

To: **Liane M. Randolph, Chair**
Honorable Board Members

From: Richard W. Corey, Executive Officer

Date: December 20, 2021

Subject: 2021 Report on Assembly Bill 617 Community Air Protection Incentives

On May 23, 2019, the California Air Resources Board (CARB or Board) approved the *Community Air Protection Incentives 2019 Guidelines* (Guidelines) which contain criteria and eligibility for Community Air Protection (CAP) incentives supporting Assembly Bill (AB) 617 (C. Garcia, Chapter 136, Statutes of 2017). In Resolution 19-12, the Board delegated authority to the Executive Officer to modify the Guidelines as necessary, and directed that staff provide regular progress updates to members of the Board. This memo includes the most recent air district progress reported to CARB during the May 2021 reporting period.

At the Board meeting on October 28, 2021, community members and air districts expressed a strong desire to bring the benefits of AB 617 to all communities in need. Community members reinforced that the overarching goal is for CARB and local air districts to take lessons learned in this process and ensure that community perspectives, with a focus on equity, are centered in how we address air quality concerns across the State. Selected communities are required to develop Community Emissions Reduction Programs. Through the CAP incentive program, we want to ensure those selected communities are well-supported by CAP incentives. However, CAP incentives also provide a key opportunity to help realize benefits to communities with pressing community health and environmental needs, that have not yet been selected. The overarching challenge of the Community Air Protection program is to identify and implement strategies, including the use of incentives, without requiring community selection into the program.

To date, air districts have expended \$372 million in CAP incentives, with \$108 million spent in selected communities. The majority of the remaining \$264 million spent so far has been in other disadvantaged and low-income communities throughout the State. We recognize the need to ensure that CAP incentives are spent with the same level of community partnership across the State; therefore, staff will embark on a community-focused process to develop revisions to the CAP incentives program to better ensure that these learned experiences are incorporated into the program.

Background

AB 617 directed CARB, in conjunction with local air districts, to establish the overall CAP Program. Specifically, AB 617 directed CARB and the air districts to actively engage with members of heavily impacted communities, follow their guidance, and address local criteria

air pollutant and toxic air contaminant sources of concern through a variety of strategies including permitting, enforcement and rulemaking, as well as incentives.

The CAP Program focuses on addressing the concerns of communities that continue to suffer from disproportionate cumulative air exposure burdens through the creation of air monitoring plans and emissions reduction programs for communities selected by CARB to participate. Since 2017, the California Legislature has appropriated money annually from the Greenhouse Gas Reduction Fund (GGRF) for incentives to support AB 617. In advance of initial community selection in 2018, the Legislature directed that CAP incentives appropriated in Fiscal Year (FY) 2017-18 be focused in disadvantaged and low-income communities through the Carl Moyer Memorial Air Quality Standards Attainment Program (Carl Moyer Program) and the Proposition 1B Goods Movement Emission Reduction Program (Proposition 1B Program) to provide immediate air quality benefits in heavily impacted communities. Additionally, the Board directed that at least 70 percent of funds must be spent on projects within and benefiting disadvantaged communities, and that at least 80 percent of funds must be spent on projects within and benefiting a combination of disadvantaged and low-income communities. With subsequent appropriations, the Legislature included specific direction to prioritize spending funds in AB 617 selected communities, on zero-emission technologies wherever feasible, and additional incentive options for stationary and community identified sources.

Current Progress on \$964 million of CAP Incentives

Starting from FY 2017-18 the Legislature has appropriated \$704 million in CAP incentives between FYs 2017-18 and 2019-20, and an additional \$260 million in FY 2021-22 (Table 1 in Appendix A). The Legislature initially appropriated incentives to generate immediate air quality benefits in communities most likely to participate in AB 617 – primarily disadvantaged communities – as the rest of the Program began to take shape. Additionally, the Board set specific priority population investment targets for the funds: 70 percent in and benefiting disadvantaged communities and 80 percent in and benefiting disadvantaged or low-income communities. So far, air districts have expended \$372 million in CAP incentives on projects. They expended \$303 million or 81 percent in disadvantaged communities, and \$350 million or 94 percent in disadvantaged and low-income communities – well beyond the targets set by the Board (Table 2 in Appendix A).

After the initial CAP incentives appropriation in FY 2017-18, the Legislature provided new direction for air districts in FY 2018-19 to shift priorities from immediate air quality benefits in disadvantaged and low-income communities to focus on communities selected to participate in AB 617. Collectively, the air districts have expended over \$108 million in AB 617 selected communities so far (Table 3 in Appendix A). The Board also directed that air districts prioritize investments in zero-emission vehicles and infrastructure: air districts have expended over \$63 million, or 17 percent of the total expended so far on zero-emission projects (Table 4 in Appendix A).

Per the statutory requirements of the Carl Moyer Program, most projects are creditable to the State Implementation Plan, which requires emissions reductions to be permanent, surplus, quantifiable, and enforceable. Projects funded by CAP incentives so far will reduce over 15,000 tons of Oxides of Nitrogen (NO_x), 1,100 tons of Reactive Organic Gases (ROG), and 700 tons of Particulate Matter (PM) through the turnover of over 2,300 engines replaced with cleaner alternatives (Table 5 in Appendix A) statewide.

Details on individual CAP incentives appropriations by FY are as follows:

FY 2017-18 CAP Incentives

Via AB 134 (Committee on Budget, Chapter 254, Statutes of 2017), the Legislature directed FY 2017-18 appropriation of \$250 million to mobile source projects pursuant to the Moyer Program and the Proposition 1B Program. Air districts have expended nearly 100 percent of their FY 2017-18 CAP incentives and have spent 85 percent in disadvantaged communities and 95 percent in disadvantaged or low-income communities (Table 6 in Appendix A).

FY 2018-19 CAP Incentives

The Legislature appropriated \$245 million via Senate Bill (SB) 856 (Committee on Budget and Fiscal Review, Chapter 30, Statutes of 2018) in FY 2018-19 budget and provided additional direction to fund incentives for stationary sources and sources identified in community emissions reduction programs developed pursuant to AB 617. As directed by the Board, staff, in cooperation with California Air Pollution Control Officers Association (CAPCOA), developed a set of principles to ensure the allocation of FY 2018-19 CAP incentives were consistent with the goals outlined in AB 617 and the Legislative direction given in SB 856. Staff shared these principles with community members at public workshops held in February 2019, to ensure they were consistent with communities' goals and priorities. In SB 856, the Legislature allowed districts to continue to fund mobile sources through the Carl Moyer and Proposition 1B Programs, but also enabled air districts to use funds to reduce emissions from stationary sources of air pollution, as well as to support projects consistent with community emissions reduction programs. Air districts have collectively spent over \$101 million of their FY 2018-19 funds so far – 77 percent in disadvantaged communities and 92 percent in disadvantaged and low-income communities (Table 7 in Appendix A).

FY 2019-20 CAP Incentives

The Legislature originally appropriated an additional \$245 million in FY 2019-20 budget via AB 74 (P. Ting, Chapter 23, Statutes of 2019), and we allocated funds to the air districts similarly to FY 2018-19 incentives allocation, consistent with the principles set in the CAP Guidelines and based on a proposal from CAPCOA. Lower-than-expected fourth quarter Cap-and-Trade auction proceeds resulted in a reduced appropriation of \$209 million. We reduced each air district's allocation and priority population targets proportionally and amended the grants accordingly. While air districts are still primarily focusing on expending

their FY 2018-19 funds, several have received their FY 2019-20 allocations and have begun to solicit projects for these new funds as well. In addition, the Legislature provided up to June 30, 2025, to expend these funds, allowing air districts to be even more deliberate in how they use these funds to reflect community priorities. Air districts have collectively spent over \$10 million of their FY 2019-20 funds so far.

FY 2021-22 CAP Incentives

While the Legislature did not appropriate funding during FY 2020-21 due to complications relating to the ongoing public health crisis, GGRF appropriations did resume for FY 2021-22. The Legislature appropriated an additional \$260 million in FY 2021-22 budget for CAP incentives. We will collaborate with CAPCOA and air districts to ensure that allocation amounts for each air district are consistent with the general allocation principles approved by the Board in the CAP Guidelines.

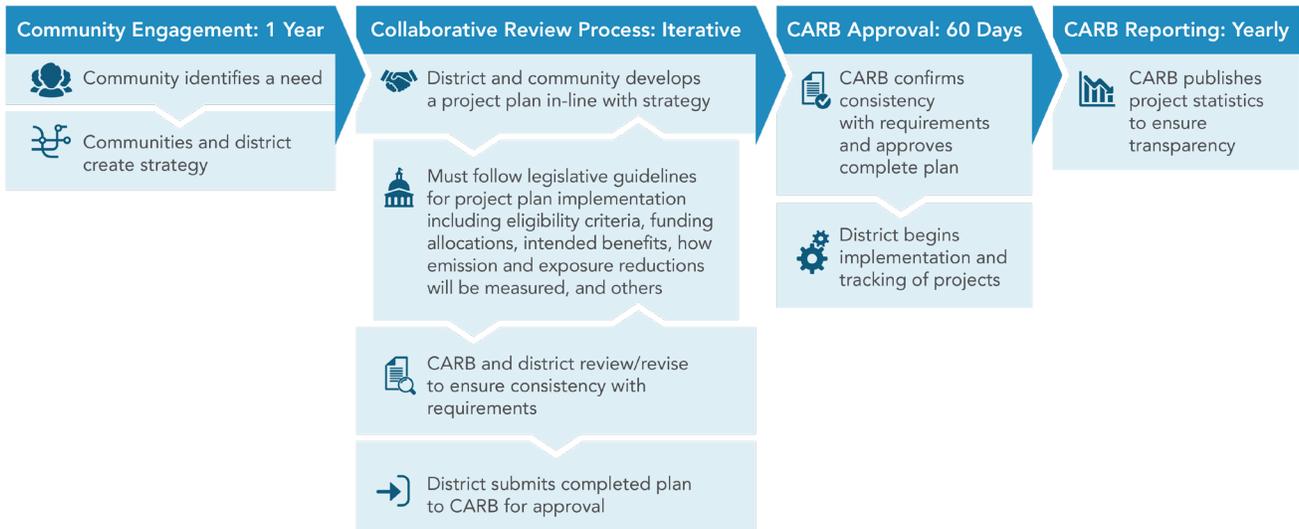
Stationary Source and Community-Identified Projects

To expand on CARB's initial funding options in the CAP Guidelines, staff developed a process for the air districts to fund new projects responsive to community priorities and to expand stationary source incentives. Staff worked with the air districts and CAPCOA through late 2019 and early 2020 to ensure the process maximized flexibility to support projects asked for by community members while simultaneously meeting the need to assess emissions reductions and other benefits. We shared draft language with the public in May 2020 and incorporated their guidance as well as feedback from the air districts. We published the final version in October 2020 as a new chapter in the Guidelines on our [CAP incentives webpage](#).

The revisions allow air districts to expeditiously develop and fund projects to reduce emissions from stationary sources and to address those concerns identified and prioritized in AB 617 community emissions reduction programs. As a criterion for CARB's approval of a Community Emissions Reduction Program, air districts must describe the level of support for the CERP and its strategies by the Community Steering Committee. Subsequent proposed project plans to implement incentive-based strategies must also document strong, widespread, and clear community support and include descriptions of community benefits, both those benefits that are quantifiable and those more qualitative in nature.

The graphic below illustrates the process by which a Project Plan is developed and approved. This iterative process allows districts and CARB to account for complicated, unique, or unusual projects and ensure that they will be responsive to community needs. Staff recognizes the value that these projects can provide to local communities and will prioritize approval of Project Plans in as timely a manner as possible.

Community Air Protection Project Plan Review Process



Staff has already reviewed and approved several of these new measures. The San Joaquin Valley Air Pollution Control District (APCD) created the first of these plans pursuant to the emissions reduction program of the South-Central Fresno community, consisting of funding for a study of truck traffic within the community. The air district worked with the community to develop the Project Plan, and their intent is to better understand the flow of truck traffic within South Central Fresno. The air district and the community will use the results of the study to determine whether rerouting truck traffic could reduce exposure, and to explore if and how such traffic could be rerouted effectively. CARB staff has additionally reviewed and approved other Project Plans submitted by districts such as the San Joaquin Valley APCD, the Imperial County APCD, and South Coast Air Quality Management District (AQMD). Project plans include lawn and garden equipment replacement, alternatives to open agricultural burning, replacement of nut harvesting equipment with low dust alternatives, equipment to reduce emissions from hexavalent chrome plating, road paving, urban greening, and an expanded/improved school flag program. Staff will continue to work with districts and communities to develop project plans and will post approved Project Plans publicly on [CARB's webpage](#).

Community Engagement and Outreach

To ensure that the CAP incentives are truly reflecting community priorities requires air districts to invest time to build community trust and participation in the steering committees, which requires engaging with the community via numerous channels. To show that they are focusing on priority populations and listening to community priorities, air districts are

required to submit documentation of their public process with each disbursement request, as well as project lists. Table 8 in Appendix A includes a brief overview of the project types in each air district's most recent submitted project list. Air districts must also continue to seek guidance from community members in how to prioritize project selection, and Table 9 in Appendix A provides information reported by the air districts on the number of public outreach and engagement events, and the approximate numbers of attendees across those events. In addition to the reported outreach events, some air districts reached out to large numbers of community members via a variety of methods including the following notable efforts: the Hmong New Year festival in 2020 in Sacramento County attended by over 40,000 people, a radio broadcast on local Southern California stations KPIG and KAZU heard by over 600,000 people in the Tri-County area, and an advertisement in a local agricultural magazine in Santa Barbara County read by 30,000 subscribers.

Even as air districts continue to make progress in implementing AB 617, the ongoing economic and public health crisis impacts program implementation. Air districts and CARB staff have found success in remote hosting of community steering committee meetings, ensuring continued community participation even amidst strict physical distancing policies. CARB staff continue to work to ensure the requirements of CAP incentives remain flexible and accessible while maintaining a level of rigor that ensures health benefits in communities are real and effective.

Next Steps

Staff will continue to review and approve Project Plans submitted by air districts and evaluate opportunities to create new project categories for inclusion in the CAP Guidelines and will subsequently update the Board on the development of new categories, selection and funding of projects, and more broadly on overall air district progress. Staff plans for the next update in mid-2022, allowing time to ensure the quality and integrity of data reported during the November 2021 reporting period. These updates will be coordinated with those provided by the Office of Community Air Protection which is charged with the reporting on overall progress of Air Districts in implementation of CERPs. Additionally, we are developing an online tool to provide a visual summary of CAP incentive projects across the State, to ensure that communities have transparency with regards to the CAP incentives.

Staff will also reach out to impacted communities, local air districts, and environmental justice advocates in a transparent, public process to discuss where improvements can be made to facilitate support for disadvantaged and low-income communities and how we can increase investment in zero-emission technologies. This will inform an expected update of the CAP Incentives Guidelines to ensure that any amendments proposed incorporate lessons learned from the overall CAP Program and address priorities raised by disadvantaged and low-income communities. We anticipate proposing amendments for consideration in Summer of 2022.