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DATE: May 6, 2015

TO: SJVUAPCD Governing Board

FROM: Seyed Sadredin, Executive Director/APCO  
Project Coordinator: Tom Jordan

RE: **ITEM NUMBER 13: REVIEW AND APPROVE  
ACTION PLAN FOR SECURING SAN JOAQUIN  
VALLEY'S FAIR SHARE OF THE STATE'S CAP  
AND TRADE FUNDS**

**RECOMMENDATIONS:**

Review and approve the following multi-faceted action plan for securing the San Joaquin Valley's fair share of the State's Cap and Trade funds:

1. Educate the state legislative and administrative branches of the Valley's tremendous needs, especially in relation to the Valley's many disadvantaged communities.
2. Build a new San Joaquin Valley Cap and Trade Coalition comprised of Valley businesses, farmers, community groups, cities, counties, and other local agencies to advocate for the Valley.
3. Utilize the District's current incentive program expertise and infrastructure to administer Cap and Trade funded grant programs in the Valley.
4. Educate and assist local entities to enhance the Valley's ability to compete for Cap and Trade funding.
5. Pursue a block grant approach to establish dedicated Cap and Trade funding for the San Joaquin Valley to be administered by the District.

**BACKGROUND:**

San Joaquin Valley businesses, farmers, municipalities, and residents are subject to some of the toughest air regulations in the nation. Since 1992, the District has adopted over 600 regulations that have reduced emissions by over 80 percent. The California Air Resources Board (ARB) has adopted some of the toughest air regulations in the nation on mobile sources and consumer products. Despite significant reductions in emissions, attaining the ever-tightening federal standards that approach background concentrations requires another 80 to 90 percent reduction in emissions. With 85 percent of remaining emissions coming from mobile sources over which the District has no regulatory authority, progress towards attaining these standards requires a robust incentive-based emission reduction program to supplement the District's comprehensive and multi-faceted regulatory program.

The state's Cap and Trade program is expected to provide a significant amount of funding in the coming years primarily targeted at reducing greenhouse gas emissions. If properly allocated and utilized, these funds can also provide co-benefits in reducing the criteria pollutants that are the target of the District's efforts to improve public health by attaining ozone and particulate standards.

In the next several months and coming years, the state legislature and agencies will make key decisions regarding the distribution and the manner of expenditure of Cap and Trade funds. Given the District's tremendous needs and our extensive experience and expertise in administering effective incentive-based programs, we must be prepared to play a key role in guiding these decisions. The purpose of this item is to discuss and develop an action plan for conducting effective advocacy and to position the District and help provide capacity to other Valley entities and agencies for optimal utilization of these funds.

**DISCUSSION:**

For 2014-2015, the state budget allocated approximately \$850 million of Cap and Trade funding to a variety of programs that are administered by a variety of state agencies. For 2015-2016, the Governor's initial budget proposal for Cap and Trade expenditure is \$1 billion; however, it appears that total funding will be higher since transportation fuels are now included in the Cap and Trade program for the first time. It is expected that the Governor will release an updated proposal in the May budget revision. To ensure that the Valley receives its fair share of the funding, we must implement a strategy that achieves the goals outlined below.

**Analysis of existing Cap and Trade programs to identify funding opportunities for the Valley:**

Auction proceeds from the Greenhouse Gas Reduction Fund (Cap and Trade funds) are appropriated by the legislature and the Governor, consistent with the implementing

legislation. Under current law, the state is required to develop and adopt three-year investment plans. The current three-year investment plan was adopted in 2013 and addresses the 2013-14 through 2015-16 fiscal years. The state is currently in the process of developing the next three-year investment plan, which will address the 2016-17 through 2018-19 fiscal years. The funds in the current investment plan are directed into three overarching categories:

- Transportation and Sustainable Communities
- Clean Energy and Energy Efficiency
- Natural Resources and Waste Diversion

Within these overarching categories, funding is allocated to a variety of state agencies and programs consistent with their individual scope of authority. The District has had long standing relationships with ARB and CEC over the past several years in a number of areas relating to the administration of incentive-based programs for mobile source emission reductions (on-road and off-road) with ARB, and alternative fuels and energy efficiency with CEC. Within ARB, CEC, and other state agencies a variety of programs are currently being developed or implemented. The District has been fully engaged in this process from influencing the development of the statewide expenditure plan each year to taking a leadership role in the development of specific programs and will continue to do so both with the state agencies and through the legislative process as new three-year investment plans are being developed.

As we move forward, the District will need to explore funding opportunities available through state agencies. This will require that we examine our existing incentive programs that may fit various agencies' funding criteria and eligibility as well as developing new programs as needed. Due to the variety of agencies receiving Cap and Trade funding and the allocation/program structures, the District will not have a direct role in the administration of all of the funding. However, the District can position itself to be a resource for the Valley to ensure that the Valley receives its fair share of these critical funds. The District can provide support and assistance to other Valley entities for their applications for Cap and Trade funding opportunities that provide air quality benefits to the Valley. Additionally, the District can look for opportunities to utilize our extensive grant programs and experience to create and administer new programs that bring more funding to the Valley and provide much-needed air quality benefits.

The following summarizes potential opportunities and need for action for each of the agencies that have been allocated Cap and Trade funding:

California Air Resources Board (funding for low carbon transportation):

Funding Allocation: \$230 million

Program Description: Funding for ARB is directed to Low Carbon Transportation to fund a variety of voluntary incentive programs for clean vehicle and equipment projects and alternative fuels demonstration projects, as follows:

- Zero and near zero-emission passenger vehicle rebates (Clean Vehicle Rebate Program (CVRP))
  - Program Type Under Current Guidelines: Rebate program for residents administered statewide
  - Eligible Projects Under Current Guidelines: Rebates for the purchase or lease of zero-emission and advanced technology passenger vehicles
  - Eligible Applicants Under Current Guidelines: General public applies directly to contractor operating program statewide on behalf of ARB
  
- Hybrid and Zero-emission Truck and Bus Voucher Program (HVIP)
  - Program Type Under Current Guidelines: First-come first-served voucher program administered statewide
  - Eligible Projects Under Current Guidelines: Provides vouchers for the purchase of new, commercially available zero-emission, near-zero-emission and other advanced technology heavy-duty on road vehicles
  - Eligible Applicants Under Current Guidelines: Public and Private Fleets, fleets apply directly to contractor operating program on behalf of ARB
  
- Truck Loan Assistance Program (PLACE):
  - Program Type Under Current Guidelines: Loans from participating CalCap lenders
  - Eligible Projects Under Current Guidelines: Provides loans for the purchase of new, clean heavy-duty trucks
  - Eligible Applicants Under Current Guidelines: Small truck fleets with primary operation in California (and fleets of up to 10 trucks)
  
- Pilot Programs for Advanced Technology, Vehicle Car Sharing and Financing Programs in Disadvantaged Communities:
  - Light-Duty Pilot Projects in Disadvantaged Communities:
    - Car Sharing and Mobility Options in Disadvantaged Communities
      - Program Type Under Current Guidelines: Competitive Solicitation Directly to ARB
      - Eligible Projects Under Current Guidelines: Car sharing programs that utilize hybrid and advanced clean car and provide enhanced mobility options in disadvantaged communities
      - Eligible Applicants Under Current Guidelines: Public agencies, with private partnerships
    - Vehicle Retirement and Replacement Plus-Up (EFMP Plus-Up):
      - Program Type Under Current Guidelines: Competitive Solicitation Directly to ARB
      - Eligible Projects Under Current Guidelines: Advanced technology vehicle replacements (both new and used) for low-income residents by providing additional financial

- assistance for cleaner vehicles under the Enhanced Fleet Modernization Program (EFMP) or other vehicle retirement programs
- Eligible Applicants Under Current Guidelines: Public agencies currently operating EFMP Programs in federal nonattainment areas (Currently only SJVAPCD and SCAQMD); low-income applicants apply directly to District for funding through District's highly successful Tune In Tune Up Program
- Light-Duty Financing Assistance Programs:
  - Program Type Under Current Guidelines: Loans, loan loss guarantee, and other financing assistance strategies
  - Eligible Projects Under Current Guidelines: Financing options for low-income residents to promote the purchase or lease of incrementally cleaner vehicles
  - Eligible Applicants Under Current Guidelines: Financial institutions apply for funding directly from ARB to support new low-income lending programs; low-income applicants apply directly to participating financial institutions
- Increased Incentives for Public Fleets in Disadvantaged Communities:
  - Program Type Under Current Guidelines: Rebates through existing statewide Clean Vehicle Rebate Program
  - Eligible Projects Under Current Guidelines: Purchase or lease of plug-in hybrid, battery electric and fuel cell light duty vehicles that serve disadvantaged communities
  - Eligible Applicants Under Current Guidelines: Public agencies within disadvantaged communities
- Zero-Emission Truck and Bus Pilot Projects in Disadvantaged Communities:
  - Program Type Under Current ARB Proposal (Program not released): Competitive grants for pilot projects directly from ARB
  - Eligible Projects Under Current ARB Proposal: Projects including the purchase and demonstration of zero-emission transit buses, zero-emission school buses, zero-emission freight/delivery trucks, and associated infrastructure. The purpose of the program is to provide for the assessment of advanced vehicle technology, including performance, operational and maintenance costs, and other information of interest to potential technology adopters.
  - Eligible Applicants Under Current ARB Proposal: Public and private fleets operating in disadvantaged communities
- Advanced Technology Freight Demonstration Projects in Disadvantaged Communities:
  - Zero emission Drayage Trucks:

- Program Type Under Current ARB Proposal (Program not released): Competitive grants for pilot projects directly from ARB
- Eligible Projects Under Current ARB Proposal: Projects including the purchase and demonstration of zero-emission drayage truck technology. The purpose of the program is to provide for the assessment of advanced vehicle technology, including performance, operational and maintenance costs, and other information of interest to potential technology adopters.
- Eligible Applicants Under Current ARB Proposal: Public or private fleets operating in disadvantaged communities
- Multi-source Facility Projects:
  - Program Type Under Current ARB Proposal (Program not released): Grants for pilot projects directly from ARB
  - Eligible Projects Under Current ARB Proposal: Grants for projects that demonstrate, in one facility, multiple types of equipment that employ advanced emission reducing or eliminating technologies to demonstrate the practicality and economic viability of wide-spread adoption of advanced technology for various sources at one facility
  - Eligible Applicants Under Current ARB Proposal: Distribution centers, warehouses, ports and rail yards; manufacturers of zero- and near zero-emission yard and regional haul trucks, advanced transportation refrigeration units, and other equipment, including fueling/charging infrastructure to facilitate the successful demonstration of technologies, and logistics/operations efficiency improvements

California Energy Commission (energy efficiency in public buildings and energy generation):

Funding Allocation: \$20 million

Program Description: Funding allocated to the CEC is directed to a variety of energy efficiency and generation loan programs for public agencies.

- Program Type Under Current Guidelines: Low interest loans to public agencies
- Eligible Projects Under Current Guidelines: The CEC has opened a first-come first-served loan program that allows public agencies to apply for a broad range of projects with proven energy demand and/or demand cost savings. Examples of such projects provided by the CEC in their loan process include:
  - Lighting system upgrades, pumps and motors, street lights and LED traffic signals
  - Energy management systems and equipment controls

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- Building insulation
- Energy generation, HVAC, water and waste water treatment equipment, and load shifting projects (i.e. thermal energy storage)
- Eligible Applicants Under Current Guidelines: Cities and counties, school districts, charter schools, special districts, public college or university, public care institutions, county office of education, community college districts

High Speed Rail Authority (funding for construction of the initial high speed rail segments including):

Funding Allocation: \$250 million

Program Description: Funding is allocated for the planning, design, right of way acquisition, and construction of the initial operating segments.

In June 2014, your Board approved an agreement with the High Speed Rail Authority that requires full mitigation of all emissions from high speed rail construction in the San Joaquin Valley, at a cost to the High Speed Rail Authority of \$35 million, or more if necessary for full mitigation. The Board made clear that this decision was not an endorsement of high speed rail, but rather was the only mechanism available to assure that the air quality impacts of the project, if it is to be built, are fully mitigated and that such mitigation can be quantified, verified, and enforced by the District.

California State Transportation Agency (funding for transit and passenger rail):

Funding Allocation: \$25 million

Program Description: Funding allocated to CalSTA is directed to the Transit and Intercity Rail Capital Program, which provides grants to fund capital improvements and operational investments for transit systems and intercity, commuter and urban rail systems to reduce GHG by reducing vehicle miles travelled.

- Program Type Under Current Guidelines: Competitive grant program
- Eligible Projects Under Current Guidelines: CalSTA opened a competitive grant program that allows public agencies that operate transit or passenger rail services to apply through a uniform grant application process for a broad range of transit bus and rail service projects. Projects eligible for funding under the program include, but are not limited to, the following:
  - Rail capital projects, including the acquisition of rail cars and locomotives, that expand, enhance, or improve existing rail systems and connectivity to existing and future rail systems, including the high speed rail system.
  - Intercity and commuter rail projects that increase service levels, improve reliability, or decrease travel times. These projects may include efforts to improve existing rail service effectiveness with a focus on improved operating agreements, schedules, and minor capital investments that are

expected to generate increased ridership, as well as larger scale projects designed to achieve significantly larger benefits.

- Rail integration implementation, including: integrated ticketing and scheduling systems and related capital investments (including integration with bus operators); projects enabling or enhancing shared use corridors without increasing net air pollution (both multi operator passenger-only corridors as well as passenger-freight corridors); related planning efforts focused on, but not limited to, delivery of integrated service not requiring capital investment; and other service integration initiatives.
- Bus rapid transit and other bus transit investments to increase ridership and reduce greenhouse gas emissions, including investments in transit effectiveness studies that will result in implementation of service restructuring and enhancement that will increase ridership.
- Eligible Applicants Under Current Guidelines: Eligible applicants must be public agencies (including joint powers agencies) that operate existing or planned regularly scheduled intercity rail service (and associated feeder bus service), commuter rail, commuter bus service, or bus or rail transit service, or that have planning responsibility for future services not under the authority of an existing operator

Department of Transportation (Caltrans - funding for low carbon transit projects):

Funding Allocation: \$25 million

Project Description: Funding for Caltrans is directed to the Low Carbon Transit Operations Program which provides operating and capital assistance for transit agencies to reduce GHG and improve mobility.

- Program Type Under Current Guidelines: Formula-based grant program, 50% distributed to transit providers based upon population, 50% based upon fare box revenues
- Eligible Projects Under Current Guidelines: Caltrans notified eligible transit operators of funding levels in the fall and required the submittal of proposed projects earlier this year under this Cap and Trade allocation. Projects eligible for funding include:
  - New or expanded bus or rail services, or expanded intermodal transit facilities, and may include equipment acquisition, fueling, and maintenance, and other costs to operate those services or facilities. The recipient transit agency must demonstrate that the project directly enhances or expands transit service to increase mode share, reduces greenhouse gas emissions.
- Eligible Applicants Under Current Guidelines: Transportation planning agencies, local transit agencies that are eligible for state transportation assistance funds, county transportation commissions



Strategic Growth Council (funding for affordable housing and sustainable communities):

Funding Allocation: \$130 million

Program Description: Funding allocated to the Strategic Growth Council is currently directed to two separate programs, the Affordable Housing and Sustainable Communities Program and the Sustainable Agricultural Land Conservation Program.

- Affordable Housing and Sustainable Communities (AHSC) Program provides funding for projects that result in the reduction of GHG emissions and vehicle miles travelled and increase accessibility of housing, employment centers and key destinations through low-carbon transportation options such as walking, biking and transit (\$120 million program allocation)
  - Program Type Under Current Guidelines: Competitive grant and loan program, up to \$15 million per project (could be combination of grants and loans in single project)
  - Eligible Projects Under Current Guidelines: The AHSC Program provides loans or grants, or any combination thereof, to Project Areas that will achieve GHG emissions reductions and benefit disadvantaged communities through increasing accessibility to affordable housing, employment centers and key destinations via low-carbon transportation that shortens or reduces trip lengths or mode shifts from Single Occupancy Vehicle (SOV) use to transit, bicycling or walking, resulting in fewer vehicle miles traveled (VMT). Two Project Area types have been identified to implement this strategy including Transit Oriented Development (TOD) Project Areas, or Integrated Connectivity Project (ICP) Project Areas. Under current guidelines, eligible projects must:
    - Reduce air pollution;
    - Improve conditions in disadvantaged communities;
    - Support or improve public health and other co-benefits as defined in Section 39712 of the Health and Safety Code;
    - Improve connectivity and accessibility to jobs, housing, and services;
    - Increase options for mobility, including the implementation of the Active Transportation Program established pursuant to Section 2380 of the Streets and Highway Code;
    - Increase transit ridership;
    - Preserve and develop affordable housing for lower income households, as defined in Section 50079.5 of the Health and Safety Code
    - Protect agricultural lands to support infill development.
  - Eligible Applicants Under Current Guidelines: Public housing authorities, redevelopment successor agencies, regional transit operators, school districts and transportation planning agencies, developers

- Sustainable Agriculture Land Conservation (SALC) Program is intended to support the protection and management of California's agricultural lands. Through planning and permanent protection of farm and ranch lands via agricultural easements, the SALC program will prevent increases in GHG emissions by limiting opportunities for expansive, vehicle dependent forms of development in favor of more focused, compact, and transit oriented development within discrete growth boundaries. Additionally, the SALC program will support in future years, farm-scale conservation management practices that further promote reductions in GHG emissions and increases in soil carbon sequestration. (\$10 million allocated towards this program)
  - Program Type Under Current Guidelines: Competitive grant program
  - Eligible Projects Under Current Guidelines: The Strategic Growth Council has issued two separate RFPs for this program. One is for Sustainable Agricultural Land Strategy Grants projects, and the other is for Agricultural Conservation Easements projects. Final applications were due earlier this year under the first Cap and Trade allocation. Eligible projects include:
    - Conservation easement grants: Land acquisition grants to avoid increases in greenhouse gas emissions associated with agricultural lands
    - Sustainable agricultural land strategy grants: Support the state's climate adaptation and GHG goals by making strategic investments to protect agricultural lands
  - Eligible Applicants Under Current Guidelines: Counties and cities as lead applicants in collaboration with other partners

Community Services and Development (low-income energy efficiency and weatherization projects):

Funding Allocation: \$75 million

Program Description: Low Income Energy Efficiency and Weatherization Program will provide funding to assist in the installation of energy efficiency and renewable energy projects in low income dwellings.

- Program Type Under Current Guidelines: Funding will be distributed at the county level on a statewide formula-basis that takes the following factors into consideration: low-income population, energy cost, and climate data
- Eligible Projects Under Current Guidelines: Funding is directed at the following specific project types: Low-income residential weatherization (e.g. insulation, caulking, HVAC enhancements), solar water heating, and solar photovoltaic systems
- Eligible Applicants Under Current Guidelines: Private, non-profit and local government organizations who currently contract with CSD to provide weatherization services to low-income communities

Department of Food and Agriculture (dairy digesters and water efficiency programs):

Funding allocation: \$25 million

Program Description: Funding allocated to the Department of Food and Agriculture is directed to two separate programs, Dairy Digester Research Development Program and the State Water Efficiency and Enhancement Program.

- Dairy Digester Research Development Program provides financial assistance for the research, demonstration and implementation of dairy digesters that result in reduced GHG
  - Program Type Under Current Guidelines: Competitive grant funding
  - Eligible Projects Under Current Guidelines:
    - Phase I - Dairy digester implementation at California dairies
    - Phase II - Dairy digester research to study and facilitate changes in manure management practices at California dairies
  - Eligible Applicants Under Current Guidelines: Academic research institutions, California dairy operations (including dairy digester developers working with a California dairy)
- State Water Efficiency and Enhancement Program provides financial assistance for the implementation of water conservation measures
  - Program Type Under Current Guidelines: Competitive grant funding
  - Eligible Projects Under Current Guidelines: Grants to agricultural operations for implementing water conservation measures that result in water efficiency and reduced GHG, including agricultural irrigation pump efficiency, drip irrigation, and other measures
  - Eligible Applicants Under Current Guidelines: Agricultural operations

Department of Water Resources (funding for water conservation):

Funding Allocation: \$30 million

Program Description: Funding allocated to the Department of Water Resources is focused on water conservation measures that reduce GHG.

- Program Type Under Current Guidelines: Competitive grant funding
- Eligible Projects Under Current Guidelines: Residential, commercial, or institutional water efficiency programs or projects that reduce GHG emissions and also reduce water and energy use. DWR will consider projects proposed in any segment of the Water Use Cycle, including supply, conveyance, treatment, distribution, wastewater collection and discharge.
- Eligible Applicants Under Current Guidelines: Local agencies, joint powers authorities, and nonprofit organizations

Department of Forestry and Fire Protection (CAL FIRE - urban forestry, forest health and restoration):

Funding Allocation: \$42 million

Program Description: Funding is allocated to a variety of grant programs, including Urban and Community Forestry, Fuels Reduction, Reforestation Services, Forest Legacy Program, Forest Pest Control, Forest Practice Program, and Demonstration State Forest Research.

- Urban and Community Forestry:
  - Program Type Under Current Guidelines: Competitive grant funding
  - Eligible Projects Under Current Guidelines: Expansion and better management of urban forests through the following competitive grant solicitations:
    - “Green Trees for the Golden State” – Urban forest carbon sequestration projects
    - Urban Forest Management for GHG Reduction – Strategy/ordinance development by cities and counties
    - Urban Wood and Biomass Utilization – Diversion of urban wood from landfills
    - Woods in the Neighborhood – Reclamation of blighted urban lands
    - Green innovation projects – Innovative projects for blighted urban lands
  - Eligible Applicants Under Current Guidelines: Cities, counties, special districts, and non-profit organizations
  
- Fuels Reduction:
  - Program Type Under Current Guidelines: Competitive grant funding
  - Eligible Projects Under Current Guidelines: Selective removal and utilization of vegetation to reduce wildfire hazards. Two CAL FIRE programs will be used to deliver funding: Fuel Reduction Project grants, and cost-share agreements delivered through the California Forest Improvement Program (CFIP). Objectives include stabilizing or increasing carbon sequestration in trees retained on the project site, reduction of wildfire hazards to decrease wildfire emissions, utilization of biomass to offset use of fossil fuels, and use of solid wood materials to offset emissions resulting from removal of vegetation. Vegetation treatment forestry prescriptions will focus on treating understory trees and brush with a goal of reducing fire hazards, improving tree growth, stabilizing carbon in retained trees, and increasing forest resilience.
  - Eligible Applicants Under Current Guidelines: Land owners, Native American tribes, land management agencies, and public agencies or non-profit organizations which have received invitation letters from the Department of Forestry and Restoration

- Reforestation Services:
  - Program Type Under Current Guidelines: Competitive grant funding
  - Eligible Projects Under Current Guidelines: Administered by CAL FIRE for reforestation and restoration of large catastrophic wildfire areas. The program is designed for large projects that group together multiple landowners to address watershed wide reforestation, restoration and other forest improvement activities such as post-fire fuel hazard reduction and utilization of biomass.
  - Eligible Applicants Under Current Guidelines: Land owners, Native American tribes, land management agencies, and public agencies or non-profit organizations which have received invitation letters from the Department of Forestry and Restoration
  
- Forest Legacy Program:
  - Program Type Under Current Guidelines: Competitive grant funding
  - Eligible Projects Under Current Guidelines: The purpose of the Forest Legacy Program (FLP) is to protect environmentally important forestland threatened with conversion to non-forest uses, such as subdivision for residential or commercial development. Protecting forests will ensure California's forests continue to be a significant carbon storage "sink" by avoiding conversion to non-forest uses that will result in GHG emissions rather than carbon sequestration. Landowners who wish to participate may sell or transfer particular rights, while retaining ownership of the property and the right to use it in any way consistent with the terms of the easement. The agency or organization holding the easement is responsible for managing the rights it acquires and for monitoring compliance by the landowner. Forest management activities, including timber harvesting, hunting, fishing and hiking are encouraged provided they are consistent with the program's purpose.
  - Eligible Applicants Under Current Guidelines: Land owners, Native American tribes, public agencies or non-profit organizations
  
- Forest Pest Control:
  - Program Type Under Current Guidelines: Competitive grant funding
  - Eligible Projects Under Current Guidelines: Financial assistance is provided for 1) removal of trees infected by pests; 2) selectively removing trees which are highly susceptible to attack by pests to prevent further spread of disease to healthy forests; 3) restoring impacted landscapes through reforestation; 4) utilizing removed trees for stable carbon storage in solid wood products and biomass energy; 5) education and training for the proper utilization, transportation, and handling of infected materials to avoid further pest spread; and 6) analytical, scientific monitoring techniques to document the effectiveness of pest control projects and record measurements of GHG reduction.
  - Eligible Applicants Under Current Guidelines: Land owners, Native American tribes, land management agencies, and public agencies or non-

profit organizations which have received invitation letters from the Department of Forestry and Restoration

- Forest Practice Program:
  - Program funding details will be announced in the future pending regulatory action regarding Programmatic Timber Environmental Impact Reports for improved timber management practices.
  
- Demonstration State Forests Research:
  - Program Type Under Current Guidelines: Competitive grant funding
  - Eligible Projects Under Current Guidelines: CAL FIRE will issue research grants to universities, public agencies, and other organizations or persons for research projects related to forest carbon sequestration and greenhouse gas reduction. Research will particularly focus on, but is not limited to, forest management practices aimed at greenhouse gas emissions reduction and climate change in order to advance climate science. Projects can include research, monitoring, and validation of existing vegetation, wildlife, fuel, and carbon sequestration models.
  - Eligible Applicants Under Current Guidelines: Universities, public agencies, and other organizations or persons are eligible

Department of Resources Recycling and Recovery (CalRecycle - waste diversion projects):

Funding Allocation: \$25 million

Program Description: These grants will promote infrastructure development at facilities in California that achieve greenhouse gas emission reductions by diverting more materials from landfills and producing beneficial products. Grants are targeted to build or expand organics infrastructure, such as composting and digestion, or rescuing food to feed people.

- Organics Diversion Grants:
  - Program Type Under Current Guidelines: Competitive grant funding
  - Eligible Projects Under Current Guidelines: Construction, renovation or expansion of facilities in California that compost, anaerobically digest or use other related digestion or fermentation processes to turn green or food materials into value added products; this includes purchase of equipment, machinery and real estate improvements associated with the installation thereof. A food waste prevention component may be included within a project that rescues edible food from becoming landfill waste and results in increased food distribution to people, with any food waste residuals from the project being sent to composting, anaerobic digestion or other digestion or fermentation process when they are available within their service areas.
  - Eligible Applicants Under Current Guidelines: Local governments, cities, counties, regional or local sanitation agencies, waste agencies, or Joint

Powers Authorities, private for-profit entities, solid waste service providers, operators of composting or anaerobic digestion facilities, state agencies, public universities or colleges, nonprofit organizations, qualifying Indian Tribes

- Recycled Fiber, Plastic and Glass Grants:
  - Program Type Under Current Guidelines: Competitive grant funding
  - Eligible Projects Under Current Guidelines: Construction, renovation, or expansion of facilities in California using California-derived recycled-content fiber, plastic, or glass in the manufacture of value-added products; this includes purchase of equipment, machinery, and real estate improvements associated with the installation thereof. A manufacturing facility may partner with another facility, including a supplier of recycled-content feedstock.
  - Eligible Applicants Under Current Guidelines: Local governments, cities, counties, regional or local sanitation agencies, waste agencies, or Joint Powers Authorities, private for-profit entities, solid waste service providers, operators of fiber plastic or glass manufacturing facilities, state agencies, public universities or colleges, nonprofit organizations, qualifying Indian Tribes
  
- Organics Diversion Loans:
  - Program Type Under Current Guidelines: First-come first-served loan program
  - Eligible Projects Under Current Guidelines: Organic projects and recycled fiber, plastic and glass projects that meet the same criteria of the grant programs as described above
  - Eligible Applicants Under Current Guidelines: Local governments cities, counties, regional or local sanitation agencies, waste agencies, or Joint Powers Authorities, private for-profit entities, state agencies, public universities or colleges, nonprofit organizations

Department of Fish and Wildlife (Wetlands Restoration and Greenhouse Gas Reduction Program):

Funding Allocation: \$25 million

Program Description: The Wetlands Restoration for Greenhouse Gas Reduction Program will support projects that reduce GHG emissions through restoration or enhancement of Delta and coastal wetlands and mountain meadow habitat. Projects must outline plans to achieve net GHG reductions through restoration or enhancement of wetlands or mountain meadows and be able to demonstrate how project success will be monitored and reported. Proposals must also consider if and how expected climatic changes in California may impact project planning, implementation, and long-term sustainability of the project investment.

- Program Type Under Current Guidelines: Competitive Grant Program
- Eligible Projects Under Current Guidelines: The Department of Fish and Wildlife issued an RFP with application due late last year. Eligible projects must:
  - Reduce GHGs
  - Restore wetlands
  - Provide ecological benefits
  - Be located in/relevant to the coastal/Delta system or the mountain meadow system
- Eligible Applicants Under Current Guidelines: Public agencies, recognized tribes, and nonprofit organizations

### **NEXT STEPS FOR THE DISTRICT:**

To ensure that the Valley is well positioned to effectively compete for its fair share of available Cap and Trade funding, the District proposes the following multi-faceted action plan:

### **Educate the state legislative and administrative branches of the Valley's tremendous needs, especially in relation to the Valley's many disadvantaged communities:**

The state has already taken a policy position that a significant portion of Cap and Trade funds must go to disadvantaged communities. Of particular note, SB 535 (De Leon, 2012) requires that 10% of the Cap and Trade revenues be expended within communities that are designated as "disadvantaged communities", and 25% be expended to benefit those communities. CalEPA developed a model called CalEnviroScreen to identify communities that faced both economic and environmental challenges. Based on the latest CalEnviroScreen model, 23 out of the top 30 most disadvantaged communities in California are located in the San Joaquin Valley.

Although the broad policy is aimed at directing a significant portion of these funds to disadvantaged communities, we need to be vigilant in fending off efforts from more affluent regions in the state to erode this goal. Furthermore, the current fragmented approach being utilized by the state for distributing these funds through multiple agencies with varying objectives demands our constant attention and intervention to ensure that the funds are properly distributed to the Valley's disadvantaged communities.

Developing an effective strategy that ensures that the Valley receives its fair share of funding will require a concerted communication and education campaign directed at the state's legislative and administrative branches regarding the Valley's tremendous needs and opportunities. In delivering this message, a strong focus should be on describing the Valley's immense air quality attainment challenge and the public health benefits



possible through distribution of Cap and Trade funds to Valley businesses and communities. Additionally, under the direction and guidance provided by your Board, the District has developed and implemented a widely recognized incentive grant program that has invested over \$1 billion dollars in public and private funds into the implementation clean air projects, achieving over 100,000 tons of emissions reductions. In educating state legislators and agencies, it will be important to communicate the lead role that the District can play in the expenditure of Cap and Trade funds in the Valley through its extensive incentive program expertise and capacity.

**Build a strong coalition comprised of Valley businesses, farmers, community groups, cities, counties, and other local agencies to advocate for the Valley:**

In crafting our advocacy approach for Cap and Trade funding, it would serve us well to replicate our successful strategy over the last several years in relation to Proposition 1B, Moyer, AB 118, and other state and federal funding sources. With these efforts, the District has seen a ten-fold increase in incentive grant funding. These efforts required a sophisticated strategy that relied on the following key elements:

- Recruiting influential stakeholders, such as Valley businesses and community leaders, to advocate on our behalf or open doors for us to tell our story
- Development of a credible statement of needs and challenges
- Designing and implementing effective local self-help regulatory and incentive-based programs
- A proven track record of effective administration and expenditure of funds, compelling the granting authorities to direct funding to the District
- Building relationships with key legislators
- Maintaining a noticeable presence in Sacramento and Washington
- Publicizing District's achievements and strengths

We have successfully created an environment where it is now normal for the District to be invited and have a place at the table when high level policy or legislative discussions on air quality programs or funding take place.

Today's recommendations would authorize the District to lead the development of a new San Joaquin Valley Cap and Trade Coalition comprised of community leaders from Valley businesses, farmers, community groups, cities, counties, and other local agencies. If authorized by your Board, the Executive Director/APCO would initiate this process by convening a meeting with the above stakeholders to develop a more detailed action plan for our advocacy efforts.

**Utilize the District's Incentive Program Expertise and Infrastructure to Administer Cap and Trade Funded Grant Programs in the Valley:**

For the past 20 years, the District has administered a variety of incentive-based grant programs. The District is consistently lauded for its effective and efficient administration of our programs and because of this reputation, has been asked on multiple occasions

to implement grant programs on behalf of other air districts and ARB. In the above detailed analysis of Cap and Trade funding opportunities, we have identified several opportunities for the District to either provide direct grant administration or partner with implementing agencies on program administration. In several instances, based on our expertise, we believe that the District can utilize existing grant programs to administer Cap and Trade funding and in other areas, existing programs can be modified to meet the criteria for the Cap and Trade funding. The following is a discussion of the program opportunities in which the District could directly implement Cap and Trade funding:

### **California Air Resources Board**

For the ARB programs identified below, the District is either actively administering funding from ARB, or is in a position through our existing grant programs to compete for these funds and administer programs locally. The District was recently awarded 50% of the available statewide funding for the EFMP Plus-Up Program and is currently developing a proposal for light-duty financing through available Cap and Trade funding. Additionally, the District is currently supporting several entities that are preparing proposals for Valley-based car sharing programs. For the pilot and demonstration programs identified below, the District is actively working with local agencies and businesses in the preparation and submittal of proposals for funding consideration.

- Pilot Programs for Advanced Technology, Vehicle Car Sharing and Financing Programs in Disadvantaged Communities:
  - Light-Duty Pilot Projects in Disadvantaged Communities:
    - Car Sharing and Mobility Options in Disadvantaged Communities
    - Vehicle Retirement and Replacement Plus-Up (EFMP Plus-Up)
    - Light-Duty Financing Assistance Programs
    - Increased Incentives for Public Fleets in Disadvantaged Communities
  - Zero-emission Truck and Bus Pilot Projects in Disadvantaged Communities
  - Advanced Technology Freight Demonstration Projects in Disadvantaged Communities:
    - Zero-emission Drayage Trucks
    - Multi-source Facility Projects

### **California Energy Commission**

Given the District's experience in successfully administering CEC energy efficiency block grants with Valley cities and counties, the District believes that there is an opportunity for the District, CEC, cities and counties, and financial institutions to establish a District-administered regional program and Valley funding allocation that more effectively distributes funds throughout the Valley.

### **California State Transportation Agency and Department of Transportation**

Given the common goals of CalSTA, Caltrans, and the District in expanding transit and passenger rail service and reducing VMT in the Valley, the District believes that there is an opportunity for the District, CalSTA, and Caltrans to work together to establish a District-administered regional program and Valley funding allocation that leverages

funds from all agencies to provide grants for transit and passenger rail projects under the same program.

### **Strategic Growth Council**

The District and Strategic Growth Council's Affordable Housing and Sustainable Communities Program implement a variety of projects that reduce VMTs through promotion of increased biking and increased transit ridership. The District believes that there is an opportunity for the District and Strategic Growth Council to work together to establish a District-administered regional program and Valley funding allocation that leverages state and Valley funding to provide grants for VMT-reduction projects throughout the Valley. The District's Public Benefit Grants and REMOVE funding could be used to assist in developing and administering such a program. A joint program could focus on the following project areas currently identified by the Strategic Growth Council as priorities:

- Transit-oriented development
- Transit capital projects
- Active transportation/complete streets
- Local planning and implementation

### **Community Services and Development**

Given the reduction in both black carbon GHG and particulate emissions, and energy savings resulting from residential wood burning device upgrades, the District believes that there is an opportunity for the District, ARB and CSD to develop a new District-administered regional program and Valley funding allocation that leverages funds from both agencies to provide grants for a combination of weatherization, energy efficiency, and clean burning devices targeted at Valley disadvantaged communities. The District's existing Burn Cleaner program funding and infrastructure could be used to assist in developing and administering such a program.

### **California Department of Food and Agriculture**

For the CDFA programs identified below, the District's existing grant programs already provides proper infrastructure for competing for funds and administering programs locally:

- Dairy Digester Research Development Program: The District has extensive experience and knowledge in the area of confined animal feeding operations and understanding of the Dairy digester technology through the implementation of District Rule 4570 (Confined Animal Facilities), funding of technology demonstration projects at dairies, and dairy research efforts. Using this experience, the District could work with the Department of Food and Agriculture, dairy operations, and digester developers to establish a District-administered regional program to more effectively distribute funds throughout the Valley. The District's existing Heavy-Duty Engine Incentive Program and Technology Advancement Program infrastructure could be used to assist in developing and administering such a program. In addition, existing local funding administered through the District's Technology Advancement Program can potentially be used to support or provide match funding for dairy digester demonstration projects.

- **State Water Efficiency and Enhancement Program:** The District has the potential to utilize existing incentive funding for replacing older, inefficient agricultural irrigation pumps with new, more efficient electric motors. This new program would combine new electric motors for wells with more efficient water pumping technology into one unified program.

### **Department of Forestry and Fire Protection**

In addition to assisting Valley entities apply for available funding in this category, the District could also work with the Department of Forestry and Fire Protection and Valley land management agencies to establish a Valley funding allocation and District-administered regional program to more effectively distribute funds throughout the Valley. This effort would require the development of a new program.

### **Department of Resources Recycling and Recovery**

The District has extensive experience and knowledge in the area of organics processing through the implementation of District Rules 4565 (Biosolids Processing) and 4566 (Organics Material Processing), funding of technology advancement projects at composting facilities, and other research efforts at composting facilities. Using this experience, the District could work with the Department of Resources Recycling and Recovery and Valley entities to establish a District-administered regional program to more effectively distribute funds throughout the Valley.

### **Educate and assist local entities to enhance the Valley's ability to compete for Cap and Trade funding:**

In some cases, the most effective role that the District could play in securing Cap and Trade funds for the Valley is by helping to ensure that Valley entities are aware of funding opportunities and improve their chances of success through technical assistance, letters of support, and direct advocacy at the state level. Additionally, if desired by your Board, the District can share its extensive knowledge and experience in successful grant writing and administration with other Valley local jurisdictions and agencies to help build local capacity.

The following are Cap and Trade programs through which the District can provide assistance to local entities:

### **California Air Resources Board**

ARB's Clean Vehicle Rebate Program is administered at the state level and the District supplements the program with local funding through our Drive Clean incentive program. This serves to encourage more Valley residents to take advantage of the state funding for this program. ARB's HVIP and PLACE heavy-duty truck programs are also administered at the state level. The District works directly with the contractors that implement these statewide programs to ensure that the Valley's needs are communicated and addressed in program implementation. Through its extensive local

grant programs, the District will continue to conduct outreach to Valley businesses, agencies, and residents to ensure that they are aware of and pursue available statewide funding opportunities.

### **California State Transportation Agency**

The District can serve as a resource to Valley agencies as they apply for CalSTA funds in the Valley. The District can provide technical support, letters of support and direct advocacy at the state level for these projects. In addition, existing District funding can potentially be leveraged to support or provide match funding for transit and rail related projects through our existing REMOVE and Public Benefit Grants Programs. To support these projects, the District can potentially provide funding for the purchase of clean locomotive technology through the District's Proposition 1B Goods Movement Emission Reduction Program.

With respect to passenger rail, the recently established San Joaquin Valley Joint Powers Authority is actively pursuing these funds to improve Amtrak rail service throughout the Valley. Additionally, Valley transit agencies, including the Fresno Area Express and San Joaquin Regional Transit District, are actively seeking funds under this category to improve their services. The District has supported these efforts, and will continue to do so as funding is made available.

### **California Department of Transportation**

Funding allocated to Caltrans is focused on transit-related projects that are currently being distributed through regional transit operators and transportation planning agencies. The District can serve as a resource to Valley agencies as they apply for these funds, including through technical support, letters of support and direct advocacy at the state level for these projects. In addition, existing District funding can potentially be leveraged to support or provide match funding for transit-related projects through our existing REMOVE and Public Benefit Grants Programs.

### **Strategic Growth Council**

Funding allocated to the Strategic Growth Council is focused on affordable housing and transit-related projects and the District can serve as a resource to Valley agencies as they apply for these funds. The District can provide technical support, letters of support and direct advocacy at the state level for these projects. In addition, existing District funding can potentially be leveraged to support or provide match funding for large transit or bicycle related projects through our existing REMOVE and Public Benefit Grants Programs.

### **Community Services and Development Department**

CSD provides funding through a formula-based approach to private, non-profit, and local government organizations for the implementation of a variety of weatherization and energy efficiency programs. The District can serve as a resource to Valley entities as they apply for these funds. The District can provide technical support, letters of support and direct advocacy at the state level for these projects. In addition, District funding through the Burn Cleaner program for residential wood stove upgrades could potentially

be combined with weatherization and energy efficiency programs to provide additional opportunities for outreach to Valley disadvantaged communities.

### **California Energy Commission**

Funding allocated to the CEC is focused on energy efficiency and renewable energy loans for public agencies and public buildings. The District has past experience managing Valley-wide block grants for energy efficiency in public buildings utilizing CEC funding. The District can serve as a resource to Valley entities as they apply for these funds. The District can provide technical support, letters of support and direct advocacy at the state level for these projects.

### **California Department of Food and Agriculture**

The District can serve as a resource to Valley dairies and academic research institutions as they apply for these funds. The District can provide technical support, letters of support and direct advocacy at the state level for these projects. In addition, existing local funding administered through the District's Technology Advancement Program can potentially be leveraged to support or provide match funding for digester, renewable natural gas production and other related demonstration projects.

### **Department of Forestry and Fire Protection**

For urban forest programs, the District can work with Valley cities, counties, and other entities to promote the expansion of urban forests in Valley communities. For fuels reductions and reforestation/deforestation projects, the District can work with land management agencies to develop and enhance strategies for forest fuel reduction strategies to more effectively manage surrounding forests in line with the District's wildfire policies.

### **CalRecycle**

The District can serve as a resource to Valley agencies, including local governments, sanitation agencies, solid waste service providers, operators of certain manufacturing facilities and academic research institutions as they apply for these funds. The District can provide technical support, letters of support and direct advocacy at the state level for these projects. In addition, existing local funding administered through the District's Technology Advancement Program can potentially be leveraged to support or provide match funding for digester, renewable natural gas production and other related demonstration projects.

### **Pursue a Block Grant Approach:**

The state's fragmented approach to allocating Cap and Trade funding through a variety of state agencies, with varying requirements and grant procedures, may not be the most effective way to identify and fund the best projects for implementation in the San Joaquin Valley. This is particularly true as it pertains to funding for disadvantaged communities. In many cases, these communities do not have the resources to track and apply for grant opportunities across multiple state agencies. A potential way to improve this process would be to establish a block grant program that sets aside a block

of funding for the San Joaquin Valley based upon the concentration of disadvantaged communities. The San Joaquin Valley Cap and Trade Coalition could advocate for such an approach, help to identify priority projects in line with the state's goals and administer a program to allocate funds to projects.

**FISCAL IMPACT:**

If approved by your Board, the District will utilize current staffing to implement the recommended action plan. As Cap and Trade funding is secured by the District, any necessary amendments to the District budget will be brought to your Board for consideration and approval.