



Air Resources Board



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TO: Allison Joe
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FROM: Cynthia Marvin, Chief
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DATE: August 20, 2015

SUBJECT: GREENHOUSE GAS REDUCTION FUND: STRATEGIC GROWTH
COUNCIL EXPENDITURE RECORD FOR FISCAL YEAR 2014-15 –
SUSTAINABLE AGRICULTURAL LANDS CONSERVATION PROGRAM

Thank you for submitting the final expenditure record (attached) on behalf of the Strategic Growth Council (SGC) on July 20, 2015 to satisfy the requirements of Senate Bill 1018 (Budget and Fiscal Review Committee, Chapter 39, Statutes of 2012) for expenditures from the Greenhouse Gas Reduction Fund (Fund). We appreciate the iterative consultation process with SGC staff on the development of this record to support expenditures from the Fund for the Sustainable Agricultural Lands Conservation Program.

This memorandum documents that Air Resources Board (ARB) staff concurred on August 20, 2015 that the attached record is consistent with the statutory requirements of Government Code Section 16428.9 and with ARB's expectations, as documented in the August 6, 2014 final ARB *Interim Guidance to Administering Agencies on Expenditure Record and Fiscal Procedures*.

The SGC Expenditure Record for the Agricultural Lands Conservation Program, Fiscal Year 2014-15, along with this memorandum, will be published on the ARB Cap-and-Trade Auction Proceeds website at: www.arb.ca.gov/auctionproceeds.

If you have any questions concerning this memorandum, please call me at (916) 324-0062 or via email at Cynthia.Marvin@arb.ca.gov.

Attachment

The energy challenge facing California is real. Every Californian needs to take immediate action to reduce energy consumption. For a list of simple ways you can reduce demand and cut your energy costs, see our website: <http://www.arb.ca.gov>.

California Environmental Protection Agency

Greenhouse Gas Reduction Fund: Expenditure Record

Fiscal Year: 2014-15

Strategic Growth Council
Sustainable Agricultural Lands Conservation Program

The purpose of the Strategic Growth Council (SGC) Sustainable Agricultural Lands Conservation Program is to reduce greenhouse gas (GHG) emissions by supporting the strategic protection of California's agricultural lands from conversion to more GHG-intensive development. The following is the SGC's Sustainable Agricultural Lands Conservation Program expenditure record for FY 2014-15 GGRF funds.

Authorizing Legislation: Item 0650-101-3228 (Senate Bill (SB) 852, Chapter 25, Statutes of 2014) appropriated \$129,201,000 to the SGC from the Greenhouse Gas Reduction Fund (GGRF), for the Affordable Housing and Sustainable Communities Program (AHSC) program. The State Budget, Senate Bill 862, also appropriated \$799,000 from the GGRF to SGC for State administrative costs associated with the Affordable Housing and Sustainable Communities program for a total appropriation of \$130 million. Senate Bill 862 authorizes SGC to fund land-use, housing, transportation, and land preservation projects to support infill and compact development that reduces GHG emissions. The Strategic Growth Council administratively transferred appropriation authority to the Department of Conservation to implement the Sustainable Agricultural Lands Conservation Program (SALCP), identifying \$5,250,000 of the FY 2014-15 appropriation to the SALCP.

Agency: California Department of Conservation, on behalf of the Strategic Growth Council

Project Category: Affordable housing and sustainable communities: agricultural land conservation

Program Description: The SALCP supports the strategic protection of California's agricultural lands from conversion to more GHG-intensive development.

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

The FY 2014-15 budget appropriated \$129,201,000 to the Strategic Growth Council for the AHSC Program, of which \$5,250,000 is dedicated to protecting agricultural lands through the SALCP. The Department of Conservation will expend funds totaling \$5 million on projects selected via a competitive grant program based on programmatic guidelines and criteria (http://www.sgc.ca.gov/s_salcpprogram.php) approved by the Strategic Growth Council on January 20, 2015. The \$5 million will be used to reimburse applicants for eligible project expenditures as defined by valid grant agreements for projects that support the permanent protection of farm and range lands via investments in strategic planning and agricultural conservation easements that reduce GHGs. SALCP funds totaling \$250,000 will be used to cover program delivery staffing costs.

For the \$5 million to be spent on projects, up to \$4 million in FY 2014-15 funds is allocated to grants for agricultural conservation easement acquisition. Easement grants do not have a maximum dollar figure, and proposals will be rated relative to one another to maximize GHG reductions and conservation outcomes with available funding. The intended recipients are cities, counties, nonprofit organizations, resource conservation districts, regional park or open space districts, or regional park or open-space authorities that have the conservation of farmland among their stated purposes, as prescribed by statute, or as expressed in the entity's locally adopted policies. The Department of Conservation will consider awarding grants for conservation easements on cultivated and non-cultivated land, including rangeland and pasture.

Up to \$1 million in FY 2014-15 funds is allocated to grants for sustainable agricultural land strategy planning efforts that will result in GHG reductions from conservation of agricultural lands. Individual grants are limited to \$100,000 each. The eligible recipients are counties and/or cities, in collaboration with other partners. Eligible projects are evaluated against criteria to determine how effectively the proposed planning effort will lead to the conservation of agricultural land immediately threatened by development, reduced GHG emissions, and provide additional co-benefits. To further provide assurance that funded planning efforts will lead to implementation of activities that reduce GHG emissions, eligible projects must submit a signed authorizing resolution from the applicable government body or bodies that demonstrates intent to implement the plan. These investments provide an opportunity for jurisdictions to analyze and prioritize land resources, leading to reductions in GHG, while conserving valuable agricultural lands.

(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 the law.

The expenditures covered by this record are consistent with the 2013 "Cap-and-Trade Auction Proceeds Investment Plan" (Plan). The Plan calls for reducing GHGs in part by investing to protect agricultural resources, for example, through planning and implementation efforts and conservation easements.

The permanent protection of farm and ranch lands via investments in strategic planning and agricultural conservation easements under the SALCP will reduce GHGs by protecting those lands most at risk of conversion to more GHG-intensive development. Research in California has shown that for one area of the State, agricultural lands were projected to emit seventy times less GHGs than an urban area of the same size [Jackson L. V., 2012] [Haden, 2013], although the study did not address the use of easements specifically. The American Farmland Trust recently published a study comparing the average GHG emissions from California's farmland to the average emissions of California's urban areas and had similar conclusions. The authors analyzed seven of California's most commonly-grown crops and found that California's irrigated farmland emits, on average 0.89 tons of CO₂ equivalent per acre per year in comparison to an average 51 tons of CO₂ equivalent per year per acre for California's urban areas. [Shaffer, 2015, *A New Comparison of Greenhouse Gas Emissions from California Agricultural and Urban Land Uses*: American Farmland Trust].

The SALCP guidelines and the process by which easements are selected for funding are designed to identify "at risk" land and to assess the conversion threats to provide that

assurance. There are a number of factors that are considered by program staff in determining how at risk a property is to conversion to a more-intensive use. SALCP staff independently verifies the sources of conversion threat information provided in the applications. SALCP staff has an extensive list of factors that are considered when assessing development pressures and risk of conversion such as, proposed General Plan or zoning revisions; increased neighboring property sales to nonagricultural or absentee owners; land ownership issues (family structure changes, estate planning, etc.) that are known to lead to potential development; proposed city annexations that include the land under consideration; Land Conservation Act cancellations or non-renewals; and adjacency to major highway intersections or roads which are planned for expansion, etc.

(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.

The expenditures for the SALCP will support the identification and protection of strategic agricultural lands that are most at risk for conversion to more GHG-intensive non-agricultural uses. Key parcels will be protected by agricultural easements, thereby avoiding increased GHG emissions starting in year one and extending out in perpetuity. In addition, carbon will continue to be sequestered in soils, grasslands, and other vegetation on agricultural and grazing lands at levels relative to the type and size of the parcels protected.

To calculate GHG emission reductions for the SALCP, a conservative estimate of the GHG emission reductions will be quantified based on the number of development rights extinguished through the use of agricultural conservation easements or practices that reduce net GHG emissions. GHG emission reductions are also fundamental to the success of the planning grant component of the SALCP. As a provision of the planning grant agreements, the awardee and partners will be required to send a letter to SGC that affirms the intention of the funded project is to both complete a plan and to implement activities identified in the plan that result in quantifiable greenhouse gas emissions. Accordingly, the Department of Conservation will monitor and evaluate the implementation of the plans developed, and will quantify and report the GHG reductions from the implementation activities that result from the planning efforts as they occur. The implementation of strategy plans will result primarily in the acquisition of agricultural conservation easements over time, with the emission reductions calculated in the same manner as the easement expenditures described in this record.

(4) A description of how the State agency considered the applicability and feasibility of other nongreenhouse gas reduction objectives of Division 25.5 (commencing with Section 38500) of the Health and Safety Code.

Sustainable land use policies and practices that value the conservation of agricultural lands may provide numerous environmental and economic co-benefits, beyond avoided increases in GHG emissions and carbon sequestration potential. Examples of these benefits include, but are not limited to:

- Water conservation, groundwater recharge, flood control, or recycling of urban wastewater,
- Energy conservation, through on-farm practices, local markets, or local processing of commodities,

- Nutrient cycling that decreases potential for water pollution,
- Ecosystem services (e.g., wildlife habitat, pollination, and natural food web adaptation),
- Open space values, which protect the natural characteristics, beauty, or openness of the land for the benefit and enjoyment of the public
- Economic benefits (e.g., retention of local jobs and agricultural revenues, entrepreneurial opportunities, reduction in spending on municipal services for dispersed development), and
- Maintains local food production promoting food security and resilience, and a greater understanding of agriculture's importance among both urban and rural Californians.

(5) A description of how the State 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.

In order to maximize GHG emission reductions, the SALCP elements – planning and implementation, and agricultural easements, work together to further the purposes of AB 32. The program design intends to support both the strategy planning and easements in order to position local jurisdictions towards land use decisions that encourage infill development and the protection of critical agricultural lands, thereby reducing GHG by protecting against sprawl development. The Department of Conservation will continue to track and monitor outcomes from its investments, specifically the planning grants, in order to report on the GHG reductions that result from plan implementation.

The Department of Conservation will work closely with the California Air Resources Board (ARB) to develop and refine GHG reduction methodologies and estimates for easement projects to ensure that only those projects with net GHG reductions are funded with monies from the Greenhouse Gas Reduction Fund. For example, regarding easement projects, the Department of Conservation will quantify the avoided GHG increases (e.g., reduced vehicle miles traveled) that would have occurred were the land to be converted to a more intensive development purpose.

The information that the Department of Conservation will collect to document project results or benefits includes, but is not limited to, data on project location, size, existing and potential land uses, current zoning, development rights to be extinguished, nature of conversion threats, idling of nearby farmland, status of agricultural support infrastructure, evidence of parcelization and development, and adjacency to major highway intersections or roads.

The Department of Conservation will provide regular updates on expenditures, project status, and benefits in reports prepared according to ARB guidelines. At a minimum, the reports will include expenditure amounts, current estimates of GHG emissions reductions, and quantification of other applicable co-benefits.