Community Air Protection Incentives 2019 Guidelines

STAFF REPORT

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EXECUTIVE SUMMARY

Assembly Bill (AB) 617 (Chapter 136, Statutes of 2017) directed the California Air Resources Board (CARB or Board), in conjunction with local air quality management districts and air pollution control districts (air districts) to establish the Community Air Protection Program. AB 617 provides a community-focused action framework to improve air quality and reduce exposure to criteria air pollutants and toxic air contaminants (TACs) in the communities most impacted by air pollution. AB 617 includes a variety of strategies to address air quality issues in impacted communities, including community-level monitoring, uniform emission reporting across the State, stronger regulation of pollution sources, and incentives for both mobile and stationary sources.

To support the AB 617 requirements, the Legislature has appropriated incentive funding to support early actions to address localized air pollution in the most impacted communities. Between fiscal years 2017-18 and 2018-19, the State budget has appropriated CARB a total of $495 million of California Climate Investments funding for Community Air Protection (CAP) incentives to be administered by air districts in partnership with local communities. In the Budget Act of 2017, as amended by AB 134 (Chapter 14, Statutes of 2017), the Legislature appropriated $250 million in fiscal year 2017-18 for mobile source incentives through the Carl Moyer Memorial Air Quality Standards Attainment Program (Moyer Program) and the Proposition 1B Goods Movement Emission Reduction Program (Proposition 1B Program). To govern the expenditure of the 2017-18 funding, the Board approved the *Community Air Protection Funds Supplement to the Carl Moyer Program 2017 Guidelines* (CAP Supplement) in April 2018.

In the Budget Act of 2018, as amended by Senate Bill (SB) 856 (Chapter 30, Statutes of 2018), the Legislature appropriated an additional $245 million in fiscal year 2018-19 and expanded the scope of the new incentives to include additional project types. The project types called for in SB 856 include:

- Mobile source projects. Eligibility continues through either the Moyer or Proposition 1B Programs, with a focus on zero-emission equipment;
- Zero-emission charging infrastructure projects. Eligibility continues with a focus on medium- and heavy-duty vehicle infrastructure;
- Stationary source projects. New eligibility for the replacement of equipment at locations of stationary sources of air pollution not subject to the Cap-and-Trade Program, which will result in direct reductions of TACs or criteria air pollutants; and
- Community-identified projects. New eligibility for programs developed by an air district consistent with the actions identified in the applicable Community Emissions Reduction Program pursuant to AB 617 provided there is community input through a public process.

New stationary source incentives, as well as community-identified projects, require a new framework to direct project implementation. To address this need, staff is now

proposing new guidelines (*Community Air Protection Incentives 2019 Guidelines* or CAP Guidelines) to govern the expenditure of the CAP incentives appropriated for 2018-19, providing the framework necessary to direct these second-year funds to each eligible project type identified in SB 856.

To address the Legislative direction in SB 856 and the new funding opportunities listed above, staff proposes the following:

- Codify guiding principles to direct the use of CAP incentives;
- Add funding guidelines for two new categories of projects: hexavalent chromium reduction and exposure reduction in school facilities;
- Include program administration guidance similar to that provided for the Moyer Program;
- Incorporate the CAP Supplement and update to include non-substantive clarifications, and to provide expanded eligibility for zero-emission school bus projects; and
- Delegate to the Executive Officer authority to modify existing project categories or add new project categories as necessary to support the further implementation of AB 617.

Guiding Principles: The guiding principles are derived from statutes, Board direction, and policy documents like the *Community Air Protection Blueprint*, and would ensure that the voices of community groups will guide project prioritization and selection, as well as to guide continued development of the CAP Guidelines. The principles include:

- Reduce emissions within disadvantaged and low-income communities;
- Benefit AB 617 communities selected and under consideration;
- Consider TAC, criteria air pollutants, and greenhouse gas benefits;
- Engage communities and provide support;
- Ensure emissions reductions are in excess of those otherwise required by law or regulation;
- Prioritize zero-emission technology and infrastructure;
- Consider special projects to protect sensitive receptors;
- Ensure transparency in project selection and reporting; and
- Consider both cost-effectiveness and relative risk exposure in funding decisions.

New Project Categories: For stationary sources, staff proposes incentives to cut hexavalent chromium emissions from chrome plating facilities through conversion to less toxic trivalent chromium or through the installation of emissions control technologies. Hexavalent chromium is a potent toxic air contaminant that has been identified in CARB's *Community Air Protection Blueprint* as one of the major stationary sources targeted for additional emissions reduction measures.

For community-identified projects, staff proposes reducing air pollution in schools through a suite of project types for kindergarten through twelfth-grade schools. Protection of sensitive receptors such as children has been commonly identified as a

priority concern in a wide variety of communities, and is a specific goal of AB 617. Projects in this category would reduce children's risk of exposure in classrooms as well as emissions of criteria air pollutants in and around schools. The proposed new project types would add replacement of aging furniture with low- or no-added formaldehyde products, zero-emission lawn and garden equipment replacement, and air filtration enhancement to the already existing opportunities to fund cleaner school buses and provide supporting infrastructure.

Additional Project Categories: These new proposed stationary source and community-identified projects would begin addressing the full range of incentives called for in SB 856. The proposed projects would serve as models for the creation of additional categories in the future and on an as-needed basis. A number of communities have already identified some high-priority concerns, but conversations are still ongoing, and many communities are likely to identify additional opportunities.

Expanded Zero-Emission School Bus Eligibility: Staff proposes adding additional eligibility for zero-emission school bus projects located in disadvantaged and low-income communities.

Executive Officer Authority to Add New Categories: Staff proposes that the Board delegate the authority to the Executive Officer to modify the existing project categories or add new categories as needed. This would allow for continued progress in bringing immediate air quality benefits to impacted communities in a timely manner.

One way staff proposes this authority be used is to develop criteria for "community pilots" that would allow communities and air districts the flexibility to design their own projects suited to their needs. Staff would develop broad criteria that would allow selected communities, as part of their Community Emissions Reduction Programs, to generate their own projects, and empower air districts to ensure the projects meet the basic requirements of AB 617. The authority to create additional program categories as necessary would also allow staff to consider successfully implemented community pilot projects for expansion into complete categories so that other communities statewide that have similar concerns may benefit from these efforts.

Administrative Requirements: The Moyer Program has become a model for many incentive programs due to its successful implementation year after year. Therefore, staff proposes that the established requirements in the *Carl Moyer Program 2017 Guidelines* serve as the initial framework for the administrative chapter of the CAP Guidelines, with changes as necessary to reflect statute and the principles of the Community Air Protection Program.

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I. COMMUNITY AIR PROTECTION INCENTIVES BACKGROUND AND OVERVIEW

A. Introduction

Assembly Bill (AB) 617 (Chapter 136, Statutes of 2017) directed the California Air Resources Board (CARB or Board), in conjunction with local air quality management districts and air pollution control districts (air districts) to establish the Community Air Protection Program. AB 617 provides a community-focused action framework to improve air quality and reduce exposure to criteria air pollutants and toxic air contaminants (TACs) in the communities most impacted by air pollution. AB 617 calls for CARB and the air districts to actively engage with members of heavily-impacted communities, to follow their guidance and address local priority sources of concern. AB 617 includes a variety of strategies to address air quality issues in impacted communities, including community-level monitoring, uniform emissions reporting across the State, stronger regulation of pollution sources, and incentives for both mobile and stationary sources.

To support the requirements of AB 617, the Legislature has appropriated incentive funding to support early actions to address localized air pollution in the most impacted communities. Between fiscal years 2017-18 and 2018-19, the state budget has appropriated CARB a total of $495 million of California Climate Investments funding for Community Air Protection (CAP) incentives to be administered by air districts in partnership with local communities. This funding emphasizes cleaner vehicles and equipment with a priority on zero-emission projects, and considering guidance from communities. Recently, new Legislative direction has called for stationary source incentives as well as projects in programs developed by air districts consistent with Community Emissions Reduction Program developed pursuant to AB 617 (community-identified projects). Summaries of the Year 1 and Year 2 funding and the actions taken to implement them are provided below.

Last year, CARB adopted a supplement to the existing *Carl Moyer Program 2017 Guidelines* (Moyer Guidelines) to govern the fiscal year 2017-18 CAP incentives. In order to incorporate the additional direction the Legislature provided in the 2018 Budget on the use of these funds, staff is now proposing a new, distinct set of Guidelines (*Community Air Protection Incentives 2019 Guidelines* or CAP Guidelines) to govern the 2018-19 and subsequent years' program funding. This Staff Report describes these new proposed CAP Guidelines. Below is a summary of the background:

Year 1 Funding (Fiscal Year 2017-18): In the Budget Act of 2017, as amended by AB 134 (Chapter 14, Statutes of 2017), the Legislature appropriated $250 million to CARB for CAP incentives. The Legislature also directed that the program be implemented using the existing Carl Moyer Memorial Air Quality Standards Attainment Program (Moyer Program) and Proposition 1B Goods Movement Emission Reduction Program (Proposition 1B Program) framework for the first year, so it could be launched quickly. In April 2018, CARB approved the *Community Air Protection Funds Supplement to the Carl Moyer Program 2017 Guidelines*

(CAP Supplement), specific to these new funds, intended to better direct the funds to the communities that need them. Projects would be implemented according to the Moyer Guidelines, except as modified and revised by the CAP Supplement. Key provisions of last year's CAP Supplement include:

- Reducing participation costs by increasing the percentage of eligible costs that can be funded with CAP incentives;
- Increasing allowable cost for infrastructure projects, especially those near ports, railyards, or other freight facilities, to better support zero-emission projects;
- Providing greater flexibility for school bus funding eligibility;
- Clarifying opportunities available for transport refrigeration units; and
- Directing that at least 80 percent of the funds benefit AB1550 priority populations, with at least 70 percent spent in and benefiting disadvantaged communities.

CARB signed grants with the air districts in spring 2018, and air districts are now in the process of spending these first-year funds; Chapter 2 of this Staff Report provides a status update on progress to date.

Year 2 Funding (Fiscal Year 2018-19): In the Budget Act of 2018, as amended by Senate Bill (SB) 856 (Chapter 30, Statutes of 2018), the Legislature appropriated an additional $245 million to CARB for CAP incentives. For the second year, the Legislature expanded the possible uses of these funds in addition to the Moyer Program projects and Proposition 1B Program clean truck projects that were eligible in the first year. Additional options include stationary source projects and projects in programs developed by air districts consistent with Community Emissions Reduction Programs created pursuant to AB 617. The Legislature also directed that funding be allocated to projects consistent with community priorities and emphasized a priority on zero-emission projects. The addition of stationary source projects is a notable change, as CARB's incentive programs to-date have focused primarily on mobile sources. Consideration of community-identified projects is also a notable change, as this allows new opportunities to fund projects that community members may ask for that do not fit into traditional incentives programs.

The proposed CAP Guidelines will contain eligibility criteria for new incentives as well as program administration requirements consistent with the Legislative direction. These proposed CAP Guidelines build upon last year's CAP Supplement, which is included by reference.

Organization of Staff Report: The remainder of this introductory chapter provides additional background on the Community Air Protection Program, the Moyer Program, the Proposition 1B Program, and California Climate Investments requirements, each of which provided the initial framework for CAP incentives. Chapter 2 provides an update on air districts' progress towards spending first-year funds. Chapter 3 describes the proposed new CAP Guidelines elements, including a set of guiding principles informed by a variety of sources including the *Community Air Protection Blueprint* developed by CARB. Chapter 4 describes California

Environmental Quality Act considerations, and Chapter 5 provides a summary of the proposal and staff's recommendation that the Board approve the proposed CAP Guidelines.

B. Background on Assembly Bill 617: Forming the Community Air Protection Program

CARB has made great strides in improving California's air quality over the last 25 years. Regional levels of ozone and diesel particulate matter have dropped considerably across the State, and all communities have benefitted from these improvements. However, some communities still suffer greater health impacts from air pollution than others. AB 617 directed CARB to establish the Community Air Protection Program to address the disproportionate burdens against which these communities continue to struggle. The Community Air Protection Program requires community-focused and community-driven action to properly address the air quality issues in impacted communities, through a variety of elements:

- Community-level air quality monitoring;
- Enhanced and uniform emissions reporting;
- Accelerated retrofit of pollution controls on industrial facilities;
- Increased penalties for violations of emissions control limits; and
- The creation and adoption of Community Emissions Reduction Programs.

CAP incentives support this broader AB 617 effort by providing immediate air quality benefits to impacted communities.

C. Background on Carl Moyer Memorial Air Quality Standards Attainment Program and Proposition 1B Goods Movement Emission Reduction Program

The Moyer Program is a grant program that funds vehicles and equipment to complement California's regulatory programs to obtain early or extra emissions reductions. These incentives encourage applicants to purchase cleaner technologies and stimulate the marketplace to manufacture these technologies. Although the Moyer Program has grown in scope, it retains its primary objective to obtain cost-effective and surplus emissions reductions that are creditable toward California's legally enforceable obligations in the State Implementation Plan (SIP) – California's road map for attaining health-based national ambient air quality standards.

The Moyer Program is a partnership between CARB and local air districts. For both the 2017-18 and 2018-19 budget cycles, the Legislature directed that Moyer Program eligible projects be eligible for CAP incentives. As mentioned above, the CAP Supplement added targeted refinements to the Moyer Guidelines, specific to CAP incentives, in order to better direct the funds to impacted communities.

Proposition 1B was approved by voters in 2006, and authorized $1 billion in bond funding to CARB to reduce air pollution emissions and health risk from freight movement along California's priority trade corridors. These corridors consist of the

Los Angeles/Inland Empire, the Central Valley, the Bay Area, and the San Diego/Border area. Like the Moyer Program, the Proposition 1B Program is a partnership between CARB and local agencies (air districts and ports). CARB established the program guidelines and awards funding to local agencies. The local agencies then use a competitive process to provide funding to equipment owners for cleaner technology upgrades. Eligible projects include cleaner trucks, locomotives, ships at-berth, cargo handling equipment, transportation refrigeration units, and harbor craft. The Proposition 1B Program is now in its last round of funding. All program funds have been awarded to the local agencies. The local agencies have made their project selections and have entered into contracts with grant recipients. For both the 2017-18 and 2018-19 budget cycles, the Legislature has specified in the budget appropriations for CAP incentives that air districts have the option of using the Proposition 1B Program Guidelines to evaluate possible truck projects, so those elements of the Proposition 1B program apply to this funding.

D. California Climate Investments Requirements

CAP incentives are appropriated from the Greenhouse Gas Reduction Fund (GGRF), so these funds must be spent according to the requirements of California Climate Investments, the statewide program that puts billions of Cap-and-Trade dollars to work reducing greenhouse gas (GHG) emissions, strengthening the economy, and improving public health and the environment – particularly in disadvantaged communities. These requirements are set forth in the *Funding Guidelines for Agencies that Administer California Climate Investments* (CCI Funding Guidelines) (www.arb.ca.gov/cci-fundingguidelines).

The CCI Funding Guidelines address requirements related to facilitating GHG emissions reductions, targeting investments in and benefiting priority populations, maximizing economic, environmental, and public health co-benefits, fostering job creation and job training, coordinating investments and leveraging funds, avoiding potential substantial burdens to disadvantaged and low-income communities, ensuring transparency and accountability, and conducting outreach. Projects funded with CAP incentives align with these goals and requirements, which prioritize the importance of targeting California Climate Investments to communities in a way that meaningfully addresses community needs.

State law requires that at least 25 percent of California Climate Investments be allocated to projects located within and benefiting individuals living in disadvantaged communities and that at least an additional 10 percent go to projects located within and benefiting low-income households or individuals living in low-income communities. For CAP incentives, CARB required in Board Resolution 18-15 that at least 80 percent of the first-year funds must be invested in and benefiting these priority communities, with at least 70 percent spent in and benefiting disadvantaged communities specifically. The same targets have been specified for the second-year funds appropriated in SB 856.

II. PROGRAM BENEFITS TO DATE

A. Introduction

The Legislature appropriated $250 million in fiscal year 2017-18 to implement early action projects in the most vulnerable communities. The funds were administered through the previously-established Moyer and Proposition 1B Programs to ensure benefits would be realized quickly. By statute, 95 percent of the funds were allocated to the three largest air districts, which also have the highest number of disadvantaged and low-income populations in the State. The appropriation allocated the funds as follows:

- 43 percent to South Coast Air Quality Management District (SCAQMD);
- 32 percent to San Joaquin Valley Air Pollution Control District (SJVAPCD); and
- 20 percent to Bay Area Air Quality Management District (BAAQMD).

CARB and the California Air Pollution Control Officer's Association (CAPCOA) coordinated on the distribution of the remaining 5 percent of the first-year funds. The remaining $12.5 million was allocated as follows:

- $3 million to Sacramento Metropolitan Air Quality Management District;
- $3 million to San Diego Air Pollution Control District;
- $4.5 million split between the eight medium air districts; and
- $2 million split across the four small air districts that contain disadvantaged or low-income communities.

When it approved the CAP Supplement in April 2018, the Board provided additional direction that at least 70 percent of the CAP incentives be spent on projects within and benefiting disadvantaged communities (H&SC § 39711). The Board also required that 80 percent of the funds be spent on projects located within and benefiting AB 1550 communities, including disadvantaged communities and low-income communities and households.

B. Initial Reporting

In October 2018, the air districts formally reported their initial progress on spending their first-year funds. The large districts who received the bulk of the funds were the first to receive the grant awards and were able to report significant progress. Within the first six months of the program, more than half of the first-year funds were already committed or under executed contract. Table 1 provides a summary of the emissions reductions and the number of engines reported as of October 31, 2018.

Table 1
Summary of Project Funds and Emissions Reductions Reported

Project Funds	Engines	Emissions Reductions [1]			
		GHG ($MTCO_2e$) [2]	NOx (tons)	ROG (tons)	Diesel PM (tons)
$ 113.4 million	820	64,100	4,800	360	230

[1] Criteria air pollutant emissions reductions are calculated based on the on the Moyer Guidelines, and Proposition 1B Program and GHG emissions calculations use the Quantification Methodology.
[2] Metric tons of carbon dioxide equivalent.

Approximately 93 percent of the committed funding ($105 million) has gone to projects located within and benefiting AB 1550 communities. In addition to funding clean air alternatives, air districts have used CAP incentives have been used to provide incentives projects in and around sensitive receptors such as elementary schools. For example:

- 18 school buses replaced with zero-emission alternatives, and 44 school buses replacements total, resulting in the reduction of about 55 tons of smog-forming ozone precursors;
- 92 heavy-duty on-road vehicles replaced with zero-emission alternatives; and
- 165 heavy-duty vehicles replaced with low-Oxides of Nitrogen (NOx) engines.

The air districts have selected projects that meet their local needs and priorities consistent with guidance and prioritization received from impacted communities. CARB and air districts received guidance from their communities and identified priority sources of concern at 64 different outreach events across the State. These events varied in scope and style and included advisory group meetings, air district Board hearings, summits, and community meetings. Some events were specifically held to discuss CAP incentives, and in some, the incentives were only part of an overall discussion on implementing the requirements of AB 617. In total, there were over 1,500 attendees across all of these events. The three largest air districts identified the following priorities for project selection:

- BAAQMD spent a significant portion of their funds on advanced technology projects at ports, such as $5 million to fund hybrid rubber-tire gantry cranes at the Port of Oakland.
- SJVAPCD focused much of their funds on reducing emissions in the agricultural sector, where many of the most vulnerable communities in the air district reside.
- SCAQMD spent nearly 50 percent of their funds to replace on-road heavy-duty vehicles with Low-NOx and zero-emission technology.

III. STAFF PROPOSAL

A. Introduction

The Legislature appropriated $245 million in Fiscal Year 2018-19 through SB 856 for second-year incentives to continue supporting the goals of AB 617. The Legislature directed CARB to distribute the funds to the air districts to select projects that would benefit communities selected for community air monitoring and/or emissions reduction programs pursuant to AB 617, or that CARB is considering for selection in future years. SB 856 calls for new categories of incentives. Eligible project types for second-year funds include:

- Mobile source projects. Eligibility continues through either the Moyer or Proposition 1B Programs, with a focus on zero-emission equipment;
- Zero-emission charging infrastructure projects. Eligibility continues with a focus on medium- and heavy-duty vehicle infrastructure;
- Stationary source projects. New eligibility for the replacement of equipment at locations of stationary sources of air pollution not subject to the Cap-and-Trade Program, which will result in direct reductions of TACs or criteria air pollutants; and
- Community-identified projects. New eligibility for programs developed by an air district consistent with the actions identified in the applicable Community Emissions Reduction Program pursuant to AB 617 provided there is community input through a public process.

Mobile source incentives serving the needs of AB 617 will continue under the existing framework developed for first-year funds, but stationary source incentives, as well as community-identified projects, require a new framework for implementation. To address the Legislative direction in SB 856 and the new funding opportunities listed above, staff proposes the following:

- Codify guiding principles to inform the use of CAP incentives;
- Add funding guidelines for two new categories of projects, hexavalent chromium reduction and air pollution reduction in schools to serve as models for future stationary source and community-identified projects;
- Include program administration guidance similar to that provided for the Moyer Program;
- Incorporate the CAP Supplement and update to include non-substantive clarifications, and to provide additional eligibility for zero-emission school bus projects; and
- Delegate to the Executive Officer authority to modify existing project categories or add new project categories as necessary to support the further implementation of AB 617, including developing criteria to allow communities and air districts the flexibility to design their own projects to suit their needs.

The new CAP Guidelines will provide the framework necessary to direct the second-year CAP incentives to each eligible project type identified in SB 856. The Moyer Program has become a model for many incentive programs due to its

successful implementation year after year. Therefore, staff proposes that the established requirements in the Moyer Guidelines serve as the initial framework for the administrative chapter of the CAP Guidelines, with changes as necessary to reflect statute and the principles of the Community Air Protection Program. The new CAP Guidelines will also incorporate by reference the Board-approved CAP Supplement, to continue mobile source incentives. Finally, since the funds appropriated through SB 856 come from the GGRF, requirements from the CCI Funding Guidelines will be incorporated.

The first proposed new project category would begin to address the need for emissions reductions from stationary sources of air pollution, by providing incentives for control of hexavalent chromium emissions from chrome plating operations. Hexavalent chromium is a potent TAC that has been identified in CARB's *Community Air Protection Blueprint* as one of the major stationary sources targeted for additional emissions reduction measures.

For community-identified projects, staff proposes reducing air pollution in schools through a suite of project types for kindergarten through twelfth-grade schools. Protection of sensitive receptors such as children has been commonly identified as a priority concern in a wide variety of communities, and is a specific goal of AB 617. Projects in this category would reduce children's risk of toxic exposure in classrooms as well as emissions of criteria air pollutants in and around schools. The proposed new project types would add replacement of aging furniture with low- or no-added formaldehyde products, zero-emission lawn and garden equipment replacement, and air filtration enhancement to the already existing opportunities within CAP incentives to fund cleaner school buses and provide supporting infrastructure.

These new proposed stationary source and community-identified projects would begin addressing the full range of incentives called for in SB 856. A number of communities have already identified some high-priority concerns; however, conversations are still ongoing, and many communities are likely to identify additional opportunities.

Delegating the authority to the Executive Officer to modify the CAP Guidelines or add new project categories on an as-needed basis would allow for continued progress in impacted communities and ensure that newly identified concerns can be addressed in a timely manner. One way staff proposes this authority be used is to develop criteria that would allow communities and air districts the flexibility to design their own projects to suit their needs. This delegation would be similar to the delegation already provided to the Moyer Program, and would include a public workshop and 45-day notice to ensure community concerns are heard and addressed.

B. Guiding Principles for Community Air Protection Incentives

As a new incentive program with the primary objective of being responsive to community concerns and priorities to provide immediate air quality benefits, staff proposes a set of guiding principles to act as general criteria for air districts to follow

when selecting and implementing projects. These principles would ensure the voices of community groups will guide project prioritization and selection at the air district level, as well as guide continued development of the CAP Guidelines by CARB staff. These principles are derived from statutes, Board direction, and policy documents that apply to CAP incentives such as the *Community Air Protection Blueprint* and the CCI Funding Guidelines. The proposed principles, along with rationales, include:

- **CAP Incentives Will Reduce Emissions in AB 617 Communities.** These funds must provide emissions reduction benefits to communities identified through AB 617 or AB 1550. A reduction in emissions must occur within and directly benefit a designated community but funds should not solely be limited to the ten communities selected by the Board in 2018. CAP incentives will be used to reduce emissions from mobile and stationary sources as well as other project categories that are included in these CAP Guidelines, including those subsequently approved by the Executive Officer and incorporated therein. Furthermore, air districts must use CAP incentives consistent with the Community Emissions Reduction Programs, where area-wide sources may also be considered. Ideally, incentives will be used in support of and in conjunction with planning policies to improve mobility and land use to reduce exposure and proximity issues in heavily-impacted communities (*Community Air Protection Blueprint, Appendix B, Appendix C-14; SB 856 Section 36; CCI Funding Guidelines p. 36; AB 134, AB 1550*).

  Rationale for Principle: CAP incentives are a way to reduce emissions and exposure in communities with high pollution burden, to support the objectives of AB 617 while also meeting requirements that apply to GGRF appropriations under AB 1550. The specific communities that benefit from CAP incentives will be those identified in Appendix B of the *2018 Community Recommendations Staff Report* (https://ww2.arb.ca.gov/resources/documents/appendix-b-table-metrics), or disadvantaged and low-income communities identified under AB 1550 (and previously SB 535). The Board specified disadvantaged community and low-income community funding targets to meet with AB 134 funds; the same targets have been specified for SB 856 funds (70 percent within disadvantaged community census tracts, 10 percent within low-income, as per Board Resolution 18-15). These targets are consistent with the statutory objectives for CAP incentives and support the overall targets for California Climate Investments specified in AB 1550. Because the sources that contribute to pollution burdens are unique to each community, both mobile and stationary sources must be considered. Area-wide sources may also be an element of Community Emissions Reduction Programs.

- **Funds Will Benefit AB 617 Communities Selected and Under Consideration.** Air districts will focus CAP incentives in communities that the Board has selected under AB 617 or is considering for future selection

(*SB 856 Section 36, provision 4; Community Air Protection Program 2018 Community Recommendations Staff Report*).

Rationale for Principle: In September 2018, the Board selected ten communities as initial participants in the Community Air Protection Program. These ten communities are diverse in terms of both location and sources of local pollution burdens. The diverse initial selection of communities will allow the Board and the air districts to explore a variety of strategies to address community-level air quality issues suffered by other communities statewide, even as the concerns in the selected communities are addressed. As directed by SB 856, areas being considered for future selection will also be priority areas for CAP incentive projects. The *2018 Community Recommendations Staff Report* indicates that priority areas for future consideration include communities identified by air districts in their first-year recommendations, recommendations provided by community-based organizations, and community members.

- **Projects Must Consider air toxics, Criteria Air Pollutant and Greenhouse Gas Benefits.** Air districts must focus CAP incentives on projects that reduce particulate matter with a diameter less than 2.5 micrometers (PM 2.5) and community-specific TACs, especially where needed to support Community Emissions Reduction Programs. In addition to reducing TAC and PM 2.5 emissions, projects using CAP incentives may deliver reductions in other air pollutants including GHGs and ozone precursors. (*Community Air Protection Blueprint, Appendix C-6; SB 856 Section 36, provision 3(a)*).

  Rationale for Principle: Reduced exposure to TACs is a high priority for all communities, while other pollutants of concern for cumulative exposure burdens are community-specific. Incentives should support AB 617's emphasis on reducing exposure to TACs that contributes to each community's burden, especially where toxic risk has been identified for a community. For example, communities with chrome platers may prioritize reductions of hexavalent chromium emissions, while communities adjacent to ports or other freight hubs may prefer a stronger focus on truck electrification to reduce diesel particulate matter exposure.

  Projects will often deliver reductions in ozone precursors and GHGs, especially where old engines are being replaced. NOx reductions remain important in ozone nonattainment areas and may be a co-benefit of some projects. Air districts must show a net reduction in GHGs from CAP incentives as California Climate Investments, and this requirement may affect project selection.

- **Community Outreach and Support are Essential.** Air districts will designate funds to projects consistent with priorities identified by communities in a transparent and meaningful public process. Air districts will include community outreach information in disbursement requests and in semi-annual reports for CAP incentives. For Community Emissions Reduction Programs,

air districts will provide an annual summary of outreach conducted to promote funding opportunities, solicit ideas from community steering committees, and identify project priorities. Community outreach information includes dates, times, locations, meeting formats, attendance, accessibility and language interpretation, and meeting materials. (*SB 856 Section 36, provisions 4(a) and 6; Community Air Protection Blueprint, Appendix C-42*).

Rationale for Principle: All air districts receiving grants for CAP incentives are required to engage in public outreach and dialogue with community members, including community steering committees for areas selected by the Board. Air districts must select and fund projects in accordance with ideas and direction received during community outreach in order to respond effectively to the mandate and promise of AB 617 (projects must also be consistent with eligibility requirements in applicable statutes and guidelines).

- **Ensure Emissions Reductions in Excess to Laws or Regulations.** Projects must provide emissions reductions that are in excess to those required by law or regulation (*SB 856 Section 36, provision 4(b)*).

  Rationale for Principle: SB 856 requires that projects selected deliver emissions reductions that would not otherwise occur through regulations or other legal mandates. Under SB 856 projects must deliver emissions reductions that "complement and further the rules and regulations that the State Air Resources Board and air districts have established or are in the process of developing to reduce or mitigate emissions from mobile and stationary sources" as they implement AB 617.

- **Prioritize Zero-Emission Technology and Infrastructure.** Where feasible and supported by communities, air districts will focus on funding zero-emission technologies, including zero-emission charging infrastructure that supports medium and heavy-duty vehicles. (*Community Air Protection Blueprint, Appendix C-18, CARB Resolution 18-5, SB 856 Section 36, provision 5(b), Governor's 2018 ZEV Action Plan Priorities Update*).

  Rationale for Principle: The Moyer Guidelines include as an eligible source category charging stations for zero-emission vehicles. SB 856 places particular emphasis on funding charging stations for medium and heavy-duty vehicles. This aligns with support voiced at CAP incentives workshops in 2018 for reduced emissions from truck travel near and within disadvantaged communities, as well as the policy objectives specified in the state's ZEV Action Plan. Where supported by community members, air districts should use CAP incentives for charging infrastructure projects at distribution centers and other indirect sources for medium and heavy-duty truck travel.

  In addition, for first-year CAP incentives, which are limited to mobile sources, CARB directed air districts to "prioritize zero-emission vehicles or infrastructure wherever feasible." For second-year CAP incentives, SB 856 directs that funds be used to purchase cleaner mobile source technologies

"with a priority on zero-emission equipment," or for "zero-emission charging infrastructure," or to "replace stationary source equipment and technologies that will result in direct emissions reductions of TACs and criteria air pollution, including zero-emission technologies."

- **Consider Special Projects for Sensitive Receptors.** Air districts will consider special projects that contribute to proximity-based goals for sensitive receptors. These may include land use, transportation, health-protective mitigation measures, and design strategies in consultation with communities and CARB. (*Community Air Protection Blueprint, Appendix C-19*).

  Rationale for Principle: In many communities, the proximity of emissions sources to nearby sensitive receptors like schools, homes, day care centers, and hospitals further exacerbates the cumulative exposure burden. Addressing the cumulative exposure burden in communities may require proximity-based actions with a role for incentives. Where community members recommend such actions, air districts will work with those community members to develop innovative pilot projects consistent with Community Emissions Reduction Programs created pursuant to AB 617, and CARB will consider developing guidelines as needed to implement similar projects in other communities.

- **Transparency in Project Selection and Reporting.** Air districts will post and keep current information on their AB 617 and community-specific websites, about CAP incentives available, and the process for selection of projects. Air districts will notify affected communities and allow opportunity for comment prior to making funding decisions. Air districts will report to CARB semi-annually on their projects with executed contracts. Where projects and programs are included in or respond to strategies in Community Emissions Reduction Programs, air districts will include information on funds distributed, equipment deployed, and emissions reduced in the program's annual status update. (*Community Air Protection Blueprint, Appendix C-12 and C-39; Funding Guidelines for Agencies that Administer California Climate Investments, Sections IV and VI*).

  Rationale for Principle: Accountability and transparency are essential to the success of both AB 617 and California Climate Investments. The information is used to demonstrate how California is achieving multiple statutory objectives, and achieving those objectives with public funds is a matter of public trust.

- **Consider Both Cost-Effectiveness and Exposure Reduction in Funding Decisions.** As part of their assessment of CAP incentives strategies for Community Emissions Reduction Programs, air districts will consider the relative cost-effectiveness for all potential projects, including those that fall under SB 856, Section 36, Provision 6. Mobile source strategies outside of those contained in the CAP Guidelines will meet Moyer Program or Proposition 1B Program cost-effectiveness requirements as applicable.

Stationary source project funding should also be directed towards the most cost-effective stationary source projects. Air districts will document their cost-effectiveness methodologies and calculations, especially where choices must be made about where to focus funds relative to the exposures to different pollutants. Decisions to include less cost-effective projects in Community Emissions Reduction Programs must consider the support of the community steering committee, community-based organizations, and community members, but these community steering committees, organizations, and members must be informed of relative risk when comparing strategies that address different sources and different pollutants. (*Community Air Protection Blueprint, Appendix C-23; AB 617*).

Rationale for Principle: AB 617 requires Community Emissions Reduction Programs to identify cost-effective measures to achieve emissions reduction targets, and requires reductions in air toxics as well as criteria air pollutants. A fair assessment of cost-effectiveness must be well documented for consideration by communities prior to funding decisions.

C. Hexavalent Chromium Plating Facilities

Senate Bill 856 allows funding for stationary sources, specifically those not subject to the California Cap and Trade Program, and requires that the funded projects reduce emissions of TACs and criteria air pollutants. While there are many sources of concern, the initial focus must be on those of greatest concern identified among heavily-impacted communities. Chrome plating facilities are a significant source of hexavalent chromium emissions in impacted communities and are identified in CARB's *Community Air Protection Blueprint* as one of the stationary sources most in need of additional emissions reduction measures.

Hexavalent chromium emissions are situated at a nexus that suggests opportunities for incentives: identification in the *Community Air Protection Blueprint*, availability of control technology options and less toxic alternatives, potential emissions reductions beyond those required by local rules, and the potential for reductions in TAC exposure. The Board identified hexavalent chromium as the second most potent TAC in 1986, and the California Emission Inventory Development and Reporting System 2016 data shows significant hexavalent chromium emissions in communities selected by the Board as the first round of targeted areas for AB 617 Community Emissions Reduction Programs. Approximately 150 chrome plating facilities using hexavalent chromium are in operation in California. Finally, although there is a statewide Hexavalent Chromium Airborne Toxic Control Measure for Chrome Plating and Chromic Acid Anodizing Operations (title 17, CCR, § 93102) (Chromium Plating ATCM), there are technologies and chemical substitutions that can reduce emissions beyond what is required.

Hexavalent chromium plating is an electrolytic process that deposits a chromium layer on an object by submerging the object in a bath solution containing chromium anhydride, commonly called chromic acid. The electrical current charged to the plating bath causes the chromium metal to fall out of solution and deposit onto the

object. Chromic acid anodizing is an electrochemical conversion process that results in a metal oxide surface making the processed object more durable and resistant to corrosion without depositing a metallic chromium layer.

Chromium plating is mainly used to provide a decorative finish, corrosion protection, or increased durability. The most familiar chrome plated objects are decorative such as shiny metallic plumbing fixtures or automotive wheels. Hard chromium plated objects have thicker layers and greater protection against corrosion and wear, and can include engine parts, industrial machinery, and tools.

Hexavalent chromium plating's electrolytic process forms a hexavalent chromium mist that is released into the air and can be inhaled and entrained by the lungs. There are also non-electrolytic process tanks that can contain and emit hexavalent chromium because of pre- or post-plating steps such as stripping, rinsing, or sealing. Prolonged exposure to hexavalent chromium can cause lung cancer and other non-cancer health effects.

The Chromium Plating ATCM controls hexavalent chromium emissions by requiring the use of chemical fume suppressants and add-on control technology depending on annual usage and proximity to sensitive receptors. Facilities, especially those close to sensitive receptors and AB 617 communities, could take additional actions to reduce hexavalent chromium emissions even further than required. For hard chromium plating and chromic acid anodizing operations, those actions could include the use of permanent total enclosures (PTE), HEPA add-on pollution control (APC) systems, conversion to the less toxic trivalent chromium plating operations, or other technologies that provide reductions that are in excess of those otherwise required by federal, State, and local rules and regulations.

Staff believes there are trivalent plating solutions on the market now that can work for the vast majority of decorative chrome platers. Therefore, conversion to trivalent chromium plating is the preferred control option for decorative chromium plating operations. Trivalent chromium conversion would provide health risk reductions, but it should be recognized that the operations remain subject to requirements under the Chromium Plating ATCM. Currently, for trivalent chromium plating, facilities can use either a wetting agent as a bath ingredient or can meet an emissions limit for total chromium through the use of various air pollution control options. The controls needed for trivalent chromium conversion may vary by facility. Examples of equipment that may be required for trivalent chromium plating conversion include the following:

- Trichrome plating tank
- New plating anodes
- Trichrome rinse tanks (including pre-rinse tank)
- New rectifier
- Tank air agitation system with air blower
- Continuous filtration system
- Tank heating/cooling system

- Amp-hour meter/feeders with pumps
- Ion exchange system

The estimated costs of hexavalent chromium emission control technologies are shown below in Table 2:

Table 2
Eligible Hexavalent Chromium Control Technology Cost Estimates

Eligible Technology	Cost Estimate
APC System	$115,000 - $280,000
Trivalent Chromium Conversion	$ 70,000 - $ 80,000
PTE	$ 55,000 - $430,000

Staff proposes to establish funding guidelines for chrome plating and chromic acid anodizing facilities to reduce emissions of hexavalent chromium. Projects that go beyond the requirements of the Chromium Plating ATCM, including those technologies listed above, would be eligible. An initial performance test that follows approved test methods described in the Chromium Plating ATCM would be required to verify the emission levels of the control technology. The full cost of the initial performance test, estimated to be approximately $20,000, would be eligible for funding.

For hard chrome plating operations, staff proposes that air districts be allowed to fund up to 90 percent of a project's eligible cost with CAP incentives. This is intended to strike a balance between providing the majority of the funding to enable projects to be completed quickly, but still have the recipient of the funding have a vested interest in the success of the project. For decorative chrome plating operations, staff proposes that up to 90 percent of eligible costs be awarded for conversion to trivalent chromium projects while all other projects would be awarded up to 80 percent of eligible costs. This separate percentage cap is designed to encourage decorative platers to use the less toxic trivalent chromium operation, help prioritize a more cost-effective option, and ultimately leads to maximum hexavalent chromium emissions reductions. In addition, staff proposes to establish cost caps of $300,000 for the total grant or $23 per cubic foot per minute for ventilation systems.

Although the initial focus of this proposed project category will be on the reduction of hexavalent chromium emissions from electroplating and chromic acid anodizing facilities, staff intends for this project category to serve as a model framework for funding other stationary sources as other priorities are identified through continued community engagement.

D. Reducing Air Pollution in Schools

Protection of sensitive receptors, particularly children, was called out as a specific focus of AB 617, and was also a commonly identified concern among community members at public meetings and public workshops. Staff recognizes that cleaning up schools needs to be a priority. Young children are more susceptible to health

risks from pollution exposure, and spend up to ten hours a day at school. It is important to address harmful air pollutants that may be found in classrooms, including particulate matter, volatile organic compounds, and formaldehyde. Improving indoor air quality in schools is crucial to protecting children's health.

Some of the project types in this category reduce emissions, but all of them reduce exposure to those emissions. Reducing the risk of exposure to TACs and criteria air pollutants is specifically called out as a goal in SB 856. Additionally, addressing concerns of air pollution in and around schools is a commonly identified concern amongst a variety of communities, and a specific focus of AB 617. This project category could be used for community-identified projects in an air district's Community Emissions Reduction Program, although these projects are not restricted to those communities. Air districts could implement these projects in a more general sense as a way to maximize air quality benefits for sensitive receptors.

Air districts would work together with communities to identify a project or projects a at school in a disadvantaged community or work with a specific school district(s) to develop a comprehensive plan using a number of elements included in this chapter to reduce the overall health risk at a school site or school district within a disadvantaged community. School bus projects would remain an option for any public school.

Improving school transportation through replacement of school buses or other heavy-duty vehicles in a school district's fleet, paying for the incremental cost of new composite wood products such as desks and other furniture, replacement of compression ignition lawn & garden equipment (L&GE), and enhancing or replacing aging air filtration systems can all reduce the risk of exposure for children at schools.

The Reducing Air Pollution in Schools category would include the following project types:

- **School Transportation.** Heavy-duty diesel vehicles, such as school buses that transport school children to and from schools, are a significant source of air pollution and exposure risk to children. A variety of incentives programs already exist to aid in the cleanup of school district fleets, including both the yellow fleets (school buses) and white fleets (supporting vehicles), CAP incentives specifically can already be used per the Moyer Guidelines and Guideline Supplement to fund zero-emission technologies and the infrastructure that supports them. At this time, staff does not propose any changes to affect those projects.

  However, staff is following the progress of the Clean Mobility in Schools Pilot Project, which is part of the *California Climate Investments Fiscal Year 2018-19 Funding Plan for Clean Transportation Incentives*. Public kindergarten through twelfth grade schools deploying a range of clean mobility options such as light and heavy-duty zero-emission vehicles, charging infrastructure, active transportation projects like bike sharing and vouchers for public transit, anti-idling measures, and zero-emission lawn and

garden equipment, will compete for funding. Outreach and awareness are also important aspects of this project. Selection of schools deploying this project is estimated to be in late 2019. The Clean Mobility in Schools Pilot Project will support some of the same projects already eligible in the Moyer Program and CAP incentives but will potentially go farther, providing funds for an array of transformative project types. Examples of such strategies may include education and outreach to reduce vehicle idling around schools, or bike sharing programs for students. As successes are identified in the Clean Mobility in Schools Pilot Project, the project types will be considered for inclusion in CAP so that more communities can take advantage of the opportunities they provide.

- **Composite Wood Products.** Composite wood furnishings such as tables, desks, chairs, cabinets, toys, etc., use wood bonding adhesives and resins including formaldehyde. Formaldehyde was designated as a TAC in California in 1992. CARB's Airborne Toxic Control Measure (ATCM) (2009) regulates formaldehyde emissions in new composite wood products and finished goods that contain composite wood products. As furniture ages and needs to be replaced, composite wood products sold in California must meet formaldehyde emission standards and other requirements established under the ATCM.

  Replacing older furniture that does not need to be replaced would yield little to no benefit because the furniture has already off-gassed. However, if old composite wood furniture needs to be replaced, staff proposes paying for the incremental cost of replacing the aged composite wood furniture with new composite wood products made with no added formaldehyde (NAF) or ultra-low emitting formaldehyde (ULEF) glues. Currently, most furnishings are made with composite wood material that complies with CARB's ATCM (rather than lower-emitting NAF or ULEF composite wood products). A desk meeting these standards might cost $200. However, the cost to replace an elementary school student's aging desk with a new desk meeting made with cleaner NAF or ULEF glues may cost $250. In this example scenario, the incremental cost is $50.

  The incentives would drive schools to purchase lower-emitting furniture products and decrease the amount of exposure by off-gassing that would have occurred if they instead purchased standard furniture meeting the ATCM requirements.

- **Zero-Emission Lawn and Garden Equipment Replacement.** Use of internal combustion Lawn and Garden Equipment (L&GE) during maintenance of schoolyards and sporting athletic fields exposes children and equipment operators to elevated levels of air toxics and criteria air pollutants. Recent improvements in battery technology and commercial availability of L&GE provide an opportunity to transition this equipment to zero-emission. Staff proposes incentivizing 70 percent of the purchase price

for a wide variety of eligible equipment types – including lawn mowers, chainsaws, leaf blowers, trimmers and others, as well as batteries and chargers, as shown in Table 3, below. Air districts will have the discretion to include or exclude additional equipment and funding depending on the local priorities and community needs.

Table 3
Funding Amounts for Zero-Emission Lawn and Garden Equipment

Equipment Type	Equipment Funding Amount	Funding Amount for Additional Batteries and/or Charger
Chainsaws/Polesaws, Edgers, Trimmers, Blowers/Vacuums	70 percent of purchase price up to $400	70 percent of purchase price up to $400
Walk-Behind Mowers	70 percent of purchase price up to $750	70 percent of purchase price up to $750
Ride-On or Standing Ride Mowers	70 percent of purchase price up to $15,000	Not Eligible

While the majority of equipment types included are handheld equipment, riding mowers are also included because transformation to zero-emission technology would achieve much greater reductions.

In all cases, the funding amounts are commensurate with the incentives offered by some air districts in other successful programs. Although equipment prices can vary widely, the funding amounts are also capped by a representative purchase price for each equipment type.

- **Opportunities for Air Filtration Enhancements and Replacements.** The installation of effective air filtration devices in school classrooms can be an important measure to help reduce the exposure of school children to pollutants originating outdoors, especially in schools located near busy freeways, refineries and other sources of air toxics. Improving air quality within classrooms has been clearly identified as a high priority by communities, yet this project type would require additional data to accurately and completely characterize funding criteria and eligibility. A thorough characterization is important because there are several technical considerations to be addressed when making improvements to air filtration in classrooms. Schools with older heating and ventilation (HVAC) systems were not designed with air filtration in mind. The classroom is a noise-sensitive environment, and filtration systems must meet strict decibel limits when in operation. Classrooms often have high ventilation rates with doors and windows that are frequently open to outside air. In addition, classrooms are large, densely occupied spaces with significant activity that can lead to indoor generation of particles and other pollutants.

  SCAQMD has conducted a study on air filtration in classrooms, and continues to support updated air filtration at schools with funding from supplemental

environmental projects. To date, SCAQMD has provided funding to nearly 90 schools in disadvantaged communities near the Port of Los Angeles, Boyle Heights and several other disadvantaged communities in the SCAQMD basin. Staff is working with SCAQMD to understand their experiences and build upon lessons learned. At this time, staff proposes including some basic framework for this type of project, with direction to the Executive Officer to develop all necessary additional criteria, including funding amounts.

E. Modification to the CAP Supplement to Expand Eligibility for Zero-Emission School Bus Projects

Outside of the scope of the previous new project category for reducing air pollution in schools, staff proposes to modify the CAP Supplement, approved by the Board in April 2018, to include additional flexibility for zero-emission school bus projects. To be eligible for the Moyer Program, school bus fleets must demonstrate compliance with the requirements of the Statewide Truck and Bus Regulation (Regulation), both for the individual vehicle involved in the project as well as the fleet as a whole. The Board directed in Resolution 18-15 that CAP incentives "… should prioritize zero-emission vehicles or infrastructure whenever feasible," and SB 856 states that "funds shall only be allocated to projects that will provide emission reductions that are in excess of those otherwise required by law or regulation."

Zero-emission school bus projects generate emissions reductions in excess of those required by the Regulation regardless of compliance status. Applicants seeking CAP incentives funding for zero-emission school bus projects that serve schools in disadvantaged or low-income communities would be exempt from demonstrating compliance with the Regulation.

F. Program Administration and Implementation

The proposed CAP Guidelines administrative chapter describes the administrative procedures and program management that CARB, air districts, and interested parties would follow to ensure that CAP incentives projects are in alignment with TACs and emissions reduction goals under the Community Air Protection Program, while showing the public complete accountability and transparency.

The Moyer Program has become a model program for incentive funding because of its successful implementation over the years. Therefore, staff has used the established Moyer Guidelines as the initial framework for creating the administrative chapter of the proposed CAP Guidelines. The overall outline of the chapter will be the same as the Moyer Guidelines, with changes proposed to reflect statute and emphasize community engagement and other principles of the Community Air Protection Program. Below is a list of the proposed changes that highlight principles of the CAP incentives to be included in the administration chapter:

- **Air District Grant Awards and Funding.** The administration chapter outlines principles that staff would use when determining grant award allocation amounts, as the number of air districts and selected communities

receiving allocations may vary from year to year depending on the direction of statute and community selection and prioritization. This methodology is in contrast with the Moyer Program wherein air district allocations are prescribed in the Health and Safety Code.

To ensure that community voices guide the prioritization of project selection, air districts will be required to submit documentation showing community participation and engagement when receiving disbursements, along with a list of projects indicating how each project satisfies the criteria to benefit priority populations as described in the CCI Funding Guidelines. Air districts unable to meet the general terms and conditions of the CAP incentives grant agreement would be able to redirect their funds to another participating CAP incentives air district, upon approval from CARB.

- **Documentation and Reporting.** With the establishment of the CAP Guidelines, participating air districts would need to develop a Policies and Procedure Manual specific to the use of these funds. The Policies and Procedure Manual will focus on the air district's local implementation of the CAP Guidelines, including roles and responsibilities within the air district and local application of requirements, and will be similar in scope to Policies and Procedures for implementing the Moyer Program, with differences that emphasize the importance of community engagement.

  Additional reporting requirements are required for air districts receiving CAP incentives, to ensure the use of funds supports the goals and principles of the Community Air Protection Program and the requirements of the California Climate Investments. The proposed CAP Guidelines will provide guidance to air districts to help them report information and data necessary to track the progress of funding liquidation, community participation and outreach, project information, interest earned, project location, benefits to AB 1550 populations, jobs created, and emissions reductions.

G. Delegation to Revise the CAP Guidelines

An integral part of staff's proposal is to delegate to the Executive Officer the authority to modify existing categories or add new categories to the CAP Guidelines as the need arises. This authority would be similar to the authority already provided to the Moyer Program, and would include a public workshop and 45-day public comment period to ensure community concerns are heard and addressed.

One way staff proposes this authority be used is to develop criteria that would allow communities and air districts the flexibility to design their own projects suited to their needs. Staff would develop broad criteria that would allow selected communities, as part of their Community Emissions Reduction Programs, to generate their own projects, and empower air districts to ensure the projects meet the basic requirements of AB 617. The authority to create additional program categories as necessary would also allow staff to consider successfully implemented community

pilot projects into complete categories so that other communities statewide that have similar concerns may benefit from these efforts.

IV. CALIFORNIA ENVIRONMENTAL QUALITY ACT

CARB conducts any environmental review required by the California Environmental Quality Act (CEQA) under its program certified by the Secretary of Natural Resources Agency (title 17, California Code of Regulations, §§ 60001-60007). Staff has determined that the proposed CAP Guidelines are not a "project" subject to CEQA review because the incentives governed by the proposed CAP Guidelines are a government funding mechanism or other government fiscal activity that does not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment (title 14, California Code of Regulations, § 15738(b)(4)). The CAP incentives are implemented using the existing Moyer Program and Proposition 1B Program framework, or a similar framework in which the projects to be funded are selected by the local air districts. The districts receive grant funding from CARB, but are ultimately responsible for selecting the projects to fund that best fit the needs of their community.

Even if the CAP Guidelines constituted a CEQA "project," CARB's approval of the CAP Guidelines would be exempt from CEQA review under title 14, California Code of Regulations, § 15061(b)(3) because it can be seen with certainty that there is no possibility that the proposed CAP Guidelines may have a significant adverse impact on the environment. These CAP Guidelines will primarily be used to determine project eligibility and funding opportunities that achieve emission reductions or enable emission reductions beyond what is required by existing regulations. The requirements set forth in these CAP Guidelines will not result in any significant adverse impacts on the environment; rather, they have the potential to result in beneficial air quality impacts by reducing emissions of criteria air pollutants and TACs.

V. SUMMARY AND RECOMMENDATIONS

Staff recommends the Board approve the proposed *Community Air Protection Incentives 2019 Guidelines*. The CAP Guidelines will enable air districts to select and fund stationary source projects and community-identified projects in communities selected as part of AB 617 and in communities under consideration for future selection. Mobile source incentives will continue to play a role based on the prioritization of pollution sources identified by communities, but for those communities that suffer under the added pollution burdens of stationary sources, the CAP Guidelines would begin to address them.

The Community Air Protection Program is still early in its development, and so it is instrumental to the success of the program that these incentives can continue to bring immediate benefits to the communities that suffer from disproportionate levels of air pollution. Air districts have already made significant progress in providing immediate air quality benefits to disadvantaged and low-income communities using the funds appropriated in the Budget Act of 2017; however, the scope must be expanded to address additional sources of concern in those communities as called for in SB 856.

The new project categories proposed in this report represent the first step in expanding the scope of CAP incentives to address a broader array of concerns. Delegating the authority to the Executive Officer to modify these categories or add new ones as necessary would ensure the next steps are taken swiftly to deliver air quality benefits realize the full potential of AB 617. CARB and the air districts are committed to continue the conversations with community members in order to gain a clearer understanding of local priorities, which staff may then use to develop additional categories to expand available funding options in an expedient manner.