WHEREAS, the Legislature in Health and Safety Code section 39602 has designated the State Air Resources Board (CARB or Board) as the air pollution control agency for all purposes set forth in federal law;

WHEREAS, sections 39600 and 39601 of the Health and Safety Code authorize the California Air Resources Board (CARB or Board) to adopt standards, rules and regulations and to do such acts as may be necessary for the proper execution of the powers and duties granted to and imposed upon the Board by law;

WHEREAS, CARB is responsible for preparing the State Implementation Plan (SIP) for attaining and maintaining the national ambient air quality standards (NAAQS or standard) as required by the federal Clean Air Act (Act) (42 U.S.C. section 7401 et seq.) and to this end is directed by Health and Safety Code section 39602 to coordinate the activities of all local and regional air pollution control and air quality management districts (districts) necessary to comply with the Act;

WHEREAS, section 39602 of the Health and Safety Code also provides that the SIP shall include only those provisions necessary to meet the requirements of the Act;

WHEREAS, sections 39515 and 39516 of the Health and Safety Code provide that any power, duty, purpose, function, or jurisdiction of the Board may be delegated to the Board’s Executive Officer as the Board deems appropriate;

WHEREAS, CARB has primary responsibility for the control of air pollution from vehicular sources, including motor vehicle fuels, as specified in sections 39002, 39500, and part 5 (commencing with section 43000) of the Health and Safety Code, and for ensuring that the districts meet their responsibilities under the Act pursuant to sections 39002, 39500, 39602, 40469, and 41650 of the Health and Safety Code;

WHEREAS, the districts have primary responsibility for the control of air pollution from non-vehicular sources and for adopting control measures, rules, and regulations to attain the NAAQS within their boundaries pursuant to sections 39002, 40000, 40001, 40701, 40702, and 41650 of the Health and Safety Code;
WHEREAS, the San Joaquin Valley Air Basin (San Joaquin Valley) includes Fresno, Kings, Madera, Merced, San Joaquin, Stanislaus, Tulare, and western Kern Counties, under California Code of Regulations, title 17, section 60107;

WHEREAS, the San Joaquin Valley Air Pollution Control District (District) was established under section 40002 of the Health and Safety Code as the air pollution control district responsible for carrying out these responsibilities in the San Joaquin Valley;

WHEREAS, in 1997, the United States Environmental Protection Agency (U.S. EPA) promulgated a 24-hour standard for fine particulate matter (PM$_{2.5}$) at a level of 65 micrograms per cubic meter (µg/m$^3$) (65 µg/m$^3$ standard) and an annual standard of 15 µg/m$^3$ (15 µg/m$^3$ standard);\footnote{62 Fed. Reg. 38,652 (July 18, 1997).}

WHEREAS, in 2006, U.S. EPA revised the 24-hour PM$_{2.5}$ standard from 65 µg/m$^3$ to 35 µg/m$^3$ (35 µg/m$^3$ standard);\footnote{71 Fed. Reg. 61,144 (October 17, 2006).}

WHEREAS, in 2012, U.S. EPA revised the PM$_{2.5}$ annual standard from 15 µg/m$^3$ to 12 µg/m$^3$ (12 µg/m$^3$ standard);\footnote{78 Fed. Reg. 3,086 (January 15, 2013).}

WHEREAS, the San Joaquin Valley is classified as a Serious nonattainment area for the 65 µg/m$^3$ standard, 15 µg/m$^3$ standard, 35 µg/m$^3$ standard, and 12 µg/m$^3$ standard;

WHEREAS, in August 2016, U.S. EPA finalized the PM$_{2.5}$ SIP implementation rule (Rule) which established the framework and requirements that states must meet in developing PM$_{2.5}$ SIPs based on provisions of Subpart 4 of the Act;\footnote{81 Fed. Reg. 58,010 (August 24, 2016).}

WHEREAS, the District developed the 2018 Plan for the 1997, 2006, and 2012 PM$_{2.5}$ Standards (2018 PM$_{2.5}$ Plan) to meet the Serious PM$_{2.5}$ nonattainment area planning requirements for the 65 µg/m$^3$ standard, 15 µg/m$^3$ standard, 35 µg/m$^3$ standard, and 12 µg/m$^3$ standard, consistent with the Act and Rule;

WHEREAS, the 2018 PM$_{2.5}$ Plan includes an attainment demonstration that shows attainment of the 65 µg/m$^3$ standard and 15 µg/m$^3$ standard as expeditiously as practicable by December 31, 2020;

WHEREAS, the 2018 PM$_{2.5}$ Plan includes an attainment demonstration that shows attainment of the 35 µg/m$^3$ standard as expeditiously as practicable by December 31, 2024;
WHEREAS, the 2018 PM$_{2.5}$ Plan includes an attainment demonstration that shows attainment of the 12 µg/m$^3$ standard as expeditiously as practicable by December 31, 2025;

WHEREAS, the 2018 PM$_{2.5}$ Plan includes the Valley State SIP Strategy adopted by the Board on October 25, 2018, and transmitted to U.S. EPA for inclusion in the California SIP on November 16, 2018, that contains the mobile source emission reductions needed to reach attainment of the PM$_{2.5}$ standards;

WHEREAS, the Valley State SIP Strategy includes a commitment to develop and bring to the Board for consideration a measure entitled Accelerated Turnover of Agricultural Equipment to achieve oxides of nitrogen (NOx) and PM$_{2.5}$ emission reductions in 2024 and 2025 for the Valley;

WHEREAS, U.S. EPA guidance requires that all SIP measures meet specific requirements to be credited toward the SIP, including a demonstration that the emission reductions are surplus, quantifiable, permanent, and enforceable;

WHEREAS, for incentive-based measures, U.S. EPA also requires the State to identify the funding source that will be relied upon and provide a publicly-enforceable commitment to achieve the reductions;

WHEREAS, CARB staff prepared the San Joaquin Valley Agricultural Equipment Incentive Measure (Valley Incentive Measure) to demonstrate that it meets the U.S. EPA SIP measure requirements to achieve emission reductions from the incentivized turnover of agricultural equipment in the Valley;

WHEREAS, the Valley Incentive Measure will achieve emission reductions from already implemented agricultural equipment projects funded through the Carl Moyer Memorial Air Quality Standards Attainment Program (Moyer Program) and United States Department of Agriculture Natural Resources Conservation Service (NRCS), and future implemented agricultural equipment projects funded through the Funding Agricultural Replacement Measures for Emission Reductions (FARMER) program;

WHEREAS, since 1998, the Moyer Program has successfully provided nearly $1 billion to replace over 60,000 high polluting engines throughout the State, cumulatively reducing about 183,000 tons of ozone precursor and 6,700 tons of particulate matter emissions statewide;

WHEREAS, the Moyer Program has legislatively-authorized funding through 2023 and beyond;

WHEREAS, CARB staff identified projects funded through the Moyer Program as appropriate for the Valley Incentive Measure;
WHEREAS, the updated Moyer Program funding guidelines adopted by the Board on April 28, 2011, (2011 Moyer Guidelines) and revised on December 18, 2015, were developed through a public process that allowed for stakeholder input through public workshops and Board action;

WHEREAS, the updated Moyer Program funding guidelines adopted by the Board on April 27, 2017, (2017 Moyer Guidelines) were developed through a public process that allowed for stakeholder input through public workshops and Board action;

WHEREAS, the Valley Incentive Measure following the 2011 and 2017 Moyer Guidelines ensures that the emission reductions are surplus by demonstrating that the emission reductions are not required by or assumed in a SIP-related program, any other adopted State/local air quality program, consent decree, or federal rule designed to reduce criteria pollutant or precursor emissions;

WHEREAS, the Valley Incentive Measure following the 2011 and 2017 Moyer Guidelines ensures that the emission reductions are quantifiable by providing publicly available emission factors, calculation methods and project activity data so that project emission reductions can be measured in a reliable manner that can be replicated;

WHEREAS, the Valley Incentive Measure following the 2011 and 2017 Moyer Guidelines ensures that the emission reductions are permanent by demonstrating that the emission reductions in this measure are achieved in the Valley throughout the life of the project which must cover the entire year in which SIP credit is given and the replaced equipment is destroyed;

WHEREAS, the Valley Incentive Measure following the 2011 and 2017 Moyer Guidelines ensures that the emission reductions are enforceable by ensuring that actions required of project grantees are independently verifiable, program violations are defined, those liable can be identified, penalties or corrective action may occur and citizens have access to all emissions-related information obtained from participating sources;

WHEREAS, since 2009, NRCS has obligated nearly $198 million in California towards improving diesel-powered mobile off-road agricultural equipment, of which approximately $155 million was directed towards Valley projects;

WHEREAS, NRCS has legislatively-authorized funding from the 2008 FARM Bill through fiscal year 2013, then the 2014 FARM Bill through fiscal year 2018, and finally, the 2018 FARM Bill through fiscal year 2023;

WHEREAS, CARB staff identified NRCS funded projects as appropriate for the Valley Incentive Measure;

WHEREAS, NRCS guidance documents (NRCS Guidelines) used for the Valley Incentive Measure are in Appendix D Excerpts from USDA NRCS Guidelines;
WHEREAS, the Valley Incentive Measure following NRCS Guidelines ensures that the emission reductions are surplus by demonstrating that the emission reductions are not required by or assumed in a SIP-related program, any other adopted mandatory State/local air quality program, consent decree, or federal rule designed to reduce criteria pollutant or precursor emissions;

WHEREAS, the Valley Incentive Measure following NRCS Guidelines ensures that the emission reductions are quantifiable by providing publicly available emission factors, calculation methods and project activity data so that project emission reductions can be measured in a reliable manner that can be replicated;

WHEREAS, the Valley Incentive Measure following NRCS Guidelines ensures that the emission reductions are permanent by demonstrating that the emission reductions in this measure are achieved in the Valley throughout the life of the project which must cover the entire year in which SIP credit is given and the replaced equipment is destroyed;

WHEREAS, the Valley Incentive Measure following NRCS Guidelines ensures that the emission reductions are enforceable by ensuring that actions required of project grantees are independently verifiable, program violations are defined, those liable can be identified, penalties or corrective action may occur and citizens have access to all emissions-related information obtained from participating sources;

WHEREAS, FARMER has legislatively-authorized funding from the California Legislature for fiscal years 2017/2018 and 2018/2019;

WHEREAS, CARB staff identified FARMER as an appropriate source of funding for future projects in the Valley Incentive Measure;

WHEREAS, CARB staff identified FARMER funds available in the Valley of $155 million from fiscal years 2017/2018 and 2018/2019 to target the replacement of off-road agricultural equipment with the latest U.S. EPA Tier-certified diesel-powered agricultural equipment currently available;

WHEREAS, the FARMER funding guidelines (FARMER Guidelines) adopted by the Board on March 23, 2018, were developed through a public process that allowed for stakeholder input through public workshops and Board action;

WHEREAS, the Valley Incentive Measure following FARMER Guidelines ensures that the emission reductions are surplus by demonstrating that the emission reductions are not required by or assumed in a SIP-related program, any other adopted State/local air quality mandatory program, consent decree, or federal rule designed to reduce criteria pollutant or precursor emissions;

WHEREAS, the Valley Incentive Measure following FARMER Guidelines ensures that the emission reductions are quantifiable by providing publicly available emission factors,
calculation methods and project activity data so that project emission reductions can be measured in a reliable manner that can be replicated;

WHEREAS, the Valley Incentive Measure following FARMER Guidelines ensures that the emission reductions are permanent by demonstrating that the emission reductions in this measure are achieved in the Valley throughout the life of the project which must cover the entire year in which SIP credit is given and the replaced equipment is destroyed;

WHEREAS, the Valley Incentive Measure following FARMER Guidelines ensures that the emission reductions are enforceable by ensuring that actions required of project grantees are independently verifiable, program violations are defined, those liable can be identified, penalties or corrective action may occur and citizens have access to all emissions-related information obtained from participating sources;

WHEREAS, the Valley Incentive Measure provides an enforceable implementation reporting mechanism to ensure that emission reductions of 5.9 tpd of NOx and 0.3 tpd of PM$_{2.5}$ in 2024 and for those same projects translates to 5.1 tpd of NOx and 0.3 tpd of PM$_{2.5}$ in 2025 are achieved;

WHEREAS, the enforceable implementation reporting mechanism ensures that CARB regularly reports to U.S. EPA on the emission reductions achieved through the Valley Incentive Measure and makes the data to replicate these emission reduction calculations publicly available;

WHEREAS, the Valley Incentive Measure and the enforceable implementation reporting mechanism demonstrate that it meets the U.S. EPA SIP measure requirements to achieve emission reductions from the incentivized turnover of agricultural equipment in the Valley;

WHEREAS, on August 29, 2019, CARB staff held a public workshop in Fresno, California to discuss and solicit stakeholder input;

WHEREAS, section 110(I) of the Act and title 40 Code of Federal Regulations (CFR) section 51.102 requires that one or more public hearings, preceded by at least a 30-day notice and opportunity for public review and comment, must be conducted prior to the adoption and submittal to U.S. EPA of any SIP revision;

WHEREAS, as required by the Act, the Valley Incentive Measure was made available on November 8, 2019, for public review and comment, at least 30 days prior to the hearing date;
WHEREAS, CARB’s regulatory program that involves the adoption, approval, amendment, or repeal of standards, rules, regulations, or plans has been certified by the Secretary for Natural Resources under Public Resources Code, section 21080.5, of the California Environmental Quality Act (CEQA; see also Cal. Code Regs., tit. 14, § 15251(d)), and CARB conducts its CEQA review according to this certified program (Cal. Code Regs., tit. 17, § 60000-60008);

WHEREAS, CARB staff has determined the Valley Incentive Measure is exempt from CEQA under California Code of Regulations, title 14, section 15378(b)(4) (creation of government funding mechanisms or other government fiscal activities) because the record evidence shows that the Valley Incentive Measure involves the creation of government funding mechanisms or other government fiscal activities and will not involve any commitment to any specific project, as used for CEQA purposes, which may result in a potentially significant physical impact on the environment, as described in Chapter 10 of the Staff Report; and

WHEREAS, the Board finds that:

1. The Valley Incentive Measure and accompanying report provides the necessary documentation for U.S. EPA to approve it as an amendment to the California SIP;

2. The Valley Incentive Measure meets the applicable requirements established by the Act and U.S. EPA regulation;

3. The Valley Incentive Measure is exempt from CEQA under California Code of Regulations, title 14, section 15378(b)(4), because substantial evidence in the record shows that it would involve the creation of government funding mechanisms or other government fiscal activities and would not involve any commitment to any specific project, as defined for CEQA purposes, which may result in any significant adverse environmental impacts; and

4. The Valley Incentive Measure fulfills the State commitment to propose the measure for Board consideration and provides emission reductions toward the State’s 2024 and 2025 aggregate emission reduction commitment; and

5. WHEREAS, the Valley Incentive Measure credits 5.9 tpd of NOx and 0.3 tpd of PM2.5 in 2024 and for those same projects 5.1 tpd of NOx and 0.3 tpd of PM2.5 in 2025 toward the Valley State SIP Strategy aggregate emission reduction commitment.

NOW, THEREFORE, BE IT RESOLVED that the Board as the air pollution control agency for all purposes set forth in federal law will do the following:

A. Pertaining to ensuring that 5.9 tpd of NOx and 0.3 tpd of PM2.5 emission reductions occur in 2024 and 5.1 tpd of NOx and 0.3 tpd of PM2.5 emission reductions occur in
2025 from off-road mobile, diesel agricultural equipment replacement projects that have
been implemented, in accordance with the Moyer, NRCS, and FARMER Program
Guidelines and provided to CARB per sections B, C & D below, CARB will do the
following to ensure these reductions are achieved:

1. By December 31, 2023, achieve a total of 5.9 tpd of reductions in NOx emissions
and 0.3 tpd of reduction in PM2.5 emissions from the 2024 baseline inventory in
the 2018 PM2.5 Plan, as detailed in the Valley State SIP Strategy, through
implementation of the Moyer, NRCS, and FARMER projects identified in sections
B, C, and D below, through substitute incentive projects consistent with
paragraph A.4 below, or through other substitute control measures adopted and
submitted in accordance with paragraph A.5 below;

2. By December 31, 2024, achieve a total of 5.1 tpd of reductions in NOx emissions
and 0.3 tpd of reduction in PM2.5 emissions from the 2025 baseline inventory in
the 2018 PM2.5 Plan, as detailed in the Valley State SIP Strategy, through
implementation of the Moyer, NRCS, and FARMER projects identified in sections
B, C, and D below, through substitute incentive projects consistent with
paragraph A.4 below, or through other substitute control measures adopted and
submitted in accordance with paragraph A.6 below;

3. By May 15 of each year beginning in 2021 and through 2025, submit an annual
report to U.S. EPA that includes the following information:
   a. For 2024,
      i. Identify the portion of the 5,446 projects funded through previous
         year by project identification number, project life and
         implementation date, description of both baseline and new
         equipment sufficient to independently calculate emission
         reductions, applicable incentive program guideline, and quantified
         emission reductions;
      ii. Determine whether the identified projects are projected to achieve
         the full 5.9 tpd of NOx and 0.3 tpd of PM2.5 emission reductions in
         the Valley in 2024; and
   b. For 2025,
      i. Identify the portion of the 4,723 projects funded through previous
         year by project identification number, project life and
         implementation date, description of both baseline and new
         equipment sufficient to independently calculate emission
         reductions, applicable incentive program guideline, and quantified
         emission reductions;
      ii. Determine whether the identified projects are projected to achieve
         the full 5.1 tpd of NOx and 0.3 tpd of PM2.5 emission reductions in
         the Valley in 2025.
4. If CARB intends to rely on substitute incentive projects to achieve the emission reductions identified in paragraphs A.3.a ii or A.3.b.ii, confirm that all such substitute incentive projects are subject to the program criteria identified in paragraphs B.1, C.2, or D.1 (as applicable) and provide, in the annual demonstration report(s) for the relevant year(s), all of the information required in paragraphs B.2.c, C.3.c, and D.2.c for each substitute project;

5. If U.S. EPA determines by August 1, 2022, that information submitted by CARB is insufficient to demonstrate that emission reductions required under Paragraph A.1 will occur on schedule, adopt and submit to U.S. EPA, no later than September 1, 2023, substitute measures or rules that will achieve emission reductions addressing the shortfall as expeditiously as practicable and no later than January 1, 2024;

6. If U.S. EPA determines by August 1, 2023, that information submitted by CARB is insufficient to demonstrate that emission reductions required under Paragraph A.2 will occur on schedule, adopt and submit to U.S. EPA, no later than September 1, 2024, substitute measures or rules that will achieve emission reductions addressing the shortfall as expeditiously as practicable and no later than January 1, 2025; and

B. Pertaining to implementing Moyer projects, CARB will do the following:

1. Monitor District implementation of an estimated 2,391 off-road mobile, diesel agricultural equipment replacement projects through 2024, and an estimated 1,968 such projects through 2025, in accordance with the 2011 Moyer Guidelines, Chapters 2, 3, and 9, and Appendices C and D and 2017 Moyer Guidelines, Chapters 2, 3, and 9, and Appendices C and D;

2. By May 15 of each year beginning in 2021 and through 2025, submit an annual demonstration report to U.S. EPA that includes the following information:

   a. A description of any changes to the 2011 and 2017 Moyer Guidelines and their related impacts on program integrity;
   b. A description of CARB and the District's actions during the prior year to monitor selected projects for compliance with Moyer Program requirements;
   c. Identification of each of the Moyer projects referenced in paragraph A.1 that were implemented through the prior year, by total projects, project identification number, project life and implementation date, description of replaced (baseline) and new equipment sufficient to independently calculate emission reductions, applicable incentive program guideline(s), and quantified emission reductions;
   d. If the number of projects are less than specified in B.1, information consistent with paragraph A.4 pertaining to the substitute incentive
By March 30 of each year beginning in 2020 and through 2025, obtain from the United States Department of Agriculture Natural Resources Conservation Service (NRCS) the latest available certified annual report that NRCS provides to the U.S. EPA and the San Joaquin Valley Air Pollution Control District consistent with the "Addendum to the December 2010 Statement of Principles Regarding the Approach to State Implementation Plan Creditability of Agricultural Equipment Replacement Incentive Programs Implemented by the USDA Natural Resources Conservation Service and the San Joaquin Valley Air Pollution Control District," March 2014 (NRCS Annual Report);

2. Review the NRCS Annual Report each year to monitor NRCS implementation of an estimated 1,043 off-road mobile, diesel agricultural equipment replacement projects by 2024 and an estimated 743 such projects by 2025, in accordance with the applicable NRCS Program Criteria;

3. By May 15 of each year beginning in 2021 and through 2025, submit an annual demonstration report to U.S. EPA that includes the following information:
   a. A description of any changes to the NRCS Program Criteria and their related impacts on program integrity;
   b. A description of NRCS's actions during the prior year to monitor selected projects for compliance with NRCS Program Criteria requirements;
   c. Identification of the NRCS projects referenced in paragraph C.2 that were implemented through the prior year, by total projects, project identification number, project life and implementation date, description of replaced (baseline) and new equipment sufficient to independently calculate emission reductions, applicable NRCS Program Criteria, and quantified emission reductions;
   d. If the number of projects are less than specified in C.2, information consistent with paragraph A.4 pertaining to the substitute incentive projects that will be implemented to achieve the emission reductions specified in A.1 and A.2; and

4. Maintain all annual demonstration reports described in paragraph B.2 through December 31, 2030.
e. Supporting documentation for the information in the report.

4. By May 15 of each year from 2021 through 2030, make each annual demonstration report described in paragraph C.3 available on CARB’s website (https://www.arb.ca.gov/planning/sip/imp2016sip/imp2016sip.htm) and available to the public upon request;

5. Maintain all annual demonstration reports described in paragraph C.3 and all NRCS annual reports described in paragraph C.1 through December 31, 2030.

D. Pertaining to implementing FARMER projects, CARB will do the following:

1. Monitor district implementation of an estimated 2,012 off-road mobile, diesel agricultural equipment replacement projects through 2024 and 2025, in accordance with the 2018 FARMER Guidelines;

2. By May 15 of each year beginning in 2021 and through 2025, submit an annual demonstration report to U.S. EPA that includes the following information:

   a. A description of any changes to the 2018 FARMER Guidelines and their related impacts on program integrity;
   b. A description of CARB’s and the District’s actions during the prior year to monitor selected projects for compliance with FARMER Program requirements;
   c. Identification of the FARMER Program projects referenced in paragraph D.1 that were implemented through the prior year, by total projects, project identification number, project life and implementation date, description of replaced (baseline) and new equipment, sufficient to independently calculate emission reductions, applicable incentive program guideline(s), and quantified emission reductions;
   d. If the number of projects are less than specified in D.1, information consistent with paragraph A.4 pertaining to the substitute incentive projects that will be implemented to achieve the emission reductions specified in A.1 and A.2; and
   e. Supporting documentation for the information in the report.

3. By May 15 of each year from 2021 through 2030, make each annual demonstration report described in paragraph D.2 available on CARB’s website (https://www.arb.ca.gov/planning/sip/imp2016sip/imp2016sip.htm) and available to the public upon request;

4. Maintain all annual demonstration reports described in paragraph D.2 through December 31, 2030.

E. The equipment replacement, recordkeeping, and reporting provisions discussed in this section ensure that Valley Incentive Measure projects are independently verifiable
and meet the integrity criteria for SIP emission reductions, as defined by U.S. EPA guidance.

BE IT FURTHER RESOLVED that the Board hereby adopts the *Valley Incentive Measure*.

BE IT FURTHER RESOLVED that the Board directs the Executive Officer to submit the *Valley Incentive Measure* and other appropriate supporting documentation to U.S. EPA for inclusion in the SIP.

BE IT FURTHER RESOLVED that the Board directs the Executive Officer to work with U.S. EPA and take appropriate action to resolve any completeness or approvability issues that may arise regarding the SIP submission.

BE IT FURTHER RESOLVED that the Board authorizes the Executive Officer to include in the SIP submittal any technical corrections, clarifications, or additions that may be necessary to secure U.S. EPA approval.

BE IT FURTHER RESOLVED that the Board hereby certifies pursuant to 40 CFR, section, 51.102, that the *Valley Incentive Measure* was adopted after notice and public hearing as required by 40 CFR, section 51.10.

I hereby certify that the above is a true and correct copy of Resolution 19-26 as adopted by the California Air Resources Board.

Patricia Carlos, Board Clerk