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Northern Sierra Air Quality Management District

Policies and Procedures for Administration Of the Carl Moyer Memorial Air Quality Standards Attainment Program - Year 19 (Carl Moyer Program)

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I. Background

The Carl Moyer Program (CMP) was established in 1998, as a grant program to fund the incremental cost of cleaner-than-required heavy-duty engines. Originally targeted to reducing oxides of nitrogen (NOx) emissions, the program now includes reduction of particulate matter (PM) emissions and reduction of reactive organic gases (ROG). Legislative modifications enacted in 2004 expanded the program to include projects that reduce emissions from agricultural sources, light-duty vehicles, and on-road fleet modernization eligible for CMP funding.

The CMP is implemented as a partnership between the California Air Resources Board (ARB) and local air districts (districts). ARB provides overall administration and guidance for the program, with funding and implementation of projects conducted by the districts. The approved CMP Guidelines, published by ARB and released in 2011 and revised and published on December 18, 2015, provide the minimum requirements under which the Carl Moyer Program is administered by ARB and the districts. The CMP Guidelines are based on requirements specified in the state Health and Safety Code, Chapter 9. The Guidelines are updated, when necessary, to reflect significant additions or changes to the program. In addition, ARB staff issues Technical Advisories to provide further clarification on specific areas, and to reflect changes in regulations.

The CMP Guidelines require that each participating district establish Policies and Procedures for administration of the CMP. This document contains Policies and Procedures intended to provide an explanation of district policies with regard to local implementation of the CMP. It also contains procedures for the Northern Sierra Air Quality Management District (NSAQMD) day-to-day operation of the Program in order to meet the requirements of the Health and Safety Code, CMP Guidelines, ARB Technical Advisories, and District policies and procedures. These Policies and Procedures are for the CMP 2011 Guidelines which the NSAQMD will use once the District receives FY 19 funding. The District policies and procedures do not replace the CMP, but are intended to provide direction and procedures for the District's implementation of the CMP. The appendix to these policies and procedures includes samples of pertinent documents, forms, and specific District policies as referenced in this document. District staff should reference the CMP Guidelines for detailed descriptions of ARB's CMP procedures and requirements.

II. Program Timeline

ARB has established a consistent timeline for each year's funding and reporting cycle. This timeline allows for award, obligation and expenditure of state funds to meet state fiscal requirements. State fiscal policy requires one year for ARB to encumber funds and two years for the local district to expend those funds.

The timeline for each year of funds is as follows;

Mid-September: ARB solicits applications from the districts based on allocations cited in Health and Safety Code Section 44299.2(a).

Mid-November: ARB receives applications from the districts.

Early January: ARB notifies districts of final awards.

April 30: Deadline for districts to accept or decline funds.

August 31 of the following year: Districts' annual report to ARB. Funds from the previous year must be committed by this date, i.e., funding accepted by the district in April must be committed by June 30 of the following year.

August 31 of second year: Districts' final report to ARB. Funds received two years prior to this June 30 date must be expended. The report includes projects invoiced and paid for, and funds expended. For example, the final report for funds accepted by the district in April 2015 is due June 30, 2017 and those funds must be expended by that date.

The NSAQMD implementation timeline to meet the ARB's required deadlines for applying for local funding, and obligation and expenditure of those funds is as follows:

Year 19 Timeline

- NSAQMD Board Approval of Yr 19 application, March 27, 2017
- Public Outreach – continuous since NSAQMD participation in the CMP. Program continues as **First Come - First Serve**
- **Only public or private agency fleets that permanently reside within Nevada, Sierra, or Plumas Counties qualify for funding**
- Review applications for completeness and provide written and verbal notification of incomplete applications within 5 days of receipt
- Conduct cost effectiveness calculations via CARL as applications come in
- If more than one application is received by the District at the same time, prioritization of qualifying grants occurs via most cost effective
- Applications approved once all information is evaluated and received
- Conduct pre-inspection of approved applicant's engine(s)
- Issue contract
- Projects shall be completed within 90 days after contract is executed unless unforeseen complications occur and the District approves.
- Applicants contact District for inspection of new project, and verify destruction of old engine
- Post inspection then occurs
- Funding released to participant once the District is invoiced by the participant

III. ARB Carl Moyer Program Award Process

The ARB determines the tentative awards for each year in accordance with the formula identified in Health & Safety Code Section 44299.2(a). The formula provides a minimum allocation of \$200,000 to participating districts. With the exception of the South Coast Air Quality Management District, awards that exceed the minimum allocation of \$200,000 are calculated based on district population, severity of the air quality problems and the historical funding awards under the CMP.

The ARB solicits district applications for the local programs by sending solicitation packets to the Air Pollution Control Officer (APCO) at each district in mid-September. The application packet must be completed and submitted by the posted deadline, which is 60 days from the date of the solicitation. The application packet must include the completed application with original signature, documentation for the match commitment, Board resolution, an implementation plan for obligating the grant award, and documentation of obligation and expenditure of previous grant awards. Detailed requirements for each of these items are included in the CMP Guidelines, in the Program Administration section. The designated NSAQMD program manager prepares the application to the ARB for CMP funding. The APCO shall approve the application before submission to ARB. The NSAQMD Board adopts a resolution which completes the application process. District staff

responsible for implementing the CMP include: the APCO (Gretchen Bennitt); program manager (Joe Fish); and fiscal staff (Joe Fish- Deputy APCO and Allison King-Business Manager/Clerk of the Board).

ARB determines the final awards for each district. These awards are incorporated into a Grant Award and Authorization form, which specifies the amount of the award for projects, and outreach funding. Two original copies are sent to the district. The APCO or his/her designee signs both copies; one is retained in district files and the other is returned to ARB. April 30 of each year is the deadline for acceptance of a grant award. As required in the grant award, the district meets all application stipulations in order to accept an award. From June 30 following the full execution of the agreement, the district has 12 months to commit funds and 24 months to expend the grant award. Any funds not expended within 24 months must be returned to ARB (Health and Safety Code Sections 44287(k) and 44299.2(c)).

If funds are not expended in the current year they are carried over to the following year. If funds are not expended within the two years they will be returned to ARB. The Governing Board must approve the return of any unexpended CMP funds to ARB. To date, NSAQMD has expended all CMP funds within the two year requirement.

Following execution of the Grant Award and Authorization, the district must submit a Grant Disbursement Request to ARB to obtain funding. The district may request up to 10% of its allocation or \$100,000, whichever is greater, and one-half of the administrative funds. NSAQMD may also request an initial disbursement for up to an amount for which funds have been committed to specific, eligible projects. Prior to receiving the initial disbursement, the district must submit documentation of the obligation and expenditure of previous years' CMP funding and match funding. Grant awards and disbursements are further described in the CMP Guidelines, Program Administration section. Any CMP funds provided by the State of California that are deposited in interest bearing accounts must be reported to ARB. The interest income must be used to fund projects that meet the current CMP Guidelines. The NSAQMD tracks and reports earned interest using the Fiscal Year Method.

The NSAQMD program manager uses an Access Database and Excel Spreadsheet which tracks fiscal and some administrative activities of CMP grants beginning with Program FY 1998-1999 to present. The Deputy APCO also tracks fiscal and administrative activities. All CMP funds are deposited in an interest bearing account. Program files (which include financial information) are kept for the life of the contract plus seven years. Financial files are kept seven years.

IV. Match Funding

Unless the match funds requirement is waived by ARB, districts participating in the CMP are required to provide \$1 in match funding for every \$2 of state CMP funding awarded by ARB, with a cap on statewide match funds at a total of \$12 million.

Following ARB's solicitation for funding, NSAQMD conducts a financial review and determines if match funding is available or uses the waiver request option. NSAQMD requests Governing Board authorization to participate in current year funding cycle with or without match funding option. If match funding is available it will be tracked separately using the NSAQMD AB2766 database and spreadsheets. Match funding is located in a separate account.

V. Outreach Funds

NSAQMD may use up to twelve and a half (12.5%) percent of the total CMP annual funds for program administration and outreach. These funds are distributed to each district based on the annual allocation of project funds that a district receives. Administrative funds may be used for direct costs associated with the tasks outlined in the Program Administration section of the CMP Guidelines, and must be documented by district staff.

Outreach funds are used toward NSAQMD staff compensation and public outreach related to the Carl Moyer Program. A pay code tracks staff time used for Carl Moyer Program implementation. Allowable travel costs will be reimbursed by the reimbursement method. Allowable costs, reimbursement requirements and travel requests are outlined in the NSAQMD Policies and Procedures, #2165.

If funding remains, it is used for public outreach pertaining to the Carl Moyer Program. Outreach activities include maintaining a list of interested parties which includes previous applicants, some advertising in local newspapers, web site announcement, direct contact by District staff and small business organizations. Application forms are available on the District website, District office, or by request.

VI. Project Solicitation

The CMP allows district discretion in how projects are solicited. The NSAQMD CMP is implemented through a first come-first serve process. If more than one project is received at the same time, the most cost-effective project receives first priority. Projects are funded until funds are exhausted. The NSAQMD has funded the following categories during the past 10 years of participation:

- On-road and Off-road heavy-duty vehicle repowers and/or retrofits, off-road vehicle replacements and beginning with year 10/11 funds Fleet Modernization with Sacramento Metro AQMD.
- New CNG transit bus purchase
The NSAQMD Governing Board authorizes the APCO to execute agreements and make minor modifications to the CMP applications and agreement for the purpose of maintaining consistency with the state Program.

All applications must include a disclosure statement, identifying whether the applicant has applied to other entities for funding and identification of the potential funding source(s). In addition, the applicant must certify that no other funding has been received for the project. Sample application forms, including funding certification, for off-road and on-road heavy-duty vehicle repowers or retrofits and replacements, are included in the appendix to this manual. All other funding category applications are available upon request.

The NSAQMD has a commitment to outreach to all sectors and small businesses. This is accomplished through public meetings, one-on-one meetings, some newspaper publication of funding availability if warranted, NSAQMD mailing lists, and through the NSAQMD website. The District keeps documentation of all outreach efforts. This documentation is kept in the general CMP files, so that it is available for reporting and for any potential audit.

VII. Project Selection

In accordance with Health & Safety Code Section 44288(a), the District must review all applications for completeness upon receipt and notifies the applicants in writing within five working

days of application receipt if the application is not complete. Applications determined to be incomplete will be issued a letter of incompleteness within 5 days by U.S. mail, facsimile or email. The letter will specify deficiency and means of correction. A copy of the letter will be retained in application file.

NSAQMD Project Selection Procedure is described below for Year 19:

1. **Only public or private agency fleets that permanently reside within Nevada, Sierra, or Plumas Counties qualify for funding.**
2. This is a first come-first serve program.
3. Applications are reviewed for completeness.
4. If more than one application is received by the District at the same time, prioritization of qualifying grants occurs via most cost effective.
5. Complete applications are reviewed for eligibility using State CMP Guidelines.
6. Project information is entered into CARL database and evaluation of cost effectiveness is determined.
7. The program manager (Joe Fish) determines annually if and how much match funding will be allocated from DMV funds towards on/off road projects.
8. The maximum percent of repower cost eligible for Carl Moyer Program funding are:
 - a. Tier 1 Repower – 75%
 - b. Tier 2 Repower – 80%
 - c. Tier 3, Interim Tier 4, and Tier 4 Repower – 85%
9. On/Off Road rebuild costs are based on a percentage of the total project costs.
10. Retrofits are eligible for up to \$10,000 for on-road; retrofits other than on-road are eligible for up to 100% of the total retrofit costs. (See Table 4-2 in CM 2011 Guidelines, rev 12/15)
11. Replacement costs are taken from the itemized estimate included with the application.
12. Fleet Modernization - new off-road replacement vehicles are eligible for a maximum of 80% of the invoiced price.
13. Projects are ranked by cost effectiveness up to the CMP Guidelines allowed cost effectiveness maximum.
14. Applicants are contacted by telephone with the results of cost effectiveness evaluation and amount of tentative grant award.
15. Applicants are contacted by telephone and a pre-inspection of current engine/motor is scheduled.
16. If pre-inspection determine engine/motor qualifies the applicant is scheduled for an office appointment to execute the contract.

VIII. Obligation of Funds to Projects

Once final selection of projects to receive awards has been completed and approved by district management, obligation of funds can take place. After project selection above is completed, contracts are executed by the APCO and the applicant. Project information is entered into the District and CARL databases and monitored. The District is required to commit state funds one year from June 30 of the year the district receives its initial Grant Award and Authorization Form.

IX. Contract Development

ARB requires that all CMP project contracts contain the following provisions: party names and date; contract term, including project completion and projection implementation/life; payment provisions, including maximum contract amount, the requirement for itemized invoices, funding disclosure and noncompliance terms; CMP compliance requirements; requirement for maintenance of engine/vehicle; project specifications and performance expectations, repercussions for nonperformance, on-site inspections; records retention, reporting and auditing;

insurance requirements; notices; and signature blocks for both parties.

NSAQMD contracting process is initiated after project selection and pre-inspections are complete. NSAQMD fiscal staff assigns contract numbers and enters data into the NSAQMD CMP database and spreadsheets. Appointments are made with the applicant to discuss the contract terms and for their signature. The APCO is the final signatory. The applicant is issued a copy of the fully executable contract (within 5 working days of all signatures required) and is authorized to start work on the project. One original contract is kept in the project file and maintained by the program manager.

X. Payment of Projects (Expenditure)

Once the project contract is executed, applicant submits an original or copy of the original invoice requesting payment. The NSAQMD will review each vendor invoice for eligible expenses and only approve payment for eligible expenses. NSAQMD CMP staff conducts necessary post-inspection as described Section XI below. After successful inspection, the program manager approves each invoice for payment and it is forwarded to fiscal staff for payment and to the Deputy APCO for final approval.

XI. Project Monitoring

Pre- and post-inspections must be completed for all funded projects.

The District has entered into a Memorandum of Understanding with the Sacramento Metropolitan Air Quality Management District for assistance with the implementation of Fleet Modernization projects. A copy of the MOU is in the appendix.

A. Pre-Inspection

The pre-inspection process includes, at a minimum, collecting the serial number of the baseline engine and verifying the information in the application about the baseline engine (make, model, model year, horsepower). The pre-inspection shall also verify the engine is operational (with a start up) and that the engine is working as described in the application (document function and use). "Operational" means that the engine must start and be able to perform its intended purpose. Photos shall be taken for the file. The file containing the photos is located in the applicant's folder on the program manager's computer under the Carl Moyer folder and labeled "pre-inspection photos". The photo file containing the applicant's equipment photos is labeled with the applicant's name, and the photos must be date stamped with the date the photos were taken. The photos must show the engine in the vehicle/vessel/equipment and show a close up of the engine plate. A pre-monitoring inspection report shall be used to document the pre-inspection. The inspection report will be kept in the project file. Pre-inspections will be performed by NSAQMD CMP staff prior to contract execution. A copy of the pre-inspection report form can be found in the Appendices.

B. Post-Inspection

Post-inspection occurs after receipt of an invoice from the engine owner, but prior to district final reimbursement for the engine. The post-inspection verifies that the engine listed in the contract was installed. Information to be recorded includes serial number, make, model, model year, and horsepower. The engine must be operational in the equipment or vehicle as stated in the contract. "Operational" means that the engine must start and be able to perform its intended purpose. Inspecting district staff shall visually witness all engines start-up and mobile projects

operating as intended. Vehicle/engine information shall be documented with photos. If applicable, the post-inspection shall verify that the baseline engine or vehicle is destroyed or otherwise rendered nonoperational. Depending on the method of destruction, district staff must see the destroyed engine, may witness the engine destruction, and take photos of the destroyed engine. The file containing the photos shall be located in the applicant's folder and labeled "post-inspection photos". The photo file containing the applicant's equipment photos must be labeled with the applicant's name, and the photos must be date stamped with the date the photos were taken. District staff must see the destroyed engine or the receipt from the qualified vehicle salvage yard. An inspection report shall be used to document the pre-post inspections. All pre- and post-inspection reports will be maintained in the project file. All photos will be maintained in the project file located on the program manager's computer. A copy of the post-inspection report form can be found in the Appendices.

XII. Project Audits

The district audits at least five percent (or a statistically significant number) of the projects that are within two years of contract expiration. In addition, district audits include all of the projects whose owners fail to report annually. The audit is completed by NSAQMD CMP staff.

The audit includes verification that the engines paid for are still operational in the same equipment and meet the mileage, fuel usage, or hours of operation indicated on the executed contract. This is completed by checking the serial number of the engine; witnessing the engine operate; and checking the odometer, hour meter/usage device, fuel receipts, or electronic monitoring unit (EMU).

The district also randomly audits at least five percent (or a statistically significant number) of the projects at the end of the contract term. NSAQMD also audits all projects whose owners failed to report annually and those projects that were found to be below the level of use during the audit two years prior to the end of the contract. The audit is completed by NSAQMD CMP staff.

At a minimum, the audits shall include verification that the engines paid for are still operational in the same equipment and meet the mileage, fuel usage, or hours of operation indicated on the executed contract. As required by the Guidelines, the district completes the audits by checking the serial number of the engine; witnessing the engine operate; and checking the odometer, hour meter/usage device, fuel receipts, or EMU.

If any audited project is more than 30 percent below or above an annual average of the level of use outlined in the executed contract, the district will take appropriate action to ensure the emissions benefits are realized and captured during the term of the contract. In addition, the District will audit all of the other engines owned by the same participant and included in the same CMP funded project. NSAQMD may extend the contract in order to receive the calculated emission reduction benefit.

XIII. Reporting

All project awardees are required via contract term to produce an annual report for the project. Requirements and format of these reports is included in the boilerplate contract language. The annual report is generated from the CMP database and a copy is found in the appendix. Applicants are required to submit annual reports to the District until termination of the contract.

The District is required to report to ARB on the status of each year of CMP funding using the Yearly Report process utilizing the CARL database.

A. Annual Report

The Status Report is submitted to ARB in mid-November. The report uses the ARB-prescribed format to discuss progress in meeting projected milestones from the current year's CMP funds. "Current year" is the year in which the funds were awarded to the district by ARB. This public report provides information on the District's progress in meeting its projected milestones from the current year's CMP. Committed funds are documented by updating the database. NSAQMD Moyer staff updates the ARB database annually. If all funds have been committed and the database updated, this status report may satisfy the requirement for the annual report (due August 31 of the next calendar year) if ARB so approves.

B. Annual Report

The annual report is due to ARB by or before June 30 of the year following ARB funding allocation. This public report includes a narrative on CMP implementation and an updated database. Required information includes total applications received; efforts to meet environmental justice mandates, if required; efforts to outreach to potential zero-emission and small business projects; monitoring and auditing efforts and results; enforcement actions and recaptured funds, if any; outstanding features and accomplishments; and challenges in implementation. NSAQMD CMP staff report this information based on annual review of the program.

Updated project information includes:

- CMP projects, including those funded by state funds and local match funds
- Interest accrued on state funds, and projects funded by the interest
- Any significant deviations relative to the original project shall be provided as an update. The status of emissions reductions by projects in the implementation phase is assumed to be as originally submitted, unless updated by the District.
- Copies of executed contracts for all CMP projects. One complete copy of the standard contract format and the pertinent pages (initial page, signature page and page describing the project, i.e., work statement) of each agreement are to be included in the report.

C. Final Report

The final report is due no later than June 30 of the second year following award. This is the deadline for expending all CMP funds and local match commitments. In addition to an updated database, the report shall include a narrative, including information on:

- Results of environmental justice efforts, if required
- Monitoring and auditing efforts and results
- Enforcement actions and recaptured funds, if any
- Outstanding features and accomplishments
- Challenges in implementation

The update will ensure that the data in the database is current and accurate. Whenever a contract between the District and a project proponent is amended to change engine information, deliverables, timeline, etc., the database must be updated and ARB must be informed. The update shall include:

- Modifications to CMP projects, including both state funds, interest accrued on state funds, and local matching funds

- Any significant deviations relative to the original project shall be provided as an update. The status of emissions reductions by projects in the implementation phase is assumed to be as originally submitted, unless updated by the District
- Copies of executed contracts (as described above under “Contract Development”), that commit CMP and local match funds to projects, which were not previously submitted
- Copies of invoices that document the amount of CMP funds and local match funds expended for each project

If a satisfactory annual report was previously submitted, all funds have been expended and the database updated, a combined annual report and final report brief narrative may satisfy the requirement for the final report (with ARB approval).

XIV. Project File Set-Up and Maintenance

The NSAQMD maintains documentation of project selection by fiscal year, as well as program project and fiscal files. Project files at a minimum contain the following: application and estimated project cost, original contract, pre/post inspection forms and photographs (located on program manager’s computer), original or copy of invoice, and annual reports. Program files contain at a minimum the following: ARB grant award and authorization, copy of NSAQMD approved application, contract and forms, outreach and project selection information, cost effectiveness spreadsheet, and correspondence from contractors, NSAQMD staff, and ARB related to this project. Program files (which include financial information) are kept for the life of the contract plus seven years.

XV. Coordination with ARB

ARB has assigned a staff liaison for each district. The present liaison assigned to the NSAQMD is:

Hurshbir Shahi
 (916) 323-9687
 hshahi@arb.ca.gov

District staff currently responsible for implementing the CMP include: the APCO; Program Manager; and fiscal staff. District staff shall document any correspondence with ARB staff regarding ARB interpretations, clarification, guidance or possible deviations from the CMP Guidelines. All documentation shall be kept in the CMP project files.

The ARB holds CMP Incentive Program Implementation (IPI) team meetings once a quarter, or as needed. These meetings give the district the opportunity to be involved in the formation of Technical Advisories and guideline modifications, to keep informed about other local district CMP activities, and to be informed on related ARB activities. All districts are required to attend at least two IPI meetings per year. NSAQMD program manager participates in the IPI meetings. NSAQMD fiscal staff participates as necessary.

ARB has developed a centralized database for all CMP projects. All districts are required to use this database as part of the streamlined Yearly Report process. ARB has provided training to district staff in the use of the database.

XVI. ARB Oversight

As part of their oversight responsibilities, ARB staff performs desk reviews of district CMP, on-site monitoring and audits. Audit of a district's program may involve other state agencies, such as the Department of Finance and State Bureau of Audits. Audits may be fiscal, programmatic, or both. District staff responsible for implementing the CMP include: APCO; program manager; and fiscal staff.

To: Northern Sierra Air Quality Management District Board of Directors

From: Gretchen Bennitt, Air Pollution Control Officer

Date: August 28, 2017

Agenda Item: V.A

Agenda Description: Status on Portola PM2.5 Nonattainment Area

Issues: This is a standing agenda item. Staff will update Board of any developments, issues or information.

Requested Action: None, informational only

Attachments:
None

To: Northern Sierra Air Quality Management District Board of Directors

From: Gretchen Bennitt, Air Pollution Control Officer

Date: August 28, 2017

Agenda Item: V.B

Agenda Description: Cap and Trade

Issues: During the month of July, Governor Brown, Senate President pro Tempore Kevin de Leon and Assembly Speaker Anthony Rendon developed a legislative package for climate change reductions. One of the most prominent features of the legislative packet is the strengthening and extension of the State's Cap and Trade program. The package includes AB 617 and AB 398. Please refer to the attachment from the Governor's office.

During the senate and assembly hearings, the California Air Pollution Control Officer's Association (CAPCOA) consistently spoke in opposition due to the preemption of district authority to regulate CO2, flawed language related to BARCT requirements, and overall lack of funding for air districts to perform increased monitoring, planning and new emissions reporting scheme. Please see attached "Oppose unless Amended" position letter from CAPCOA (July 12, 2017).

Later in the month, the Cap and Trade package of bills passed both the Senate and Assembly and was approved by the Governor. It is CAPCOA's understanding that some of the issues they were opposed to will be fixed by trailer bills that will provide funding and clarify some of the BARCT language.

In August, the Air Resources Board released an update of the "Funding Guidelines for Agencies that Administer California Climate Investments" (Funding Guidelines) to reflect AB 1550 and the recent enactment of AB 398 and AB 617. Please see Attachment for California Climate Investments: 2017 Draft Funding Guidelines Discussion Document.

Requested Action:

1. None, informational only

Attachments:

1. Office of Governor Edmund G. Brown Jr. – Governor Brown, Senate President Pro Tempore and Assembly Speaker Announce Landmark Legislation to Reduce Air and Carbon Pollution
2. July 12, 2017 letter from CAPCOA President to Governor Brown
3. California Climate Investments: 2017 Draft Funding Guidelines Discussion Document



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Edmund G. Brown Jr.

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GOVERNOR BROWN, SENATE PRESIDENT PRO TEMPORE AND ASSEMBLY SPEAKER ANNOUNCE LANDMARK LEGISLATION TO REDUCE AIR AND CARBON POLLUTION

7-10-2017

SACRAMENTO - Governor Edmund G. Brown Jr., Senate President pro Tempore Kevin de León and Assembly Speaker Anthony Rendon today announced a legislative package that will launch a landmark program to measure and combat air pollution at the neighborhood level - in communities most impacted - and extend and improve the state's world-leading cap-and-trade program to ensure California continues to meet its ambitious climate change goals.

"The Legislature is taking action to curb climate change and protect vulnerable communities from industrial poisons," said Governor Brown.

"These measures represent California's leadership on climate and air quality. Extending California's cap and trade program will protect consumers and businesses alike from high energy costs, while reducing the greenhouse gasses and air pollutants choking our communities throughout the state," said Senate President pro Tempore Kevin de León.

"Once again we are showing that in California, protecting the environment and improving public health are inextricably linked. With its strong air quality provisions, this agreement ensures that Californians in underserved communities--and communities most impacted by air pollution--will receive the greatest benefit. All communities deserve clean air, benefits from strong climate actions, and a strong green economy. This package does just that," said Assembly Speaker Anthony Rendon.

The legislative package establishes a comprehensive, statewide program - the first of its kind - to address air pollution where it matters most: in neighborhoods with the dirtiest air. This new program helps dramatically improve air quality in local communities through neighborhood air monitoring and targeted action plans that require pollution reductions from mobile and stationary sources with strong enforcement and timetables. The legislation also mandates that large industrial facilities, including oil refineries, in California's most polluted communities upgrade their old, dirty equipment with cleaner, more modern technology by December 2023 at the latest. The legislation also increases the penalties against polluters that the Legislature has not been able to increase in more than 35 years.

In addition to improving air quality in California's most impacted communities, the package strengthens and extends the state's cap-and-trade program, which will expire without legislative action. The program, along with other state carbon reduction measures, ensures California will meet its SB 32 target to reduce greenhouse gas emissions 40 percent below 1990 levels by 2030. This legislation extends the program by 10 years in the most cost-effective way possible, and makes the following improvements based on years of operation, analysis and input:

- Ensures that carbon pollution will decrease as the program's emissions cap declines.
- Cuts the use of out-of-state carbon offsets and brings those environmental benefits back to California.
- Designates the California Air Resources Board as the statewide regulatory body responsible for ensuring that California meets its statewide carbon pollution reduction targets, while retaining local air districts' responsibility and authority to curb toxic air contaminants and criteria pollutants from local sources that severely impact public health.
- Decreases free carbon allowances over 40 percent by 2030.
- Prioritizes cap-and-trade spending to ensure funds go where they are needed most, including reducing diesel emissions in the most impacted communities.

Extending cap and trade also ensures that billions of dollars in auction proceeds continue flowing to communities across California. To date, these investments have preserved and restored tens of thousands of acres of open space, helped plant thousands of new trees, funded 30,000 energy efficiency improvements in homes, expanded affordable housing, boosted public transit and helped over 100,000 Californians purchase zero-emission vehicles. Examples of these \$1.2 billion in investments, half of which have benefited disadvantaged communities, include:

- Electric transit buses and charging stations in the San Joaquin Valley.
- The Mammoth Express bus route serving Inyo and Mono Counties.
- 110 new units of mixed-income housing near Oakland's Coliseum BART station.
- More water efficiency technology on farms.
- Electric vehicle carsharing program for disadvantaged communities in Los Angeles.
- The five-stop Visalia-Fresno Shuttle Project to improve the Visalia transit system.
- The MacArthur Park Apartments to increase affordable housing and access to transit near downtown Los Angeles.
- All-electric buses in the Antelope Valley.
- New train cars for BART.
- New electric buses in Porterville.
- Habitat restoration following the King Fire.
- 50 new housing units with bike lanes in the City of Lindsay.

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- 44 affordable housing units and a vanpool program in Dinuba.

This legislative package includes AB 617 by Assemblymembers Cristina Garcia (D-Bell Gardens), Eduardo Garcia (D-Coachella) and Miguel Santiago (D-Los Angeles) and AB 398 by Assemblymember Eduardo Garcia (D-Coachella) and is the product of weeks of discussions between the administration and legislative leaders with Republican and Democratic legislators, environmental justice advocates, environmental groups, utilities, industry and labor representatives, economists, agricultural and business organizations, faith leaders and local government officials.

###

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July 12, 2017

The Honorable Edmund G. Brown Jr.
Governor, State of California
Members of the California Legislature
State Capitol
Sacramento, CA 95814

Re: Oppose Unless Amended: AB 617 (C. Garcia, E. Garcia, Santiago)
and AB 398 (E. Garcia)

Dear Governor Brown and Members of the California Legislature:

On behalf of the California Air Pollution Control Officers Association (CAPCOA), representing the executive officers of the 35 local air pollution control districts in California, I would like to express our oppose unless amended position to AB 398 and AB 617. While we strongly support the goal of reducing greenhouse gases, criteria pollutants, and toxic air contaminants, and improving air quality in disadvantaged communities and throughout the state, it will be impossible to comply with the far-reaching new mandates without significant and sustained funding for monitoring networks, emissions reduction planning and reporting, regulatory and enforcement efforts, and incentive programs. In addition, new requirements for best available retrofit control technology may not be feasible given the aggressive timeline for implementation.

The current bill language in AB 617 requires the state board to prepare a monitoring plan by October 1, 2018, and for air districts to deploy advanced sensing community monitors by July 1, 2019. This is an extremely aggressive timeline and the bill does not limit the number of networks that will be required, provide an end date for monitoring, or define "advanced sensing monitoring." For air districts, new workloads and expenditures could be unlimited, and funding has to be identified immediately for this legislation to meet its goals, and at an amount necessary to meet equipment needs, sampling expenses, and staffing requirements. This is especially true given the rapid changes in technology associated with monitoring equipment and portable sensors. While districts have the ability to charge fees for their work related to permitted sources, as a practical matter these fees cannot support the significant new monitoring mandates required in AB 617.

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July 12, 2017

Monitoring by itself does not reduce emissions, but rather only provides information that will be used for developing an ever increasing number emission reduction plans, which are also unfunded. While we appreciate the proposed language to increase air districts' penalty authority and reaffirmation of authority over criteria and toxic emissions from stationary sources, we believe preempting local districts from having anything but full stationary source authority over facilities subject to market based compliance mechanisms is a strategic mistake. Additionally, full funding for incentive programs will be vital, especially in reducing mobile source emissions, the largest source of criteria and toxic emissions in disadvantaged communities. The current bill language has very aggressive timelines for development of community emissions reduction plans at the state and local level, and although further stationary source reductions may be attainable under air district stationary source authority, the majority of the reductions will have to come from the mobile source sector in which districts have limited authority. For this reason, districts have successfully relied in the past on incentive programs such as Prop 1B, now expired. If reductions are to occur quickly, the state should immediately identify funding for incentive programs that can be deployed well before any reduction plan deadlines.

We also have concerns about the new mandates relative to imposing best available retrofit control technology (BARCT). Full implementation by 2023 may be too aggressive given the time it takes to determine BARCT, and the number of source types to consider. These determinations sometimes take several years, involve a lengthy public process, and additional time for a source to install the required equipment. We also request clarification that the law's provisions do not preempt the districts from using information other than the CARB clearinghouse to establish BARCT or BACT.

We stand ready to work with the Governor's Office, Senate and Assembly leadership, and all interested stakeholders to reduce emissions of greenhouse gases, criteria pollutants, and air toxics. But any such bill must be contingent on providing the necessary funding to implement the required monitoring and to develop appropriate plans and programs to reduce mobile source toxic and criteria emissions. If the state does not provide the funding, the districts cannot do the work expected by this proposal and the environmental improvements sought will not be realized. For these reasons, CAPCOA must oppose AB 617 unless the bill is amended to provide that the mandates imposed on air districts must be implemented only to the extent the state provides significant and sustained funding to local air districts for monitoring, planning, and reducing emissions.

Sincerely,



W. James Wagoner
President

cc: Richard Corey, Executive Officer, California Air Resources Board

California Climate Investments: 2017 Draft Funding Guidelines Discussion Document



Purpose of the Funding Guidelines Update

California Air Resources Board (CARB or Board) staff are updating the *Funding Guidelines for Agencies that Administer California Climate Investments* (Funding Guidelines) to reflect Assembly Bill (AB) 1550 (Gomez, Chapter 369, Statutes of 2016), lessons learned from program implementation to date, feedback from stakeholders, and a recognition that many agencies are past initial program design and into more routine implementation.

The recent enactment of AB 398 (Garcia, Chapter 135, Statutes of 2017) and AB 617 (Garcia, Chapter 136, Statutes of 2017) combats air pollution at the neighborhood level, and helps California achieve its ambitious climate goals by providing direction on a post-2020 Cap-and-Trade Program. AB 398 also identifies a list of priorities for the Legislature to consider for future appropriations from the Greenhouse Gas Reduction Fund (GGRF or Fund). Upcoming legislative action on expenditure of GGRF monies may necessitate conforming changes to CARB's Funding Guidelines. CARB staff is releasing the draft Funding Guidelines now to provide guidance to agencies already administering California Climate Investments from prior appropriations, and to solicit public input on the new requirements to fulfill AB 1550. CARB staff will update the draft Funding Guidelines as needed to implement any future direction from the Legislature.

Background on California Climate Investments

California Climate Investments are funded by the State proceeds from Cap-and-Trade auctions. The proceeds are deposited in the Fund and appropriated by the Governor and the Legislature in the annual budget. The funds provide an opportunity to invest in projects that contribute to the State's climate goals and provide benefits to residents of disadvantaged communities, low-income communities, and low-income households. Agencies that administer appropriations from the Fund (administering agencies or agencies) use this money to invest in projects that reduce greenhouse gas emissions and further the purposes of AB 32 and related amendments.¹

The Legislature has appropriated billions of Cap-and-Trade auction proceeds to agencies for California Climate Investments that achieve greenhouse gas emission reductions, economic benefits, and other co-benefits. More than twelve agencies administer dozens of programs that invest in clean transportation and sustainable communities, clean energy and energy efficiency, natural resources, and waste diversion projects throughout the State, including in the most disadvantaged communities. Additional information can be found at:

¹ AB 32 is the California Global Warming Solutions Act of 2006. The term "AB 32 and related amendments" refers to AB 32, Senate Bill 32 (SB) 32, AB 197, and any other bills that amend this Act. (Chapter 488, Statutes of 2006; Chapter 249, Statutes of 2016; and Chapter 250, Statutes of 2016; all are codified under Health and Safety Code, Division 25.5, Sections 38500-38599).

www.caclimateinvestments.ca.gov, including the Department of Finance's Annual Report to the Legislature, an online project map, and a downloadable list of projects. CARB is required to develop funding guidelines for administering agencies, including guidance on reporting, quantification methods, and maximizing benefits for disadvantaged communities for California Climate Investments.² In 2015, CARB staff released the Funding Guidelines, followed by a Supplement document in 2016, to provide direction for agencies with September 2016 budget appropriations (Supplement).³

It is important to recognize that each agency is responsible for administering its own California Climate Investment program(s), consistent with statutory direction and the Funding Guidelines. The decisions about how to design programs, select projects for funding, and implement projects rest with each agency.

Assembly Bill 1550

In 2016, the Legislature passed and the Governor signed AB 1550, increasing the percent of funds for projects located in and benefiting disadvantaged communities and adding a focus on investments in low-income communities and low-income households. AB 1550 requires that a minimum of 25 percent of the appropriations be invested in projects that are located within and benefiting individuals living in disadvantaged communities; an additional minimum of 5 percent of appropriations be invested in projects that benefit low-income households or communities statewide; and an additional minimum of 5 percent to be invested in projects that benefit low-income households or communities that are within a ½ mile of a disadvantaged community. The three groups defined by AB 1550 (disadvantaged communities, low-income communities, and low-income households) are collectively referred to as "AB 1550 populations."

With the passage of AB 1550, the focus for California Climate Investments and these Funding Guidelines is expanded to include AB 1550 populations.

Stakeholder Feedback on California Climate Investments

CARB staff received many comments from a wide range of stakeholders including: the administering agencies; environmental justice stakeholders, including the Environmental Justice Advisory Committee; and other members of the public on the policies and implementation of California Climate Investments. Major themes that emerged from the comments include:

- Establish a community driven decision-making process that provides communities and low-income residents with the ability to decide on programs

² SB 862, Chapter 36, Statutes of 2014, Health and Safety Code Section 39715.

³ California Air Resources Board, "Cap-and-Trade Auction Proceeds, Funding Guidelines for Agencies that Administer California Climate Investments," release date December 21, 2015; and "Cap-and-Trade Auction Proceeds, Funding Guidelines Supplement for FY 2016-17 Funds," release date December 30, 2016, are both available at: www.arb.ca.gov/cci-fundingguidelines.

2017 Draft Funding Guidelines Discussion Document

receiving appropriations or to select specific projects. The current legal structure for California Climate Investments requires that the Legislature appropriate funding to agencies; changing this to allow for community-based decisions on funding appropriations would require statutory updates.

- Increase outreach and transparency of the program by:
 - Using metrics to assess the benefits and outcomes of California Climate Investments (e.g., jobs) that go beyond greenhouse gas emission reductions;
 - Engaging communities prior to awarding funds in order to receive feedback on projects and to help identify projects that meet community needs;
 - Increasing the availability of information on investments and access to funding, including providing additional multi-lingual information on California Climate Investments; and
 - Providing technical assistance and resources to communities to access funding and mechanisms that simplify the process of accessing funding, such as coordinated applications for funding.
- Change or alter the geographic distribution of funding or the eligible project types.
- Focus California Climate Investments on projects and programs that: target low-income community and disadvantaged community residents in ways that meet community needs; maximize benefits for low-income households; provide multiple benefits for low-income households and low-income communities; provide for meaningful community engagement at the program and project levels; and do not adversely impact these communities.
- Streamline programmatic requirements to allow agencies and applicants to implement programs and projects with greater ease.

While some of these suggestions are outside the scope of CARB's authority or outside the scope of the Funding Guidelines (for example, the funding appropriations are decided by the Legislature), stakeholder input informed many of the updates in the Funding Guidelines including greater transparency, guidance on AB 1550 implementation, and reporting requirements.

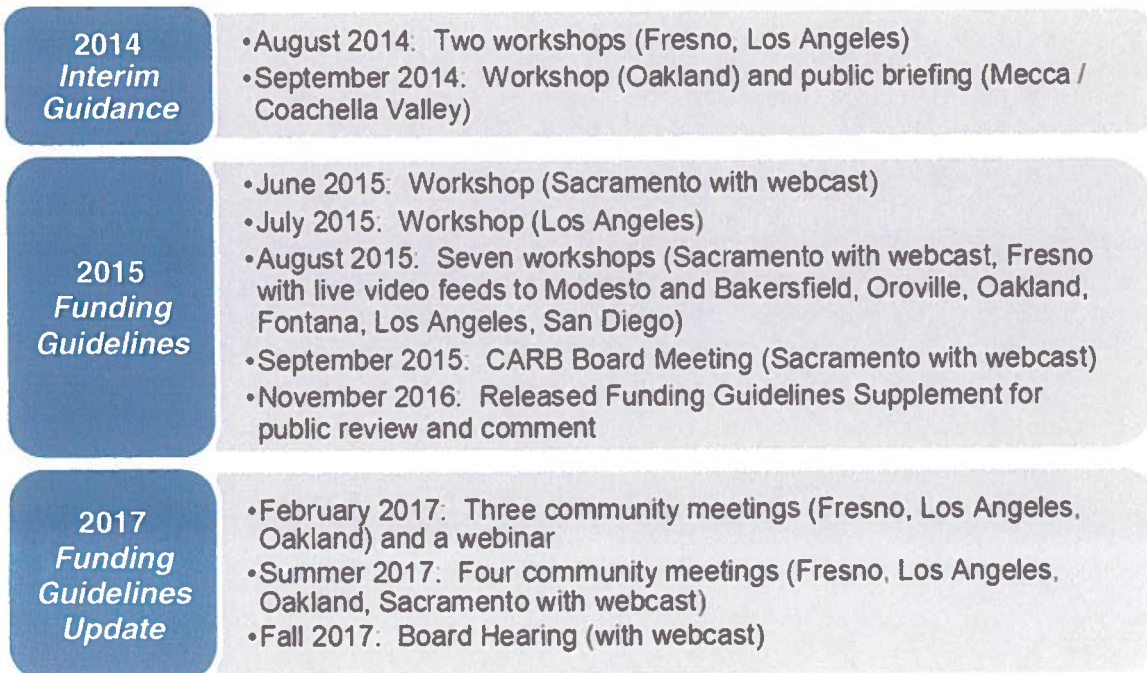
Public Process

The development of the Funding Guidelines has involved an extensive public process over the past few years, as summarized in Figure 1. CARB is seeking public input on the draft Funding Guidelines. CARB staff will consider the feedback from the community meetings and written comments in the development of the update to the Funding Guidelines, to be considered for approval by the Board following a public hearing in Fall 2017. The draft Funding Guidelines are available at: www.arb.ca.gov/cci-fundingguidelines.

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The Funding Guidelines are based on the current programs and agencies that have received appropriations from the Fund. If the Governor and Legislature appropriate funds from the GGRF to new agencies or programs, CARB will provide supplemental guidance or update the Funding Guidelines, as needed, to accommodate new programs.

Figure 1 Public Process for Funding Guidelines



Proposed Updates to the Funding Guidelines

The Funding Guidelines include three volumes. An overview of each volume, along with the major changes being proposed in the draft document, is provided below. Major changes are also highlighted in yellow in the draft document.

Agencies administering California Climate Investments will need to design and implement their programs consistent with the updated Funding Guidelines, which become effective upon the release of the draft on August 4, 2017. However, some updated requirements may not apply in cases where it is not feasible to follow the new provisions (e.g., when agencies have selected projects, executed grant agreements or contracts, or publicly released program guidelines prior to the release of these Funding Guidelines that limit their ability to incorporate updated requirements). CARB staff will work with administering agencies to address situations where agencies find that incorporating new requirements is infeasible.

Volume 1: General Guidance

Volume 1 contains guidance on how agencies design and implement their programs to meet statutory requirements, ensure accountability, and provide public transparency.

Proposed Major Updates for Volume 1

- **Public Access to Information:** To increase transparency, agencies must provide public access to information on California Climate Investment programs and projects, including but not limited to: funding opportunities; public outreach events; proposed funding awards prior to funding decisions; final project selections after funding decisions; project outcomes like greenhouse gas emission reductions and co-benefits; and opportunities for continued public engagement. A new California Climate Investments webpage serves as a centralized portal of information (www.caclimateinvestments.ca.gov) and provides access to the webpages directly maintained by each administering agency.
- **Expenditure Records:** To streamline the Expenditure Record process: (1) CARB concurrence is required only if the agency plans to fund a new program that is not currently covered by an existing Expenditure Record. If an agency is continuing an existing program, CARB concurrence is not required; and (2) all Expenditure Records are required to include an attestation memorandum signed by the Agency Secretary and Department Director, affirming that the Expenditure Record was prepared according to the requirements of SB 1018 (Chapter 39, Statutes of 2012, Government Code Section 16428.9) and the Funding Guidelines.

Volume 2: Investments to Benefit AB 1550 Populations

Volume 2 contains guidance on AB 1550 implementation and provides direction on how agencies determine whether investments are located within and provide benefits to AB 1550 populations. It also includes approaches that agencies can use to maximize benefits to disadvantaged communities, per SB 535.⁴

Proposed Major Updates for Volume 2

- **AB 1550 Populations:** To reflect the new AB 1550 requirements, guidance on how to target funding to AB 1550 populations, which include the California Environmental Protection Agency's identification of disadvantaged communities using CalEnviroScreen 3.0, and low-income communities and low-income households per AB 1550 definitions.
- **AB 1550 Implementation:** To reflect the new AB 1550 requirements, guidance and criteria tables for agencies to ensure projects provide direct, meaningful, and assured benefits for AB 1550 populations. Updates include guidance on

⁴ SB 535, De León, Chapter 830, Statutes of 2012, codified with AB 1532 in Health and Safety Code Sections 39711-39723. AB 1550, Gomez, Chapter 369, Statutes of 2016; amending Health and Safety Code Section 39713.

approaches and criteria for evaluating benefits of investments to AB 1550 populations, incorporating stakeholder input on determining whether projects meaningfully address an important community need. Agencies must use these tables to evaluate whether a project meets the criteria for being located in and benefiting AB 1550 populations and can therefore be counted toward AB 1550 investment minimums.

- Maximizing Benefits to Disadvantaged Communities: Guidance on approaches that agencies can use to maximize the benefits of investments to disadvantaged communities per SB 535 is provided.
- Targeting Investments for Benefiting AB 1550 Populations: Guidance to agencies on outreach and community engagement to improve funding accessibility and maximize participation by, and benefits to, AB 1550 populations is provided.

Volume 3: Reporting Requirements

Volume 3 contains requirements for agencies to submit data that documents greenhouse gas emission reductions, AB 1550 investments and benefits, project co-benefits, and project outcomes for a subset of operational projects.

Proposed Major Updates for Volume 3

- Reporting Requirements: The reporting requirements are updated to capture data on AB 1550 benefits and other co-benefits. The detailed reporting tables are revised to clarify what data needs to be reported at different stages of project implementation and to reflect the new online reporting system that CARB is developing. To increase transparency, guidance for agencies to report their administrative costs is provided.
- Reporting Frequency: To support the need for timely project data and to increase transparency, language was added to allow for more frequent reporting on projects, compared to the previous annual reporting cycle as the online reporting system is implemented.
- Project Outcome Reporting: Guidance on Project Outcome Reporting was added to provide direction on data collection and reporting after a project has become operational (formerly referred to as “Phase 2 Reporting”). New program-specific tables to detail Project Outcome Reporting data collection and reporting requirements for a subset of projects are provided.

Table 1 summarizes the proposed major changes for each volume of the Funding Guidelines, including references to the sections that would be modified.

2017 Draft Funding Guidelines Discussion Document

Table 1 Summary of Proposed Major Changes

#	Proposed Change	Reference
VOLUME 1		
1.	Added guidance to reflect AB 1550 requirements for investments located within and benefiting AB 1550 populations	Throughout Volume 1
2.	Added guidance in response to statutory requirements that were enacted after the release of the 2015 Funding Guidelines	Section III.C
3.	Updated guidance on quantification methods	Section IV.F
4.	Provided information on the new California Climate Investments logo and guidance on program recognition	Section VI.A.9
5.	Provided additional guidance on public transparency and access to information on program activities and outcomes	Section VI.A.10
6.	Updated guidance on Expenditure Records to streamline process for existing programs. Added guidance for agencies that fund programs with continuous appropriations or for agencies where statute requires them to implement funds over multiple years	Appendix 1.A
VOLUME 2		
7.	Updated guidance to reflect AB 1550 requirements for investments located within and benefiting AB 1550 populations	Throughout Volume 2
8.	Revised identification of AB 1550 populations	Chapter IV
9.	Updated guidance for administering agencies to target funding to benefit AB 1550 populations, and maximize benefits to disadvantaged communities per SB 535	Chapter V
10.	Updated criteria tables by project type for evaluating benefits to AB 1550 populations	Appendix 2.A
VOLUME 3		
11.	Updated reporting guidance to reflect AB 1550 requirements for investments benefiting AB 1550 populations	Throughout Volume 3
12.	Revised all reporting tables to be consistent with the design of the new online tracking system that CARB is developing	Appendix 3.A
13.	Revised guidance for Project Outcome Reporting (formerly referred to as "Phase 2 Reporting") and added new tables with reporting details	Section V.D, Appendix 3.B
14.	Added guidance for reporting administrative costs	Section V.E
15.	Added guidance for reporting on projects that receive funding from the Fund over multiple years (i.e., multi-year projects)	Section V.F
16.	Added guidance for reporting on projects that receive funding from multiple GGRF sources (i.e., multi-source projects)	Section V.G
17.	Added guidance for reporting on revolving loan programs	Section V.H

To: Northern Sierra Air Quality Management District Board of Directors
From: Gretchen Bennett, Air Pollution Control Officer
Date: August 28, 2017

Agenda Item: V.C

Agenda Description: California Air Resources Board's Draft Woodstove Guidelines

Issues:

Last year, the California Air Resources Board appropriated \$5 million to a woodstove reduction program throughout the state of California from the Cap and Trade fund or the Greenhouse Gas Reduction Fund (GGRF).

This program offers financial incentives to homeowners to replace older, higher-polluting inefficient devices with cleaner burning, EPA certified appliances.

CAPCOA and air districts throughout the state have been actively meeting with staff from the Air Resources Board to develop the guidelines. The Draft Guidelines are attached.

Northern Sierra is working with neighboring air districts to implement a woodstove changeout program in the District.

Requested Action:

None, informational only

Attachments:

1. Woodsmoke Reduction Program Guidelines FY 2016-2017 Appropriation