



California Department of Food and Agriculture  
Office of Environmental Farming and Innovation  
1220 N Street  
Sacramento, CA 95814

October 23, 2019

Re: Healthy Soils Program Comments

Dear OEFI Staff,

The doubling of Healthy Soils Program (HSP) funding this year -- from \$15 M in FY18-19 to \$28 M in FY 19-20 -- is exciting! The investment reflects this administration's and the legislature's recognition that farmers and ranchers have a pivotal and positive role to play in solving the climate crisis. Moreover, this investment means that hundreds more farmers and ranchers will have the opportunity to receive financial assistance to transition to healthy soils practices, with all their agronomic and environmental benefits.

However, to ensure interested farmers and ranchers can successfully access this opportunity, a number of barriers to the program must be addressed. Without improvements such as those suggested below, we are concerned the program will be undersubscribed.

**Four Most Frequently Indicated Barriers to Applying for the Healthy Soils Program**

This spring, California Climate and Agriculture Network, American Farmland Trust, Carbon Cycle Institute and California Association of Resource Conservation Districts surveyed 30 technical assistance providers (TAPs) who had assisted farmers and ranchers in applying to HSP. According to their responses, the four most frequently indicated barriers that farmers and ranchers encounter in applying to the program are as follows:

1. Payment rates were too low (63% of respondents)
2. Application period was too short (58% of respondents)
3. Application was too complex (54% of respondents)
4. Inflexible rules/restrictions (50% of respondents)

We suggest prioritizing changes to the program based on this feedback from experts who work directly with farmers.

### **1. Payment Rates Were Too Low**

We understand that CDFA is using the highest NRCS cost scenarios for every practice (except compost, which does not have an NRCS cost scenario). However, farmers and ranchers indicate payment rates for some practices are well below the true cost of implementing them. Combined with the high transaction costs resulting from a complex, time-consuming application and various implementation and reporting requirements, some farmers and ranchers conclude that applying to HSP is simply "not worth the effort" because the benefit-to-cost ratio is too low. This is especially true for small acreage operations.

To improve the benefit-to-cost ratio for farmers and ranchers applying to HSP, we recommend the following changes:

- Offer applicants the option to develop their own budget (similar to SWEEP & AMMP)
- Establish a minimum annual payment for small farms (e.g. \$1,500 per year)
- Increase the maximum grant award (e.g. from \$75,000 to \$100,000)
- Gather data on the full costs of select practices and then update the payment rates

Offering applicants the option (as an alternative to, *not* in replacement of the current per-unit system) of developing their own project budget would still allow applications to be scored on their estimated GHG impact per acre, while giving farmers and ranchers more flexibility.

Establishing a minimum annual payment of \$1,500 – which NRCS's Conservation Stewardship Program began offering as a minimum annual payment in 2016 – would make the program more financially viable for very small farms.

Increasing the maximum grant award would have three benefits. First, it would increase the benefit of the program relative to the fixed application, implementation, and reporting costs. Second, it would enable farmers and ranchers to maximize practice implementation on a single APN (e.g. fully complete a hedgerow or riparian buffer), since they cannot apply to do the same practice on the same APN a second time. Third, it would increase the likelihood that the program will be fully subscribed.

Finally, we recommend gathering data from willing farmers and ranchers on the full costs of select practices – a task that CalCAN and others can assist with – and then update the payment

rates accordingly. We acknowledge such a process is unlikely to be completed before January, but should be feasible before the following solicitation.

## 2. Application Period Was Too Short

The previous round of HSP had an 8-week application period. This was an improvement on the first round's 6-week application period, yet 58 percent of TAP respondents in the survey indicated it was still too short. In the TAP survey, as well in past focus groups and interviews, TAPs consistently recommend a 12-week application period for HSP. We suggest the following timeline, which provides for a longer application period and complies with CDFA deadlines for encumbrance and liquidation<sup>1</sup> as per [AB 74](#) (the budget Act of 2019):

**February-April:** 12-week application period

**May-June:** 8-week application review and selection period

**July-August:** 8-week grant agreement completion period

**September:** Fall practice (e.g. cover crops, conservation plantings) implementation begins

## 3. Application Was Too Complex

Farmers, ranchers, and the TAPs who work with them have often expressed frustration with the length and complexity of the HSP application. CDFA's proposal to remove the essay questions from the application is an important improvement, but there is more that can be done to simplify the application for busy farmers and ranchers.

In the previous round, half the application (8 out of 16 pages, *not* including supporting documentation) consisted of questions to determine if an applicant's project provides benefits to a severely disadvantaged community<sup>2</sup> (SDAC) and/or Priority Populations,<sup>3</sup> which are defined as residents of disadvantaged communities (DACs) or low-income census tracts. This section daunted and confused many applicants and TAPs, to the point that many told us they just gave up on answering them.

The SDAC and Priority Population determination should be removed from the application and instead handled by CDFA staff during the administrative review process, which would still allow CDFA to prioritize applications that meet the criteria. [*Note: We do not recommend changing the socially disadvantaged farmer/rancher question, which should stay in the application.*]

Based on a review of the [Benefit Criteria Table for Healthy Soils](#) and the [Healthy Soils Reporting Template](#) required by CARB, we believe CDFA staff can quickly make the SDAC and Priority Populations determinations for the vast majority of Healthy Soils projects during the

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<sup>1</sup> Per AB 74, the deadline for encumbrance is June 30, 2021 and the deadline for liquidation is June 30, 2023.

<sup>2</sup> Defined as a community with a median household income less than 60 percent of the statewide average.

<sup>3</sup> For more information, see the [California Climate Investments 2018 Funding Guidelines Benefit Criteria Table](#).

administrative review process without asking applicants *any* of the determination questions included in the previous application.

The table on the right provides a basic overview of how this determination would work. Brian Shobe from CalCAN can provide additional documents explaining in more detail the step-by-step process CDFA staff would use and how it would meet CARB’s requirements.

Making these changes would have multiple benefits. Shifting these determinations to the administrative review process would relieve farmers and ranchers, who often have limited broadband internet access and/or computer skills, from having to learn to use two different online mapping tools and answer and provide supporting documentation for a long list of confusing and often irrelevant questions. Simplifying the determination process would also relieve application reviewers from having to review so many different criteria and supporting documents.

Combined, these benefits may actually *increase* the number of applications qualifying for SDAC and Priority Population status, given the anecdotal data about how many applicants have simply been deciding to forgo answering the Priority Population questions. Finally, these changes alone would remove one of the most intimidating and challenging portions of the application and cut the length of the application in half.

<b>Overview of Proposed SDAC &amp; Priority Population Determination Process</b>
<p><b>Step 1: Location</b></p> <p>CDFA staff use existing mapping tools to determine if the applicant’s street address and/or APN is located in an SDAC, DAC, or low-income census tract.</p>
<p><b>Step 2: Address a Need – All HSP Projects Automatically Meet Criteria</b></p> <p>All HSP practices address at least one of the common needs from <a href="#">Funding Guidelines Table 5</a> (Criterion D). If needed, CDFA can provide CARB with a table of the common needs each practice meets and supporting references.</p>
<p><b>Step 3: Provide a Benefit – All HSP Projects with Practices that Reduce Air Pollution Automatically Meet Criteria</b></p> <p>CDFA staff prepare a list of practices that reduce dust and air pollution (Criterion A). At least 10 practices, including the 2<sup>nd</sup>, 3<sup>rd</sup>, and 4<sup>th</sup> most popular, meet that criterion. If the project does <i>not</i> include any of those practices, CDFA staff send a two-question email to applicants to determine if they meet criteria B or C.</p>

#### **4. Inflexible Rules/Restrictions**

Below are some of the inflexible rules/restrictions (in bold font) TAPs commonly cited as barriers in our recent survey, as well as some suggested solutions to address them:

**APNs that have previously received HSP awards are not eligible, *even* if the applicant is applying for *different or new practices***

Solution: Allow farms to apply for different practices on previously awarded APNs

**Ranchers are required to apply compost 3 years in a row on rangeland, which is cost-prohibitive and not in line with the studies conducted on rangeland compost**

Solution: Allow one-time compost applications on rangeland

### **The requirement for 120 farmer/rancher attendance at field days for demonstration projects**

Solution: Reduce the demonstration project farmer/rancher attendance requirement, which is unrealistic for some regions. CDFA can survey 2017 demonstration projects to inform a new, more flexible requirement and identify ways to better support demonstration projects.

### **Other Comments:**

#### **Non-overlapping Practices**

The proposed additions to the groups of non-overlapping practices make sense, but the way non-overlapping practices are described can be confusing. The RFP should clarify that non-overlapping practices *can* be in the same APN, just not on top of each other.

#### **Urban Farms**

The proposal to make urban farms ineligible for incentives grants is discriminatory. Hundreds of small farms, often operated by socially disadvantaged farmers and ranchers, exist within city limits in California (e.g. strawberry farms, southeast Asian vegetable farms, cut flower farms). We understand this was not CDFA's intent, so must be clarified. If CDFA's intent is to prevent *nonprofit, school and/or community gardens* from applying to the program, that can easily be achieved by replacing urban farms with a more precise description of what is ineligible.

#### **Use of Soil Testing Data**

During the HSP listening session on September 25, a participant asked OEFI staff how they plan to use soil testing data reported by HSP recipients. OEFI staff responded that they do not have a plan yet, but would welcome input on how to make it *public*. We are deeply troubled by this response because it indicates that CDFA – having required HSP awardees to take samples and report data for three years – has no plan for how to use it. As we have written multiple times, we strongly encourage CDFA to clarify the purpose and role of soil testing in the HSP program, recognizing that incentive projects are not controlled experiments and that farmers and ranchers doing the sampling are often not trained on scientifically rigorous sampling methods. Also, importantly, farmers and ranchers were never told their data would be made public. Releasing their data without notifying them ahead of time and obtaining their consent would be a significant breach of trust and privacy.

#### **Organic Transition Package**

Finally, we strongly support CCOF's proposal to add an organic transition package to HSP, as outlined in their letter to CDFA on August 29, 2019. CCOF offers a compelling rationale for the proposal in their letter. They point to research demonstrating that organically-managed soils build more soil organic matter, even with routine tillage, than conventionally managed soils. They also note that one of the biggest obstacles for producers interested in becoming certified organic is the required three-year transition, during which time producers take on the increased

costs of organic management but are unable to access the organic premium available to certified organic producers. Offering an organic transition package through Healthy Soils will attract more farmers and ranchers to the program and lower the economic barriers of transitioning to organic. Finally, certified organic producers are required by federal law to maintain or improve their soil organic matter and must use crop rotation, so assisting producers in transitioning to certified organic production will ensure they continue to use healthy soils practices long after the three-year HSP grant ends.

Thank you for the opportunity to comment. By incorporating the suggestions above, CDFA will ensure that all interested farmers and ranchers can successfully participate in this program and lead the country in making a transition to a climate smart agricultural system.

Sincerely,

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