

To: Greenhouse Gas Reduction Fund (GGRF) Program

From: **Jared Blumenfeld**, Secretary, California Environmental Protection Agency

**Richard W. Corey**, Executive Officer, California Air Resources Board



Date: November 18, 2021

Subject: Greenhouse Gas Reduction Fund: California Air Resources Board Expenditure Record for Fiscal Year 2021-22 Funding Agricultural Replacement Measures for Emission Reductions (FARMER) Program

This Attestation Memorandum documents that the California Environmental Protection Agency and California Air Resources Board (CARB) completed the attached Expenditure Record on October 28, 2021 for the Funding Agricultural Replacement Measures for Emission Reductions (FARMER) Program. The Expenditure Record is consistent with the statutory requirements of Government Code Section 16428.9 to support expenditures from the Greenhouse Gas Reduction Fund.

This Attestation Memorandum and Expenditure Record will be submitted to CARB for public posting on the CARB website at: [www.arb.ca.gov/caclimateinvestments](http://www.arb.ca.gov/caclimateinvestments). Questions on this Attestation Memorandum or Expenditure Record may be directed to Ms. Erin Uchida, Staff Air Pollution Specialist, by email at [erin.uchida@arb.ca.gov](mailto:erin.uchida@arb.ca.gov).

Attachment

cc: Erin Uchida, Staff Air Pollution Specialist  
Mobile Source Control Division

**Greenhouse Gas Reduction Fund: Expenditure Record**

California Air Resources Board (CARB)  
Funding Agricultural Replacement Measures for Emission Reductions (FARMER)  
Program

**Authorizing legislation:** Item 3900-102-3228 of the Budget Act of 2021, as amended by Senate Bill (SB) 170 (Skinner, Chapter 240, Statutes of 2021) appropriates to CARB \$170 million for agricultural equipment and vehicle investments. Section 15.14 of the Budget Act provides direction that agencies can only commit up to 75 percent of their appropriations until the Department of Finance makes a determination on the expenditure of remaining funds after the fourth Cap-and-Trade auction of the fiscal year. Thus, initial grants will be limited to 75 percent of CARB's total appropriation.

**Element (1) A description of each expenditure proposed to be made by the administering agency pursuant to the appropriation.**

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***Agency that will administer funding***

- CARB will administer the funding and provide guidance to air districts, who will implement projects at the local level

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***Amount of proposed expenditure and appropriation reference***

- The total expenditure is \$170 million for agricultural equipment and vehicle investments per Item 3900-102-3228 of the Budget Act of 2021 as amended by SB 170 (Skinner, Chapter 240, Statutes of 2021).

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***Estimated amount of expenditures for administering agency administrative costs***

- No additional funding was appropriated to CARB for State Operations. However, consistent with the provisions of item 3900-102-3228 of the Budget Act of 2021, SB 170, CARB will use \$1.7 million of the appropriation for CARB's administrative costs. Administrative cost limits for implementing air districts will be specified in grant agreements and will be consistent with the direction provided in the Budget Act of 2021.
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***If applicable, identify laws or regulations that govern how funds will be used***

- AB 1532 (Pérez, Chapter 807, Statutes of 2012), Senate Bill (SB) 535 (de León, Chapter 830, Statutes of 2012), SB 1018 (Budget and Fiscal Review Committee, Chapter 39, Statutes of 2012), SB 862 (Budget and Fiscal Review Committee, Chapter 36, Statutes of 2014), and AB 1550 (Gomez, Chapter 369, Statutes of 2016) provide the general framework for how the auction proceeds will be administered to further the purposes of AB 32.
  - AB 398 (E. Garcia, Chapter 135, Statutes of 2017) prioritized reductions in air toxic and criteria air pollutants from stationary and mobile sources for expenditures from the Greenhouse Gas Reduction Fund.
  - The Budget Act of 2021, SB 170 (Skinner, Chapter 240, Statutes of 2021), provides direction on the types of projects that should be funded.
  - All funds will be allocated and managed in accordance with these laws.
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***Continuation of existing Expenditure Record***

- This is an update to an existing Expenditure Record. The Expenditure Record elements being updated include the following: amount of proposed expenditure and appropriation reference; how the expenditure is consistent with the Investment Plan and the Scoping Plan; how the administering agency will avoid potential substantial burdens to disadvantaged communities and low-income communities; type of information that will be collected to document results; and how the administering agency will report on program status.
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***Project type(s)***

- Low carbon transportation
- Agricultural energy efficiency

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***Describe the projects and/or measures that will be eligible for funding***

- Consistent with the budget appropriation, the funds shall be used to reduce agricultural sector emissions by providing grants, rebates, and other financial incentives for agricultural harvesting equipment, heavy-duty trucks, agricultural pump engines, tractors, and other diesel equipment used in agricultural operations.
- CARB approved funding guidelines for the FARMER Program at a public meeting on March 23, 2018. The Guidelines describe in detail the types of expenditures that will be made pursuant to this appropriation. These project categories are described below.
  - Agricultural projects eligible in the Carl Moyer Memorial Air Quality Standards Attainment (Carl Moyer) Program
  - Off-Road Mobile Agricultural Equipment Trade-Up (Ag Trade-Up) Pilot Projects in the San Joaquin Valley
  - Zero-Emission Agricultural Utility Terrain Vehicle (UTV) Projects
  - Heavy-Duty Agricultural Truck Projects
  - Additional or modified project categories as approved by CARB's Executive Officer and described in subsequent FARMER Program memos.

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***Intended recipients***

- Agricultural Businesses

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***Program structure and process for selecting projects for funding***

- Allocation to local air districts based on award or formula by CARB. Local air districts will select projects consistent with FARMER Program and/or Carl Moyer Program Guidelines.
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**Element (2) A description of how a proposed expenditure will further the regulatory purposes of Division 25.5 (commencing with Section 38500) of the Health and Safety Code, including, but not limited to, the limit established under Part 3 (commencing with Section 38550) and other applicable requirements of law.**

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***How the expenditure is consistent with the Investment Plan and the Scoping Plan***

- AB 1532 (Chapter 807, Statutes of 2012) requires that monies from the Fund be appropriated in a manner that is consistent with the three-year Investment Plan. The *Cap-and-Trade Auction Proceeds Third Investment Plan: Fiscal Years 2019-20 through 2021-22* recommends continuing funding for existing California Climate Investments programs and prioritizing programs that “achieve near-term climate and health benefits and contribute to long-term transformation to low carbon communities and ecosystems that are adaptable and resilient” and lists existing low carbon transportation investments including “project types that replace older, more emission-intensive vehicles with clean, modern systems such as hybrid, electric, and alternative fuel powered vehicles in classes ranging from passenger cars to heavy-duty trucks and off-road equipment.” Therefore, the expenditures covered by this record are consistent with the Investment Plan and align with the priorities expressed in the Plan.
  - California’s *2017 Climate Change Scoping Plan* identified key strategies and recommendations to continue reducing GHG emissions and achieve the goals and purposes of AB 32 and related statutes. The Scoping Plan identifies vehicle technology measures to: deploy zero-emission vehicles across all vehicle classes; encourage State and federal incentive programs to continue supporting zero and near-zero pilot and demonstration projects; and promote research, development, and deployment of new technology to reduce greenhouse gases (GHG), criteria pollutants, and toxics. The agricultural equipment and vehicle expenditures described in this record will help implement these Scoping Plan recommendation and goals.
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**Element (3) A description of how a proposed expenditure will contribute to achieving and maintaining greenhouse gas emission reductions pursuant to Division 25.5 (commencing with Section 38500) of the Health and Safety Code.**

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***Describe how expenditures will facilitate the achievement of GHG emission reductions in the State***

- Some expenditures from this program include funding for projects that will achieve GHG emission reductions by funding the purchase of zero or near-zero emission vehicles or equipment, which reduce GHG emissions from comparable, conventionally fueled vehicles or equipment. Other expenditures will fund the purchase of cleaner, more efficient diesel vehicles or equipment, which reduce fossil fuel consumption, resulting in less GHG emissions.

***Explain when GHG emission reductions and/or co-benefits are expected to occur and how they will be maintained***

- Agricultural equipment and vehicle investments will begin to yield GHG emission reductions in 2022 and will continue to provide GHG emission reductions for at least 3 years.
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**Element (4) A description of how the administering agency considered the applicability and feasibility of other non-greenhouse gas reduction objectives of Division 25.5 (commencing with Section 38500) of the Health and Safety Code.**

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***Expected co-benefits, particularly environmental, economic, public health and safety, and climate resiliency***

- All agricultural equipment and vehicle projects will reduce criteria pollutant forming emissions of nitrogen oxides (NOx), reactive organic gases (ROG), and particulate matter (PM) that contribute to ozone and PM air pollution. By reducing NOx, ROG, and PM emissions, these projects help California meet the health-based air quality standards and air toxics reduction goals.
  - Agricultural equipment and vehicle incentives help reduce equipment and vehicle purchase costs for agricultural businesses in California. The incentives that encourage the purchase of equipment and vehicles provide an economic benefit to these agricultural businesses that support California jobs.
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***How the project will support other objectives of AB 32 and related statutes***

- The agricultural equipment and vehicle technologies being funded provide criteria pollutant and air toxics benefits, thereby complementing the State's efforts to improve air quality.
  - Agricultural equipment and vehicle investments will be directed toward disadvantaged communities in California and provide economic benefits to businesses.
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***Percentage of total funding that will be expended for projects that are located in and benefit priority populations<sup>1</sup> per CARB guidance***

- The administering agency has established a target to expend at least 60 percent of the total project funds received under this fiscal year appropriation to fund projects that provide benefits to disadvantaged or low-income communities. We expect this amount to include 55 percent of total project funds for investments in and benefiting residents of disadvantaged communities and 5 percent in and benefiting residents of low-income communities.
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<sup>1</sup> Priority populations include residents of: (1) census tracts identified as disadvantaged by California Environmental Protection Agency per SB 535; (2) census tracts identified as low-income per AB 1550; or (3) a low-income household per AB 1550. See Section VII.B for more information on the definitions of priority populations.

***Describe the benefits to priority populations per CARB guidance***

- A portion of these expenditures reduce air pollution in AB 1550 communities by providing incentives for cleaner agricultural vehicles or equipment registered, domiciled, or operated a majority of time in a disadvantaged or low-income community. Projects benefiting AB 1550 populations will meet the criteria listed in CARB's Funding Guidelines, including addressing an important community need such as reducing exposure to local environmental contaminants and reducing health harms.
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***Explain strategies the administering agency will use to maximize benefits to disadvantaged communities***

- CARB will pursue a number of strategies to maximize disadvantaged community benefits. These include, among others: directing funds to local air districts with higher proportions of disadvantaged communities and increasing outreach to disadvantaged communities.
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***Explain how the administering agency will avoid potential substantial burdens to disadvantaged communities and low-income communities or, if unknown, explain the process for identifying and avoiding potential substantial burdens***

- CARB has received feedback from disadvantaged communities expressing concerns with the air pollutant emissions from agricultural vehicles and equipment. FARMER Program funding will be directed to areas of the State with larger shares of emissions from agricultural vehicles and equipment to reduce air pollutant emissions from those areas.
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**Element (5) A description of how the administering agency will document the result achieved from the expenditure to comply with Division 25.5(commencing with Section 35800) of the Health and Safety Code.**

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***How the administering agency will track / report progress to make sure projects are implemented per requirements in statute and CARB guidance***

- Through its grant agreements, CARB will require local air districts to maintain records and submit regular status reports, consistent with the California Climate Investments Guidelines. In addition, CARB and/or local air districts will conduct periodic reviews of selected projects and air districts will be required to submit project-level data to CARB. If a funding recipient does not perform in accordance with program requirements, the recipient will be subject to the remedies for nonperformance, as described in the program guidelines.
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***Describe the approach that will be used to document GHG emission reductions and/or other benefits before and after project completion***

- CARB will both prospectively estimate project GHG benefits and co benefits and retrospectively document the results achieved from its expenditures.
  - CARB provides information on methods for estimating emission benefits as part of the FARMER Program Guidelines, Appendix A. Additional information on the methods for estimating emission benefits are available on CARB's Quantification Materials website.
  - In addition to these prospective benefit estimates, CARB will collect all data necessary to document the emission reductions achieved. CARB will include data collection and reporting requirements for local air districts as part of its grant agreements. This will also include all information necessary to document the benefits for AB 1550, consistent with CARB's Funding Guidelines.
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***Type of  
information that  
will be collected to  
document results,  
consistent with  
CARB guidance***

- As noted above, CARB will collect all data necessary to document the emission reductions achieved and will include data collection and reporting requirements for air districts as part of its grant agreements. This includes the location data, technology funded, funding amount for each equipment/vehicle, and other data as specified in CARB's Funding Guidelines.
  - To determine the job benefits, the agency will compile data from funding recipients on jobs provided, both the quality and quantity, consistent with CARB guidance.
  - Once operational, the administering agency will collect information on project outcomes, consistent with CARB guidance.
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***How the  
administering  
agency will report  
on program status***

- CARB will provide regular updates on FARMER Program expenditures, project status, and benefits in reports prepared according to CARB's Funding Guidelines. At a minimum, the reports will include expenditure amounts, jobs data, current estimates of GHG emission reductions, and assessment of co-benefits, including criteria pollutant emission reductions. Reports will also include information on project outcomes as required.
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