



TO: Greenhouse Gas Reduction Fund Program

FROM: Karen Ross
Secretary *Karen Ross*
California Department of Food and Agriculture (CDFA)

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Manager
Office of Environmental Farming and Innovation

DATE: 7/29/19

SUBJECT: GREENHOUSE GAS REDUCTION FUND:
CDFA

EXPENDITRE RECORD FOR FISCAL YEAR 2019-20:
Healthy Soils Program

This Attestation Memorandum documents that CDFA completed the attached Expenditure Record on July 29, 2019, for the Healthy Soils Program. The Expenditure Record is consistent with the statutory requirements of Government Code Section 16428.9 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 Amrith Gunasekara, Manager of the Office of Environmental Farming and Innovation, Amrith.Gunasekara@cdfa.ca.gov, (916) 654-0433.

Attachment: Expenditure Record for Fiscal Year 2019-20 for Healthy Soils Program

cc: Geetika Joshi, Ph.D.
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Healthy Soils Program

Greenhouse Gas Reduction Fund: Expenditure Record

2019-20

California Department of Food and Agriculture (CDFA)
Healthy Soils Program (HSP)

Authorizing legislation: Item 8570-101-3228 of the Assembly Bill 74 (Budget Act of 2019), appropriates to CDFA \$28 million for the Healthy Soils Program.

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

<ul style="list-style-type: none"> Agency that will administer funding 	<ul style="list-style-type: none"> California Department of Food and Agriculture
<ul style="list-style-type: none"> Amount of proposed expenditure and appropriation reference 	<ul style="list-style-type: none"> AB 74, (Ting, Budget Act of 2019, Chapter 23, Section 2), Item 8570-101-3228, appropriates \$28,000,000 to the Department of Food and Agriculture (CDFA) for the Healthy Soils Program (HSP). AB 2377 (Irwin, Chapter 868, Statutes of 2018) requires CDFA to develop and implement a technical assistance grant program to assist the applicants of HSP in application submission and project implementation. AB 74, (Ting, Budget Act of 2019, Chapter 23, Section 2), Item 8570-101-3228 requires that no less than 5 percent or no more than \$5 million of this appropriation may be utilized for this program. The new technical assistance grant program is called the Climate Smart Agriculture Technical Assistance (CSA TA) Grant Program.
<ul style="list-style-type: none"> Estimated amount of expenditures for administering agency administrative costs 	<ul style="list-style-type: none"> Not more than 5 percent of the amount appropriated in Item 8570-101-3228 may be used for administrative costs of the Healthy Soils Program.
<ul style="list-style-type: none"> If applicable, identify laws or regulations that govern how funds will be used 	<ul style="list-style-type: none"> AB 1613 (Committee on Budget, Budget Act of 2016, Chapter 370, Statutes of 2016) identified no-till and compost applications as eligible practices under the Healthy Soils Program. Senate Bill (SB) 859, Committee on Budget and Fiscal Review, Public Resources: Greenhouse Gas Emissions and Biomass (Chapter 368, Statutes of 2016) provides direction on how the program will be administered. AB 1532 (Pérez, Chapter 807, Statutes of 2012), SB 535 (de León, Chapter 830, Statutes of 2012), SB 1018 (Budget and Fiscal Review Committee, Chapter 39, Statutes of 2012), and SB 862 (Committee on Budget and Fiscal Review,

	<p>Chapter 36, Statutes of 2014), provide the general framework for how the auction proceeds will be administered to further the purposes of AB 32 (Núñez, Chapter 488, Statutes of 2006).</p> <ul style="list-style-type: none"> ▪ AB 2377 (Irwin, Chapter 868, Statutes of 2018) requires that at least 25 percent of the technical assistance grant program funds will be used to provide technical assistance to socially disadvantaged farmers or ranchers, as defined in Section 512 of the Food and Agriculture Code.
<ul style="list-style-type: none"> ▪ Continuation of existing Expenditure Record 	<ul style="list-style-type: none"> ▪ This is an update to an existing Expenditure Record. The Expenditure Record elements being updated includes the total amount of funds available for funding projects under the HSP. ▪ Part of this appropriation will support the Climate Smart Agriculture Technical Assistance (CSA TA) Grant Program for the first time.
<ul style="list-style-type: none"> ▪ Project type(s) 	<ul style="list-style-type: none"> ▪ Healthy soils
<ul style="list-style-type: none"> ▪ Describe the projects and/or measures that will be eligible for funding 	<ul style="list-style-type: none"> ▪ The program provides financial incentives to implement on-farm management practices that will build soil carbon and provide net GHG benefits through direct incentives to farmers and ranchers, as well as demonstration projects. ▪ Eligible practices fall into four categories: <ul style="list-style-type: none"> ▪ Cropland management practices; ▪ Herbaceous cover practices; ▪ Woody cover practices; and ▪ Grazing Lands Practices.
<ul style="list-style-type: none"> ▪ Intended recipients 	<ul style="list-style-type: none"> ▪ The Healthy Soils program includes incentives and demonstration projects: <ul style="list-style-type: none"> ▪ Incentives: Farmers, ranchers and Native American Indian Tribes. ▪ Demonstration Projects: Academic researchers, cooperative extension specialists, farm advisors, Resource Conservation District (RCD) experts, or other not-for profit entities in partnership with farmers, ranchers and Native American Indian Tribes. ▪ Technical Assistance Program: <ul style="list-style-type: none"> ▪ Eligible recipients of this new program include RCDs, the University of California Cooperative Extension and non-profit organizations with demonstrated expertise in designing and implementing HSP agricultural management practices.
<ul style="list-style-type: none"> ▪ Program structure and process for selecting projects for funding 	<ul style="list-style-type: none"> ▪ The Healthy Soils Program will fund grants to applicants through a competitive application process for both incentive and demonstration projects that result in net GHG benefits. ▪ Applicants will be required to provide: a completed application; project budget; a detailed implementation plan

providing information about where the practices will be implemented; and supporting documentation for estimating net GHG reductions using a CARB approved Quantification Methodology.

- Additional review criteria will include consideration of environmental co-benefits and benefits to disadvantaged communities.
 - In accordance with SB 859, CDFA will establish a Technical Advisory Committee to review demonstration project applications for scientific validity and the extent to which the proposed project will achieve net GHG benefits.
 - The CSA TA Program will be a competitive grant application program. Applications will be scored on the thoroughness of a work plan and budget, demonstrated expertise of applicant in specific management practices to assist farmers and ranchers and demonstrated need for technical assistance in their region.
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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.

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| <ul style="list-style-type: none">▪ How the expenditure is consistent with the Investment Plan and the Scoping Plan | <ul style="list-style-type: none">▪ AB 1532 (Chapter 807, Statutes of 2012) requires that GGRF moneys be appropriated in a manner that is consistent with the three-year Investment Plan. The “Cap-and-Trade Auction Proceeds Third Investment Plan” supports projects for sustainable agricultural practices and climate adaptation and resiliency.▪ California’s 2017 Climate Change Scoping Plan identifies sequestration of carbon in natural and working lands as an important goal and supports projects for healthy soils. One of the key recommended actions identified in the plan is “supporting healthy soils as a critical element to land and waste management”.▪ California’s 2017 Climate Change Scoping Plan also identifies technical assistance across communities to further the goals of various programs funded through the CCI. |
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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.

<ul style="list-style-type: none"> ▪ Describe how expenditures will facilitate the achievement of GHG emission reductions in the State 	<ul style="list-style-type: none"> ▪ Expenditures will achieve net GHG benefits from carbon stored in soils, and/or plant matter, and changes in GHGs (e.g., CO₂) that may result from practice implementation. ▪ Eligible practices may include but are not limited to: <ul style="list-style-type: none"> ▪ Cropland management practices (compost application, establishment of cover crops, reduced/no-till); ▪ Herbaceous cover practices that establish perennial herbaceous plantings (including but not limited to wind barriers, vegetative barriers, riparian cover, buffer strips, field border/strip); or ▪ Woody cover practices that establish tree plantings (including but not limited to windbreak/shelterbelt establishment; riparian buffer; or hedgerow planting); or ▪ Grazing lands practices (including but not limited to compost application, prescribed grazing, range planting, silvopasture). ▪ Expenditures achieve net GHG benefits as follows: <ul style="list-style-type: none"> ▪ Cropland management practices increase soil organic carbon and/or store carbon in soils; ▪ Herbaceous cover practices store carbon in herbaceous perennial cover and decreasing atmospheric CO₂ emissions. ▪ Woody cover practices store carbon in trees and decrease CO₂ emissions. ▪ Grazing lands practices increase soil organic carbon and store carbon in trees. ▪ CSA TA programs will help increase the adoption of HSP practices through outreach, application completion and submission assistance, project implementation assistance, reporting on project outcomes, including GHG reductions achieved by HSP projects.
<ul style="list-style-type: none"> ▪ Explain when GHG emission reductions and/or co-benefits are expected to occur and how they will be maintained 	<ul style="list-style-type: none"> ▪ For FY 2018-19, net GHG benefits will begin upon implementation of eligible management practices. Project implementation will begin as early as November 2019. ▪ Projects will be incentivized for three years. <ul style="list-style-type: none"> ▪ For cropland management practices and grazing lands practices (except silvopasture), net GHG benefits are quantified over the incentive period and may result in permanent increases in baseline levels of soil carbon.

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- For silvopasture and woody cover practices in grazing land practices, net GHG benefits are quantified over ten years because trees have a longer maturation period and lifetime.
 - For tillage practices, there is a risk that soil carbon increases may be reversed if land managers return to conventional till practices. To address this issue, CDFA is strongly encouraging farmers and ranchers to continue the practice post-incentive funding period, and projects planning to implement practices for a longer term will be given additional consideration during project review.
 - Cropland management practices may result in permanent increases in baseline levels of soil carbon.
 - Cropland management practices that are voluntarily implemented beyond the incentive period are likely to deliver additional net GHG benefits.
 - For herbaceous cover practices, net GHG benefits are quantified over the incentive period.
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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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| <ul style="list-style-type: none"> ▪ Expected co-benefits, particularly environmental, economic, public health and safety, and climate resiliency | <ul style="list-style-type: none"> ▪ In addition to GHG benefits, Healthy Soils projects may provide co-benefits which may include but are not limited to: <ul style="list-style-type: none"> ▪ Improved crop health and potentially increased food production yields; ▪ Increased water infiltration and retention; ▪ Reduced sediment erosion and dust; ▪ Improved air and water quality by reduced criteria air pollutant emissions and persistence of pesticides; ▪ Improved microbial diversity and wildlife habitat. |
| <ul style="list-style-type: none"> ▪ How the project will support other objectives of AB 32 and related statutes | <ul style="list-style-type: none"> ▪ Other AB 32 objectives may include but are not limited to: <ul style="list-style-type: none"> ▪ Maximizing additional environmental and economic co-benefits for California by improving crop health, reducing sediment erosion and dust, improving air and water quality by reducing criteria air pollutant emissions and persistence of pesticides, and improving wildlife habitat. ▪ Provide opportunities for California farmers and ranchers to participate in and benefit from statewide efforts to reduce GHG emissions. |
| <ul style="list-style-type: none"> ▪ Percentage of total funding that will be expended for projects that | <ul style="list-style-type: none"> ▪ The Proposed 2018 Funding Guidelines do not include a minimum target defined for CDFA to locate projects within and provide benefits to disadvantaged communities, but some |
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are located in and benefit priority populations ¹ per CARB guidance	projects may still meet the criteria for benefitting a disadvantaged community.
<ul style="list-style-type: none"> Describe the benefits to priority populations per CARB guidance 	<ul style="list-style-type: none"> Consistent with the evaluation criteria in the Funding Guidelines, projects may benefit disadvantaged communities through direct air and water quality improvements, or employment opportunities.
<ul style="list-style-type: none"> Explain strategies the administering agency will use to maximize benefits to disadvantaged communities 	<ul style="list-style-type: none"> CDFA will prioritize projects that meet the criteria established in the Funding Guidelines during review.
<ul style="list-style-type: none"> Explain how the administering agency will avoid potential substantial burdens to disadvantaged communities and low-income communities or, if unknown, explain the process for identifying and avoiding potential substantial burdens 	<ul style="list-style-type: none"> HSP funded projects are implemented by farmers and ranchers on private agricultural lands and are not expected to result in burdens to disadvantaged or low-income communities. Several of the practices funded through the HSP provide environmental benefits to communities related to establishment of trees and permanent herbaceous cover. Incentivizing compost application can potentially result in community benefits such as reduction of organic waste materials into landfills (i.e. compost sourced from commercial facilities) and burning or direct manure application (i.e. on-farm produced compost).

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.

<ul style="list-style-type: none"> How the administering agency will track 	<ul style="list-style-type: none"> For demonstration projects: <ul style="list-style-type: none"> Grantees will, at a minimum, track project progress through annual reporting over three years.
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¹ Priority populations include residents of: (1) census tracts identified as disadvantaged by California Environmental Protection Agency per SB 535; (2) census tracts identified as low-income per AB 1550; or (3) a low-income household per AB 1550. See Section VII.B for more information on the definitions of priority populations.

<p>/ report progress to make sure projects are implemented per requirements in statute and CARB guidance</p>	<ul style="list-style-type: none"> ▪ Grantees will also be required to submit a verification evaluation that includes supporting documentation and photographs to ensure project was implemented according to the approved contract. ▪ For incentives projects: <ul style="list-style-type: none"> ▪ CDFA will track and verify, either remotely or by in-person field visits, implementation of practices and record project progress. Verification includes the review of on-farm invoices and photographs of management practice implemented. ▪ For both demonstration and incentives projects <ul style="list-style-type: none"> ▪ Progress will be reported in accordance with the Funding Guidelines Supplement and forthcoming update to the Funding Guidelines.
<ul style="list-style-type: none"> ▪ Describe the approach that will be used to document GHG emission reductions and/or other benefits before and after project completion. 	<ul style="list-style-type: none"> ▪ CDFA will require applicants to quantify net GHG benefits using a quantification methodology developed by CARB, “Greenhouse Gas Quantification Methodology for the California Department of Food and Agriculture Healthy Soils Incentive Program,” which will be available at: https://ww2.arb.ca.gov/resources/documents/cci-quantification-benefits-and-reporting-materials and http://comet-planner-cdfahsp.com/. ▪ A technical review component will ensure all projects result in net GHG benefits as described in the approved project contracts. ▪ CDFA will conduct a post-project review to ensure that practices are implemented as proposed.
<ul style="list-style-type: none"> ▪ Type of information that will be collected to document results, consistent with CARB guidance 	<ul style="list-style-type: none"> ▪ CDFA will collect data that meets the requirements established in CARB’s Proposed 2018 Funding Guidelines. ▪ Reporting requirements include but are not limited to: project type, description, location, total GGRF dollars, total project cost, anticipated start and end dates, estimated net GHG benefits, estimated co-benefits, and benefits to priority populations.
<ul style="list-style-type: none"> ▪ How the administering agency will report on program status 	<ul style="list-style-type: none"> ▪ Program status, including project location and expenditure amounts, net GHG benefits, and co-benefits will be reported in accordance with CARB’s Funding Guidelines, also reported in the Department of Finance’s Annual Report to the Legislature on Greenhouse Gas Reduction Fund expenditures, as required by Health and Safety Code Section 39720.