Indirect-and-Induced>; “What are direct, indirect, and induced jobs?” EB5 Affiliate Network. <https://eb5affiliatenetwork.com/project-developer-faq-topics/direct-vs-regional-center-projects/direct-indirect-induced-jobs/>

grants or financing as a result of the Fund. The EPA should disclose this data on the publicly-facing dashboard.

Indirect recipients should be required to track and report through the direct recipients the metrics and indicators listed above for every project that receives capital or financing through the Fund. Annual data should be required for the calendar year, even if an institution has not had the funds for an entire year. Further, the raw data informing the dashboard should also be available for the public to download, as an Excel spreadsheet or similar format, such that individuals, researchers, public interest organizations and others can conduct their own analyses regarding outcomes from the Fund. Benefits to open data include transparency, public service improvement, social and economic innovation, and efficiency.¹⁰⁵

The EPA should facilitate the submission of data in a standardized format by recipients for all of their projects, and the portal or dashboard should be a user- and public-friendly source of visual data reporting. The dashboard should include an interactive map, such as the one used already by the EPA for the Clean School Bus Program.¹⁰⁶

There is precedent for this type of data collection and reporting, such as the Connecticut Green Bank's Post Bond Issuance Verification Report.¹⁰⁷ Also, the California Air Resources Board, the implementer of California Climate Investments, has on its website all reporting templates it requires administering agencies to complete regarding critical data on projects funded.¹⁰⁸ The agency also publishes a project map that allows the public to see what projects have been funded in each community and to download data for further analysis.¹⁰⁹

Additional examples of portals or dashboards the EPA should consider modeling after include:

- The National Development Council (NDC)'s Impact Map, which provides topline numbers for homes built, jobs created, and development professionals trained. In addition to an interactive map of projects by type including technical assistance, small-business lending, and training.¹¹⁰
- The New York State Energy Research and Development Authority's Green Jobs Green New York loan portfolio interactive dashboard, which includes number of loans, loan

¹⁰⁵ "Starting an Open Data Initiative," The World Bank. <http://opendatatoolkit.worldbank.org/en/starting.html>

¹⁰⁶ "Awarded Clean School Bus Program Rebates." United States Environmental Protection Agency. <https://www.epa.gov/cleanschoolbus/awarded-clean-school-bus-program-rebates>

¹⁰⁷ "2021 Post Bond Issuance Verification Report." Connecticut Green Bank. 2021. <https://www.ctgreenbank.com/wp-content/uploads/2022/02/2021-Post-Bond-Issuance-Verification-Report.pdf>

¹⁰⁸ "CCI Quantification, Benefits, and Reporting Materials." California Air Resources Board. <https://ww2.arb.ca.gov/resources/documents/cci-quantification-benefits-and-reporting-materials>

¹⁰⁹ "California Climate Investments Project Map." California Air Resources Board. <https://webmaps.arb.ca.gov/ccimap/>

¹¹⁰ "NDC Impact Map: NDC's Impact Across America." National Development Council. <https://ndconline.org/ndc-map/>

purposes, loan types, interest rates, principal amounts, and debt-to-income ratios for the last 12 years.¹¹¹

- The Treasury Emergency Rental Assistance (ERA) Dashboard has a spending tracker of funds approved or paid to households from the ERA, a list of entities and programs engaged, and summary statistics of the programs.¹¹²

Evaluation

In addition to the metrics tracking and reporting recommendations outlined above, we further recommend the EPA conduct a robust, third-party evaluation on the implementation of the Fund approximately every 3-5 years.¹¹³ There are many important lessons to be learned via the deployment of these dollars, including how impactful the resources are in low-income and disadvantaged communities in reducing emissions and providing critical co-benefits. We recommend EPA seek an objective third-party, such as a university entity, to conduct this holistic assessment and ensure results are shared publicly.¹¹⁴

Fraud Prevention

Also, similar to the EPA's Clean School Bus Program, every direct and indirect recipient for the Fund should be required to register with the System for Award Management (SAM.gov), to help prevent fraud.¹¹⁵ The direct recipients should be required to attend fraud awareness training to be able to flag applications for the Fund, and Inspector General offices should also continue to be staffed up, like for the clean school bus program.

Given the EPA's limited capacity and the relatively small sum of \$30 million available until September 30, 2031, for the EPA to administer the Fund, the agency should consider regulating the Fund in a manner that facilitates continued data collection and display with minimal EPA administration. Alternatively, if there are concerns about the EPA hosting the portal and dashboard, the commission proposed in this comment to be formed from the nonprofit direct recipients should host the portal as a stand-alone website, rather than being directly affiliated with any of the individual direct recipient organizations.

¹¹¹ "Data and Trends." The New York State Energy Research and Development Authority. October 2022.

<https://www.nyserda.ny.gov/Researchers-and-Policymakers/Green-Jobs-Green-New-York/Data-and-Trends>

¹¹² "Treasury Emergency Rental Assistance (ERA) Dashboard." National Low Income Housing Coalition.

<https://nlihc.org/era-dashboard>

¹¹³ "Introduction to Program Evaluation for Public Health Programs: A Self-Study Guide." Program Performance and Evaluation Office. Centers for Disease Control and Prevention. <https://www.cdc.gov/evaluation/guide/introduction/index.htm>

¹¹⁴ "Transformative Climate Communities Evaluation Plan: A Road Map for Assessing Progress and Results of the Round 1 Place-based Initiatives." UCLA Luskin Center for Innovation and UC Berkeley Center for Resource Efficient Communities. November 2018. https://sgc.ca.gov/programs/tcc/docs/20190213-TCC_Evaluation_Plan_November_2018.pdf; "Technical Assistance Guidelines: Evaluation." California Strategic Growth Council. <https://sgc.ca.gov/programs/cace/resources/guidelines/evaluation.html>

¹¹⁵ "System for Award Management (Sam.gov)." General Services Administration. <https://sam.gov/content/home>

Section 6: General Comments

Timing for Fund Distribution

We ask that the EPA be mindful of when funds are distributed between the February 2023 and the September 2024 deadlines. There is value in distributing funds quickly to recipients and projects that are ready in February 2023. But this should be balanced with the need for careful program design and guidance by the EPA that allows other recipients enough time to gather themselves and develop projects that will benefit communities, as well as for the Fund to create a representative network of financing opportunities across all communities for the purposes of reducing or avoiding greenhouse gas emissions and assisting communities in their efforts to do so. There are social equity tradeoffs in distributing funds too quickly, where speed of deployment could hinder the goals of this Fund in actually reaching low-income and disadvantaged communities.

Recognizing that the EPA is required by statute to begin disbursing some funds in February of 2023, the EPA should disburse capacity-building technical assistance and workforce development funding to low-income and disadvantaged communities in the initial tranche of funding. There is a significant need to help communities meaningfully participate in the Fund and to boost the workforce needed to install zero-emissions technologies and deploy other qualified projects. This would help community-based organizations and environmental justice communities boost their capacity to apply for and advance zero-emissions projects.

Direct recipients should receive all grants from the Fund by the September 2024 deadline, as indicated by law. Guidance from the EPA to direct recipients should be clear that they should only deploy funds to indirect recipients that have demonstrated financing pipelines for greenhouse gas emissions reducing- and low-income and disadvantaged communities benefiting-projects. Direct recipients should also disburse technical assistance funds for the purposes of capacity-building for entities without such a pipeline in place to prepare them to eventually receive and deploy funds. This should allow some flexibility for all recipients and provide time for them to assess their portfolios and engage with communities on projects that should be funded.

We thank the EPA for issuing this request for information, and urge you to heed our input to design and implement the Greenhouse Gas Reduction Fund in a manner that maximizes benefits for low-income and disadvantaged communities in addition to the other stated goals of the Fund. For further discussion, please contact Jessica Garcia at jessica@ourfinancialsecurity.org and Monica Palmeira at monica.palmeira@greenlining.org.

Sincerely,

Americans for Financial Reform Education Fund
The Chisholm Legacy Project
The Greenlining Institute
Public Citizen
WE ACT for Environmental Justice