

**Proposed Fiscal Year 2021-22 Funding Plan  
for Clean Transportation Incentives  
Accompanied by Proposed Carl Moyer  
Program Changes, Agricultural Burning  
Incentives for Combustion Equipment, and  
the Climate Heat Impact Response Program**

Resolution 21-24

November 19, 2021

Agenda Item No.: 21-12-4

Whereas, sections 39600 and 39601 of the Health and Safety Code authorize the California Air Resources Board (CARB or Board) to adopt standards, rules and regulations and to do such acts as may be necessary for the proper execution of the powers and duties granted to and imposed upon the Board by law;

Whereas, the California Global Warming Solutions Act of 2006 (Assembly Bill (AB) 32; Chapter 488, Statutes of 2006; Health and Safety Code section 38500 et seq.) declares that global warming poses a serious threat to the economic well-being, public health, natural resources, and environment of California and creates a comprehensive multi-year program to reduce California's greenhouse gas (GHG) emissions to 1990 levels by 2020;

Whereas, Government Code section 16428.8 created the Greenhouse Gas Reduction Fund (GGRF) as a special fund in the State Treasury to receive all moneys, except for fines and penalties, collected by CARB from the auction or sale of allowances, pursuant to a market-based compliance mechanism established pursuant to Division 25.5 (commencing with section 38500) of the Health and Safety Code and specified in sections 95800 to 96022, inclusive, of the California Code of Regulations, title 17;

Whereas, Health and Safety Code section 39712 provides the moneys appropriated from GGRF shall only be used to further the regulatory purposes of Division 25.5 (commencing with section 38500) of the Health and Safety Code, consistent with law, and to facilitate the achievement of reductions of GHG emissions in California and, where applicable and to the extent feasible, achieve additional co-benefits;

Whereas, Health and Safety Code section 39712 identifies potential investment areas for moneys appropriated from GGRF;

Whereas, Health and Safety Code section 39716 requires the Department of Finance, on behalf of the Governor, and in consultation with CARB and any other relevant State entity, to develop and submit to the Legislature a three year investment plan, consistent with the requirements of Health and Safety Code section 39712, that identifies near-term and long-term GHG emission reduction goals and targets by sector, analyzes gaps in current State strategies for meeting GHG reduction goals by sector, and identifies priority investments that facilitate GHG reductions;

Whereas, Health and Safety Code section 39716 required the first investment plan be submitted by May 14, 2013, and updated every three years;

Whereas, pursuant to Health and Safety Code section 39716, the Department of Finance, on behalf of the Governor, submitted to the Legislature the *Cap-and-Trade Auction Proceeds Investment Plan: Fiscal Years 2013-14 through 2015-16* in May 2013, the *Cap-and-Trade Auction Proceeds Second Investments Plan: Fiscal Years 2016-17 through 2018-19* in January 2016, and the *Cap-and-Trade Auction Proceeds Third Investments Plan: Fiscal Years 2019-20 through 2021-22* in February 2019;

Whereas, the *Cap-and-Trade Auction Proceeds Third Investments 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 projects “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” and “addressing barriers to awareness and access to clean transportation and mobility options for disadvantaged communities and low-income residents[;]”

Whereas, Health and Safety Code section 39718 requires that moneys in GGRF shall be appropriated through the annual Budget Act consistent with the investment plan developed and submitted pursuant to Health and Safety Code section 39716;

Whereas, Health and Safety Code section 38590.1 subdivision (a) establishes the Legislature’s priorities for moneys appropriated from GGRF, including, but not limited to, air toxic and criteria pollutants from stationary and mobile sources, low- and zero-carbon transportation alternatives, and short-lived climate pollutants, among others;

Whereas, Health and Safety Code section 39713 requires that the investment plan allocate a minimum of 25 percent of the available moneys in GGRF to projects located within the boundaries of, and benefiting individuals living in, the disadvantaged communities described in Health and Safety Code section 39711, and that the

investment plan allocate a minimum of 5 percent of the available moneys in GGRF to projects that benefit low-income households or to projects located within the boundaries of, and benefiting individuals living in, low-income communities located anywhere in the state; and that the investment plan allocate a minimum of 5 percent of the available moneys in GGRF to either projects that benefit low-income households that are outside of, but within a half mile of, disadvantaged communities described in Health and Safety Code section 39711, or to projects located within the boundaries of, and benefiting individuals living in, low-income communities that are outside of, but within a half mile of, disadvantaged communities described in Health and Safety Code section 39711;

Whereas, continuing focus on disadvantaged communities, equity, and environmental justice in the context of the Funding Plan is appropriate and essential in light of long-standing disparities in transportation access, exposure to transportation pollution, and the potential to improve public health quality of life by expanding access for communities to cleaner technologies and broader transport choices;

Whereas, Health and Safety Code section 39715 requires CARB, in consultation with the California Environmental Protection Agency, to develop funding guidelines for administering agencies that receive appropriations from GGRF, which CARB most recently amended in August 2018;

Whereas, Item 3900-101-3228 in Section 2.00 of the Budget Act of 2021, as amended by Senate Bill (SB) 129 (Skinner, Chapter 69, Statutes of 2021), appropriated \$565 million from GGRF to CARB to be used as follows (collectively referred to as the "Low Carbon Transportation" appropriation):

- \$100 million for the Clean Vehicle Rebate Project (CVRP);
- \$315 million for clean trucks, buses, and off-road freight equipment including the Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project (HVIP) and advanced technology freight demonstration and pilot commercial deployment projects, with at least \$25 million for the Clean Off-Road Equipment Voucher Incentive Project (CORE);
- \$150 million for a suite of equity transportation programs established under the Charge Ahead California Initiative, including, but not limited to, the Clean Cars 4 All Program (CC4A), with a minimum of \$75 million allocated to CC4A;

Whereas, Item 3900-102-3228 in Section 2.00 of the Budget Act of 2021, as amended by SB 170 (Skinner, Chapter 240, Statutes of 2021), appropriated \$30 million from GGRF to CARB to create a program, or utilize an existing program, to provide incentives for professional landscaping services in California operated by small businesses or sole proprietors to purchase zero-emission small off-road equipment, including, but not limited to, leaf blowers and lawn mowers, as defined by the State Board, for use in their professional landscaping services, administered through CORE and with air district implementation coordination, given historic air district lawn and garden program;

Whereas, Health and Safety Code section 44270 et seq. establishes the California Alternative and Renewable Fuel, Vehicle Technology, Clean Air, and Carbon Reduction Act of 2007 (AB 118; Nunez, Chapter 750, Statutes of 2007), which creates the Air Quality Improvement Program (AQIP), administered by CARB, to fund air quality improvement projects related to fuel and vehicle technologies with the primary purpose of funding projects to reduce criteria air pollutants, improve air quality, and provide funds for research to determine and improve the air quality impacts of alternative transportation fuels and vehicles, vessels, and equipment technologies;

Whereas, California Code of Regulations, title 13, section 2340 et. seq. establishes the AB 118 Air Quality Guidelines, which define the process for ensuring that AQIP complements, and does not interfere with California's existing air quality programs as required by Health and Safety Code section 44271 subdivision (b);

Whereas, California Code of Regulations, title 13, section 2350 et seq. establishes the AB 118 Air Quality Improvement Program Guidelines (AQIP Guidelines), which define the overall administrative requirements as well as the program structure of AQIP;

Whereas, California Code of Regulations, title 13, section 2353, requires that an AQIP funding plan must be submitted to the Board annually for approval;

Whereas, Health and Safety Code section 44274 subdivision (c) allows for AQIP funding mechanisms to include competitive grants, revolving loans, loan guarantees, loans, and other appropriate measures;

Whereas, Health and Safety Code section 44274 subdivision (b) requires that CARB shall provide preference in awarding funding to projects with higher benefit cost scores that maximize the purposes and goals of AQIP and that CARB may give additional preference for various criteria;

Whereas, item 3900-101-3119 in Section 2.00 of the Budget Act of 2021, AB 128 (Ting, Chapter 21, Statutes of 2021), appropriates \$28.64 million from the Air Quality Improvement Fund (AQIF) to CARB for AQIP;

Whereas, Items 3900-101-0001 in Section 2.00 of the Budget Act of 2021 as amended by SB 129 appropriated \$838 million from the General Fund to CARB to be used as follows:

- \$98 million for clean trucks, buses, and off-road freight equipment including HVIP, advanced technology freight demonstration and pilot commercial deployment projects;
- \$75 million for zero emission drayage trucks to be administered through HVIP;
- \$40 million for zero emission drayage trucks to fund additional applications received through the joint State Air Resources Board-State Energy Resources Conservation and Development Commission Zero Emission Drayage Truck and Infrastructure Pilot Project solicitation held between November 2020 and February 2021;

- \$70 million for zero emission transit buses to be administered through HVIP;
- \$130 million for zero emission school buses to be administered through HVIP;
- \$425 million for CVRP. Of these funds, \$10 million is available to establish the Electric Bicycle Incentives Project, no later than July 1, 2022, to provide financial incentives for purchasing electric bicycles;

Whereas, Items 3900-101-0115 in Section 2.00 of the Budget Act of 2021 as amended by SB 129 appropriated \$86.453 million from the Air Pollution Control Fund (APCF) to CARB to be used as follows:

- \$86.453 million for clean trucks, buses, and off-road equipment including HVIP and advanced technology demonstration and pilot commercial deployment projects;

Whereas, the \$565 million in Low Carbon Transportation funding from GGRF, \$30 million for small off-road equipment funding from GGRF, \$28.64 million in AQIP funding, \$838 million from the General Fund, and \$86.453 million from the APCF have been joined into one funding plan: *Proposed Fiscal Year 2021-22 Funding Plan for Clean Transportation Incentives for Low Carbon Transportation Investments and the Air Quality Improvement Program (FY 2021-22 Funding Plan)*, released to the public on October 8, 2021;

Whereas, *California's 2017 Climate Change Scoping Plan*, *CARB's 2020 Mobile Source Strategy*, and the *2016 California Sustainable Freight Action Plan*, conclude that many of the same actions are needed to meet GHG, smog forming, and toxic pollutant emission reduction goals – specifically, a transition, as quickly as possible, to zero-emission and, where appropriate, near zero-emission technologies and use of the cleanest, lowest carbon fuels and energy across all vehicle and equipment categories;

Whereas, Health and Safety Code section 44258.4 establishes the Charge Ahead California Initiative and sets the following goals of the Initiative: to place in service at least one million zero-emission and near-zero emission vehicles by January 1, 2023; to establish a self-sustaining California market for zero-emission and near-zero emission vehicles; and to increase access to these vehicles for disadvantaged, low-income, and moderate-income communities and consumers;

Whereas, Health and Safety Code section 44258.4 directs CARB to adopt certain revisions to the criteria and other requirements for CVRP and to establish programs that further increase access to and direct benefits for disadvantaged, low-income, and moderate-income communities and consumers from electric transportation;

Whereas, Health and Safety Code section 44258.4 directs CARB to include in the FY 2016-17 Funding Plan for AQIP a plan for CVRP and related light-duty vehicle incentive programs that contains a three-year estimate of funding needs, a market and technology assessment, and an assessment of when a self-sustaining market is expected and to update that plan at least every three years until January 1, 2023;

Whereas, the Supplemental Report of the 2018-19 Budget Act directs CARB to update the CVRP forecast annually until January 1, 2030, and include as part of its forecast the total state rebate investment necessary to facilitate reaching the goal of placing in service at least 5 million zero-emission vehicles by January 1, 2030;

Whereas, Items 3900-101-0001 and 3900-101-3228 in Section 2.00 of the Budget Act of 2021 as amended by SB 129 requires CARB to develop individual rebate levels that can phase down in increments based on cumulative sales levels, consistent with 44258.4 of the Health and Safety Code;

Whereas, Health and Safety Code section 39719.2 creates the California Clean Truck, Bus, and Off-Road Vehicle and Equipment Technology Program to fund development, demonstration, pre-commercial pilot, and early commercial deployment of zero-emission and near-zero emission truck, bus, and off-road vehicle and equipment technologies including use of fuels that reduce GHG emissions with priority given to projects benefiting disadvantaged communities;

Whereas, Health and Safety Code section 39719.2 directs CARB, through the existing AQIP funding plan process, to develop guidance, create an annual framework and plan, articulate an overarching vision for implementing the California Clean Truck, Bus, and Off-Road Vehicle and Equipment Technology Program, and include a three year investment strategy for zero- and near-zero emission heavy-duty vehicles, with an assessment of the State's school bus incentive programs, commencing with the FY 2019-20 Funding Plan;

Whereas, in response to SB 150 (Allen, Chapter 646, Statutes of 2017), CARB determined that more work needs to be done to reduce vehicle miles travelled by providing better transportation choices and improved planning to reduce vehicle use, and hence air pollution, and the California Surface Transportation Agency's Climate Action Plan for Transportation Infrastructure further recognizes these needs, and such measures and direction can be supported in the proposed FY 2021-22 Funding Plan, which includes programs funding transportation planning with a focus on equity, electric bicycles, and other measures supporting transportation choice, which could be expanded in future years;

Whereas, the Board-approved contingency measures in the Funding Plans for FYs 2009-10 through 2020-21 provide flexibility to adjust funding targets to address fluctuations in project demand and similar flexibility is necessary for the proposed FY 2021-22 Funding Plan;

Whereas, the Board executed necessary Grant Agreements and Interagency Agreements for administration of projects funded by AQIP for FYs 2009-10 through 2020-21 and for Low Carbon Transportation projects funded from GGRF for FYs 2013-14 through 2019-20;

Whereas, Health and Safety Code section 39603.1 allows CARB to provide advance payment of grant awards and advance payments are necessary to initiate and implement projects in a timely manner;

Whereas, CARB staff conducted two workshops while developing the proposed FY 2021-22 Funding Plan, and at these workshops staff announced its intent to prepare a joint funding plan for AQIP and Low Carbon Transportation investments from GGRF, General Fund, and APCF and released concepts for public review;

Whereas, CARB held 18 public working group meetings to evaluate and refine criteria for projects in the proposed FY 2021-22 Funding Plan;

Whereas, CARB staff conducted meetings and coordinated development of the proposed Funding Plan with local air districts and the California Energy Commission to develop the proposed Funding Plan and ensure the Funding Plan complements existing incentive programs;

Whereas, the proposed Funding Plan is based upon the latest available information, including funds appropriated in the State Budget, direction from the Legislature on how to spend funds, availability of and demand for advanced technology, and availability of funds from other sources;

Whereas, sections 44275 through 44299.2 of the Health and Safety Code establish the Carl Moyer Memorial Air Quality Standards Attainment Program (Carl Moyer Program) to provide grants to offset the incremental cost of projects that reduce emissions of oxides of nitrogen, particulate matter, and reactive organic gases from qualifying sources in California;

Whereas, section 39602 of the Health and Safety Code designates CARB as the air pollution control agency for all purposes set forth in federal law and gives CARB the responsibility for preparing the State Implementation Plan (SIP) for attaining and maintaining the National Ambient Air Quality Standards and to coordinate the activities of the California's air districts as necessary to comply with the federal Clean Air Act (42 U.S.C. section 7401 et seq.);

Whereas, section 44287 subdivisions (a)-(b) of the Health and Safety Code requires the Board to establish, update and adopt criteria and guidelines for the Carl Moyer Program in consultation with air pollution control and air quality management districts, including protocols to calculate cost-effectiveness and safeguards to ensure projects generate surplus emission reductions as well as revisions, as necessary, for public review to improve the ability of the program to achieve its goals;

Whereas, the Board adopted Resolution 17-17 to approve the 2017 Carl Moyer Program Guidelines that are in effect today;

Whereas, under Resolutions 08-22, 09-47, 10-19, 11-23, 14-26, and 17-17, the Board has delegated to the Executive Officer the authority to interpret or clarify, and to

adopt changes to, the Carl Moyer Program, provided that such changes are consistent with statute and the goals established by the Board;

Whereas, regulations and rules adopted by CARB, the United States Environmental Protection Agency (U.S. EPA), and the air districts are the primary mechanisms to reduce emissions and achieve National Ambient Air Quality Standards in California;

Whereas, the Carl Moyer Program complements the regulatory strategy by providing monetary incentives to obtain surplus emission reductions beyond those required by rules and regulations;

Whereas, the emission reductions resulting from the Carl Moyer Program are critical for enabling CARB and the air districts to fulfill their obligations under the SIP, to attain State and federal health-based air quality standards, and to reduce exposure to toxic air pollutants;

Whereas, section 44286 of the Health and Safety Code charges CARB with oversight responsibility and authority to ensure that the Carl Moyer Program is implemented in a manner consistent with program guidelines and state law and achieves emission reductions creditable in the SIP;

Whereas, section 44281 of the Health and Safety Code allows for the purchase of new very low or zero-emission vehicles or covered engines;

Whereas, section 44283 of the Health and Safety Code allows CARB to establish cost-effectiveness limits in collaboration with air districts and the public;

Whereas, staff has proposed amended cost-effectiveness limits in the changes to the 2017 Carl Moyer Program Guidelines, as set forth in the Notice of Public Meeting and Proposed Changes to the Carl Moyer Memorial Air Quality Standards Attainment Program 2017 Guidelines, released to the public on September 24, 2021;

Whereas, cost-effectiveness limits as proposed will optimize the function of the Carl Moyer Program for future project eligibility:

1. A base cost-effectiveness limit adjusted for inflation to \$33,000 per weighted ton of emission reductions will continue to support conventional engine replacement projects achieving early or extra emission reductions;
2. A school bus base cost-effectiveness limit adjusted for inflation to \$300,000 per weighted ton of emission reductions will continue to support conventional school bus engine replacement projects achieving early or extra emission reductions;
3. An optional advanced technology cost-effectiveness limit adjusted for inflation to up to \$109,000 per weighted ton of emission reductions will continue to enable broader purchase of the cleanest commercially available very low or zero-emission technologies in the marketplace;



4. An on-road optional advanced technology cost-effectiveness limit of \$200,000 per weighted ton of emission reductions to enable the purchase of optional on-road advanced technologies based on incremental costs for meeting a certified 0.02 gram per brake horsepower-hour NO<sub>x</sub> standard or cleaner;
5. An on-road optional zero-emission technology cost-effectiveness limit of \$500,000 per weighted ton of emission reductions to enable the purchase of optional on-road zero-emission technologies based on incremental costs for meeting a certified zero-emission standard;

Whereas, the higher advanced technology and zero-emission technology cost-effectiveness limits is optional and will be used to fund the increment of emission reductions achieved beyond the required standard, for technologies that are zero-emission or provide reductions at the cleanest optional oxides of nitrogen standard, when certified or verified by CARB or U.S. EPA and commercially available;

Whereas, the changes proposed to amend the 2017 Carl Moyer Program Guidelines cost effectiveness limits reflect input from air districts and consultation with the public as set forth in section 44287 of the Health and Safety Code, including a public workshop;

Whereas, Health and Safety Code section 44124.5 establishes the Clean Cars 4 All Program (CC4A) to be administered by the Board to focus on achieving reductions in the emissions of greenhouse gases, improvements in air quality, and benefits to low-income state residents through the replacement of high-polluter motor vehicles with cleaner and more efficient motor vehicles or a mobility option;

Whereas, California Code of Regulations, title 13, section 2630, et seq. establishes the CC4A guidelines which define the overall administrative requirements, including vehicle and applicant eligibility, as well as the program structure of CC4A, and requires specific incentive amounts to be set in the annual AQIP funding plan;

Whereas, a rapid response to changes in the economy, technology and regulatory environment and to ensure effective implementation of CC4A necessitates delegation of authority to the Executive Officer or his or her designee to make changes to the CC4A criteria set forth in the annual AQIP funding plan;

Whereas, the San Joaquin Valley Air Basin (San Joaquin Valley or Valley) faces immense air quality challenges, particularly in trying to reduce fine particulate matter (PM<sub>2.5</sub>) pollution, including from open burning of agricultural materials, to protect the health of Valley residents;

Whereas, the San Joaquin Valley Air Pollution Control District (District) was established under section 40002 of the Health and Safety Code as the air pollution control district responsible for carrying out these responsibilities in the San Joaquin Valley;

Whereas, in 2003, SB 705 (Florez, Chapter 481, Statutes of 2003) was enacted, adding sections 41855.5 and 41855.6 to the Health and Safety Code to prohibit the burning

of agricultural waste in the San Joaquin Valley unless CARB concurs with the District's determinations in accordance with section 41855.6 of the Health and Safety Code that alternatives are not feasible;

Whereas, on February 25, 2021, CARB concurred through August 31, 2021, and provided the CARB Executive Officer authority to concur further, provided the District implement CARB staff recommendations to phase out agricultural burning by January 1, 2025;

Whereas, the District adopted a phase-out strategy implementing CARB staff recommendations on June 17, 2021, and CARB provided further concurrence consistent with the strategy on June 18, 2021, effective through December 31, 2024;

Whereas, pursuant to CARB direction from the February 25, 2021, hearing and the phase-out of agricultural burning adopted by the District on June 17, 2021, the Budget Act of 2021 provided CARB with \$180,000,000 in funds to be granted to the District to support incentives for alternatives to agricultural burning in the San Joaquin Valley;

Whereas, the Legislature directed that the funds may be expended only for non-combustion incentives, including, but not limited to, chipping, mulching, soil reincorporation, and composting, unless CARB makes a finding in a public hearing, based on clear and convincing evidence, that such non-combustion alternatives are not available;

Whereas, the Legislature also directed that no funding may be provided to stationary sources, other than a stationary source that consists of a facility that composts organic solid waste;

Whereas, the District has implemented an Alternatives to Agricultural Open Burning Incentive Program (Program) since November 2018 to incentivize the use of alternatives to burning;

Whereas, since November 2018, the District Governing Board has allocated \$40.6 million to the Program, resulting in the deployment of alternative practices at nearly 49,000 acres of orchards and vineyards and removal of over 1,300,000 tons of agricultural materials, and resulting in the reduction of 2,715 tons of oxides of nitrogen (NO<sub>x</sub>), 4,836 tons of particulate matter (PM), and 3,803 tons of reactive organic gas (ROG) emissions;

Whereas, the Program has greatly improved Valley farmers' access to non-combustion alternatives such as chipping and has helped accelerate the transition away from open burning;

Whereas, even with the Program's successes, stakeholders testified at CARB and District hearings and throughout the process of developing the phase-out strategy

that there is an insufficient supply of equipment in the Valley to meet the demand for alternative services;

Whereas, this insufficient supply of equipment means that not all Valley growers who wish to use alternative services have access to them;

Whereas, stakeholders testified at CARB and District hearings and throughout the public process that the issues of supply shortage and inadequate access to alternative services are exacerbated for smaller agricultural operations since contractors may choose to prioritize larger jobs;

Whereas, the inadequate access to alternative methods of agricultural material disposal existed even prior to the phase-out of agricultural burning requirement adopted by the District in June 2021;

Whereas, the agricultural burning phase-out requirement will annually reduce the number of acres that can be open burned, with a reduction of over 33,000 acres by 2025, with a corresponding increase in the demand for alternative services to dispose of the agricultural material;

Whereas, this increased demand will further constrain access to those alternative to agricultural burning services, particularly for smaller agricultural operations;

Whereas, the District has initially allocated \$30,000,000 of the funding provided in the Budget Act of 2021, as amended by SB 129, for new equipment purchases to help expand fleets in the Valley and increase capacity of alternative to agricultural burning services;

Whereas, expanding the fleet of equipment needed to provide alternative to agricultural burning services takes time since the equipment must be special-ordered, often with long wait times before it can be delivered and put into operation;

Whereas, even with expanded fleets operating in the Valley, high demand for alternative to agricultural burning services due to the rapid phase-out of agricultural burning means access to these services would still be limited, particularly for smaller agricultural operations;

Whereas, in addition to general capacity concerns, there are technological feasibility issues for vineyard crops;

Whereas, vineyard material with wire embedded during the growing process cannot be chipped unless specialty chipping equipment is available, which is also in short supply and not easily accessible to all Valley growers;

Whereas, 70 percent of agricultural material open burned in the Valley in 2020 was vineyard material, and about half of this material contained embedded wire;

Whereas, the transition to near-complete phase-out of agricultural burning must happen extremely quickly by January 1, 2025;

Whereas, all feasible, non-stationary source agricultural burning alternatives that represent an air quality improvement over open burning should be as accessible as possible to Valley growers;

Whereas, on October 8, 2021, staff publicly released the Agricultural Burning Alternatives Analysis Report, and this report documents the demand and current availability of non-combustion agricultural burning alternatives in the San Joaquin Valley;

Whereas, the Governor signed a Proclamation of a State of Emergency (Proclamation) on July 30, 2021, to expedite clean energy projects and reduce demand on the electric grid during extreme weather events. The Proclamation suspends certain permitting requirements to allow greater energy production during critical times when extreme heat events or the interruption of electric transmission from wildfires or other causes threaten energy supply. The Proclamation also orders that all energy agencies act immediately to achieve energy stability during the emergency, and the California Public Utilities Commission (CPUC) is requested to do the same. In particular, the California Energy Commission is directed, and the CPUC and the California Independent System Operator (CAISO) are requested, to work with the State's load serving entities on accelerating plans for the construction, procurement, and rapid deployment of new clean energy and storage projects to mitigate the risk of capacity shortages and increase the availability of carbon-free energy at all times of day;

Whereas, the Proclamation further states that, in order to help address any exceedances in emissions permitted under federal law and other federal obligations that result from acts taken under the Proclamation, and to avoid jeopardizing public health or safety as a result of those acts, CARB shall develop by November 15, 2021, and then promptly implement, a State-funded plan to mitigate the effects of additional emissions authorized by the Proclamation beyond ordinarily permitted levels. The mitigation plan shall include plans to invest in programs to improve air quality in communities, with a particular focus on disadvantaged communities, and to reduce risk to sensitive populations. To the extent it would otherwise apply to actions CARB takes pursuant to the Proclamation, Chapter 3.5 (commencing with section 11340) of part I of division 3 of title 2 of the Government Code, is suspended;

Whereas, staff has proposed the Climate Heat Impact Response Program (CHIRP) Mitigation Plan, as described in today's presentation and located on CARB's CHIRP website, to fulfill CARB's obligations under the Governor's Proclamation;

Whereas, the proposed CHIRP Mitigation Plan was developed in an open public process, in consultation with affected parties, through a public workgroup, individual meetings, and other outreach efforts, and these efforts are expected to continue;

Whereas, CARB's regulatory program that involves the adoption, approval, amendment, or repeal of standards, rules, regulations, or plans has been certified by the Secretary for Natural Resources under Public Resources Code section 21080.5 of the California Environmental Quality Act (CEQA; California Code of Regulations, title 14, section 15251(d)), and CARB conducts its CEQA review according to this certified program (California Code of Regulations, title 17, sections 60000-60007);

Whereas, staff has determined that the proposed FY 2021-22 Funding Plan, proposed changes to the 2017 Carl Moyer Program Guidelines, Agricultural Burning Incentives for Combustion Equipment, and proposed CHIRP Mitigation Plan are not "projects" subject to CEQA review, because they are government funding mechanisms or other government fiscal activities which do not involve any commitment to any specific project that may result in a potentially significant physical impact on the environment (California Code of Regulations, title 14, section 15378(b)(4)); and

Whereas, in consideration of the proposed FY 2021-22 Funding Plan, proposed changes to the 2017 Carl Moyer Program Guidelines, the Agricultural Burning Alternatives Analysis Report, the CHIRP Mitigation Plan, staff presentation, and public testimony and comments, the Board finds that:

1. The development of a joint funding plan for the \$565 million in Low Carbon Transportation funding from GGRF, \$30 million for small off-road equipment funding from GGRF, \$28.64 million in AQIP funding, \$838 million from the General Fund, and \$86.453 million from the APCF is appropriate in order to ensure coordinated investments between the programs;
2. The proposed FY 2021-22 Funding Plan project categories are consistent with the provisions on use of these funds and investment priorities in Health and Safety Codes sections 38590.1 subdivision (a) and 39712, the *Cap-and-Trade Auction Proceeds Investment Plan: Fiscal Years 2019-20 through 2021-22*, and Items 3900-101-0001, 3900-101-0115, 3900-101-3119, 3900-101-3228, and 3900-102-3228 of Section 2.00 of the Budget Act of 2021;
3. The proposed allocation of at least 45 percent of the Low Carbon Transportation GGRF funds to projects located within the boundaries of, and benefiting individuals living in, the disadvantaged communities described in Health and Safety Code section 39711 and an additional allocation of at least 15 percent of the Low Carbon Transportation GGRF funds to projects that benefit low-income households or to projects located within the boundaries of, and benefiting individuals living in, low-income communities located anywhere in the state is appropriate to help ensure the State meets the overall investment targets for GGRF funds established in Health and Safety Code section 39713;
4. The proposed FY 2021-22 Funding Plan meets the requirements of the Funding Guidelines established pursuant to Health and Safety Code section 39715;

5. CARB staff has met the requirements set forth in the AQIP Guidelines for considering and adopting the proposed Funding Plan and has met the requirements of the AB 118 Air Quality Guidelines;
6. The proposed AQIP project categories were selected in accordance with the requirements of Health and Safety Code section 44274 subdivision (b);
7. The proposed FY 2021-22 Funding Plan project categories are consistent with and support the strategies identified in *California's 2017 Climate Change Scoping Plan*, *2020 Mobile Source Strategy*, and the July 2016 *California Sustainable Freight Action Plan*;
8. The proposed FY 2021-22 Funding Plan meets the requirements of Health and Safety Code section 44258.4 by including funding from GGRF for projects designed to further increase access to and direct benefits for disadvantaged, low-income, and moderate-income communities and consumers from electric transportation;
9. The proposed FY 2021-22 Funding Plan meets the requirements of Health and Safety Code section 44258.4 and the Supplemental Report of the 2018-19 Budget Act by including an updated three-year plan for CVRP, the ZEV market and clean transportation equity investments;
10. The Proposed FY 2021-22 Funding Plan meets the requirements of Items 3900-101-0001 and 3900-101-3228 in Section 2.00 of the Budget Act of 2021 as amended by SB 129 by including individual rebate levels that can phase down in increments based on cumulative sales levels, consistent with 44258.4 of the Health and Safety Code;
11. The proposed FY 2021-22 Funding Plan meets the requirements of Health and Safety Code section 39719.2 by including funding from GGRF and providing guidance for heavy-duty vehicle and equipment projects, an annual framework and plan for heavy-duty vehicle and equipment projects, overarching vision for funding heavy-duty vehicle and equipment technologies, and a three-year investment strategy for heavy-duty vehicles consistent with the provisions of the California Clean Truck, Bus, and Off-Road Vehicle and Equipment Technology Program;
12. The proposed FY 2021-22 Funding Plan contingency plans are necessary to address uncertain revenues, enable project criteria to be modified and funding to be redirected among projects as necessary to meet program demand, and address funding received from new sources to augment projects;
13. Delegation of authority to the Executive Officer or his or her designee to make changes to the Clean Cars 4 All Project Criteria that are consistent with statute and the goals established by the Board, is necessary to provide a rapid response

to changes in the economy, technology and regulatory environment and to ensure effective implementation of the program.

14. Advance payment of grant awards are necessary to ensure timely implementation of projects and safeguards are needed to ensure grant monies continue to be used responsibly;
15. The proposed changes to the 2017 Carl Moyer Program Guidelines are consistent with statute and the goals established by the Board for the Carl Moyer Program;
16. The proposed changes to the 2017 Carl Moyer Program Guidelines include an adjustment to the Program cost-effectiveness limits, as authorized in section 44283 of the Health and Safety Code;
17. No public comments were received to indicate that the proposed revisions to the 2017 Carl Moyer Program Guidelines would cause any significant adverse impact on the environment;
18. Delegation of authority to the Executive Officer or his or her designee to make changes to the 2017 Carl Moyer Program Guidelines that are consistent with statute and the goals established by the Board, with 45-day public review, is necessary to provide a rapid response to changes in the economy, technology and regulatory environment and to ensure effective implementation of the programs;
19. It is critical that the District continue prioritizing non-combustion alternatives wherever feasible so as to minimize air quality and public health impacts;
20. The Agricultural Burning Alternatives Analysis Report provides clear and convincing evidence that non-combustion alternatives such as chipping, mulching, soil reincorporation and composting are not available in the numbers needed to meet increasing demand as the practice of agricultural burning phases out rapidly over the next three and a half years;
21. The CHIRP Mitigation Plan meets the requirements outlined for CARB in the Governor's July 30, 2021 Proclamation;
22. It is critical that the Executive Director have the delegated authority to provide final approval for projects submitted for funding under CHIRP, in order to "promptly implement" the CHIRP Mitigation Plan as directed by the Governor's July 30, 2021 Proclamation;
23. The FY 2021-22 Funding Plan, proposed changes to the 2017 Carl Moyer Program Guidelines, Agricultural Burning Incentives for Combustion Equipment, and CHIRP Mitigation Plan are not "projects" subject to CEQA review, because they are government funding mechanisms or other government fiscal activities

which do not involve any commitments to any specific project that may result in a potentially significant physical impact on the environment (California Code of Regulations, title 14, section 15378(b)(4));

24. The FY 2021-22 Funding Plan, proposed changes to the 2017 Carl Moyer Program Guidelines, Agricultural Burning Incentives for Combustion Equipment, and CHIRP Mitigation Plan were developed through various public processes such as consultation with affected parties, public workshops, individual meetings, and other outreach efforts, and these efforts are expected to continue; and
25. The proposal is consistent with CARB's environmental justice policies and do not disproportionately impact people of any race, culture, or income.

Now, therefore, be it resolved that the Board approves the proposed FY 2021-22 Funding Plan as released to the public on October 8, 2021.

Be it further resolved that the Board hereby approves the Proposed Changes to the Carl Moyer Memorial Air Quality Standards Attainment Program 2017 Guidelines, as released to the public on September 24, 2021.

Be it further resolved that the Board finds, based on clear and convincing evidence, that non-combustion alternatives are not available in the numbers needed to meet increasing demand as the practice of agricultural burning phases out rapidly over the next three and a half years, and that targeted combustion alternatives would help meet the demand for crops grown with a wire support system, such as cordon-style vineyard, as laid out in the Agricultural Burning Alternatives Analysis Report.

Be it further resolved that the Board finds that the District can use the funds granted via the Budget Act of 2021 for non-stationary combustion alternatives to agricultural burning as a method of eliminating biomass from crops grown with a wire support system, as a second priority option, after consideration of the non-combustion alternatives and only when non-combustion alternatives have been eliminated as a viable option and documented accordingly.

Be it further resolved that the Board approves the CHIRP Mitigation Plan as described in today's presentation.

Be it further resolved that the Board approves \$30 million in GGRF for professional landscaping services in California operated by small businesses or sole proprietors to purchase zero-emission small off-road equipment to be administered as an element of CORE with air district implementation coordination, given the local air district long term experience in operating lawn and garden equipment replacement programs. Be it further resolved that the Board directs the Executive Officer to issue grant solicitations, grant agreements, interagency agreements, or other appropriate funding agreements for the projects identified in the FY 2021-22 Funding Plan with provisions



to make modifications where necessary as specified in the contingency plans set forth in the approved FY 2021-22 Funding Plan.

Be it further resolved that the Board directs the Executive Officer to continue to conduct working group meetings or other outreach, as necessary, for developing project solicitations and further refining project implementation.

Be it further resolved that the Board directs the Executive Officer to continue to coordinate implementation of the programs covered in the FY 2021-22 Funding Plan with other funding programs including, but not limited to, the Volkswagen Environmental Mitigation Trust, Carl Moyer Program, Community Air Protection Program, other GGRF funded programs, Funding Agricultural Replacement Measures for Emission Reductions (FARMER) Program, and the California Energy Commission's Clean Transportation Program.

Be it further resolved that the Board directs the Executive Officer to revise project implementation manuals and terms and conditions as necessary to incorporate the provisions set forth in the approved Funding Plan.

Be it further resolved that the Board delegates to the Executive Officer, or his or her designee, the authority to approve and adopt or deny changes to the Clean Cars 4 All Project Criteria that he or she deems necessary, in order to align the FY 2021-22 Funding Plan Project Criteria with changes to the Clean Cars 4 All regulation, including future statewide expansion, modifying eligible technology types, and household income eligibility, as well as modify incentive amounts and district allocations to increase program flexibility and responsiveness to changing market conditions and participant needs. Staff shall identify changes made under this authority when the Board considers the next Funding Plan.

Be it further resolved that the Board directs the Executive Officer to monitor the progress and efficacy of the implementation of the programs, including the status of outreach activities, project eligibility, and voucher amounts, and to report any changes to the Board.

Be it further resolved that the Board directs the Executive Officer to provide an update to the Board on implementation of the Funding Plan when presenting the proposed FY 2022-23 Funding Plan for approval.

Be it further resolved that the provisions of the Proposed Amendments to the Carl Moyer Memorial Air Quality Standards Attainment Program 2017 Guidelines shall be used for all projects funded with fiscal year 2021-22 and subsequent years' funds, and air districts may choose to apply them for previous year funds in contracts executed after the Board approval date.

Be it further resolved that the Board directs the Executive Officer to continue coordinating CARB efforts with the air districts, grantees, tribal governments, and other interested persons to effectively implement ongoing and future projects.

Be it further resolved that the Board directs the Executive Officer to work with U.S. EPA to ensure that emission reductions from projects funded by the Carl Moyer Program are credited in California's SIP.

Be it further resolved that the Board directs the Executive Officer to continue to coordinate the Carl Moyer Program with regulatory programs and other incentive programs to provide clarity to the Board and stakeholders of how regulatory actions impact financial incentives.

Be it further resolved that the Board directs the Executive Officer to update cost-effectiveness values each year based on the Consumer Price Index and United States Treasury securities and to consider whether cost-effectiveness limits should be updated in the future based on the costs of emissions control technologies, air district rules, and CARB regulations.

Be it further resolved that the Board delegates to the Executive Officer, or his or her designee, the authority to approve and adopt or deny changes to the Proposed Changes to the Carl Moyer Memorial Air Quality Standards Program 2017 Guidelines that he or she deems necessary in response to Board regulatory actions and to ensure that the Carl Moyer Program Guidelines remain effective and up-to-date, pursuant to section 44287 of the Health and Safety Code. Staff shall identify changes made under this authority when the Board considers the next comprehensive update to the Carl Moyer Program Guidelines.

Be it further resolved that the Board extends its appreciation to the air districts, environmental groups, industry groups and other interested parties that have worked with CARB staff to propose changes to the 2017 Carl Moyer Program Guidelines and improve the Carl Moyer Program.

Be it further resolved that the Board directs the Executive Officer to, as appropriate, develop projects for the CHIRP Mitigation Plan not in CARB's existing portfolio of incentives, through a public process involving affected communities, tribes, and local, State, and federal agency partners, and consistent with the principles articulated in the CHIRP Mitigation Plan approved today.

I hereby certify that the above is a true and correct copy of Resolution 21-24 as adopted by the California Air Resources Board.



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Katie Estabrook, Board Clerk