APPENDIX F-1

STATE AND FEDERAL FUNDING AVAILABLE TO DECARBONIZE AND ELECTRIFY YOLO COUNTY

State and Federal Funding Available to Decarbonize and Electrify Yolo County

INTRODUCTION AND GUIDE

Even if greenhouse gas (GHG) emission reduction strategies and climate adaptation and resiliency measures lead to net economic benefits over time compared to continuing the status quo, many will require significant up-front investments that cause short-term financial costs. Further, many of these investments are unattainable for low-income households due to limits on access to credit or other constraints.

This report describes the Federal and State fiscal resources that assist in overcoming these barriers to improve the environment, prepare for coming climate change and perhaps improve the economy. First, an overview is provided of the various legislative actions and Federal and State agencies' activities. Then sections describe individual programs and incentives such as grants and tax credits that are available for each strategy and sector.

Each section is organized first by CAAP strategy and then by targeted activity or funding method, each of which generally encompasses several CAAP measures and actions. Each of the activity sections is segmented by administering entity (e.g., Federal, State, utility). Within each administering entity section, programs and incentives are separated by general eligibility with counties and municipalities, followed by private entities (e.g., households, businesses, farms). Various programs and grants from **Federal** and **State** sources that the County is eligible for are highlighted in text boxes throughout this appendix. Hyperlinks connect to relevant government, news, and academic websites where additional information and application materials can be found. Additional resources are listed at the end.

Appendix F-1: State and Federal Funding Available to Decarbonize and Electrify Yolo County

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State and Federal Funding Available to Decarbonize and Electrify Yolo County

SUBSTANTIAL FUNDS AVAILABLE FOR CLIMATE-RELATED ACTIONS

Significant State and Federal funding is available for a host of household, business, and public sector climate-related investments. Importantly, the sources of funding have proliferated over since 2021 and the amount has increased substantially. At the Federal level, the **Inflation Reduction Act (IRA) of 2022** will direct between $390 billion and $1 trillion to clean energy assets primarily through tax credits and grants. The IRA's tax credit provisions expire or start to phase out in 2033 and grant funding will mostly expire before then. Billions of additional dollars are available through the **Infrastructure Investment and Jobs Act (IIJA)**, commonly referred to as the **Bipartisan Infrastructure Law (BIL) of 2021**. The IIJA (or BIL) acts as a cash infusion, allowing the existing Federal apparatus to build infrastructure within 8 years. The **Fiscal Year 2022-2023 State of California Budget** allocated $39 billion over 5 years toward climate resilience and integrated climate, equity, and economic opportunities.[1] State and Federal monies are being dispersed through multiple programs managed by several agencies and departments, chief among them the **U.S. Environmental Protection Agency** (EPA), **U.S. Department of Transportation** (USDOT)**, U.S. Department of Energy** (USDOE), and the **California Energy Commission** (CEC). For example, the IRA allocated $14 billion to the Greenhouse Gas (GHG) Reduction fund, a multilevel grant administered by the EPA. All BIL and IRA funding is being managed by the EPA, USDOT, USDOE, and other agencies. The CEC publishes its list of IRA funding opportunities as they become available. Most of these programs and other funding sources target individual households and businesses.

Several green infrastructure-related tax credits were created, expanded, or significantly modified by the IRA. These include the Clean Electricity Investment Tax Credit (ITC), Production Tax Credit for Electricity from Renewables (PTC), Investment Tax Credit for Energy Property (i.e., batteries), and Credit for Qualified Commercial Clean Vehicles, among others. In recognition that nonprofits and municipalities cannot directly access tax credits, the IRA created a direct pay-in-lieu of tax credits option, which allows non-tax-paying entities to receive a direct payment from the IRS, unlocking significant resources previously unavailable to municipalities and nonprofits.

Both the Bipartisan Infrastructure Law and the IRA reference environmental justice by mandating the Justice40 initiative. Justice40 states that "40% of the overall benefits of certain Federal investments flow to disadvantaged communities that are marginalized, underserved, and overburdened by pollution". Common terms for groups that fall under Justice40 definitions are low-income and marginalized (LMI), disadvantaged (DAC), frontline and indigenous (FIC), and environmental justice (EJC) communities.

In addition to these resources, California's investor-owned utilities (IOUs), which include **Pacific Gas and Electric (PG&E)**, as well as other Program Administrators, including Community Choice Aggregators (CCAs) such as **Valley Clean Energy Alliance (VCE)** and Regional

[1] However, the FY 2023/2024 budget scaled back spending by $2.9 billion. (See "2023–24 California State Budget Finalized—At Least for Now," *JD Supra*, https://www.jdsupra.com/legalnews/2023-24-california-state-budget-1576852/, July 5, 2023.)

Energy Networks,[2] collectively distribute billions of dollars annually for energy efficiency, fuel switching, transportation electrification and resiliency (e.g., microgrids and storage). The **California Public Utilities Commission (CPUC)** regulates rates for the IOUs and oversees resource planning, demand side management (DSM) and distributed energy resource (DER) programs for the IOUs and CCAs.

In Yolo County, PG&E is the distribution and transmission IOU, which also procures generation for its "bundled" customers, VCE is the CCA and default load-serving entity that provides generation, and **Yolo County Flood Control and Water Conservation District (YCFCWCD)** delivers much of the surface water supply to agriculture. However, Yolo County is largely reliant on groundwater.

The **California Air Resources Board (CARB)** and air quality management agencies also offer climate-related funding and financing. **Yolo-Solano Air Quality Management District (YSAQMD)** regulates local air quality and offers additional incentives separately from CARB.

The chorus of funding and financing instruments includes rebates, tax credits, grants, income-qualified programs, and other incentives, such as utility bill credits. It can be challenging to cut through the thicket of opportunities, particularly since the process to secure some of the monies has not yet been settled. The sections that follow identify primary information sources on funds and financing, as well as a list of some of the instruments.

[2] There is presently no Regional Energy Network serving Yolo County.

DECARBONIZE ENERGY AND BUILDINGS AND INCREASE ENERGY EFFICIENCY

Rebates

Rebates are a powerful tool for incentivizing the adoption of green technologies. Many rebates are provided at the point of sale, meaning that the consumer does not pay the full market price for the item. Other rebates are reimbursement-based, requiring the consumer to submit proof of purchase.

Federal Programs

Households and Businesses

The IRA initiated the High-Efficiency Electric Home Rebate Act (HEEHRA) with funding of $4.275 billion through 2032, with $290 million designated for California. HEEHRA covers up to 100% of beneficial electrification project costs (up to $14,000) for low-income households and 50% of costs (up to $14,000) for moderate-income households. HEEHRA is limited to households below 150% of the area's median income—roughly $117,579 in Yolo County—owners of eligible LMI multifamily buildings, and entities carrying out a project for an eligible household or multifamily building. While details are not finalized, HEEHRA will offer point-of-sale discounts for appliances rather than tax rebates. HEEHRA can be stacked with the later-described EEHIC and RCEC tax credits to create extreme discounts or even waive all costs of converting or building fully electric domiciles. These rebates are expected to be available nationwide by the start of 2025.

Counties and Municipalities

With the abundance of energy efficiency grants, rebates, and tax credits now available, updating the County's building code can be financially supported through these sources. The IRA created the Technical Assistance for the Adoption of Building Energy Codes grant, which provides $1 billion in funding to remain available until 2029. This grant helps municipalities update their building code to take innovative approaches to decarbonizing the area's new and renovated buildings. The municipality must consider the Justice40 priorities in their updated building code.

Similarly, the Building Codes Implementation for Efficiency and Resilience Program is a competitive grant program to enable sustained, cost-effective implementation of updated building energy codes to save customers money on their energy bills. There is $225 million in funding to remain available until spent.

The Home Energy Rebate Programs (HERP) offers $8.8 billion in rebates for home energy efficiency and electrification projects. HERP allocated $582 million for California and is expected to become available in 2024 with operating funds for approximately 10 years. HERP is broken into two programs: Home Efficiency Rebates discount the price of energy-saving retrofits and Home Electrification and Appliance Rebates will help develop and implement a high-efficiency electric home rebate program. The CEC is tasked with distributing

HEEHRA and HERP funds. CEC's upcoming Equitable Building Decarbonization Program is one of many grants that utilize the IRA's energy efficiency funds.

State Programs

Households and Businesses

Substantial rebates are available for low-income households under the CPUC's Self-Generation Investment Program (SGIP). SGIP has funding of $1 billion ending in 2025 and will fund up to $10,385 per household. SGIP provides an up-front refund for energy storage and generation projects under a tiered block program; incentive values decline over time as more battery installations occur throughout California. Rebate amounts depend on the utility company's incentive "block" and battery size. For most residential customers, SGIP is currently in Step 6, or $200 per kilowatt-hour (kWh) of stored energy capacity. For the Tesla Powerwall 2 battery, this equals $2,700 in savings. The current SGIP block for PG&E can be confirmed on its dashboard.

As a part of the SGIP program, California offers an extra incentive for "Equity Resiliency" projects, including low-income households, customers living in high-risk fire areas, customers who experienced Public Safety Power Shutoffs (PSPS) events on two or more distinct occasions, and critical facilities that provide services to the affected areas. Those who fall into one of these categories are eligible for an SGIP rebate of either $850 or $1,000 per kWh, more than four times the value of the standard incentive. For most home energy storage options, this added payment can cover the entire cost of installing a system. For more information on the eligibility criteria for SGIP's Equity Resiliency incentive, visit the California Public Utilities Commission website.

Lastly, Fluorinated Gases Emission Reduction Incentives funds climate-friendly, ultra-low global warming potential (GWP) refrigerant technologies in newly constructed and existing supermarkets.

Utility Programs

PG&E offers a suite of energy efficiency programs, which received a significant funding increase in June 2023. There are rebates on items such as refrigerators, smart thermostats, electric vehicle (EV) chargers, and air conditioners for all PG&E customers. For business accounts, PG&E's Energy Efficacy Financing (EEF) offers 0% interest loans for replacing old and worn-out equipment with more energy-efficient models. A loan repayment schedule is aligned with the monthly energy savings from your upgrade, meaning "your energy bill shouldn't increase due to your equipment investment." Loans range between $5,000 and $4,000,000 and have a few stipulations.

A suite of cost saving measures is available to customers who purchase electricity to power their green products, such as those offered on rebates. Several different EV and electric home electricity rate options are available. These options vary, but generally offer additional incentives for off-peak energy usage. Similar demand management incentives are available for Smart AC use, temporarily reducing energy use when the demand for electricity is high, and minimizing your electricity usage up to 15 days a year. Other demand management programs are endorsed by PG&E but run by third parties.

The Golden State Rebates Program, administered by PG&E and other IOUs, offers $500 for an electric heat-pump water heater to replace a gas-powered one, $40 to $75 for a thermostat, and $20 for a room air conditioner. Rebate coupons can be obtained through the Golden State Rebates site.

Federal Tax Credits

The IRA expanded and enhanced energy efficiency tax credit incentives provided to households and businesses. Most credits expire or begin a phaseout period around 2032. The Energy Efficient Home Improvement Credit (EEHIC) offers a 30% residential tax credit, up to $3,200 annually. Qualified projects include energy efficiency improvements, highest efficiency energy property installations (e.g., energy-efficient air conditioner, water heater, or furnace), and home energy audits. Similarly, the Residential Clean Energy Credit (RCEC) offers a 30% residential tax credit for new, clean energy property. Examples include solar electric panels, solar water heaters, wind turbines, geothermal heat pumps, fuel cells, battery storage technology, and more. The Energy Efficient Home Credit offers $2,500 to $5,000 for newly constructed single-family or multifamily homes. The Energy Efficient Commercial Building Deduction is a tax deduction available when energy efficiency improvements result in a 25% or greater decline in building energy needs. These two energy efficiency-related tax credits do not have a sunset date.

Grants and Income-Qualified Programs

Federal Programs

Counties and Municipalities

The Energy Efficiency and Conservation Block Grant Program (EECBG) was originally founded in 2007 and got a cash infusion from the BIL. EECBG offers $550 million for states and municipalities with a population above 35,000 to fund projects that lower energy costs, reduce carbon emissions, improve energy efficiency, and reduce overall energy use. Funds must follow the Justice40 initiative and prioritize American-made materials. As of this writing, applications are not yet open, and funds will be available until fully expended.

The IRA includes $200 million for municipal energy offices to administer the Home Energy Efficiency Contractor Training Grants through 2031. This grant will support state programs that provide training and education to contractors involved in the installation of home energy efficiency and electrification improvements.

Recognizing the need to retrofit government-subsidized housing, the IRA allocated $1 billion to the Green and Resilient Retrofit Program (GRRP), which has total committed funding of $4.8 billion. These funds will remain available until at least 2028, and all units under Housing and Urban Development (HUD) assisted multifamily housing are eligible. GRRP has three subcategories. The elements category offers funding for specific projects that reduce GHG emissions or improve climate resiliency. The leading-edge category provides funding for retrofit activities that attempt to achieve an advanced green certification. Lastly, the comprehensive category provides funding to properties with

the highest need for emissions reductions and climate resilience upgrades.

Households

The Federal Low Income Home Energy Assistance Program (LIHEAP) assists eligible low-income households in better managing their home heating and/or cooling needs, including through weatherization. The **American Rescue Plan of 2021** infused California's LIHEAP with $203 million, but this funding will soon dry up.

The Weatherization Assistance Program (WAP) is a federally funded program dating back to 1976. WAP offers free household energy efficiency upgrades for low-income individuals and families. The California WAP received a $125.3 million funding increase in 2023 from a BIL Grant. Yolo County is part of a larger subregion that received $5.2 million in WAP funding in 2022, weatherizing 410 homes.

State Programs

Households

Counties and Municipalities

The state's Cap-and-Trade Program funds the Transformative Climate Communities (TCC) grant for community-led development and infrastructure projects that achieve major environmental, health, and economic benefits in California's DACs. TCC has granted over $400 million and has $800 million for future awardees. Local governments, tribes, and nonprofits are eligible to apply.

With ongoing funding through CARB's Cap-and-Trade program by grants issued by the Strategic Growth Council (SGC), California's Low-Income Weatherization Program (LIWP) has two components, one of which applies to Yolo County. Multi-Family Energy Efficiency and Renewables (MF) provides technical assistance and incentives for energy efficiency measures and solar installation for low-income, multifamily dwellings. MF has $23.3 million in funding in 2023; details on below-market-rate efficiency upgrades can be found here. Roughly speaking, MF covers 30% to 100% of energy efficiency upgrades and 50 to 100% of solar installations. Additionally, SGC funds the Affordable Housing and Sustainable Communities grant. This ongoing program has currently invested $2.5 billion for affordable housing, active transportation, transit, and solar photovoltaic systems.

Utility Programs

In June 2023, PG&E's Energy Efficiency Portfolio received a major State-backed funding upgrade totaling over $1 billion for 2024-2027 and $1.01 billion for 2028-2031. Programs expected to receive the newly dedicated funds include the following:

PG&E offers an Energy Savings Assistance (ESA) Program that provides no-cost home energy efficiency improvements to low-income ratepayers. The new funding requires PG&E's ESA to include demand-side management measures and battery storage and prioritize hard-to-reach and underserved customers. Before the June 2023 funding upgrade, energy efficiency improvements included basic interventions, such as faucet aerators and LED bulbs, as well as plus-level refrigerator and gas furnace repair/replacement. To be eligible, homeowners and renters must have a household income below the amount published on the PG&E website or be enrolled in a government assistance program, such as Medi-Cal for Families A & B, CalFresh, SNAP, or the Low-Income Home Energy Assistance Program (LIHEAP). Additionally, the applicant must have a PG&E service account, reside in a home with four

or fewer units, and meet certain upgrade requirements. For households with five or more units, the Multifamily Energy Savings (MFES) Program plays a similar role as the ESA.

Available to low-income households, California Alternate Rates for Energy (CARE) offers a 30% or more discount on household energy bills based on income eligibility of 200% of Federal poverty guidelines. The Family Electric Rate Assistance (FERA) program provides an 18% reduction in energy bills, available for low-income households with three or more people that do not qualify for CARE but still fall under 250% of Federal poverty guidelines. CARE and FERA recipients automatically qualify for several income-based free or low-cost energy efficiency programs. Additionally, these programs are often the benchmark for defining an underserved or hard-to-reach customer; falling under these definitions might qualify a customer for additional support. While these programs have no expiration date, customers must renew their application every 2–4 years.

Renewable Generation and Energy Storage

Federal Programs

Counties and Municipalities

The EPA GHG Reduction Fund allocated $7 billion for the Solar for All (SFA) grant competition. SFA will provide 60 grants to states, territories, tribal governments, municipalities, and eligible nonprofit recipients. Recipients will "expand the number of low-income and disadvantaged communities primed for distributed solar investment" by providing subsidies for residential rooftop and community solar projects for LMI and DAC communities. Other projects, such as workforce development, community outreach, and technical assistance, will also be supported. SFA will make small-scale solar financially viable for tens of thousands of LMI and DAC Americans.

EPA's Climate Pollution Reduction Grants (CPRG) total $5 billion and have two subgrants. $250 million for noncompetitive planning grants are designed to support municipalities regardless of where they are in their climate planning and implementation process. Phase Two has $4.6 billion in funding to implement pollution reduction plans. The deadline for Phase Two applications is April 1, 2024.

To help ensure that IRA and BIL grants meet Justice40 guidelines, EPA created the Environmental and Climate Justice Program (ECJ Program). This program has $2.8 billion for financial assistance and $200 million for technical assistance, set to expire in September 2026. The Community Change Grants invest $2 billion in environmental and climate justice activities to benefit DACs through projects that reduce pollution, increase community climate resilience, and build community capacity to respond to environmental and climate justice challenges. The other directly relevant subgrant is the Environmental Justice Government-to-Government (EJG2G) Program. This grant helps fund government activities that lead to measurable environmental or public health impacts in DAC communities.

Households and Businesses

The Federal government incentivizes renewable generation and storage through the investment tax credit (ITC), which provides a one-time reduction in a filer's Federal taxes. Projects covered include solar PV and CSP, on and offshore wind, hydrogen production, energy storage (with or without renewable generation), as well as most renewable generation-related expenses, such as mounting systems, electrical upgrades, and fuel-cell equipment. The DOE's Quick Guide summarizes what is available.

The ITC benefits nonprofits and local governments that have no federal tax obligation because these institutions can opt for direct payment in lieu of a tax credit or can transfer their credit to another entity by selling it.

The IRA significantly increased the tax write-off and expanded the ITC's scope. The Federal tax credit was raised from 26% to 30%, with a phaseout starting in 2033, reducing to 0% in 2036. While the maximum ITC is vastly larger than the previous Federal tax credit, an array of environmental justice standards must be achieved.

Specific labor standards are required to receive the full ITC, or the incentive is reduced to the base rate of 6%. First, all wages for construction must be at or above the prevailing rates of that location as determined by the Secretary of Labor. Wage rates vary by several factors, including exact location, type of construction job, hours worked, and more. Prevailing wage requirements can be retroactively met by paying the difference to the affected employees plus a fine. Additionally, a percentage of total construction hours must be performed by an apprentice. The apprenticeship requirements are lifted if a good faith effort is made to comply or if a penalty is paid to the Treasury. Achieving both labor requirements qualifies a project for the full-rate ITC. Projects under 1 MW ac are exempt from the labor requirements and automatically qualify for the full-rate ITC or PTC.

To qualify for the 10% domestic content bonus, all steel must be produced and a percentage of other manufactured products mined, produced, or manufactured in the United States. The 10% energy community bonus can be claimed by building on a brownfield site or in an area with high unemployment or that is historically or currently reliant on fossil fuel production. These bonuses can be stacked together.

To further incentivize the Justice40 principles, the ITC offers two low-income bonus tax credits beyond the full rate. An additional 10% tax credit is available for projects in LMI communities (capacity maximum 700MW) or Indian land projects (capacity maximum 200MW). An additional 20% tax credit is available for qualified low-income residential projects (capacity maximum 200MW) and qualified low-income benefit projects (capacity maximum 700MW). These two low-income bonuses can be stacked together with the other bonuses and the full ITC, creating a maximum tax credit of 80% (full rate 30% + domestic energy content bonus 10% + energy community bonus 10% + LMI/Indian bonus 10% + low-income residential/benefit projects bonus 20%).

Businesses and nonprofits can opt out of the ITC and instead utilize the newly created Production Tax Credit (PTC), which offers an annual incentive. The PTC provides a full credit of $2.75 per kWh if specific labor requirements are met, with a $0.30 per kWh bonus for domestic content and another $0.30 kWh bonus for a project constructed in an energy community. Absent meeting labor standards, the PTC offers a base rate of $0.55 per kWh, with a $0.10 per kWh bonus for domestic content and another $0.10 kWh bonus for a project constructed in an energy community. The PTC does not have the low-income bonus additional incentive.

Summary of Investment Tax Credit (ITC) and Production Tax Credit (PTC) Values Over Time

			Start of Construction						
			2006 to 2019	2020 to 2021	2022	2023 to 2033	The later of 2034 (or two years after applicable year[a])	The later of 2035 (or three years after applicable year[a])	The later of 2036 (or four years after applicable year[a])
ITC	Full rate (if project meets labor requirements[b])	Base Credit	30%	26%	30%	30%	22.5%	15%	0%
		Domestic Content Bonus				10%	7.5%	5%	0%
		Energy Community Bonus				10%	7.5%	5%	0%
	Base rate (if project does not meet labor requirements[b])	Base Credit	30%	26%	6%	6%	4.5%	3%	0%
		Domestic Content Bonus				2%	1.5%	1%	0%
		Energy Community Bonus				2%	1.5%	1%	0%
	Low-income bonus (1.8 GW/yr cap)	<5 MW projects in LMI communities or Indian land				10%	10%	10%	10%
		Qualified low-income residential building project / Qualified low-income economic benefit project				20%	20%	20%	20%
PTC for 10 years ($2022)	Full rate (if project meets labor requirements[b])	Base Credit			2.75 ¢	2.75 ¢	2.0 ¢	1.3 ¢	0.0 ¢
		Domestic Content Bonus				0.3 ¢	0.2 ¢	0.1 ¢	0.0 ¢
		Energy Community Bonus				0.3 ¢	0.2 ¢	0.1 ¢	0.0 ¢
	Base rate (if project does not meet labor requirements[b])	Base Credit			0.55 ¢	0.55 ¢	0.4 ¢	0.3 ¢	0.0 ¢
		Domestic Content Bonus				0.1 ¢	0.0 ¢	0.0 ¢	0.0 ¢
		Energy Community Bonus				0.1 ¢	0.0 ¢	0.1 ¢	0.0 ¢

a "Applicable year" is defined as the later of (i) 2032 or (ii) the year the Treasury Secretary determines that there has been a 75% or more reduction in annual greenhouse gas emissions from the production of electricity in the United States as compared to the calendar year 2022.

b "Labor requirements" entail certain prevailing wage and apprenticeship conditions being met.

State Incentives and Programs

Households and Businesses

The Solar Billing Plan under the California Net Billing Tariff (NBT)—often referred to as NEM 3.0—mandates a specific net metering policy for PG&E and all investor-owned utilities.[3] Net metering is the process in which a utility pays a customer for excess renewable electricity delivered to the grid. NBT details the rate that the utility will compensate for this energy as well as solar-to-grid interconnection policy. Unless grandfathered into an older NEM mandate, utilities will remunerate customers at wholesale energy rates for power provided to the grid, with compensation levels varying by the time of day. NBT allows for oversizing a system to 150% of a customer's historical electricity needs. While an oversized system is unlikely to provide a financially attractive return under NBT, it makes sense if the future electricity demand is expected to increase as a result of beneficial electrification or EV switching.

California mandates that IOUs offer Green Tariff Shared Renewables (GTSR), in which the utilities provide a 50% to 100% renewably sourced electricity option. The program has two components: the Green Tariff (GT) and Enhanced Community Renewables (ECR). Through the Green Tariff, a customer may pay the difference between their current generation charge and the cost of procuring 50% to 100% renewable electricity.

Following GTSR regulations, PG&E allows customers to purchase 100% green electricity directly through their company. Solar Choice allows the ratepayer to purchase solar energy to match either 50% or 100% of your energy use. Residential enrollment in Solar Choice is on hold, and nonresidential capacity in the program is full. VCE offers three electricity rates: base green, standard green, and UltraGreen. Base and standard have varying rates or renewable electricity penetration, but UltraGreen is guaranteed to be carbon free and renewable. UltraGreen costs 1.5 cents per kilowatt hour more than the standard service. Additionally, a VCE customer who has grid-tied solar (i.e., net energy metering) will receive an additional $0.01 per kwh bonus compared to PG&E on all solar sent to the grid.

Through ECR—commonly referred to as community solar—a customer agrees to purchase a share of a community renewable energy project directly from a developer and receives a credit from their utility for the avoided energy usage. For example, if a customer contracts with a solar developer to fulfill approximately 80% of their energy needs from a local community solar project, the utility provides the customer with electricity bill credits for the solar purchased through the community solar project and charges them for their additional power needs. In this way, ECR allows customers to buy into local community renewable energy projects even if these projects do not occur on site. PG&E offers Regional Renewable Choice, which allows the ratepayer to directly contract with the developer for a desired amount of renewable energy that's between 25% and 100% of their annual energy usage. No Regional Renewable Choice projects are currently available.

California offers two subsidized programs for low-income utility customers who are financially unable to install solar on their roofs. The Disadvantaged Communities - Green Tariff (DAC-GT) is a 20% renewable power discount for residential customers who meet the income eligibility requirements that qualifies them for California Alternate Rates for Energy (CARE) and Family Electric Rate Assistance (FERA). PG&E's Green Tariff program is called Green Saver and is

[3] The NBT substantially reduces the benefits and extends the financial payback period for customers who choose to install rooftop solar compared to the previous NEM 2.0 tariff offered by PG&E.

currently at capacity. Similarly, the Community Solar Green Tariff (CSGT) offers a 20% discount on renewable power for low-income residential customers, but the renewable power subsidized under CSGT must be located within the neighborhood of the customer it serves. PG&E's CSGT program is called Local Green Saver, and it is also currently at capacity.

The Disadvantaged Communities – Single-Family Solar Homes (DAC-SASH) program provides $8.5 million annually to help low-income homeowners adopt solar. To qualify for DAC-SASH, homeowners must meet income qualifications and live in a DAC. Applications to DAC-SASH are funneled through Grid Alternative's Energy for All Program, which combines philanthropic funds to potentially offer zero-cost solar. For low-income multifamily units, California has $100 million in annual funding for the Solar on Multifamily Affordable Housing (SOMAH) Program. This program provides up to $3.50 per AC watt with the goal of lowering tenant utility bills.

> The CEC helps grantees submit more competitive federal grant applications through the Cost Share for Federal Clean Energy Funding Opportunities. This ongoing grant has $20 million in funding and will help recipients of federal grants spend less money out of pocket. For example, if a federal grant requires a 50% cost share, this CEC grant could lower matching funds to 20%.

California's Active Solar Energy System Exclusion mandates that a new solar system does not increase the property's tax liability. Additionally, California has a Solar Rights Act that limits a homeowner association's ability to reject a solar project.

Utilities and Community Choice Aggregators

PG&E is the largest power provider in the Yolo County area and one of the nation's cleanest IOUs. In 2023, approximately 48% of electricity provided by PG&E was renewable, with another 43% from nuclear and large-scale hydro.[4] All Yolo County residents who rely on the electric grid must use PG&E for power distribution. However, other load-serving entities, such as VCE, can provide electricity that flows through PG&E's infrastructure. Unless a customer operates off-grid with a solar plus storage system, VCE is the only 100% renewable power option with open enrollment.

Households and Businesses

PG&E also offers net metering aggregation (NEMA) designed for a customer with renewable systems on multi-metered properties. For example, a barn with solar that produces more electricity than is used in that building can be credited toward the owner's other meter, such as their residence. VCE customers have access to similar net metering programs, but VCE adds a bonus of $0.01 per kWh for excess electricity sent to the grid.

Additionally, VCE provides a feed-in tariff that allows participants to build a small-scale renewable electricity facility that produces far beyond the ratepayer's needs and to sell this excess electricity to VCE. Per State mandate, PG&E offers a similar Renewable Market Adjusting Tariff (ReMAT), agreeing to be the off-taker in power purchase agreements at set rates for renewable projects of 3MW or less.

4 For reference, renewables comprise 22% of the U.S. electricity mix and 34% of California's electricity mix.

Counties and Municipalities

The Renewable Generation Self-Generation Bill Credit (RES-BCT) allows local governments and universities to export energy to the grid anywhere within the utility's service area to serve municipal accounts on an aggregated basis and receive generation credits. PG&E caps RES-BCT at 105 MW, about half of which is already accounted for. Because the RES-BCT tariff is separately authorized in law, the crediting and compensation are not affected by the recent changes enacted by the CPUC to create the NBT.

PG&E's Community Microgrid Program helps communities find resilience for extreme weather, public safety power shutoff events, or other outages. PG&E will fund programs such as studies, grid islanding devises, batteries, and interconnection costs. Eligible grantees must be vulnerable to outages and servicing a DAC. Additionally, PG&E offers Backup Power Support for costumers located in a tier 2 or 3 high fire threat district with $300 generator and battery rebates-- $500 if the customer qualifies for CARE or FERA.

Administered by PG&E, The California Energy Design Assistance (CEDA) Program provides complimentary energy design assistance for new construction and major alterations for commercial, public, multifamily (four stories and taller), industrial, and agricultural projects. CEDA will point the customer to financial incentives and energy savings to help offset the costs of decarbonization. The Building Initiative for Low-Emissions Development (BUILD) Program is a residential building decarbonization program that provides incentives and technical assistance to support the adoption of advanced building design in low-income all-electric homes and multifamily buildings. The program cap is $2 million per project plus 300 hours of free technical assistance for energy effect design, development, and construction. Similarly, the CEC offers Electric Home Incentives for new residential construction. They offer a base rate plus additional funds for DAC developments as well as additional funds for specific incentivized technologies such as battery storage.

Energy Financing Programs

Federal Programs

The EPA held three grant competitions with a total of $27 billion available through the Greenhouse Gas Reduction Fund (GGRF). $14 billion is associated with the National Clean Investment Fund (NCIF), which awarded three nonprofit financing entities to create clean financing institutions capable of partnering with the private sector to provide accessible, affordable financing for tens of thousands of clean technology projects nationwide. While funds to final-destination grantees are in the future, the NCIF is expected to operate akin to a green bank. Green bank financing structures vary, but typically provide a revenue guarantee to a traditional bank, allowing environmental projects to receive lower interest rates and be more likely to secure financing. NCIF grants will act as a failsafe for private capital, allowing private capital a guarantee on their loans, making these environmental projects more attractive. Through NCIF green bank financing, every dollar of public funds will generate several times more in private-sector investment. NCIF might operate at a loss each year with funds slowly drying up, or it can attempt to operate similarly to an endowment and attempt to retrieve its principle for reallocation. The three green financing institutions awarded NCIF funds are Climate United Fund ($6.97 billion award), Coalition for Green Capital ($5 billion award), and Power Forward Communities ($2 billion award). These three green financing institutions will offer grants and loans to the end user grant

recipient such as municipalities. No NCIF end user grants are currently finalized.

Under the Greenhouse Gas Reduction Fund, $6 billion is designated for the Clean Communities Investment Accelerator (CCIA). CCIA will build the clean financing capacity of specific networks of public, quasi-public, and nonprofit community lenders. The difference between NCIF and CCIA is that CCIA has a goal that "every community in the country has access to the capital they need to deploy clean technology projects in their homes, small businesses, schools, and community institutions." CCIA also will follow a green bank model, but instead of lending to any private sector bank, the program will focus on community lenders providing loans to low and medium-income, historically disadvantaged, rural, and native communities. The five clean financing intuitions tasked with dispersing CCIA funds are Opportunity Finance Network ($2.3 billion award), Inclusive ($1.9 billion award), Justice Climate Fund ($.9 billion award), Appalachian Community Capital ($.5 billion award), and Native CDFI Network ($.4 billion award). Similar to NCIF, these five CCIA green financing institutions will offer grants and loans to the end user grant recipient such as municipalities, but no end user grants are currently finalized.

A detailed example is useful to understand how Greenhouse Gas Reduction Fund works. Of the $27 billion GGRF, $14 billion is dedicated to the subgrant NCIF. NCIF selected three green banks to administer these funds, the largest award of nearly $7 billion going to Climate United Fund. EPA is still working with Climate United before finalized financing options are announced. However, the goals for these NCIF loans were detailed in Climate United's grant application. Climate United claims that their funds will "reduce or avoid 134 million MT CO_2, bring the direct benefits of the clean energy transition to 15.3 million Americans, of which at least 60% live in or are qualified as LIDAC, directly mobilize $76B in private capital, and create over 200,000 high skilled jobs from investments made over the initial 7-year performance period". To accomplish this lofty goal, financing options will become available for distributed energy generation and storage (18%), building decarbonization (67%), and electric transportation (15%). While no grant or loan options are available as of this writing, it is essential to continually check the websites of the NCIF and CCIA financing institutions for potential municipal funds.

The remaining $7 billion of the GGRF is allocated for the Solar for All (SFA) grant competition. Since SFA is a grant and not a financing opportunity, it is detailed under the Federal Government Programs section of Solar, Battery, and Hydrogen System Offerings. SFA has yet to announce its nonprofit grant administrators.

Similarly, Title 17 Clean Energy Financing supports clean energy deployment and energy infrastructure reinvestment for large commercial projects. Title 17 was created by the Energy Policy Act of 2005 and was amended by the BIL and IRA to include four categories: innovative energy, innovative supply chain, state energy financing institution, and energy infrastructure reinvestment. Title 17 funding offers access to low-interest capital and technical partnerships.

State Programs

The California Infrastructure and Economic Development Bank (IBank) was created in 1994 to finance public infrastructure and private development. IBank operates similarly to the NCIF recipients but exclusively in California. A major focus of IBank's financing is to support environmentally related projects throughout California. IBank's programs have financed more than $3 billion in green projects, including, green bonds to replenish the State's Clean Water and Drinking Water Fund, loan guarantees for climate entrepreneurs, and municipal lending for climate-smart wastewater management infrastructure.

IBank's current climate lending is roughly grouped into three categories. First, the Infrastructure State Revolving Loan Fund (ISRF) program provides low-interest loans to public agencies and nonprofits partnering with public bodies for infrastructure projects. Green Municipal Loans & Bonds for Climate-Smart Infrastructure is a major component of ISRF. Similarly, the Bond Financing program issues green conduit bonds, including Industrial Development Bonds, 501(c)(3) bonds, Public Agency Revenue Bonds, and Exempt Facility Bonds. Second, the Climate Catalyst Revolving Loan Fund works to jumpstart critical climate solutions through flexible, low-cost credit. The current focus is on Forest Biomass Management and Utilization, Clean Energy Transmission, and Climate-Smart Agriculture. Lastly, the Climate Tech Finance program offers loan guarantees that help climate entrepreneurs secure working capital. The Expanding Venture Capital Access program has the same goal but provides extra focus on environmental equity.

California established its Go Green Financing Program to support financing of home energy retrofits, such as new or upgraded appliances, cool roofs, heating and cooling, insulation, lighting, pool products, water heating, windows, and other home energy projects. A complete list of eligible upgrades can be viewed here. While all loans expect repayment, Go Green Financing utilizes State backing to offer a credit enhancement, which mitigates default risks, enabling participating lenders to offer lower rates, longer payback terms, and higher loan amounts. Both homeowners and renters are eligible for GoGreen Financing. Customers may upgrade a single-family home, townhome, condo, duplex, triplex, fourplex, or manufactured home.

County Program

Property Assessed Clean Energy (PACE) is available throughout Yolo County. Under these loans, debt is tied to the property instead of the individual. A well-structured PACE loan can allow the property owner to install energy efficiency upgrades with zero up-front cost and repay the loan with energy savings. Residential PACE financed $5 billion in energy efficiency upgrades and commercial PACE has financed more than $2 billion in upgrades nationwide.

DECARBONIZE TRANSPORTATION, REDUCE VEHICLE MILES TRAVELED, AND OFF-ROAD EQUIPMENT EMISSIONS

Transportation Infrastructure

Federal Programs

Counties and Municipalities

The BIL included $8.7 billion for the Promoting Resilient Operations for Transformative, Efficient and Cost-Saving Transportation (PROTECT) grant program, which is intended to help local governments improve transportation infrastructure resiliency. The program provides funding to help communities identify vulnerabilities and plan transportation improvements and emergency response strategies associated with weather events, increasing frequency and magnitude of natural disasters, and changing climate conditions, including sea level rise. PROTECT offers resilience improvement, community resilience and evacuation routes, and at-risk coastal infrastructure grants. $7.3 billion of program funds will be distributed by formula, $1.4 billion through competitive grants. The California Department of Transportation (Caltrans) is managing California's $150 million allocation of 2021 PROTECT grant monies to fund climate adaptation actions. The next cycle of PROTECT grants will be announced in 2024.

The IRA created the Neighborhood Access and Equity Grant Program (NAE) with $3.2 billion, to remain available until 2026. NAE grants emphasize underserved communities, and its funds focus on eliminating dividing facilities (infrastructure that creates obstacles to community connectivity) and burdening facilities (transportation infrastructure that burdens DACs with air pollution). To accomplish its goal of eliminating these facilities, NAE offers three subgrants; Community Planning, Capital Construction, and Regional Partnerships.

USDOT has a wide array of grants for active transportation and other emission-reducing projects, such as traffic calming. A list of these sustainability-related traffic projects with potential grants to fund these solutions is available here. The largest new opportunity from the IRA or BIL is the Rebuilding American Infrastructure with Sustainability and Equity (RAISE) grant, which has $14.3 billion for fifteen rounds of annual funding to promote road, rail, transit, and port projects.

The BIL established the Strengthening Mobility and Revolutionizing Transportation (SMART) discretionary grant program with $100 million appropriated annually for Fiscal Year (FY) 2022–2026. SMART grants fund public sector agencies to conduct demonstration projects focused on advanced technologies and systems in order to improve transportation efficiency and safety. While not directly related to climate change, potential programs such as those that reduce congestion will reduce emissions.

State Programs

Counties and Municipalities

With variable annual funding from Cap-and-Trade auction proceeds, Community Air Protection (CAP) Incentives focus on reducing "exposure in communities most impacted by air pollution and uses a variety of strategies, including community-level monitoring, uniform emission reporting across the State, stronger regulation of pollution sources and incentives for both mobile and stationary sources."

Two CARB grants are directed toward capacity building. The Planning and Capacity Building grant offers up to $500,000 for Community-Based Organizations, local governments, and tribal governments to meet their community's planning and capacity-building needs. Access Clean California offers resources to nonprofits, Community-Based Organizations, and similar grassroots organizations to help families in DACs learn about, apply for, and participate in clean transportation and clean energy incentive programs. Clean Mobility Options Voucher Pilot Program offers nonprofits and municipalities funding for community-driven mobility projects that increase DAC and LMI residents' access to various clean transportation options.

Sustainable Transportation Equity Project (STEP) funds a variety of clean transportation and supporting projects, such as active transportation infrastructure, land use planning and housing policy, workforce development, and clean transportation planning and education. More than 50% of the impacted area must be a DAC, and municipalities are encouraged to apply. Community Air Grants works with nonprofits and tribes to build capacity to become active partners with government to identify, evaluate, and ultimately reduce air pollution.

The Volkswagen Environmental Mitigation Trust for California provides $423 million for California to mitigate the excess nitrogen oxide emissions caused by Volkswagen's use of illegal emissions testing defeat devices. It does this through three programs: Zero-Emission Transit, School, and Shuttle Buses, Zero-Emission Trucks and Combustion Freight and Marine, and Zero-Emission Freight and Marine and Infrastructure.

California funded the Transportation Infrastructure Climate Adaptation Strategy Grant Program. This competitive grant is available to identify transportation-related climate vulnerabilities through climate adaptation plans, including climate action, hazard mitigation, safety elements, and resilience improvement plans. The State's Active Transportation Program offers around $200 million annually in grants to increase walking and biking. The Transit and Intercity Rail Capital Program (TIRCP) funds capital improvements that modernize California's intercity, commuter, and urban rail systems as well as bus and ferry transit systems. These capital projects significantly reduce GHG emissions, vehicle miles traveled, and congestion. More than $10 billion in awards consisting of 132 projects has been granted through the six cycles of funding.

The Adaptation Planning Grant Program can help municipalities address local, regional, and tribal planning needs, with resources available to identify climate resilience priorities and support the development of climate-resilient infrastructure projects. Clean Mobility Options (CMO) offers up to $100,000 in vouchers to conduct community transportation needs assessments to help DACs. CMO awards up to $1.5 million in vouchers to deploy zero-emission mobility projects, such as bikesharing and ride-on-demand services that fill a community's transportation gaps.

Electric Vehicle Charging and Alternative Fueling Infrastructure

The Federal government and the State have multiple incentive and subsidy programs to install EV charging infrastructure.

Counties, Nonprofits, and Private Entities

The Communities in Charge grant offers a base incentive of $3,500, or 75% of eligible costs, for installing a Level 2 charging station. All sites are eligible, but this grant focuses on charging installations in DAC and LMI communities. The California Electric Vehicle Infrastructure Project and Communities in Charge are the largest recipients of the CEC's Clean Transportation Program Block Grants, which allocate $100 million annually.

Caltrans offers a charging infrastructure grant program that focuses on EV facilities located along transportation corridors and in communities. This program has $2.5 billion in funding over 5 years starting in FY 2022/2023. Applicants must provide at least 20% of funds, as Federal cost-sharing is up to 80%.

Counties and Municipalities

The BIL created the National Electric Vehicle Infrastructure Formula Program (NEVI) with $5 billion in funding over 5 years, from FY 2022–2026. NEVI will strategically deploy EV charging infrastructure. Also created under the BIL, the Charging and Fueling Infrastructure Discretionary Grant Program is a competitive program to support strategic deployment of publicly accessible EV charging and hydrogen, propane, and natural gas fueling infrastructure. This infrastructure must be built along designated Alternative Fuel Corridors or other publicly accessible locations.

The Alternative Fuel Vehicle Refueling Property Credit offers a tax credit of 30% of the cost, not to exceed $100,000. Eligible fueling equipment – such as hydrogen storage and distribution – must be installed in census tracts where the poverty rate is at least 20%, or family income is less than 80% of California's median family income level.

Households, Businesses, and Tribes

The CEC provides recurring grants, such as Convenient, High-Visibility, Low-Cost, Level 2 Charging, and Fast and Available Charging for All Californians. These funds have limited time frames, creating a dynamic situation.

The California Electric Vehicle Infrastructure Project (CALeVIP) provides direct incentives and works to install Level 2 charging ($223 million in funding) and DC fast charging ($30 million in funding) infrastructure. Property owners, contractors, businesses, and California Native American tribes can apply.

Utility Programs

California's electric utilities also fund charging projects. PG&E's Empower EV program offers income-eligible ratepayers a free Level 2 charger and up to $2,000 in panel upgrades required to utilize the Level 2 charger. There are specialized discounted rates for homeowners to charge at super-off-peak hours. For business, PG&E's EV Charging Program will cover 50% of the cost of public Level 2 EV fleet chargers and the total electrical upgrade cost of a Level 3 fast charger, with an additional $25,000 per charger if located in a DAC.

Vehicle Purchase or Lease

Households and Businesses

A range of incentives are available for EV purchases. PG&E provides all its customers a $1,000 rebate for a used EV purchase and $4,000 for income qualified customers. For business accounts, PG&E offers EV fleet incentives that include $9,000 per vehicle for transit busses and class 8 vehicles, $3,000 per vehicle for transportation refrigeration units (TRU), truck stop electrification (TSE), airport ground support equipment (GSE), and forklifts, and $4,000 per vehicle for school buses and local delivery trucks.

The Federal government offers a Clean Vehicle Credit of $7,500 to buy a new EV, expiring in 2033. This zero-emission vehicle tax credit has been in effect since 2005, but the 2022 IRA significantly modified the incentive. The previous 200,000-unit cap per manufacturer no longer applies. However, EVs now have mineral and battery component requirements, for a credit up to $3,750 if the vehicle meets the critical minerals requirement only; $3,750 if the vehicle complies with the battery components condition only; $7,500 if it adheres to both. A vehicle that does not meet either requirement is ineligible for a tax credit. Price caps are applied to the tax credit; the EV must have a manufacturer-suggested retail price (MSRP) below $80,000 for vans, sports utility vehicles, and pickup trucks and $55,000 for all other vehicles. To be eligible participants must have an adjusted gross income limit of $150,000 for Single filers, $225,000 for Heads of Households, $300,000 for Joint filers. For used EVs, a resident can receive a tax credit of up to $4,000 or 30% of vehicle cost, whichever is lower.

Commercial EVs are eligible for the Commercial Clean Vehicle Tax Credit, equal to 30% of the vehicle cost with a cap of $7,500 for qualified vehicles with gross vehicle weight ratings (GVWRs) of under 14,000 pounds and $40,000 for all other vehicles.

California also provides various incentives:

- The State offers $750 through the Clean Fuel Reward for a new EV purchase.
- The Clean Vehicle Rebate Project (CVRP) provides $1,000 to $7,000 to buy or lease a (non-Tesla) EV or hydrogen fuel cell vehicle (FCV) to households making less than $200,000 or individuals less than $135,000. The rebate amount depends on the location and vehicle model acquired. CVRP has special incentives for fleet owners. Additionally, CVRP offers an EV charging card for $2000 for free public EV charging. CVRP is in the phaseout process and a transition to a more expansive Clean Cars 4 All program will take its place.
- Low-income households can apply for a State grant to purchase a new or used EV, PHEV, or FCV plus $2,000 for a home charging station, through the Clean Vehicle Assistance Program (CVAP). The income standards are about 50% higher than those for the CARE rate discount. The average grant is about $5,000. CVAP is closed as of this writing but will attempt to re-open if funding becomes available.

- Car owners also can scrap their older gasoline-fueled cars for $1,000 to $1,500 via the Consumer Assistance Program Vehicle Retirement grant, exact amount depending on household income.

Not all CARB programs are for vehicles. The California E-bike Incentive Project will launch in late 2023 and offer e-bike incentives to LMI individuals.

Heavy-Duty Vehicles

CARB, YSAQMD, and regional partnerships offer a suite of grants that reduce air pollutants (i.e., volatile organic compounds, nitrous oxide, carbon dioxide, and other particulate matter) from mobile sources. The primary source of these pollutants is medium- and heavy-duty truck emissions. Most YSAQMD incentives are funded by CARB, which has its own set of grants.

CARB currently offers a suite of 28 incentives, and new incentives are frequently added. They focus on funds to reduce hazardous air particulates from the transportation sector, including grants related to vehicle scrappage, fleet modernization, zero-emission agricultural equipment, low-emission school bus replacement, zero-emission powertrain incentives, and several pilot projects.

School Districts

Many existing CARB programs are centered around K-12 schools. IRA Section 60106 offers an additional $37.5 million to air pollution control districts for reducing air pollution at DAC schools plus $12.5 million in Federal technical assistance. Current CARB-funded school programs include the Clean Mobility in Schools Project, which offers scalable clean transportation and mobility strategies, including zero-emission vehicles, equipment, and infrastructure in schools. The HVIP Public School Bus Set-Aside offers to replace older internal combustion engine school buses with electric school buses. The Lower-Emission School Bus Program provides public funds to California public school districts to replace old diesel school buses with cleaner buses. The Rural School Bus Pilot Project provides grants for the purchase of commercially available cleaner school bus technologies such as zero-emission and low-carbon fuel options (renewable fuels).

Businesses and Farms

The IRA funded several related EPA grants. The Clean Heavy-Duty Vehicle Program provides $1 billion in funding for swapping polluting heavy-duty vehicles with EV or FCV equipment between now and 2031. The Diesel Emissions Reduction Act (DERA) Funding provides several grants and rebates that protect air quality from diesel combustion emissions. Specific DERA grants are still being developed.

Simple YSAQMD grants include grants for Agricultural Chipping, Clean School Bus, Commercial Lawn and Garden, Low-Dust Harvesting Equipment Replacement, and Wood Smoke Reduction. Larger YSAQMD programs include Clean Air Funds that provide nearly half a million dollars in financial incentives for local projects that reduce emissions from mobile sources of air pollution within the YSAQMD. With $1.39 million in 2023 funding, The Funding Agricultural Replacement Measures for Emission Reductions (FARMER) Program provides funding for green agricultural equipment. The Carl Moyer (Moyer) Program provides grants to purchase clean heavy-duty engines through repowering, replacing, or retrofitting engines, vehicles, or equipment.

There are two regional air quality-related grant programs. The Sacramento Emergency Clean Air Transportation (SECAT) Program provides up to $100,000 per vehicle to promote zero-emission on-road heavy-duty vehicles. The Goods Movement Emission Reduction

Program provides funds for vehicle replacements of Class 8 diesel on-road trucks.

CARB offers various grants to pilot new technologies. The Advanced Technology Demonstration and Pilot Projects offer funds for pre-commercial demonstrations and large-scale pilots of advanced vehicles, mostly in DACs. The Innovative Small e-Fleet Pilot Program offers vouchers for Class 2b through Class 8 zero-emission trucks for small businesses and nonprofits. Lastly, the Zero-Emission Truck Loan Pilot Project is under development but will offer financing opportunities for both heavy-duty zero-emission vehicles and charging or fueling infrastructure.

Both the On-Road Heavy-Duty Voucher Incentive Program (VIP) and the Truck Loan Assistance Program help small businesses replace older trucks with zero-emission alternatives.

Hydrogen Fuel Cell Vehicle Purchase and Refueling

Businesses

The IRA significantly expanded hydrogen fuel cell incentives both for vehicle purchases and refueling infrastructure. Generally speaking, FCVs have similar credits as EVs; FCV infrastructure credits mirror those of EV infrastructure credits. The Clean Vehicle Credit offers a maximum of $7,500 and extends to FCV. Similarly, the Qualified Commercial Clean Vehicles Credit extends to FCV. The Alternative Fuel Vehicle Refueling Property Credit provides a 30% tax credit for FCV refueling infrastructure. The IRA extended the refueling property credit to $100,000 but restricted eligible locations to low-income communities and required workforce standards.

ENCOURAGE SUSTAINABLE AGRICULTURE AND SEQUESTER AND STORE CARBON IN NATURAL AND WORKING LANDS

Federal Rural Assistance Programs

Farms and Businesses

The U.S. Department of Agriculture (USDA) directly administers four large grant programs designed to address climate change issues in agricultural and rural areas. In general, a rural area is defined as 50,000 residents or less; much of Yolo County is considered rural.

Powering Affordable Clean Energy PACE Program (not to be confused with PACE financing) is an IRA program that forgives up to 60% of a loan servicing renewable generation and storage projects, with $1 billion in financing for eligible entities, such as electric service providers, municipalities, cooperatives, investor-owned, and Tribal utilities. At least 50% of the renewable energy produced or stored must be utilized in a rural area. The PACE program is scheduled to expire after the IRA funding ends in 2030.

Rural Energy for America Program Renewable Energy Systems & Energy Efficiency Improvement Guaranteed Loans & Grants (REAP) is a long-running USDA program that received a cash infusion from the IRA. REAP has $2.025 billion to support renewable energy and energy efficiency projects for more than 41,500 farms and small businesses. REAP offers guarantees on loans for up to 75% of total eligible project costs, grants for up to 50% of total eligible project costs, or combined grant and loan guarantee funding for up to 75% of total eligible project costs. $303 million is set aside for underutilized technologies and technical assistance.

The Higher Blends Infrastructure Incentive Program (HBIIP) has $500 million in grants for infrastructure improvements to blend, store or distribute biofuels. This includes installing, retrofitting, or upgrading dispensers for ethanol at retail stations as well as home heating oil distribution centers. The HBIIP will likely continue after the IRA funding is allocated.

The IRA also created two new, one-off, USDA grant programs without the rural limitation. Funds for Financially Distressed Borrowers were allocated at $3.1 billion to provide relief for distressed borrowers with certain Farm Service Agency (FSA) direct and guaranteed loans. Funds for Producers Facing Discrimination has $2.2 billion to offer financial assistance for farmers who have historically experienced discrimination in USDA's farm lending programs. While neither of these grants are directly related to climate change, they can be utilized to help relieve debt from past environmental conservation projects or free up capital for new conservation programs.

Many rural electric IRA programs relate directly to financing rural electric cooperatives. However, the Electric Infrastructure Loan & Loan Guarantee Program is applicable for parts of the county. This program makes insured loans and loan guarantees to provide low-cost capital for electric generation, transmission, and distribution. These funds offer improvements and replacement required for electric service in

rural areas, as well as demand side management, energy conservation programs, and on-grid and off-grid renewable energy systems.

Agricultural Conservation and Resource Management

Federal Programs

The IRA provided a $19.5 billion funding boost for the long-running conservation grants offered by the Natural Resource Conservation Service (NRCS). $8.45 billion is directed to the Environmental Quality Incentives Program EQIP, which allows landowners to develop a conservation plan with NRCS covering part of the implementation cost. $3.25 billion was earmarked for the Conservation Stewardship Program CSP, similar to EQIP in that a conservation plan is developed for a specific property and the implementation is partially funded. The primary difference is that CSP is for broad environmental issues (e.g., water runoff contamination) on an extended time horizon while EQIP is for specific issues (e.g., synthetic fertilizer reduction) on a short-term basis. Climate Smart Agriculture Technical Assistance is a California's grant that offers on-the-ground technical assistance as well as prioritize assistance to projects that provide benefits to priority populations. Subgrants are the Healthy Soils Program (HSP), the State Water Efficiency and Enhancement Program (SWEEP) and the Alternative Manure Management Program (AMMP).

The Regional Conservation Partnership Program RCPP has a $4.95 billion infusion to work with partners on projects specifically related to climate change. RCPP Classic projects are implemented using NRCS contracts and easements with producers, landowners, and communities, in collaboration with project partners. Through RCPP Grants, the lead partner must work directly with agricultural producers to support the development of new conservation structures and approaches that would not otherwise be available.

The Agricultural Conservation Easement Program ACEP received a $1.4 billion infusion. ACEP is divided into two programs. Agricultural Land Easements (ALE) helps private and tribal landowners, land trusts, and state and local governments protect croplands and grasslands on working farms by limiting non-agricultural uses of the land through conservation easements. Wetland Reserve Easements (WRE) help private and tribal landowners protect, restore, and enhance wetlands that have been previously degraded due to agricultural uses.

Two existing programs were expanded with funds dedicated to technical assistance and research. $1 billion was allocated to the Conservation Technical Assistance Program CTA, which fosters partnerships between NRCS, conservation districts, State conservation agencies, and private landowners. Through the CTA, NRCS provides technical assistance for farmers to help them improve environmental outcomes, which often helps the farmer save money through reduced needs for recurring costs such as fertilizer or pesticides. The CTA allocates $300 million for improved GHG measuring, monitoring, reporting, and verification for agriculture. This expanded program collects data on soil carbon sequestration and other conservation practices that reduce GHG emissions. The data is utilized to make forecasting tools to better assess environmental outcomes and generate accurate greenhouse gas inventories.

While primarily aimed at natural gas facilities, the Methane Emissions Reduction Program is another source of GHG inventory funding that can apply to dairy farming and ranching. This program offers $1.5 billion to governments to provide funding for financial and technical assistance for greenhouse gas reports and reducing greenhouse gas emissions from petroleum and natural gas systems. These funds are primarily for mitigating methane emissions, but all greenhouse gas pollutants must be taken into account. The Alternative Manure Management Program provides incentives to implement non-digester practices that reduce dairy and livestock manure methane emissions. Similarly, the Dairy Digester Research and Development Program funds dairy digesters that reduce methane emissions from manure.

State Programs

The California Strategic Growth Council (SGC) allocates the annual funds from selling greenhouse gas emission allowances through the State's Cap-and-Trade Program. One candidate program is for Sustainable Agriculture Lands Conservation (SALC).[5] That program is administered by the Department of Conservation.[6] The SALC funds about $50 million annually, aiming to protect 25,000 acres per year.

California Department of Resources Recycling and Recovery (CalRecycle) has several grants related to composting. The Community Composting for Green Spaces Grant aims to lower GHG emissions by increasing the number and efficiency of community composting sites. The Organics Grant Program works to accomplish similar objectives. Other grants are related to reducing Food Waste, Local Assistance in developing a food waste prevention program, and Recycled Fiber, Plastic, and Glass.

Urban Forests and Forest Management

Federal Programs

> The IRA directs $1 billion to the Forest Service Urban & Community Forestry (UCF) Inflation Reduction Act Grant, a competitive grant for tree planting and related activities, with a priority on projects that benefit underserved populations and urban areas. The initial application round closed June 1, 2023.

The IRA allocated the U.S. Forest Service (USFS) $5 billion for forest management, planning, and restoration activities. $2.15 billion is earmarked for forest management on USFS land; $2.75 billion for grants that help private landowners, state and local governments, and tribes manage their forests to reduce wildfire risk, protect water quality, and sequester carbon.

State Programs

Similarly, California offers the Urban Greening Program, which provides funds for its namesake. The Urban Greening Program is currently in flux as funds for future application cycles appear uncertain.

California Department of Forestry and Fire Protection (CalFire) offers an array of grants that improve forest health and improve firefighting capacity throughout the State. Examples include Wildfire Prevention, Wildfire Resilience, Tribal Wildfire Resilience, Forest Health, Forest Improvement, and more. With Forest Carbon Plan Implementation

5 See https://sgc.ca.gov/programs/salc/.

6 California Biodiversity Council, "Pathways to 30x30 California," https://resources.ca.gov/-/media/CNRA-Website/Files/Initiatives/California-Biodiversity-Council/30x30_Appendix_C__Biodiversity_Council_041822_508.pdf, Appendix C, April 2022.

funds, CalFire crews now consider carbon stored when conducting proscribed burns.

Tribal Nations

Specific funds are dedicated to Tribal nations. The HEEHRA has a tribal allocation of $225 million. The Tribal Energy Loan Guarantee Program provides $75 million for energy-related project loan guarantees. The Tribal Electrification Program offers $150 million of financial and technical assistance to increase the number of homes on reservations with zero-emission electricity. Tribal Climate Resilience extends $225 million to support climate resilience planning to help sustain Tribal ecosystems and natural and cultural resources, economies, infrastructure, human health, and safety. The Emergency Drought Relief for Tribes program has $12.5 million available. While tribes have unique access to these programs, all other incentives apply to them.

BUILD RESILIENT INFRASTRUCTURE AND HEALTHY COMMUNITIES

Federal Programs

The Bipartisan Infrastructure Law provides nearly $3 billion over 5 years for the National Oceanic and Atmospheric Administration (NOAA) to support three primary grants. Climate Data and Services has $904 million in funding for research activities. Climate Ready Coasts has $1.5 billion for building coastal health and resiliency. Lastly, Fisheries & Protected Resources has $592 million to support fish populations. A significant portion of these funds will be issued through competitive grants to organizations that implement on-the-ground work.

Counties and Municipalities

The Federal Emergency Management Agency (FEMA) has designated 483 community disaster resiliency zones (CDRZ) which are census tracts ranked highly on the National Risk Index for natural hazards and the Federal Climate and Economic Justice Screening Tool identified it as a DAC. The map provided by FEMA shows a significant number of CDRZs in California. Northeast Yolo County is covered by a CDRZ. Designated zones will have prioritized access to Federal funding for resilience and mitigation projects such as the NOAA grants.

FEMA offers grants that are directly and indirectly related to climate resilience. The Public Assistance grant provides funding to state, tribal, and local governments so communities can quickly respond to and recover from major disasters or emergencies. Public Assistance will now fund net-zero construction after a disaster. The Hazard Mitigation Grant Program (HMGP) provides funding to develop hazard mitigation plans and rebuild in a way that reduces future disaster losses. Communities can utilize HMGP money to plan for intensified climatic extremes. Building Resilient Infrastructure and Communities (BRIC) funds climate resiliency projects, including projects researched through a HMGP grant. BRIC applications that utilize climate friendly materials and cleaner energy options receive preference. On the state level, the Community Resilience Centers grant funds new construction and upgrades of resilience centers to provide shelter and resources during climate and other emergencies. The program also funds year-round services and ongoing programming.

State Programs

The California Wildlife Conservation Board (WCB) has applicable programs in Climate Adaptation & Resiliency, Ecosystem Restoration Agricultural Lands, Habitat Enhancement & Restoration, Riparian Habitat Conservation, and the San Joaquin River Conservancy. Total funding for the WCB can vary widely from $1.282 billion in FY 2022/2023 to $262 million in FY 2023/2024.[7]

The Department of Fish and Wildlife manages the Wetlands Restoration for Greenhouse Gas Reduction Program. That program has not issued a request for grant proposals since 2022. The program has spent $36.9 million to restore or enhance 7,370 acres.

[7] Legislative Analyst's Office, "The 2023-24 California Spending Plan: Resources and Environmental Protection," https://lao.ca.gov/Publications/Report/4807, October 16, 2023.

ADDITIONAL RESOURCES

California Climate Investments: CCI publishes a list of climate-related grants that they help fund.

California Energy Commission: The CEC offers information about funding opportunities related to clean energy and transportation.

Climate Change Grant Portal: This grant portal identifies a rolling list of hundreds of climate change grants, including those related to climate education programs.

Database of State Incentives for Renewables & Efficiency: DeSIRE is a comprehensive source of information on incentives and policies that support renewables and energy efficiency in the United States organized by state.

Inflation Reduction Act Tracker: This IRA tracker details all climate funds allocated under the IRA and BIL. It also follows all pertinent updates as IRA and BIL money is organized and distributed.

IRA Primer: The White House Inflation Reduction Act Guidebook provides an overview of IRA clean energy, climate mitigation and resilience, agriculture, and conservation-related tax incentives and investment programs, with eligibility criteria.

Investing in America Guide: IRA funded a suite of incentives to help individuals decarbonize, but these resources can be difficult to navigate. The USDOE created a simple guide to help homeowners, renters, and drivers to manage their energy usage. Similarly, Rewiring America created a calculator to help individuals understand the energy savings and government incentives related to various green projects.

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APPENDIX F-2

OPTIONS FOR NEW LOCAL FEES, TAXES, ASSESSMENTS, AND CHARGES

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Options for New Local Fees, Taxes, Assessments, and Charges

INTRODUCTION

Local agencies, including reclamation districts, face many restrictions that shape financing options for capital projects. Important restrictions include:

- Property owner protests
- Supermajority voter approval requirements for special taxes (though not for property assessments)
- Limits on raising revenues through both general and special taxes
- Required demonstrations of a proportional relationship (or nexus) between the benefits received and the assessments imposed on property owners

As a result, local agencies face higher administrative costs for proposing special taxes, both in designing those taxes and in staging elections, and added risks for relying on new taxes. The effect on government budgets is to favor a preference to constrain spending over raising taxes.

The State is also constrained, given that new taxes (broadly defined) require a two-thirds vote in both houses of the legislature. The State is generally not active in assessments or impact fees, and whether and how either of these tools can serve as new financing options will be examined further in this study.

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AVAILABLE LOCAL FINANCING MECHANISM OPTIONS

General and Special Taxes

Taxes (general and special) are charges on real property, sales, and income sources that historically are not tied to any particular service or benefit provided by a public agency. As a result of voter-approved initiatives, a *general tax* is any tax imposed for general governmental purposes. The State's General Fund raises revenues through these types of taxes. A *special tax* is any tax imposed for specific purposes, including taxes placed into the general fund for particular purposes. A new tax earmarked specifically to fund GHG reduction and climate adaptation actions would be considered a special tax. Taxes by special districts are now considered to be special taxes. Importantly, establishment of a special tax requires super-majority (two-thirds) voter approval, while general taxes require only majority approval.

Assessment Authority

Assessments refer to any levies or charges imposed on real property by an agency. They include but are not limited to special assessments, benefit assessments, maintenance assessments, and special assessment taxes. Assessments are levied based on the benefits to assessed real property created by a government service or public improvement. Assessments have historically served reclamation districts as the primary tool for local funding of levee improvements and maintenance.

California law authorizes the use of assessment districts for a variety of purposes, with the range of authorized purposes varying by specific enactment. New assessment districts or increases in existing assessments are subject to the limitations of enacted State propositions.

Climate Resilience Districts

Senate Bill 852 (2022), which allows the formation of a special district to address local issues related to climate change mitigation, adaptation, and resilience, created climate resilience districts (CRDs). A CRD must be approved by two-thirds of voters by ballot measure. A CRD is a form of an Enhanced Infrastructure Financing District (EIFD) with extra financing power and a more limited purpose. However, a CRD can fund both capital investments and operating expenses, while an EIFD is restricted to only capital expenses. A CRD must prioritize natural infrastructure and under-resourced communities, seek input from communities, and employ a trained workforce. No CRD has yet been formed, but Sonoma County is considering one.[1]

A CRD may provide a source of funding for the planning, implementation, and operating of climate-related projects, and can use local, State, Federal, and private funds in any combination. On the local level, a CRD can use benefit assessment, special taxes, property-related fees, grants, and service charges. A CRD can solicit

[1] Sonoma County Regional Climate Protection Authority is considering placing a tax measure on the November 2024 ballot (Callahan 2023).

gifts, issue bonds, and incur general indebtedness. Generating local funds can help facilitate receiving outside monies, such as grants that require matching funds. A major tool for local funding with a CRD is Tax Increment Financing (TIF), which allocates the increase in property tax revenues to the district beginning on a set date for a set period of time.

The other primary role of a CRD is to operate on the appropriate geographic basis. A CRD can be created within a city or a county, but it can also have independent boundaries spanning multiple local authorities. The ability for a CRD to create its own borders is essential for tackling climate issues that do not fall along current municipal boundaries. The County has already secured funding from the Governor's Office of Planning and Research to establish the Yolo County Regional Resilience Collaborative and explore the possibility of funding a CRD.

Climate Resilience District: A Hypothetical Example

A CRD is formed in a designated geographical area after two-thirds of voters approve a ballot initiative. A Tax Increment Financing (TIF) bond for a specified assessed rate and a special use fee are created for a 15-year period. Matching funds are received from State and Federal agencies and private funders for a specific project, for example from the California Energy Commission to build a resilience center. The CRD issues a revenue bond, which is repaid from the dedicated TIF funds, to raise upfront capital and revenue. A CRD also may issue general obligation bonds.

The CRD governing board seeks public input on project development and publishes annual expenditure plans and budgets. Priority is given to under-resourced communities as well as projects that include contracts with skilled labor, with an emphasis on constructing natural infrastructure. After this capital-raising and planning process, a 15-year project commences to build the project. The money is spent mostly on constructing projects, but also on planning, operating, and administrative fees. After 15 years, the CRD is dissolved, and the increased property revenues formerly budgeted to pay off the bond via the TIF are released to the municipalities.

Community Facility Districts and Special Taxes

One legislative response to Proposition 13 was to create the authority for a flexible tool designed to facilitate financing for capital improvements and maintenance of certain services. This strategy relies on self-imposed taxes (in contrast to impact fees, charges, or assessments). Special taxes are frequently used in conjunction with new development to finance infrastructure and maintenance through the Mello-Roos Community Facilities Act of 1982 (CFA). CFA special taxes could be used to pay for building and maintaining infrastructure related to either emission reductions or climate resilience within a Mello-Roos Community Facilities District (CFD). These taxes are imposed to pay for services or capital facilities and are typically several years in duration, in contrast to impact fees, which are one-time, up-front impositions typically used to fund capital facilities. Because the developer controls the voting power as the sole property owner in the district, special taxes are frequently used as a source of repayment for land-secured bond financing of public facilities in new development. The special tax obligations are then assumed by future property owners (e.g., buyers of homes in a new home subdivision where public infrastructure was financed) within the Mello-Roos CFD. Notably, CFA special taxes are not limited by the rigors of the benefit analysis (assessments), nexus (impact fees), or reasonableness (user charges), which provides flexibility in structuring levies to be most appealing to the affected voters; however, these special taxes could be repealed by voters in future years under certain circumstances. A limitation of Mello-Roos CFDs (and special taxes in general) is the super-majority voter approval required for establishment, which can be difficult to obtain in areas where many different property owners with divergent interests must agree to tax themselves.

Parcel Taxes

Property-related fees and charges are broadly considered to be any fees or charges other than an ad valorem tax (i.e., a tax determined as a proportion of property value), special tax, or assessment that an agency imposes upon a parcel or person as an incidence of property ownership. One example is a parcel tax. Another example is a groundwater augmentation charge collected from overlying property owners.

A parcel tax is usually an annual tax based on either a flat per-parcel rate or a rate that varies by factors such as parcel size, use, or other physical attributes other than value (League of California Cities 2007). A parcel tax can only be imposed as a special tax that designates a specific use for the revenues. This tax avoids the more onerous requirements of Proposition 13 because it is not based on the assessed monetary value of the property, and it is intended to be used for special purposes, not general government functions. However, the constitutionality of parcel taxes has not yet been tested (Flynn 2020).

Municipal Impact Fees

Impact fees are charges imposed as a condition of land development (e.g., building permit, rezoning or Conditional Use Permit, or subdivision approval) intended to fund public facilities and services that mitigate the impacts of new development. Common examples include city park and road impact fees. Impact fees are not for general revenue purposes, and they must be based on a reasonable relationship, or "nexus," between the development project and the facility or service to be provided.

Municipal impact fees can be adopted by cities or counties. Cities and counties frequently collect impact fees either in implementation of Master Plans for infrastructure such as sewers, water facilities, roads, and levees, or as part of the evaluation of individual development projects, typically in conjunction with the environmental review of a development project.

Sales and Use Taxes

Local jurisdictions including counties, cities, and countywide transportation agencies often impose sales taxes above the 7.75% statewide tax (CDTFA 2024). Yolo County does not have an additional sales tax amount in its unincorporated areas. A few examples of sales and use taxes include:

- Bay Area Rapid Transit District – 0.5%
- Marin Parks, Open Space, and Sustainable Agriculture Transactions and Use Tax – 0.25%
- Sonoma County Transportation Authority – 0.25%
- Sonoma Marin Area Rail Transit District – 0.25%

Using sales tax revenues for general government purposes requires a majority vote of the electorate. A tax for a specific purpose, such as a transportation district, requires a two-thirds majority. The maximum tax rate allowed is 1% for a single entity and 2% for a rate charged by a combination of entities.

CONSTITUTIONAL AND STATUTORY CONSIDERATIONS

This section describes the many restrictions that shape local agency financing and other capital projects. Important restrictions on financing options include:

- Property owner protests (veto)
- Potential future voter repeal of new fees, charges, and taxes
- Supermajority voter approval requirements
- Required demonstrations of a proportional relationship (or nexus) between the benefits received and the assessments imposed on property owners

Compared to traditional financing tools in common use prior to 1978, these restrictions led to increased legal burdens and higher administrative costs for agencies when imposing new fee obligations. As a result, local governments tend to constrain spending rather than raise taxes. Legal constraints on State financing options also are described herein.

California's legal framework guiding how State and local agencies collect taxes, fees, charges, and other revenues includes both constitutional and statutory considerations. Since 1978, California voters have used the initiative process several times to regulate the means by which the State, cities, counties, and special districts[2] (such as reclamation districts) can raise revenues. The most significant initiatives were Proposition 13, passed in 1978, which reduced property taxes and restricted increases in property taxation; Proposition 218, enacted in 1996, which mandated voter approval of general and special taxes, revised assessment practices, and imposed limitations on property-related fees; and, in 2010, Proposition 26, which imposed further voter approval requirements for new local or State taxes. Cumulatively, these initiatives reduced the historic reliance on real property alone as a basis for financing public improvements.[3] The initiatives also constrained, through voter approval and procedural requirements, local governments' ability to raise other types of revenue. In the midst of these voter-initiated reforms, the legislature enacted the Mitigation Fee Act (Assembly Bill 1600) in 1986, which codified the constitutional doctrine of "nexus" as it relates to exactions imposed as part of local governmental review of development projects. This cascade of increasing restrictions on local government's ability to raise taxes or impose fees, charges, or assessments is summarized in the following.[4]

2 Special districts are local governmental entities with limited powers. There are more than 2,000 special districts operating in California. Examples include park districts, mosquito abatement districts, reclamation districts, and various forms of water districts. California Department of Water Resources Bulletin 155, General Comparison of Water District Acts (1994) describes the legal framework for all water-related agencies. "What's So Special About Special Districts" is a summary of special district organization and functions (Senate Local Government Committee 2010).

3 See, for example, Michael Coleman, *The California Municipal Revenue Sources Handbook* (2019).

4 For more detailed analyses, see *Propositions 26 and 218 Implementation Guide* (League of California Cities 2007) and "Understanding Proposition 26" (California Taxpayers Association 2011).

Proposition 13 (1978)

Proposition 13 added Article XIIIA to the California Constitution in 1978, which capped (and in many situations lowered) the property tax revenues collected by cities, counties, school, and other districts. The measure established a maximum ad valorem tax rate of 1% based on assessed value of the property and prohibited new sales or transaction taxes on the sale of property. Annual reassessment increases are limited to no more than 2% until a property is sold or ownership is significantly modified. Proposition 13 also required local voter approval for special taxes and restricted the California Legislature's ability to enact new taxes by requiring a two-thirds vote in both legislative houses to enact new taxes. See Article XIII A Section 3.

Until Proposition 13's enactment, local entities relied heavily on property taxes to raise revenue for infrastructure investments and to pay for associated maintenance and other public services. The initiative measure significantly reduced local entities' ability to raise revenues through property taxes. It also created inequities in the tax revenues contributed by similarly situated properties. In cases where a property has been held by the same owner for many years, tax assessments can be substantially lower than market values, and two similar properties can be assessed at widely different values depending on when each property changed hands.

As a consequence of the significant drop in property tax revenue caused by Proposition 13, public entities deployed supplemental revenue-raising instruments (e.g., impact fees, user fees, utility charges, assessments, special taxes) to backfill for lost property tax revenue. In addition, the State developed alternative fiscal mechanisms shortly after the measure's passage to make up local agencies' revenue shortfalls.

Proposition 13 authorized cities, counties, and special districts to enact "special taxes" following a two-thirds vote of the qualified electors within the tax district (California Constitution, Article XIIIA, Section 4). Proposition 13 did not define "special" taxes; subsequent legislation and case law have defined the meaning of this term. The legislature defined "special taxes" in the negative: that is, government-imposed fees or charges that were reasonably related to the cost of providing a service were excluded from being characterized as a special tax. Following the proposition's passage, the courts struggled with deciphering its scope. Through ensuing litigation, the courts reviewed numerous local revenue measures for compliance with Proposition 13. Decisions included:

- A voter-approved extension of a payroll tax whereby the tax proceeds were deposited in the City of San Francisco's general fund was not considered a "special tax." As such, the tax measure did not require two-thirds voter approval by the electorate, but it was sufficient that the measure was passed by the voters based upon a simple majority vote (City and County of San Francisco v. Farrell [1982] 32 Cal.3rd 47).
- Assessments for bonds issued under the Streets and Highways code sections 5000 et seq. were not subject to the tax limitation because they were not special taxes and therefore not subject to the two-thirds voter approval requirement. The court concluded that assessments could not exceed the benefit conferred to the property and thus were distinguishable from taxes, which are not linked to benefits (County of Fresno v. Malstrom [1979] 94 Cal. App. 3d 974). However, Proposition 218 (discussed below) added important procedural steps for new assessments.
- A half-cent sales tax to benefit the San Diego County Regional Justice Facility was deemed a "special tax" subject to voter approval because the court viewed the tax as a replacement for lost property taxes and thus an attempted evasion of

Proposition 13's purposes (Rider v. County of San Diego [1991] 1 Cal. 4th 1).

- A supplemental property tax charge to fund pension benefits was not limited by Proposition 13 because it involved previously approved voter debt and was otherwise allowed for by the terms of the proposition (Carman v. Alford [1982] 31 Cal.3d 318).

Note that the phrase "special tax" as it was initially understood by the courts immediately following the passage of Proposition 13 was later modified by statute and subsequent voter-approved initiatives.

Assembly Bill 1600 (1986)

The Mitigation Fee Act, commonly referred to as Assembly Bill 1600 (Government Code Sections 66000–66022) created a uniform process governing the adoption, collection, and accounting for "impact fees." Impact fees are defined as fees imposed either on the basis of broadly based legislative enactments that establish a uniform fee applicable to a type of development activity (for example, a city's impact fees for major roadways) or on an ad hoc basis, as determined by the specifics of a particular development project.[5] Local governments use such fees to finance the construction or rehabilitation of major public facilities such as roads, parks, and sewer, water, or flood protection infrastructure. When adopting or imposing a fee obligation as a condition of approving a development project, a local agency must make certain findings as to the fee's purpose, the use of the funds, and the relationship between the need for the public facility and the type of development project on which the fee is imposed (Government Code Section 66001[a]). Once fees are collected, a local agency must periodically affirm the purpose and reasonable relationship between the fee and facility to be constructed (Government Code Section 66001[d]).

In most circumstances, impact fee revenues are used to invest in new facilities or rehabilitation of long-term capital facilities. Assembly Bill 1600 stipulates how cities and counties can exercise their constitutional powers to provide for public health, safety, and welfare or, in the case of special districts, implement legislative-enacted powers to charge fees. In particular, Assembly Bill 1600 codifies the constitutional doctrine that fees must be reasonably related or have a "nexus" between the project or activity upon which they are imposed and the facility to be financed (Nollan v. California Coastal Commission [1987] 483 U.S. 825; Dolan v. City of Tigard [1994] 512 U.S. 374; Ehrlich v. City of Culver City [1996] 12 Cal. 4th 854). As a general proposition, impact fees collected from new development cannot be used to repair existing facilities.

Proposition 218 (1996)

California voters enacted additional procedural and substantive limitations on local revenue collection strategies by approving Proposition 218, which added Articles XIII C and D to the California Constitution. This measure impacted new taxes, assessments, and property-related fees and charges, each discussed separately below.

[5] Both legislative and ad hoc fees, along with the differences in judicial review of the two types of fees, are illustrated in *Ehrlich v. City of Culver City* (1996) 12 Cal. 4th 854.

Under Proposition 218, a majority of voters must approve new local general taxes, and two-thirds of voters must approve local special taxes.[6] The measure also authorized the use of the initiative process to repeal locally imposed taxes, assessments, fees, and charges, removing any doubt that local revenue measures were not exempt from a later repeal.[7] As a result, Proposition 218 introduced a new level of uncertainty about the long-term reliability of local governments' revenue streams.

Taxes: Proposition 218 classified local tax measures as special or general taxes. Special taxes are taxes used to fund particular activities or placed in the general fund but earmarked for future use. Special district taxes are classified as special taxes. The significant difference between special and general taxes is that new general taxes (cities and counties) require a majority vote, whereas special taxes (cities, counties, districts) require a two-thirds vote. In addition, the revenues for special taxes can only be used for the purpose for which they were collected.

The implications of this distinction for capital projects are that locally enacted taxes require a super-majority vote (as opposed to property assessments, which require a simple majority vote), reducing their utility as a funding strategy.

Assessments: Assessments are based on and levied in accordance with benefits provided to the affected property by the governmental service or activity funded by the assessment. Proposition 218 constrained local agencies' use of assessments by imposing both procedural and substantive requirements for new assessments.[8] These include a requirement that only special benefits (and not general benefits) may be assessed, and assessments must be based on a detailed engineer's report.[9] This report must quantify the proportional special benefit derived by each parcel. Special benefits are identified as separable from those conferred generally to the surrounding community. The assessment cannot exceed the reasonable cost of the special benefit conferred upon the parcel.

Procedural steps added by Proposition 218 require a local agency to conduct a hearing with notice to the property owner and to conduct a ballot protest proceeding prior to imposing the assessment. If the ballots opposing the measure exceed those in support, the agency may not impose the assessment. Protest ballots are weighted in accordance with the proportional financial obligation of each parcel. Proposition 218 requirements apply to "local agencies," which includes cities, counties, special districts, and regional governmental agencies.

6 Proposition 218 added definitions for general and special taxes. Article XIIIC, Section 1: (a) "'General tax' means any tax imposed for general governmental purposes." (d) "'Special tax' means any tax imposed for specific purposes, including a tax imposed for specific purposes, which is placed into a general fund."

7 Earlier court decisions had invalidated certain initiatives repealing taxes as interfering with an essential government function. See *Geiger v. Board of Supervisors* (1957) 48 Cal.2d 832.

8 Certain pre-November 6, 1996, assessments are exempt.

9 Engineer's reports have long been required but are now key to the only avenue available for using assessments.

Property-Related Fees and Charges: The controlling legal authority pertaining to property-related fees and charges was added by Proposition 218 (California Constitution, Article XIII D, Section 6). This proposition established, among other provisions, new procedural and substantive rules applicable to local agencies when imposing charges based on property ownership. Generally, the limitations on property-related charges for services include the following:

- Property-related charges must be preceded by mailed notice to the property owners, coupled with a right of protest. This step allows the property owners to veto the proposed charge by majority protest. This voting is not weighted.
- Revenues cannot exceed the proportional costs required to provide the property-related service.
- Fees cannot be charged for general government services (e.g., police, fire) that are otherwise available to the public.
- Services for which fees are charged must be actually used by, or immediately available to, the owner of the property in question.
- New property-related fees and charges[10] are subject to approval by either a majority of the property owners or two-thirds of the registered voters.

Note that in contrast to assessments, in which costs are allocated in proportion to the *benefits* accruing to the property from the service or activity, property-related fees and charges are allocated based on the *costs* of providing those services or activities to each particular property. In addition, assessments can be approved by the local agency's legislative body, subject to protest, while property-related fees and charges must be approved electorally as described above.

Many commentators have noted that following the passage of Propositions 13 and 218, voter support for local revenue measures has been mixed, undermining the predictability of local revenues as part of a long-term revenue strategy (Rueben and Cerdán 2003; Wasserman 2008). For example, one study of the effects of voter approval requirements found that between 1986 and 2000, only 46% of special districts' proposed measures passed.

Proposition 26 (2010)

Proposition 26 further constrained both State and local governments' ability to impose new taxes. This measure is commonly viewed as a response to the decision of the California Supreme Court in Sinclair Paint Co. v. State Bd. Of Equalization (1997) 15 Cal. 4th 866. In Sinclair, the taxpayer challenged a fee enacted by the legislature on the grounds that it was adopted without the requisite two-thirds vote from both legislative houses. The fee was collected from manufacturers of products containing lead and funded remedial health efforts; the State argued that it was not therefore a "tax" because it was not used for general government activity, nor did it convey a specific benefit. The Supreme Court concluded that it was not a tax as then defined by Proposition 13, and accordingly was not subject to the supermajority voting requirement.

[10] Other than charges for sewer, water, and refuse collection.

Subsequently, Proposition 26 broadened the definition of "tax" for local governments as "any levy, charge, or exaction" and declared that any local tax must be approved by the voters unless the tax is specifically exempted by the terms of the proposition. The following key Proposition 26 exemptions apply to local governments:

- A charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, or for services or products provided, as well as regulatory costs, all subject to a limitation of reasonableness of the costs to the government of providing the benefit, privilege, service, product, or regulatory effort. This category includes utility services that can be separately metered in some fashion, but with the restriction that the charge must be directly tied to the cost.[11]
- A charge imposed as a condition of property development. Various forms of development impact fees are exempt, including mitigation fees required under habitat conservation plans.
- Assessments and property-related fees imposed in compliance with the provisions of Proposition 218 (Article XIIID), discussed previously (engineer's report, protest, and/or voter requirements).

Proposition 26 also affected the legislature by adopting a similar broad definition of tax compelling a two-thirds vote in both houses for new taxes (Article XIIIA, Section 3). Taxes are defined broadly, and the exemptions are similar to those for local government, although there is no exception for charges imposed in conjunction with development projects.

Proposition 26 did not hamper local agencies' ability to charge for projects conferring benefits to new developments. Local government charges imposed as a condition of property development are expressly exempt from the definition of a State-imposed tax (and thus voter approval) (California Constitution, Art. XIIIC, Section 1[e][6]). However, in Article XIIIA, Section 3, which enacts similar exemptions from the definition of a tax as those that apply to local government, there is no express exemption from the definition of a tax for charges imposed as a condition of development. One potential interpretation of this text difference is that while State and local governments face the same constraints with respect to collecting revenues for services and benefits, the legislature must obtain a super-majority vote in both legislative houses for development impact fees.

11 In 2015, a court decision called into question the basis for tiered water utility rates, based on a reading of Proposition 218 and reinforced by Proposition 26 (Cuniff 2015).

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