Climate Funding Proposal: Climate Smart Agriculture and Compost Infrastructure

The Honorable Toni Atkins
Senate President pro Tem
State Capitol, Room 205
Sacramento, CA 95814

The Honorable Anthony Rendon
Assembly Speaker
State Capitol, Room 219
Sacramento, CA 94249

The Honorable Holly J. Mitchell
Chair, Senate Budget Committee
State Capitol, Room 5080
Sacramento, CA 95814

The Honorable Philip C. Ting
Chair, Assembly Budget Committee
State Capitol, Room 6026
Sacramento, CA 94249

The Honorable Bob Wieckowski
Chair, Senate Budget Sub. No. 2
State Capitol, Room 4085
Sacramento, CA 95814

The Honorable Richard Bloom
Chair, Assembly Budget Sub. No. 3
State Capitol, Room 2003
Sacramento, CA 94249

The Honorable Ben Allen
Chair, Senate Environmental Quality
State Capitol, Room 4076
Sacramento, CA 95814

The Honorable Eduardo Garcia
Chair, Assembly Water, Parks & Wildlife
State Capitol, Room 4140
Sacramento, CA 94249

February 24, 2020

Re: Climate Smart Ag & Compost Investments in the FY 2020-21 and Climate Resilience Bond Measure

Dear Senate Pro Tem Atkins, Speaker Rendon, Budget Chairs Mitchell and Ting, Budget Subcommittee Chairs Wieckowski and Bloom and Chairs Allen and E. Garcia,

On behalf of the undersigned agriculture, conservation, public health and business groups from throughout the state, we write in support of strategic investments in agricultural solutions to a changing climate. We support many of the Governor's proposed Climate Smart Agriculture investments in his January, FY 2020-21 budget. However, to make agriculture resilient in the face of dramatic climate extremes and to reach its potential as a large carbon sink more investment is needed.

We seek robust funding in the Climate Resilience Bond measure that is being considered. California must be in a position to address the climate risks to our food security and rural communities. We offer these requests at a tipping point for California and the world in addressing the climate crisis.

A recent report by the Intergovernmental Panel on Climate Change (IPCC), *Climate and Land Use*[i] finds that we cannot avoid the worst impacts of climate change without transformation in our agricultural and natural resource sectors. A 2018 IPCC report[ii] identified soil carbon sequestration as having the greatest potential for reducing emissions at the lowest cost. As the largest agricultural state in the country, California can and should lead the world in these efforts.

We request the following budget and bond line items, with greater detail provided below:

- **Support:** Governor's Proposed GGRF Allocation of $18 million for the Healthy Soils Program, annually for 5 years[1] (CDFA)
- **Request:** General Fund Augmentation of Healthy Soils Program of $10 million to restore the program to FY 2019-20 levels (CDFA)

[1] NOTE: We estimate that it will take $50M in annual investment from the state for the next 10 years in order to move the agricultural sector to carbon neutrality.

- **Support:** Governor's Proposed GGRF Allocation of $20 million for Dairy Methane Programs (CDFA)
- **Request:** General Fund Augmentation of the Alternative Manure Management Program of $26 million to restore the program to FY 2018-19 levels (CDFA)
- **Support:** Governor's General Fund Allocation of $20 million for the State Water Efficiency and Enhancement Program (CDFA)
- **Request:** Increase Governor's Proposed GGRF Allocation to CalRecycle's Waste Diversion Program to $40 million, annually for 5 years.
- **Request:** Increase Agriculture Funding in the Climate Resilience Bond to $600 million.
- **Request:** Include Compost Infrastructure Funding of $100 million in the Climate Resilience Bond

Please find below our budget and bond requests in greater detail. We look forward to working with you on these issues.

Sincerely,

Patricia Carillo
Executive Director
Agriculture and Land-Based Training Association

Barbara Sattler
Board of Directors Member
Alliance of Nurses for Healthy Environments

Mike Forbes
CEO
Alter EcoFoods

Kara Heckert
California Director
American Farmland Trust

Dan Noble
Executive Director
Association of Compost Producers

Karen Buhr
Executive Director
California Association of Resource Conservation Districts

Jane Sooby
Senior Outreach and Policy Specialist
California Certified Organic Farmers (CCOF)

Neil Edgar
Executive Director
California Compost Coalition

Jeanne Merrill
Policy Director
California Climate & Agriculture Network

John Kelly Astor
General Counsel, Legislative and Regulatory Affairs
CRRC Southern District

Nick Lapis
Director of Advocacy
Californians Against Waste

Torri Estrada
Executive Director
Carbon Cycle Institute

Rebecca Spector
West Coast Director
Center for Food Safety

Sri Sethuratnam
Director, California Farm Academy
Center for Land-Based Learning

Christine Farren
Interim Executive Director
Center for Urban Education about Sustainable Agriculture

John Bourne
Vice President
Ceres Imaging

David Runsten
Policy Director
Community Alliance with Family Farmers

Sigrid Wright
Executive Director/CEO
Community Environmental Council

Andy Fisher
Executive Director
Ecological Farming Association

Bill Allayaud
CA Director of Government Affairs
Environmental Working Group

Rebecca Burgess
Executive Director
Fibershed

Jamie Nessel
Vice President of Assortment
Good Eggs, Inc.

Grethen Grani
Regeneration and Sustainability Cebadora
Guayaki Yerba Mate

Frank Tamborello
Executivo Diretor
Hunger Action Los Angeles

Brea Mohamed
Executive Director
Imperial Valley Farm Bureau

David Jaber
Principal
inNative

Lauren Tucker
Executive Director
Kiss the Ground

Alba Velasquez
Interim Executive Director
LA Food Policy Council

Jamison Watts
Executive Director
Marin Agricultural Land Trust

Nancy Scolari
Executive Director
Marin Resource Conservation District

Anne Cole
Executive Director
Mendocino Land Trust

Shawn Garvey
Founder/CEO
Momentum

Lucas Patzek
Executive Director
Napa County RCD

Rex Dufour
Western Regional Office Director
National Center for Appropriate Technology

Arohi Sharma
Water Policy Analyst
Natural Resources Defense Council

Dave Henson
Executive Director
Occidental Arts & Ecology Center

Alison Huyett
Environmental Campaigns Manager
Patagonia

Brigit Cameron
Managing Director
Patagonia Provisions

Margaret Reeves
Senior Scientist
Pesticide Action Network of North America

Wendell Gilgert
Program Director, Rangeland Watershed
Point Blue Conservation Science

Will Bakx
Owner
Renewable Sonoma

Michael Dimock
Director
Roots of Change

Sibella Kraus
President
SAGE

Mel Lions
Director
San Diego Roots Sustainable Food Project

Andrea Mackenzie
General Manager
Santa Clara Valley Open Space Authority

Chuck Helget
President
Sector Strategies, Inc.

Nicole Braddock
Executive Director
Solano Land Trust

Alan Siegle
Owner
Sonoma Compost

Jeff Becerra
Communications Manager
StopWaste

Elizabeth Bowman
Director, Farmers' Market Operations
Sustainable Economic Enterprises of Los Angeles

Kris Beal
Executive Director
Vineyard Team

Bu Nygrens
Co-Owner and Director of Purchasing
Veritable Vegetable

Kevin Lunny
Owner
West Marin Compost

Jo Ann Baumgartner
Executive Director
Wild Farm Alliance

Support: Governor's proposed GGRF allocation of $18 million for the Healthy Soils Program (CDFA), annually for 5 years.

We support the Governor's proposed Greenhouse Gas Reduction Fund (GGRF) allocation of $18 million for the Healthy Soils Program. We also support the Governor's proposal to make the GGRF allocation to the program continuous for the next five years.

The Healthy Soils Program funds individual farmer and rancher incentive grants and demonstration projects to transform agricultural soils management, turning the state's farms and ranches into carbon sinks. Such practices, like cover crops, compost, and conservation tillage, also help improve air and water quality by reducing synthetic fertilizer use and supporting biologically-based soils management. Since 2017, the program has funded over 300 projects in 48 counties.

Investing in carbon sink strategies like the Healthy Soils Program is like investing in a retirement count; early investments fuel exponential growth in our carbon sinks. This program cannot reach 1 million acres of farm and ranchlands under healthy soil management, as described in the Natural and\Working Lands Climate Plan[iii], let alone reach all 25 million acres of the state's arable lands, without adequate investment. Given the need to scale up this work, we support an additional, one-time General Fund expenditure to restore the program to FY 2019-20 funding levels, which we describe in greater detail below. We also seek dedicated Climate Bond funding for the program.

Request: General Fund augmentation of Healthy Soils Program (CDFA) of $10 million to restore the program to FY 2019-20 levels.

We request that the Healthy Soils Program funding be restored to current funding levels of $28 million (FY 2019-20) by allocating $10 million in General Fund dollars for FY 2020-21. Such funding is needed if we are to scale up the program in a timely way, reach a greater portion of the state's 70,000 plus farmers and ranchers and help avoid some of the worst impacts of a changing climate. Without this additional expenditure from the General Fund, program funding will be cut just as the Healthy Soils Program is building and gaining greater recognition and interest among our diverse farming regions throughout the state. This is a General Fund expenditure that will have a lasting impact.

Support: Governor's proposed GGRF allocation of $20 million for Dairy Methane Programs (CDFA).

The Alternative Manure Management Practices Program (AMMP) provides financial and technical assistance to dairy and livestock producers to reduce potent methane emissions by moving away from wet manure handling and storage to dry manure management. Two-thirds of AMMP recipients are composting their manure, which not only reduces methane but improves water and air quality, and supports the sequestration of atmospheric carbon in our soils.

Farmer demand for AMMP funding exceeds current funding levels. In 2019, CDFA received $54.5 million in funding requests for the program and awarded $31.4 million in grants. Since 2017, CDFA has awarded 108 AMMP projects in 14 counties. Farmer demand for AMMP funding now exceeds that of dairy digesters as more dairy and livestock operations can convert to dry manure handling projects that cost in the $750,000 range, compared to upwards of several million dollars for the average digester. Digester projects only work for roughly 20 percent of the state's dairies, whereas any dairy in the state can use AMMP to improve their practices. We support the AMMP allocation of this proposed line item.

Request: General Fund augmentation of the Alternative Manure Management Program (AMMP, CDFA) of $26 million to restore the program to FY 2018-19 levels.

The Governor's proposed GGRF allocation for Dairy Methane will cut AMMP program funding significantly. Currently, CDFA determines the funding split between AMMP and the other dairy methane program, the Dairy Digester Research and Development Program. Typically, CDFA allocates two-thirds of the Dairy Methane funds to the digester program and remaining one-third to AMMP projects. Given that scenario, we would anticipate just $6 million for AMMP in FY 2020-21. The proposed cut in funding for AMMP comes at a time when more attention, not less, is needed on multi-benefit strategies to reduce the environmental impact of dairy and livestock operations. AMMP is a win-win-win for water quality,

methane reduction and dairy viability.

We request a one-time General Fund allocation of $26 million to restore AMMP funding levels to those from FY 2018-19.

Support: Governor's General Fund allocation of $20 million for the State Water Efficiency and Enhancement Program (SWEEP, CDFA)

We support the Governor's proposal of General Fund dollars to restore funding for the State Water Efficiency and Enhancement Program (SWEEP). This is the only state program focused exclusively on improving on-farm water management to save water and energy in ways that reduce greenhouse gas emissions. Since 2014, SWEEP has funded more than 700 irrigation management improvement projects on farms and ranches throughout the state. Farmer demand for SWEEP has exceeded funding levels by more than three-fold over the life of the program. Farms of all sizes are taking advantage of the funding to switch to solar-powered water pumps, drip irrigation systems, soil moisture monitoring and more. The program will be out of funds after CDFA finalizes its latest funding awards this winter, having allocated the last of its Proposition 68 (2018) funding.

The Governor's SWEEP proposal is part of the proposed State Water Resilience Portfolio. The new SWEEP funding will focus on **water smart** projects in high priority groundwater basins and on projects that benefit socially disadvantaged farmers and ranchers. By targeting projects of these types, SWEEP can further improve its impact and align with state efforts to address long-term water resilience and farmer equity issues.

Request: Increase Governor's proposed GGRF Allocation to CalRecycle's Waste Diversion Program to $40 million, annually for 5 years.

Diverting the state's organic waste streams from landfills and open burning to compost production and use is essential for meeting the state's GHG reduction goals. Compost is a core tool in agriculture's carbon sequestration toolkit, but to scale up healthy soils adoption, meet our organic waste reduction goals and enhance the potential for growth in resilient agriculture by closing the nutrient loop, we must remove regulatory impediments to on-farm composting and invest in composting infrastructure to make quality, affordable compost the norm throughout the state.

Meeting SB 1383 (2016) landfill methane reduction goals and mandates for 75 percent diversion of organic waste (by 2025) will mean up to 8 million new tons of compost could be produced, but only if infrastructure is in place to process the materials. CalRecycle estimates organic materials management infrastructure will cost up to $3 billion, requiring at least a $100 million annual investment from the state to meet these highly-aggressive goals in the next five years.

Request: Increase Agriculture funding in Climate Resilience Bond.

Agricultural lands cover 25 percent of California's landmass and utilize 80 percent of the state's developed water. Investments in transforming our food and farming systems to be more resilient will be critical to meeting our climate goals, securing our food and water supplies and improving environmental health outcomes in our rural and urban communities.

California farmers and ranchers are currently experiencing the impacts of more severe weather extremes, challenging their ability to produce the food that we all depend upon. Climate science suggests those impacts will only worsen with time. A recent University of California assessment found that by the end of the century, rising temperatures and related reduced winter chill hours will impact key crops[iv]. Central Valley land suitable for production of walnuts and several stone fruits will be cut in half by 2050. The Central Valley is not alone in experiencing the extremes of weather impacts on crop production. With increasing heat waves, pest pressures and water constraints, Southern California farmers are experiencing a precipitous decline in their ability to produce avocados, for example.

Moreover, we are losing the state's farmland to urban conversion at the rate of roughly 40,000 acres on average per year - increasing significantly the greenhouse gas emissions profile of our land, undermining

our food production capacity and limiting our ability to adapt to a changing climate. Rising temperatures, farmland loss, combined with greater variability in precipitation – from drought to floods – puts the state's food and farming systems at great peril. We must act now to avoid the worst of these impacts and secure our food and water resources for future generations.

We respectfully request that the Climate Resilience Bond measure that is proposed for the November 2020 ballot include the following funding levels for climate resilience strategies for agriculture:

- **$125 million to the Healthy Soils Program for financial incentives, technical assistance and demonstration projects to promote practices on farms and ranches that improve soil health and carbon sequestration while also reducing erosion control or improving soils' water holding capacity.** At least 35 percent of the funds allocated pursuant to this subdivision shall be allocated to projects that provide direct and meaningful benefits to socially disadvantaged farmers and ranchers or socially disadvantaged communities. Priority shall be given to farms and ranches of 500 acres or less. (CDFA)
- **$125 million to the State Water Efficiency and Enhancement Program for financial incentives and technical assistance for grants that promote on-farm water use efficiency with a focus on multi-benefit projects that improve groundwater management, climate resilience, water quality, surface water use efficiency or drought and flood tolerance, including irrigation management training for farmers.** At least 35 percent of the funds allocated pursuant to this subdivision shall be allocated to projects that provide direct and meaningful benefits to socially disadvantaged farmers and ranchers or socially disadvantaged communities. Priority shall be given to farms and ranches of 500 acres or less. (CDFA)
- **$125 million to the Alternative Manure Management Program for financial incentives, technical assistance and demonstration projects to promote the reduction of methane emissions from dairy and livestock operations and improved water quality through alternative manure management and handling, including but not limited to the creation of composted manure products.** Projects will not include the funding of anaerobic digesters. (CDFA)
- **$40 million for grants to technical service providers, including Resource Conservation Districts, University of California Cooperative Extension and nonprofits, to support farm-level planning and implementation of climate change resilience projects, including conservation and business management planning that includes climate risk assessment.** At least 35 percent of the funds allocated pursuant to this subdivision shall be allocated to projects that provide direct and meaningful benefits to socially disadvantaged farmers and ranchers or socially disadvantaged communities. Priority shall be given to farms and ranches of 500 acres or less. (CDFA)
- **$2 million for grants to a collaboration of academics, technical service providers and farmers to develop climate resilience and adaptation decision-support tools and trainings for farmers and ranchers and technical service providers.** (CDFA)
- **$150 million for the California Farmland Conservancy Program for grants that fund conservation easements or fee title acquisition of agricultural lands,** for continued agricultural production, prioritizing lands that provide flood mitigation, groundwater recharge, wildlife habitat or improved climate resilience for rural communities. (DOC)
- **$10 million for grants to local governments** for agricultural lands identification, conservation planning and related farmland conservation and infill policy development. (DOC)
- **$20 million for grants to Groundwater Sustainability Agencies to provide technical and financial assistance to small farmers (200 acres or less) and socially disadvantaged farmers** to improve groundwater management, including assisting them in lowering their wells to match depths chosen by GSAs to stabilize basins. (DWR)

Request: Include Compost Infrastructure funding in the Climate Resilience Bond

As previously mentioned, sustainably managing the state's organic waste streams to increase compost production and use is key for meeting the state's GHG reduction goals. Meeting SB 1383 landfill methane reduction goals includes not only mandates for 75 percent diversion of organic waste (by 2025) but also

50 percent diversion of organic waste by 2020. California is far from achieving this year's 50 percent target.

Siting and permitting organic materials processing and compost manufacturing facilities entails a complex and costly process, often requiring over five years to meet the high environmental standards of our state. Absent immediate, significant new funding sources – while over 480 jurisdictions in California develop unique SB 1383 compliance plans and funding strategies – there will be no critical momentum, with little expected progress, towards deployment of this essential infrastructure. Thus, we request the following:

- **$100 million for compost infrastructure**, including equipment to support the production of high-quality compost that meets air and water quality standards.

Climate Catalyst Fund

The members of our coalition and those we represent will likely not benefit from this type of funding. Thus, we do not have a position on the Climate Catalyst Fund as proposed by Governor Newsom. While we support diversifying funding for climate-related projects, few of the farmers whom our coalition works with will be able to take advantage of low-interest loans for multi-benefit, climate smart agriculture projects.

Most small and mid-scale producers are not in the financial position to take on debt for what may be a risky proposition for them in changing their practices to reduce greenhouse gas emissions and increase carbon sinks, even when there are agronomic benefits. Financial incentive programs like the Healthy Soils program work because the programs combine technical assistance with financial incentives to overcome the hurdles for farmers and ranchers in taking on new management practices that may take several years to yield benefits for their operation.

Many of the undersigned are also concerned about the state's ongoing investment in dairy digesters as a strategy. Under the current digester model, digester developers own and operate the digesters, only guaranteeing their technology for ten years. The state needs longer-term solutions to the dairy methane issue that we believe is better addressed by transitioning to dry manure handling and storage, e.g. turning dairy waste into compost.

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[i] See: https://www.ipcc.ch/report/srccl/

[ii] See: https://www.ipcc.ch/sr15/

[iii] See: https://ww2.arb.ca.gov/resources/documents/draft-california-2030-natural-and-working-lands-climate-change-implementation

[iv] See: https://www.mdpi.com/2073-4395/8/3/25