

California Air Resources Board

Notice of Public Meeting to Consider Approval of the Fiscal Year 2022-23 Funding Plan for Clean Transportation Incentives Accompanied by Proposed Carl Moyer Program Changes

The California Air Resources Board (CARB or Board) will conduct a public meeting at the date and time noted below to consider the approval of the Fiscal Year (FY) 2022-23 Funding Plan for Clean Transportation Incentives (Funding Plan) accompanied by Proposed Carl Moyer Program Changes.

Date: November 17, 2022

Time: 9:00 A.M.

In-Person Location:

California Air Resources Board
Byron Sher Auditorium
1001 I Street, Sacramento, California 95814

Remote Option:

Zoom

This public meeting may continue at 8:30 a.m., on November 18, 2022. Please consult the public agenda, which will be posted ten days before the November 17, 2022, Board Meeting, for important details, including the day on which this item will be considered and how the public can participate via Zoom if they choose to be remote.

Background

To achieve California's numerous climate change, air quality, zero-emission vehicle (ZEV) deployment, and petroleum reduction goals, CARB has adopted an aggressive, multipronged strategy that uses incentives to complement regulatory approaches. Annually, the State appropriates funding to a portfolio of incentive programs, and each program plays a unique role to improve air quality, enhance community protection, and reduce greenhouse gas emissions. These incentive programs are designed to support the transition to a low-carbon economy across multiple sectors, including investments in the transportation sector administered through the Funding Plan.

Developed annually, the Funding Plan has traditionally funded multiple technologies at different points on their commercialization arcs, overcoming deployment barriers, reducing production costs, promoting consumer acceptance, reducing barriers to adoption, and accelerating technology transfer to other sectors. These programs are designed to achieve immediate emission reductions and support the equitable transformation of California's

vehicle and equipment fleet to zero-emission where feasible, and as clean as possible where zero-emissions are not yet feasible. In designing these investments, CARB strives to maximize benefits for disadvantaged communities, low-income communities, and low-income households (priority populations).

The Funding Plan covers approximately \$2.6 billion in clean transportation investments from different funding sources appropriated to CARB in several budget bills passed by the Legislature and signed by the Governor:

- \$381 million appropriated to CARB for clean transportation equity programs established under Senate Bill (SB) 1275 (\$255 million from the General Fund and \$126 million in Cap-and-Trade auction proceeds from the Greenhouse Gas Reduction Fund or GGRF).
- \$2.2 billion proposed for heavy-duty zero-emission trucks, buses, off-road equipment, and commercial harbor craft (\$455 million from the General Fund, \$1.125 billion from Proposition 98 General Funds, and \$620 million in Cap-and-Trade auction proceeds from GGRF), and \$28.64 million for the Air Quality Improvement Program from the Air Quality Improvement Fund.

Proposed FY 2022-23 Funding Plan for Clean Transportation Incentives

The Funding Plan describes CARB's policy drivers and vision for mobile source investments, project funding allocations, proposed revisions to project criteria, and other implementation details, as well as justification for these investments. The plan also includes comprehensive updates to the SB 1275 (De León, Stats. 2014, ch. 530) Three-Year Plan that will encompass all light-duty vehicle purchase incentives and clean mobility investments; the SB 1403 (Lara, Stats. 2018, ch. 370) Long-Term Heavy-Duty Investment Strategy and State School Bus Incentive Program Report; and the Assembly Bill 630 (Cooper, Stats. 2017, ch. 636) Annual Performance Goals and Evaluation for the Enhanced Fleet Modernization Program and Clean Cars 4 All programs.

Staff's proposal continues to focus these incentives on accelerating the development and deployment of the cleanest feasible mobile source technologies and improving equitable access to clean transportation. Since their inception, these investments have supported the emission reduction goals identified in the Climate Change Scoping Plan, State Implementation Plans, California Sustainable Freight Action Plan, and the goals of Sustainable Communities consistent with SB 375 (Steinberg, Stats. 2008, ch. 728). General project categories within the Funding Plan are designed to support the State's public health, air quality, and climate change goals, as well as the transformation of California's vehicle and equipment fleet to one that is zero emitting where feasible, as emphasized in Governor Newsom's Executive Order N-79-20. In designing these investments, CARB strives to maximize the benefits for priority populations. These investments include targeted support to the communities most impacted by poor air quality and climate change.

In most cases, these projects continue to build on investments from previous budget cycles that were envisioned as multi-year investments, while taking steps to shift from broad purchase incentives to more targeted strategies that support lower-income consumers and small fleets facing the greatest barriers to clean transportation. Staff also proposes new

innovative concepts such as green zones to foster widespread adoption of zero-emission technologies through financial and non-financial mechanisms. Staff's proposal continues to accelerate deployment of zero-emission school buses, transit buses, and drayage trucks. Additionally, following the success of last year's Project 800 initiative to support the purchase of 800 zero-emission drayage trucks, staff is proposing to launch a similar initiative for zero-emission refuse trucks. Staff developed the proposed project allocations through a public process, considering legislative direction and feedback from stakeholders and priority communities, evaluating anticipated demand and technology readiness, and reviewing the long-term planning elements of previous funding plans. The investments included in the Funding Plan fall into the following categories specified by the Legislature:

- \$381 million for vehicle purchase incentive programs and clean mobility investments will help to increase access to clean transportation and mobility options benefiting all Californians, including priority populations, consistent with the direction provided by SB 1275 and SB 350 (De León, Stats. 2015, ch. 547). This covers vehicle purchase incentives, clean mobility investments, and planning and capacity building.
- \$2.2 billion for heavy-duty vehicles and off-road equipment to accelerate the near-term deployment of ZEVs and equipment in priority populations and support the development of advanced technologies and to reduce emissions from commercial harbor craft. Incentives are needed to help fund the development of advanced technologies through demonstration and pilot projects as these technologies reach the market, they progress to funding programs such as the Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project or Clean Truck and Bus Vouchers (also known as HVIP) and the Clean Off-Road Equipment Voucher Incentive Project, which offer vouchers for early commercial advanced technologies. Finally, the Truck Loan Assistance Program helps small business truckers to secure financing for newer trucks to meet compliance deadlines for CARBs in-use truck and bus regulations. The new Zero-Emission Loan Pilot will use the Truck Loan Assistance model but focus on financing for heavy-duty ZEVs and fueling infrastructure for small business fleets.
- No new funding for consumer rebates for new ZEV purchases through the Clean Vehicle Rebate Project (CVRP). CVRP received a substantial upfront allocation of \$515 million as a part of last year's budget that is intended to fund CVRP through FY 2023-24. Alternatively, the Funding Plan provides updated funding projections and proposes amendments to changes approved by the Board in November 2021.

The full details on the proposed recommendations for these investments will be included in the Funding Plan released for public comment by October 14, 2022.

Proposed Carl Moyer Program Changes

Similar to the proposal heard with the 2021-2022 funding plan to adjust the on-road Carl Moyer Program cost-effectiveness thresholds to support zero-emission on-road vehicles, staff is taking this opportunity for the Board to consider proposed amendments to the cost-effectiveness threshold to support zero-emission equipment in the off-road sector.

The Carl Moyer Program is a statewide, locally-directed program that replaces older, high-polluting engines with cleaner-than-required alternatives. Emission reductions funded through the Carl Moyer Program must be in support of the State Implementation Plan (SIP) by being permanent, surplus, quantifiable, and enforceable. Health and Safety Code (HSC)

section 44283 requires all eligible Carl Moyer Program projects (except infrastructure) be cost-effective, by paying a maximum dollar amount per weighted ton of pollution reduced. CARB is responsible for establishing, updating, and adopting guidelines for the Program and propose revisions as necessary to improve the program’s ability to achieve the maximum amount of emission reductions feasible.

Consistent with encouraging equitable, surplus, above, and beyond emission reductions and to keep up with substantially higher incremental costs for zero-emission vehicles and equipment, staff proposes driving market demand by increasing the amount paid under the Guidelines per weighted ton of pollution reduced. Staff’s proposal is intended to support introduction of and encourage further emission reductions from off-road equipment. Staff are proposing to adjust off-road zero-emission cost-effectiveness thresholds to match the on-road optional zero-emission limit threshold and adjust the limits to account for changes due to inflation. These proposed changes are to ensure the program continues to focus on incentivizing and deploying the most advanced zero-emission technologies. Table 1 summarizes the current and proposed cost effectiveness limits for the Carl Moyer Program.

Table 1: Current and Proposed Cost-Effectiveness Limits

Cost-Effectiveness (CE) Limit Types	Current CE Limits (\$/ton)	Proposed CE Limits (\$/ton)
Base Limit	\$33,000	\$34,000*
Off-Road Optional Zero-Emission Limit	\$109,000	\$522,000
On-Road Optional Advanced Technology Limit – 0.02 g/bhp-hr or cleaner	\$200,000	\$209,000*
On-Road Optional Zero-Emission Limit	\$500,000	\$522,000*
School Bus (combustion)	\$300,000	\$313,000*

*adjusted for inflation

Under staff’s proposed amendments, the application of the higher limits would be subject to air district discretion. The air districts would retain the flexibility to apply a more stringent limit than the Carl Moyer Program Guidelines and would also retain their ability to direct their current limits for Carl Moyer funding to the categories that serve their local priorities.

Staff’s proposed modifications to the Carl Moyer Program Guidelines are available on CARB’s website in strikeout and underline at (<https://ww2.arb.ca.gov/guidelines-carlmoyer>). The proposed modifications are available for a 45-day public comment period beginning **September 30, 2022, and closing November 14, 2022**. The November 17, 2022, Board Hearing shall serve as a public meeting pursuant to Health and Safety Code section 44287, subdivision (b) for CARB to consider public comments about these Carl Moyer Program Guidelines amendments prior to final adoption. Please direct all relevant comments to the public comment docket at <http://www.arb.ca.gov/lispub/comm/bclist.php>. Please see below

in the Notice for information on how/when to submit comments on other programs mentioned in this Notice.

Stakeholders have suggested other potential changes to the Carl Moyer Program outside the immediate scope of this proposal. Staff will continue to work with stakeholders to consider how the program might be improved and will discuss other potential off-road specific changes in a separate public process.

Proposed Actions

CARB staff will present the Funding Plan accompanied by the proposed Carl Moyer Program changes for approval at the Board Meeting. The Funding Plan and proposed Carl Moyer Program changes may be found at the following locations:

- The Funding Plan may be obtained from CARB's website at <http://www.arb.ca.gov/aqip/>, by October 14, 2022.
- Modifications to the Carl Moyer Program Guidelines may be obtained from CARB's website at <https://ww2.arb.ca.gov/guidelines-carl-moyer>, by September 30, 2022.

Please contact Chris Hopkins, Regulations Coordinator, at Chris.Hopkins@arb.ca.gov or (916) 445-9564 if you need physical copies of the documents.

Interested members of the public may present comments orally or in writing during the meeting and may provide comments by postal mail or by electronic submittal before the meeting. To be considered by the Board, written comments not submitted during the meeting, must be received **no later than November 14, 2022**, and addressed to the following:

Postal mail: Clerks' Office, California Air Resources Board
1001 I Street, Sacramento, California 95814

Electronic submittal: <http://www.arb.ca.gov/lispub/comm/bclist.php>

Please note that under the California Public Records Act (Government Code section 6250 et seq.), your written and oral comments, attachments, and associated contact information (e.g., your address, phone, email, etc.) become part of the public record and can be released to the public upon request.

Further inquiries regarding this matter should be directed to Graciela Garcia, Air Pollution Specialist, at (279) 208-7535 or Graciela.Garcia@arb.ca.gov, or Chelsey Batchelder, Office Technician, at Chelsey.Batchelder@arb.ca.gov.

Environmental Analysis

CARB has determined that the Funding Plan is not a project subject to, or is otherwise exempt from, the requirements of the California Environmental Quality Act (CEQA). CARB's certified regulatory program, which applies to the adoption, approval, amendment, or repeal of standards, rules, regulations, or plans for the protection and enhancement of the State's ambient air quality, has been certified by the California Secretary for Natural Resources under California Public Resources Code (Pub. Resources Code) section 21080.5 of CEQA (California

Code of Regulations (Cal. Code Regs.), tit. 14, § 15251, subd. (d)). Public agencies with certified regulatory programs are exempt from certain CEQA requirements, including but not limited to, preparing environmental impact reports, negative declarations, and initial studies. For activities that constitute project approvals, as those terms are used in CEQA, CARB, as a lead agency, prepares a substitute environmental document (referred to as an “Environmental Analysis” or “EA”) as part of the Staff Report prepared for a proposed action to comply with CEQA (Cal. Code Regs., tit. 17, §§ 60000-60008).

CARB, as the lead agency under CEQA, has reviewed the Funding Plan and concluded that it is not a project under the California Code of Regulations, title 14, section 15378, subdivision (b)(4) and thus is not subject to CEQA. Section 15378, subdivision (b)(4) provides that “the creation of government funding mechanisms or other government fiscal activities which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment” are not CEQA projects. The Funding Plan is a governmental fiscal activity that does not involve any commitment to any specific projects and therefore, the Funding Plan is not subject to CEQA review.

Even if the Funding Plan were a project under CEQA, it would be categorically exempt from CEQA under the common sense exemption, (Cal. Code Regs., tit. 14, § 15061, subd. (b)(3)), and the “Class 8” exemption, (Cal. Code Regs., tit. 14, § 15308), for the protection of the environment. CEQA Guidelines state “the activity is covered by the common sense exemption that CEQA applies only to projects which have the potential for causing a significant effect on the environment, where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA” (Cal. Code Regs., tit. 14, § 15601, subd. (b)(3)). Based on CARB’s review, it can be seen with certainty that there is no possibility that the Funding Plan may result in a significant adverse impact on the environment. Further, the proposed action is designed to protect the environment, and CARB found no substantial evidence indicating the proposal could adversely affect air quality or any other environmental resource area, or that any of the exceptions to the exemption applies (Cal. Code Regs., tit. 14, § 15300.2). Therefore, even if the Funding Plan is a project under CEQA, it would be exempt from CEQA.

A more detailed analysis can be found in the Executive Summary of the Funding Plan.

Special Accommodation Request

Consistent with California Government Code section 7296.2, special accommodation or language needs may be provided for any of the following:

- An interpreter to be available at the hearing;
- Documents made available in an alternate format or another language; and
- A disability-related reasonable accommodation.

To request these special accommodations or language needs, please contact the Clerks’ Office at cotb@arb.ca.gov or (916) 322-5594 as soon as possible, but no later than ten business days before the scheduled Board Meeting. TTY/TDD/Speech to Speech users may dial 711 for the California Relay Service.

Consecuente con la sección 7296.2 del Código de Gobierno de California, una acomodación especial o necesidades lingüísticas pueden ser suministradas para cualquiera de los siguientes:

- Un intérprete que esté disponible en la audiencia;
- Documentos disponibles en un formato alterno u otro idioma; y
- Una acomodación razonable relacionados con una incapacidad.

Para solicitar estas comodidades especiales o necesidades de otro idioma, por favor llame a la oficina del Consejo al cotb@arb.ca.gov o (916) 322-5594 lo más pronto posible, pero no menos de 10 días de trabajo antes del día programado para la audiencia del Consejo. TTY/TDD/Personas que necesiten este servicio pueden marcar el 711 para el Servicio de Retransmisión de Mensajes de California.

California Air Resources Board



Steven S. Cliff, Ph.D.,
Executive Officer

Date: September 30, 2022

The energy challenge facing California is real. Every Californian needs to take immediate action to reduce energy consumption. For a list of simple ways you can reduce demand and cut your energy costs, see [CARB's website](http://www.arb.ca.gov) (www.arb.ca.gov).