

Strategic Growth Plan Bond Accountability

Lower-Emission School Bus Program

Administering Agency	California Environmental Protection Agency
Bond	Proposition 1B
Department Name	Air Resources Board
Program Title	Lower-Emission School Bus Program
Bond Statute	Government Code 8879.23(d)
Implementing Statute (if needed)	Established Program – Pending Legislative Appropriation of Bond Monies

Front-end Accountability

Bond Expenditure Criteria or Process: The bond includes \$200 million for cleaner school buses. The Air Resources Board (ARB) runs the Lower-Emission School Bus Program to reduce school children's exposure to diesel soot and other air toxics in bus exhaust. The new bond funding will be implemented through the existing program and in accordance with the requirements of Senate Bill 88 (Statutes of 2007, Chapter 181). ARB administers the program through grants to local air districts and the California Energy Commission (CEC), which assist individual school districts in replacing or retrofitting older buses.

Governor Schwarzenegger has made cleaner air and improving the health and safety of California's school children high priorities. The Lower-Emission School Bus Program accomplishes both objectives by:

- Replacing pre-1977 school buses, which pre-date federal safety standards, with new safer buses;
- Replacing pre-1987 buses, which have high levels of smog-forming and toxic pollutants, with new less polluting buses; and
- Putting new pollution control devices (retrofits) on existing diesel buses to reduce school children's exposure to diesel soot.

ARB staff held two public workshops in September 2007 to discuss the allocation of the new bond funding and to solicit stakeholder comments on concepts for updated program guidelines. ARB staff plans to present its proposed funding allocations and guideline revisions to the ARB board in early 2008. The board considers staff recommendations and public comments, through an open public process, before approving the program guidelines. These guidelines address program criteria, including the program expenditure plan, the eligibility and application requirements, grant agreement requirements, project deadlines, and other administrative requirements for the agencies that directly implement the program (the CEC and the local air districts). Project criteria

in the guidelines cover which buses qualify to be replaced with program funding, as well as the new engines and retrofit pollution control devices that can be purchased with program funding. The guidelines also define accountability provisions, such as requirements for inspection of the installed pollution control devices.

The guideline update will identify:

- the performance outputs for the new program funding (the number of new buses put in service and the number of existing buses equipped with retrofit devices),
- the performance outcome (the air quality benefits to be achieved), and
- the ARB's system to track and update a complete list of grant awards and projects.

The current Lower-Emission School Bus Program Guidelines are available at: <http://www.arb.ca.gov/msprog/schoolbus/schoolbus.htm>. Program activities and information specifically related to Proposition 1B funds for new school bus purchases and retrofits are available at <http://www.arb.ca.gov/bonds/schoolbus/schoolbus.htm>.

A top priority is retiring the remaining in-service pre-1977 model year buses, which pre-date federal safety standards. There are less than 100 of these pre-1977 model year buses left at public schools, and the bond funding will replace them all. Staff has identified school districts with these buses through Department of Motor Vehicle and California Highway Patrol records, and the agencies implementing the program (the CEC and local air districts) will contact these school districts directly. School districts will apply for funding to replace 1977 through 1986 model year buses, and to install retrofits on their eligible in-service middle-aged buses. There are hundreds of deserving public school districts that need funding, so funding is awarded through a non-competitive process (like a lottery) to qualifying schools.

After the ARB board approves the updates to the Lower-Emission School Bus Program Guidelines and the 2007-2008 fiscal year funding allocations, the approved guidelines and funding allocations will be placed on the program website at <http://www.arb.ca.gov/bonds/schoolbus/schoolbus.htm>.

In-Progress Accountability

There are numerous requirements and procedures in place to ensure that program funds are well spent and program goals are achieved. Program guidelines and grant provisions detail what types of school buses and retrofit devices are eligible for funding to ensure that the projects effectively reduce emissions. Cost caps establish maximum funding amounts per bus and per retrofit.

Funds must be spent in a timely fashion. The proposed guideline update will have equipment delivery and installation deadlines to ensure that projects are completed and funds expended quickly. In addition, each ARB grant will require the implementing agencies---the CEC and the local air districts---to fully expend the funds by June 30, 2011.

Funding award recipients are required to document and verify the project outcomes. School districts are required to submit a California Highway Patrol safety certification to prove that the old bus being replaced was in service. School districts receiving a new

bus must also submit a certificate of destruction, demonstrating that the old bus was crushed and will no longer be used to transport students.

The CEC and local air districts must report back to ARB on the new buses and retrofit devices funded. ARB will provide this information to the public on the State's bond accountability website. Per the requirements of Senate Bill 88, the updated guidelines will require the CEC and the local air districts to submit semiannual reports on project implementation activities and progress.

Cash flow is appropriately managed. ARB's fiscal staff does not release program funds to air districts without approval from program staff. In addition, fiscal and program staff periodically reconcile information. Finally, the guideline update will identify cash flow provisions to ensure that funds are released to air districts shortly before they will be paid out, while maintaining the flexibility of those air districts that are unable to enter into contractual obligations without having sufficient monies on hand to fund those obligations.

ARB will forward the semi-annual implementation status reports from the CEC and the local air districts to the Department of Finance on the actions taken to ensure that the projects and activities funded from bond proceeds are being executed in a timely fashion and achieving their intended purposes. In addition, the program website will be updated at least semi-annually to ensure public accountability.

Proposition 1B is expected to be the sole source of State budget funding for the Lower-Emission School Bus Program for the 2007-2008 and 2008-2009 fiscal years.

Follow-Up Accountability

As discussed above, the grant awards require documentation for the purchase of new buses and retrofit pollution control devices, as well as scrappage of the old buses being replaced. Final payment depends on timely project completion and submittal of this written evidence. The implementing agencies review the documentation to verify that grant conditions and performance measures have been satisfied. Air districts inspect a sample of the buses upgraded under the program. Per the requirements of Senate Bill 88, the updated guidelines will require local air districts and the CEC to submit final reports within six months of a new bus purchase or retrofit project becoming operable. ARB will forward these final reports to the Department of Finance, as well as make pertinent project information available on its website.

ARB is again contracting with the Department of Finance to audit the Lower-Emission School Bus program to ensure that the bond funds are well spent and that the appropriate fiscal procedures are in place and followed. ARB staff also conducts audits on a sample of the completed projects and air district programs.

The Department of Finance recently audited the Lower-Emission School Bus Program for the two years the program received Proposition 40 funding. That audit resulted in improved accounting procedures and fiscal controls at both the state and local air district levels. The update to the program guidelines will describe these improvements for expenditure of bond funds.