

2024 Funding Agricultural Replacement Measures for Emission Reductions (FARMER) Program Guidelines

Resolution 24-12

October 24, 2024

Agenda Item No.: 24-5-3

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, section 39605 of the Health and Safety Code authorizes CARB to conduct public hearings and provide assistance to the air districts;

Whereas, the California Global Warming Solutions Act of 2006 (Assembly Bill (AB) 32; Statutes of 2006, Chapter 488, 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 requires that 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 to 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 (FY) 2013-14 through 2015-16* in May 2013, the *Cap-and-Trade Auction Proceeds Second Investment Plan: FY's 2016-17 through 2018-19* in January 2016, the *Cap-and-Trade Auction Proceeds Third Investment Plan: FY's 2019-20 through 2021-22* in February 2019, and the *Cap-and-Trade Auction Proceeds Fourth Investment Plan: FY's 2022-23 through 2024-25* in January 2022;

Whereas, the *Cap-and-Trade Auction Proceeds Fourth Investment Plan: FY's 2022-23 through 2024-25* recommends investments that “deliver on key state climate goals, provide important health benefits, present employment opportunities, and can be designed to advanced equity in priority populations and other underserved communities” and recommends prioritizing funding for specific investment types through existing programs, including zero-emission vehicles and equipment through “grants for small medium- and heavy-duty vehicle fleets in communities facing air quality challenges”, “off-road incentives”, and “demonstration of zero-emission off-road equipment and vehicles”;

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(a) establishes the Legislature's priorities for investing Cap-and-Trade auction proceeds, 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 39715 requires CARB, in consultation with the California Environmental Protection Agency, to develop funding guidelines for administering agencies that receive appropriations from the Legislature through GGRF, which CARB last amended in August 2018;

Whereas, California's 2022 Scoping Plan for Achieving Carbon Neutrality, CARB's 2020 Mobile Source Strategy, and the 2016 California Sustainable Freight Action Plan, concluded 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, the Budget Act of 2017, Assembly Bill (AB) 134 (Committee on Budget, Chapter 254, Statutes of 2017) and AB 109 (Ting, Chapter 249, Statutes of 2017) appropriated \$135 million, collectively, from GGRF, the Alternative and Renewable Fuel and Vehicle Technology Fund, and the Air Quality Improvement Fund to CARB to 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;

Whereas, CARB uses the funding collectively appropriated to CARB 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 and refers to this funding as the Funding Agricultural Replacement Measures for Emission Reductions (FARMER) Program;

Whereas, CARB developed the FARMER Program consistent with the Legislature's direction to use each fund for the same purpose to reduce agricultural emissions and followed the usual requirements for GGRF, Air Quality Improvement Fund, and the Alternative and Renewable Fuel and Vehicle Technology fund to the extent they can be applied in the new FARMER context, while developing appropriate new requirements to further support the Legislature's intent;

Whereas, FARMER Program Guidelines approved by the Board on March 22, 2018, identified the program's guiding principles; process for distribution of funds among the air districts to administer the program; eligible project categories and criteria; reporting requirements; project oversight and administration requirements; and contingency provisions that delegate the Executive Officer the authority to modify the guidelines as necessary and reallocate funding among districts if necessary to ensure timely expenditure of funds;

Whereas, since 2018, the Executive Officer, through the authority delegated by the Board, has authorized updates to the FARMER Program Guidelines three times through Executive Officer memos, adding a total of five new project categories and modifying four of the existing project categories;

Whereas, since 2017, the budget acts adopted by the California Legislature have continued to appropriate funds to the FARMER Program consistent with the direction provided initially provided in the Budget Act of 2017 appropriation;

Whereas, the proposed 2024 FARMER Program Guidelines extensively and comprehensively revise the 2018 FARMER Program Guidelines by updating administrative requirements and methodology to calculate emissions reductions for the FARMER projects; provide flexibility for existing project categories; encourage zero-emission vehicle and equipment deployment; provide additional support for small farms; accounting for efficiency improvements in agricultural equipment; streamlining air district implementation of the program; and incorporating previously added and modified project categories;

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, an overarching implementation priority for the FARMER Program is directing agricultural investments to support the deployment of advanced technologies and cleaner diesel technologies needed to meet California's SIP and climate goals;

Whereas, the Board executed necessary Grant Agreements for the administration of projects funded through the FARMER Program for FY 2017-18 through 2023-24;

Whereas, Health and Safety Code section 39603.1, and other laws where applicable, provide for advance payment of grant awards to initiate and implement projects in a timely manner;

Whereas, CARB staff conducted five public workgroup meetings and two public workshops to develop the proposed 2024 FARMER Program Guidelines, released a discussion document with concepts for program guidelines on June 21, 2024, for public review and discussion at the

public workgroup meetings, and released the proposed 2024 FARMER Program Guidelines for to the public on August 26, 2024, for review and discussion at the August 28, 2024, public workshop;

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, the proposed FARMER Program Guidelines would not approve projects, but would rather inform the statewide FARMER Program implemented by the local air districts that receive grants from CARB and choose the projects to fund that best fit the needs of their community.

Whereas, staff has determined that the proposed FARMER Program Guidelines are exempt from CEQA review under California Code of Regulations, title 14, section 15378(b)(4) because the FARMER Program Guidelines constitute a government funding mechanism or other government fiscal activity which does not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment, since .

Whereas, staff has further determined the FARMER Program Guidelines is also exempt from CEQA review under the California Code of Regulations, title 14, section 15061(b)(3) ("common sense" exemption) because it can be seen with certainty that there is no possibility that the proposed revisions may have a significant adverse impact on the environment.

Whereas, no public comments were received to indicate that the proposed revisions to the FARMER Program Guidelines would cause any significant adverse impact on the environment;

Whereas, the Board finds that:

1. The proposed FARMER Program Guidelines are consistent with statute and the provisions on the use of FARMER Program funds;
2. The proposed eligible project types in the FARMER Program Guidelines are consistent with the uses of funds from GGRF identified in Health and Safety Code sections 38590.1(a) and 39712, and the investment concepts identified in *Cap-and-Trade Auction Proceeds Fourth Investment Plan: Fiscal Years 2022-23 through 2024-25*;
3. The proposed FARMER Program Guidelines meet the requirements of the Cap-and-Trade Auction Proceeds Funding Guidelines for Agencies that Administer California Climate Investments established pursuant to Health and Safety Code section 39715;
4. The contingency plans in the proposed FARMER Program Guidelines provide necessary flexibility to ensure effective program implementation;
5. Advance payment of grant awards is necessary to ensure timely implementation of projects and safeguards are needed to ensure grant monies continue to be used responsibly;

6. The proposed FARMER Program Guidelines are exempt from CEQA under California Code of Regulations, title 14, section 15378(b)(4)) because substantial evidence in the record shows that the FARMER Program Guidelines constitute a government funding mechanism or other government fiscal activity which does not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment;
7. The proposed FARMER Program Guidelines are exempt from CEQA under California Code of Regulations, title 14, section 15061(b)(3) and (2) because substantial evidence in the record shows with certainty that there is no possibility that the proposed revisions may have a significant adverse impact on the environment;
8. Delegation of authority to the Executive Officer or his or her designee to make revisions to the FARMER Program Guidelines 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.

Now, therefore, be it resolved that the Board hereby approves the proposed 2024 FARMER Program Guidelines.

Be it further resolved that the Board delegates to the Executive Officer, or his or her designee, the authority to adopt changes to the FARMER Program Guidelines that he or she deems necessary consistent with Board direction and applicable laws, guidelines, and policies and to ensure that the Guidelines remain effective and up-to-date, ensure a public process for any updates, report those changes in written memos to the Board at the time the changes are made, and provide updates about the Program at a Board meeting at least annually.

Be it further resolved that the Board directs the Executive Officer to enter into grant agreements with air districts for the FARMER Program in future fiscal years following the criteria specified in the approved 2024 FARMER Program Guidelines.

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

I hereby certify that the above is a true and correct copy of Resolution 24-12 as adopted by the California Air Resources Board.



Board Clerk