

BOARD MEETING DATE: April 7, 2023

AGENDA NO. 3

PROPOSAL: Adopt Resolutions Recognizing Revenues for FY 2022-23 Community Air Protection Program and Funding Agricultural Replacement Measures for Emission Reductions and Reimburse General Fund for Administrative Costs

SYNOPSIS: In December 2022, South Coast AQMD executed grant agreements with CARB to receive FY 2022-23 incentive funds from the Community Air Protection Program (CAPP) and the Funding Agricultural Replacement Measures for Emission Reductions (FARMER) Program, in the amount of \$91,199,804 and \$1,413,500, respectively, of which 6.25 percent may be used to fund administrative costs. These actions are to: 1) adopt Resolutions recognizing up to \$92 million in CAPP funds and \$1.5 million in FARMER funds from CARB into the Community Air Protection AB 134 Fund (77) and Carl Moyer Program Fund (32), respectively; and 2) reimburse the General Fund for administrative costs up to \$5,699,988 from the CAPP grant and up to \$88,344 from the FARMER Program.

COMMITTEE: Technology, March 17, 2023; Recommended for Approval

RECOMMENDED ACTIONS:

1. Adopt the attached Resolution recognizing, upon receipt from CARB, up to \$92 million in Community Air Protection Program (CAPP) Funds into the Community Air Protection AB 134 Fund (77);
2. Adopt the attached Resolution recognizing, upon receipt from CARB, up to \$1.5 million in Funding Agricultural Replacement Measures for Emission Reductions (FARMER) Program funds into the Carl Moyer Program Fund (32);
3. Reimburse the General Fund for administrative costs in an amount up to \$5,699,988 from Community Air Protection AB 134 Fund (77); and
4. Reimburse the General Fund for administrative costs in an amount up to \$88,344 from the FARMER Program Fund (32).

Wayne Nastri
Executive Officer

Background

In June 2022, the Governor approved the Budget Act of 2022 (SB 154) which appropriated \$260 million for financial incentives to reduce mobile and stationary sources of criteria air pollutants or toxic air contaminants, consistent with community emissions reduction programs pursuant to AB 617 (including projects under the Community Air Protection Program (CAPP)). South Coast AQMD was allocated approximately \$92 million in funding to implement projects under CAPP. CAPP funds will support incentive projects that reduce emissions and improve public health in communities with high burdens of cumulative pollutant exposure consistent with the requirements of AB 617, AB 1550 and SB 535. AB 1550 and SB 535 require at least 70 to 80 percent of the funds go towards emission reduction projects that directly benefit disadvantaged and low-income communities.

Also, the agricultural industry in California, including the South Coast and Coachella Valley Air Basins, consist of many farms and ranches that produce commodities shipped throughout the world. This industry consists of producers, custom operators and first processors that own and operate numerous on- and off-road diesel-fueled equipment. Even with increasingly stringent emission standards on engine manufacturers, emissions from older diesel agricultural vehicles and equipment continue to be a significant source of air pollution. Reducing these emissions are necessary to meet federal ozone and particulate matter air quality standards, and natural turnover of these vehicles and equipment is not sufficient to meet South Coast AQMD's clean air goals. For FY 2022-23, the State Legislature allocated \$150 million to CARB to fund grants with air districts under the Funding Agricultural Replacement Measures for Emission Reductions (FARMER) Program. South Coast AQMD was allocated approximately \$1.5 million in funding to implement projects in the agricultural sector.

In December 2022, South Coast AQMD executed grant agreements with CARB to receive FY 2022-23 incentive funds for the CAPP and FARMER Programs. Funds received under CAPP will be utilized to implement incentive programs, including Carl Moyer, Proposition 1B – Goods Movement Program, and projects approved in Community Emission Reduction Programs. The funds received under the FARMER Program must be used to fund vehicles and equipment projects that are used in agricultural operations. The projects will be implemented according to the approved FARMER and Carl Moyer Program Guidelines.

Proposal

These actions are to adopt the attached Resolutions to recognize up to \$92 million and \$1.5 million and from CARB into the Community Air Protection AB 134 Fund (77) for the CAPP Program and the Carl Moyer Program Fund (32) for the FARMER Program, respectively, and to reimburse the General Fund up to 6.25 percent from the CAPP and FARMER grant amounts for the administrative costs incurred for CAPP and FARMER Program implementation.

Benefits to South Coast AQMD

The implementation of incentive projects funded by the CAPP funds will reduce emissions of criteria and toxic air pollutants, including diesel particulate matter (PM), in communities with high burdens of cumulative pollutant exposure. The CAPP incentive funds will be used for projects that meet or exceed the statewide targets specified by the CAPP incentive grant agreement. Also, the additional funds provided for the implementation of the FARMER Program will provide surplus NOx and PM emission reductions as required by the FARMER and Carl Moyer Program Guidelines. The funds will be used for projects that reduce emissions beyond what is required by existing regulations, and these reductions will continue throughout the life of the projects, resulting in long-term emission reductions and public health benefits.

Resource Impacts

South Coast AQMD will receive up to \$92 million and up to \$1.5 million from CARB for FY 2022-23 CAPP and FARMER Programs, respectively. Funds received under CAPP will be recognized under Community Air Protection AB 134 Fund (77) and funds received under FARMER will be recognized under Carl Moyer Program Fund (32). Administrative costs will not exceed 6.25 percent for each program.

Attachments

Resolutions

RESOLUTION NO. 23-

**A Resolution of the South Coast Air Quality Management District Governing Board
Recognizing FY 2022-23 Community Air Protection Incentive Funds**

WHEREAS, under Health and Safety Code §40400 et seq., the South Coast Air Quality Management District (South Coast AQMD) is the local agency with the primary responsibility for the development, implementation, monitoring and enforcement of air pollution control strategies, clean fuels programs and motor vehicle use reduction measures; and

WHEREAS, the South Coast AQMD is authorized by Health and Safety Code §§40402, 40440, 40448.5 as well as the Carl Moyer Memorial Air Quality Standards Attainment Program (§§44275 et seq.) to implement programs to reduce transportation emissions, including programs to encourage the use of alternative fuels, zero and low emission vehicles, to develop and implement other strategies and measures to reduce air contaminants, and achieve the state and federal air quality standards; and

WHEREAS, the Governing Board has adopted several programs to reduce emissions from on-road and off-road vehicles, as well as emissions from other equipment, including infrastructure from the Carl Moyer Program, the Proposition 1B-Goods Movement Program, and projects included in approved Community Emissions Reduction Programs; and

WHEREAS, the Governing Board directs staff to prioritize funding of zero emission vehicles and equipment whenever feasible, including charging/fueling infrastructure for medium- and heavy-duty vehicles, in disadvantaged and low-income communities; and

WHEREAS, there are specific legislative requirements (e.g., expenditure records, quantification methodology, annual reporting, and disadvantaged/low-income community investments) of the cap and trade proceeds that the South Coast AQMD will need to adhere to; and

WHEREAS, the South Coast AQMD is designated as an extreme non-attainment area for ozone and as such is required to utilize all feasible means to meet national ambient air quality standards.

THEREFORE, BE IT FURTHER RESOLVED that the Governing Board of the South Coast AQMD, State of California, in regular session assembled on April 7, 2023, does hereby recognize up to \$92 million in FY 2022-23 (Year 6) Community Air Protection Program (CAPP) incentive funds from CARB to administer and implement the Year 6 CAPP.

BE IT FURTHER RESOLVED that the Executive Officer is hereby authorized and directed to take all steps necessary to carry out this Resolution.

Date

Faye Thomas, Clerk of the Boards

RESOLUTION NO. 23-

**A Resolution of the South Coast Air Quality Management District Governing Board
Recognizing FY 2022-23 FARMER Funds**

WHEREAS, in June 2022, Governor Newsom signed into law Senate Bill (SB) 154, which appropriates \$150,000,000 from the State Budget for FY 2022-23 to the California Air Resources Board (CARB) for reducing criteria, toxic and greenhouse gas (GHG) emissions from the agricultural sector;

WHEREAS, CARB developed the Funding Agricultural Replacement Measures for Emission Reductions (FARMER) Program Guidelines to meet the Legislature's objectives and help meet the State's criteria, toxic and GHG emission reduction goals;

WHEREAS, the funding for the FARMER Program comes from the General Fund of SB 154;

WHEREAS, CARB has proposed an allocation of \$1,413,500 for the South Coast Air Quality Management District (South Coast AQMD) to implement projects pursuant to the FARMER Program Guidelines;

WHEREAS, there are specific legislative requirements (e.g., expenditure records, quantification methodology, annual reporting, and disadvantaged/low-income community investments) of the cap and trade proceeds that the South Coast AQMD will need to adhere to;

WHEREAS, the South Coast AQMD may need to transfer funds to other air districts, or may be invited to accept FARMER funds through inter-district transfer;

NOW, THEREFORE, BE IT RESOLVED that the Governing Board, in regular session assembled on April 7, 2023, does hereby approve South Coast AQMD participation in the FY 2022-23 FARMER Program and recognize up to \$1.5 million from CARB in FARMER Program funds.

BE IT FURTHER RESOLVED that the South Coast AQMD will comply with the FARMER Program requirements as specified in the grant award, applicable FARMER Program Guidelines and the South Coast AQMD's FARMER Policies and Procedure Manual.

BE IT FURTHER RESOLVED that the South Coast AQMD Governing Board authorizes the Executive Officer to enter into contracts or grants with other California air quality districts to transfer funds to other districts or accept FARMER funds through inter-district transfer as necessary.

BE IT FURTHER RESOLVED that the Executive Officer is hereby authorized and empowered to execute on behalf of South Coast AQMD grant agreements with CARB and all other necessary documents to implement and carry out the purposes of this Resolution.

Date

Faye Thomas, Clerk of the Boards