



CALIFORNIA
AIR RESOURCES BOARD

Gavin Newsom, Governor
Jared Blumenfeld, CalEPA Secretary
Mary D. Nichols, Chair

To: Greenhouse Gas Reduction Fund (GGRF) Program File

From: Jared Blumenfeld
Secretary for Environmental Protection

Richard W. Corey
Executive Officer 
California Air Resources Board

Date: October 9, 2019

Subject: GREENHOUSE GAS REDUCTION FUND: CALIFORNIA AIR RESOURCES BOARD EXPENDITURE RECORD FOR FISCAL YEAR 2019-20 – 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 9, 2019 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 and with CARB's 2018 *Funding Guidelines for Agencies that Administer California Climate Investments* 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. Questions on this Attestation Memorandum or Expenditure Record may be directed to Ms. Erin Uchida, Staff Air Pollution Specialist, at (916) 323-0002 or by email at erin.uchida@arb.ca.gov.

Attachment

cc: Erin Uchida
Staff Air Pollution Specialist
California Air Resources Board

Greenhouse Gas Reduction Fund: Expenditure Record

California Air Resources Board (CARB)

Funding Agricultural Replacement Measures for Emission Reductions (FARMER) Program

Authorizing legislation: Item 3900-101-3228 of the Budget Act of 2019, Assembly Bill (AB) 74 (Ting, Chapter 23, Statutes of 2019) appropriates to CARB \$65 million for agricultural equipment and vehicle investments.

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

<input type="checkbox"/> Agency that will administer funding	<ul style="list-style-type: none"> ▪ CARB will administer the funding and will provide guidance to air districts and/or the California Air Pollution Control Officers Association (CAPCOA), who will implement projects at the local level.
<input type="checkbox"/> Amount of proposed expenditure and appropriation reference	<ul style="list-style-type: none"> ▪ The expenditure is \$65 million for agricultural equipment and vehicle investments per Item 3900-101-3228 Schedule (1) of the Budget Act of 2019, AB 74.
<input type="checkbox"/> Estimated amount of expenditures for administering agency administrative costs	<ul style="list-style-type: none"> ▪ No additional funding was appropriated to CARB for State Operations. However, consistent with the provisions of item 3900-101-3228 of the Budget Act of 2019, AB 74, CARB will use \$650,000 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 2019.
<input type="checkbox"/> If applicable, identify laws or regulations that govern how funds will be used	<ul style="list-style-type: none"> ▪ 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 air toxic and criteria air pollutants from stationary and mobile sources for expenditures from the Greenhouse Gas Reduction Fund.

	<ul style="list-style-type: none"> ▪ The Budget Act of 2019, AB 74, also provides direction on the types of projects that should be funded. ▪ All funds will be allocated and managed in accordance with these laws.
<input type="checkbox"/> Continuation of existing Expenditure Record	<ul style="list-style-type: none"> ▪ This is an update to an existing Expenditure Record. This year's appropriation will support a continuing program that will fund the same types of projects that have already been funded under CARB's Expenditure Records for FY 2017-18 and FY 2018-19.
<input type="checkbox"/> Project category	<ul style="list-style-type: none"> ▪ Low-carbon transportation ▪ Agricultural energy efficiency
<input type="checkbox"/> Type of projects that will be eligible for funding	<ul style="list-style-type: none"> ▪ 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. Funding for agricultural diesel replacement and upgrades shall be based on criteria that include the following: (1) the diesel particulate matter emissions and exposures in an air district; and (2) the NOx and PM 2.5 emissions and attainment status in each district. ▪ 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. <ul style="list-style-type: none"> ▪ Agricultural projects eligible in the Carl Moyer Memorial Air Quality Standards Attainment Program (Carl Moyer Program or Moyer) ▪ Off-Road Mobile Agricultural Equipment Trade-Up (Ag Trade-Up) Pilot Project in the San Joaquin Valley ▪ Zero-Emission Agricultural Utility Terrain Vehicle (UTV) Project ▪ Heavy-Duty Agricultural Truck Project

	<ul style="list-style-type: none"> ▪ Additional or modified project categories as approved by CARB’s Executive Officer and described in subsequent FARMER program memos.
<input type="checkbox"/> Intended recipients	<ul style="list-style-type: none"> ▪ Agricultural Businesses
<input type="checkbox"/> Process for selecting projects for funding	<ul style="list-style-type: none"> ▪ 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.¹

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.

<input type="checkbox"/> How the expenditure is reflected in the three-year Investment Plan and the Scoping Plan	<ul style="list-style-type: none"> ▪ <u>Consistent with Investment Plan:</u> Health and Safety Code section 39718 requires that all Greenhouse Gas Reduction Fund moneys be appropriated in a manner that is consistent with the Administration’s three-year Investment Plan. The <i>Cap-and-Trade Auction Proceeds Second Investment Plan: Fiscal Years 2016-17 through 2018-19</i>² identifies the need for : <ul style="list-style-type: none"> - Investments in innovative technologies and pioneering strategies to lay the foundation for aggressively decarbonizing the State’s transportation system; - Investments that support further reductions in criteria pollutants, air toxics, and short-lived climate pollutants from the transportation sector; - Investments that support deployment of zero and near-zero emission heavy duty trucks and non-freight equipment (e.g., forklifts and agricultural equipment), among others; - Investments that support improved energy efficiencies, including pumps, turbines, and existing desalination plants.
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FARMER Program expenditures described in this record are consistent with these investment concepts.

¹ 2017 Carl Moyer Program Guidelines Volume I: Program Overview, Program Administration and Project Criteria, released June 20, 2017.

https://www.arb.ca.gov/msprog/moyer/guidelines/2017gl/2017_cmp_gl_volume_1.pdf

² <http://www.arb.ca.gov/cc/capandtrade/auctionproceeds/16-17-final-second-investment-planii.pdf> See Figure 12 for Investment Concepts for Transportation and Sustainable Communities, Figure 14 for Investment Concepts for Clean Energy and Energy Efficiency, and Figure 16 for Investment Concepts for Natural Resources and Waste Diversion.

- The *2017 Climate Change Scoping Plan* calls for a comprehensive approach to improve transportation sustainability that includes regulation, incentive, and investment addressing a full range of transportation system improvements including new vehicle technologies, among others. As part of this strategy, the Scoping Plan identifies vehicle technology measures to:
 - Deploy zero emission vehicles (ZEVs) across all vehicle classes, including rail vehicles, along with the necessary charging infrastructure.³
 - Encourage State and federal incentive programs to continue supporting zero and near-zero pilot and demonstration projects.
 - Promote research, development, and deployment of new technology to reduce GHGs, criteria pollutants, and toxics.

The agricultural equipment and vehicle expenditures described in the record will help implement these Scoping Plan recommendations and goals.

- Consistent with AB 398 (Garcia, Chapter 135, Statutes of 2017): AB 398, the bill that extends the Cap-and-Trade program beyond 2020, provides additional direction from the Legislature on priorities for investing auction proceeds, including:
 - Air toxic and criteria air pollutants from stationary and mobile sources; and
 - Sustainable agricultural practices that promote the transitions to clean technology, water efficiency, and improved air quality.

FARMER Program expenditures described in this record are consistent with the AB 398 investment priorities.

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.

³ *California's 2017 Climate Change Scoping Plan: The Strategy For Achieving California's 2030 Greenhouse Gas Target*, released November 2017.
https://www.arb.ca.gov/cc/scopingplan/scoping_plan_2017.pdf

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- Describe how expenditures will achieve GHG emission reductions or net GHG benefits

- 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.

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- Expected period for which reductions will be estimated and how expenditure will maintain GHG emission reductions or net GHG benefits

- Agricultural equipment and vehicle investments will begin to yield GHG emission reductions in 2020 and will continue to provide GHG emission reductions for at least 3 years.

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

- Air Quality and Public Health Benefits: 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.
 - Economic Benefits: 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

- The agricultural equipment and vehicle technologies being funded provide criteria pollutant and air toxics
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<p>of AB 32 and related amendments (see below)</p>	<p>benefits, thereby complementing the State’s efforts to improve air quality.</p> <ul style="list-style-type: none"> ▪ Agricultural equipment and vehicle investments will be directed toward disadvantaged communities in California and provide economic benefits to businesses.
<p>☐ Percentage of total funding that will be expended for projects that benefit AB 1550 populations, per the criteria in Volume 2 of CARB’s Funding Guidelines</p>	<ul style="list-style-type: none"> ▪ For the \$65 million FARMER Program appropriation, staff proposes that at least 55 percent of the funds be invested in projects meeting one of the AB 1550 criteria with the following targets: <ul style="list-style-type: none"> – At least 50 percent of funds for projects located within, and benefiting individuals living in, disadvantaged communities; and – At least 5 percent of funds for projects within and benefiting low-income communities or benefiting low-income households. ▪ The subset of these funds meeting the additional AB 1550 target for benefitting low-income communities and low-income households that are within ½ mile of a disadvantaged community would be determined based on program implementation and reported. ▪ CARB considers the investment targets to be a minimum and strives to exceed them. In designing project implementation requirements, CARB will consider whether there are provisions that can be incorporated to help ensure that CARB exceeds the minimum targets.
<p>☐ Describe the AB 1550 benefits, per the criteria in Volume 2 of CARB’s Funding Guidelines</p>	<ul style="list-style-type: none"> ▪ 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.
<p>☐ Explain strategies the administering</p>	<ul style="list-style-type: none"> ▪ CARB will pursue a number of strategies to maximize disadvantaged community benefits. These include, among others: directing funds to local air districts with

<p>agency will use to maximize benefits to disadvantaged communities</p>	<p>higher proportions of disadvantaged communities and increasing outreach to disadvantaged communities.</p> <ul style="list-style-type: none"> ▪ The Guidelines include more detail on strategies to maximize disadvantaged community benefits.
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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.

<p>❑ How the administering agency will track / report progress to make sure projects are implemented per requirements in statute and CARB’s Funding Guidelines</p>	<ul style="list-style-type: none"> ▪ 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 non-performance, as described in the Guidelines.
<p>❑ Approach that will be used to document GHG emission reductions, net GHG benefits, or co-benefits before and after project completion. Include citations for references that support methodology</p>	<ul style="list-style-type: none"> ▪ 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.⁴ ▪ 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.

⁴ Quantification Materials website: www.arb.ca.gov/cci-quantification

California Air Resources Board Expenditure Record for Funding Agricultural Replacement Measures for
Emission Reductions (FARMER) Program
October 2019

<input type="checkbox"/> Type of information that will be collected to document project results, as described in CARB's Funding Guidelines	<ul style="list-style-type: none">▪ 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.
<input type="checkbox"/> How the administering agency will report on program status	<ul style="list-style-type: none">▪ 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, current estimates of GHG emission reductions, and assessment of co-benefits, including criteria pollutant emission reductions.
