

To: Greenhouse Gas Reduction Fund Program

From: **Yana Garcia**, Secretary, California Environmental Protection Agency *A. Yana Garcia*
Steven S. Cliff, Ph.D., Executive Officer, California Air Resources Board *SSC*

Date: December 12, 2022

Subject: Greenhouse Gas Reduction Fund: California Air Resources Board
Expenditure Record for Fiscal Year 2022-23 Appropriation for
Community Air Protection Incentives

This Attestation Memorandum documents that California Environmental Protection Agency and California Air Resources Board (CARB) completed the attached Expenditure Record on December 12, 2022, for Community Air Protection incentives. The Expenditure Record is consistent with the statutory requirements of Government Code Section 16428.9 to support expenditures from the Greenhouse Gas Reduction Fund.

This Attestation Memorandum and Expenditure Record will be submitted to CARB for public posting on the CARB website at:
www.arb.ca.gov/caclimateinvestments. Questions on this Attestation Memorandum or Expenditure Record may be directed to Mr. Kyle Goff, Air Pollution Specialist, at (916) 324-1988 or by email at Kyle.Goff@arb.ca.gov.

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Greenhouse Gas Reduction Fund: Expenditure Record

California Air Resources Board (CARB or Board)

Community Air Protection (CAP) Incentives

Authorizing legislation: Item 3900-102-3228, Provision 1, Subdivision (a) of the Budget Act of 2022, as enacted by Senate Bill (SB) 154 (Skinner, Chapter 43, Statutes of 2022) appropriates to CARB \$200,000,000 for incentives to support Assembly Bill (AB) 617 (Garcia, Chapter 136, Statutes of 2017). These incentives are to be used to fund projects pursuant to the *2019 Community Air Protection Incentives Guidelines* (CAP Guidelines).

Element (1) A description of each expenditure proposed to be made by the administering agency pursuant to the appropriation.

Agency that will administer funding	<ul style="list-style-type: none">▪ CARB will administer the funding and will provide guidance to air districts, who will implement projects at the local level in consultation with community organizations.
Amount of proposed expenditure and appropriation reference	<ul style="list-style-type: none">▪ The expenditure is \$200,000,000 per Item 3900-102-3228, Provision 1, Subdivision (a) of the Budget Act of 2022, as enacted by SB 154, for incentives.▪ Per Section 44391.4 of the California Health and Safety Code, as created by SB 85 (Committee on Budget and Fiscal Review, Chapter 31, Statutes of 2019), the money will be distributed to the air districts following consultation with CARB.
Estimated amount of expenditures for administering agency administrative costs	<ul style="list-style-type: none">▪ No additional funding was appropriated to CARB for State Operations. However, consistent with the provisions of item 3900-102-3228 of the Budget Act of 2022, as enacted by SB 154, CARB will use up to \$2 million of the appropriation for CARB’s administrative costs. Administrative cost limits for implementing air districts will be specified in grant agreements and will be consistent with the direction provided in the Budget Act of 2022.
If applicable, identify laws or regulations that govern how funds will be used	<ul style="list-style-type: none">▪ AB 1532 (Pérez, Chapter 807, Statutes of 2012), SB 535 (de León, Chapter 830, Statutes of 2012), SB 1018 (Budget and Fiscal Review Committee, Chapter 39, Statutes of 2012), SB 862 (Budget and Fiscal Review Committee, Chapter 36, Statutes of 2014), and AB 1550 (Gomez, Chapter 369, Statutes of 2016) provide the general

framework for how the auction proceeds will be administered to further the purposes of AB 32.

- AB 398 (E. Garcia, Chapter 135, Statutes of 2017) prioritized air toxic and criteria air pollutants from stationary and mobile sources for expenditures from the Greenhouse Gas Reduction Fund (GGRF).
 - AB 617 (C. Garcia, Chapter 136, Statutes of 2017) directed CARB, in conjunction with local air districts, to establish the CAP Program. AB 617 includes a variety of strategies to address air quality issues in impacted communities, including air monitoring, emissions reporting, stronger regulation of pollution sources, and incentives for both mobile and stationary sources.
 - The Budget Act of 2022, as enacted by SB 154, directs the funds to be allocated for projects that reduce mobile and stationary sources of criteria air pollutants or toxic air contaminants consistent with Community Emissions Reduction Programs developed pursuant to Section 44391.2 of the Health and Safety Code.
 - SB 85 (Committee on Budget and Fiscal Review, Chapter 31, Statutes of 2019) created a new Section in the California Health and Safety Code, Section 44391.4, and provides direction for CARB and the local air districts to spend money appropriated for incentives to support AB 617.
 - AB 1571 (Brulte, Chapter 923, Statutes of 1999) established the Carl Moyer Memorial Air Quality Standards Attainment Program (Moyer Program), commencing with Health and Safety Code section 44275, Chapter 9, Part 5, Division 26. Projects will follow the *Carl Moyer Program 2017 Guidelines* (Moyer Guidelines).
 - SB 88 (Senate Budget and Fiscal Review Committee, Chapter 181, Statutes of 2007) and AB 201 (Assembly Committee on Budget, Chapter 187, Statutes of 2007) set forth the implementing legislation for the Goods Movement Emission Reduction Program in the Health and Safety Code, commencing with section 39625 et seq. Each air district may allocate funds it receives to incentivize clean truck projects in accordance with the *2015 Proposition 1B Program Guidelines* (Proposition 1B
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	Guidelines), relative to eligible projects, funding amounts, and truck evaluation. ¹
Continuation of existing Expenditure Record	<ul style="list-style-type: none"> ▪ This is an update to an existing Expenditure Record initially submitted during fiscal year (FY) 2017-18, modified in FY 2018-19, FY 2019-20, and further modified in FY 2021-22, which included CAP incentives in support of AB 617. The Expenditure Record has been updated with new references for the FY 2022-23 appropriation.
Project type(s)	<ul style="list-style-type: none"> ▪ Low-carbon transportation ▪ Mobile and stationary sources ▪ Community Emissions Reduction Programs
Describe the projects and/or measures that will be eligible for funding	<ul style="list-style-type: none"> ▪ <i>Mobile Sources.</i> Air districts may provide financial incentives to owners of vehicles and equipment eligible under Moyer Program and Proposition 1B Program criteria, with specific priority on zero-emission vehicles (ZEV) and equipment. Types of mobile source projects include replacement or repowering on-road and off-road heavy-duty diesel vehicles, marine vessels, locomotives, light-duty vehicle retirement, lawn and garden equipment, and electric charging or alternative fuel infrastructure. A full listing of eligible project types can be found in the Moyer Guidelines and the Proposition 1B Guidelines. ▪ <i>Infrastructure.</i> Air districts may fund zero-emission charging infrastructure, prioritizing infrastructure that supports medium- and heavy-duty vehicles. ▪ <i>Stationary sources.</i> Air districts may also use funds to assist owners of stationary source facilities that are not subject to the Cap-and-Trade Regulation, to help pay for equipment replacement with technologies that reduce criteria and toxic pollutants, including zero-emission technologies. CARB may also contract with the State Treasurer for loan programs. Types of stationary source projects eligible for funding include a variety of facility upgrades at schools, and incentives to reduce hexavalent chromium emissions from chrome plating activities. A full list of eligible project types can be found in the CAP Guidelines.

¹ *Goods Movement Emission Reduction Program.*
<https://ww2.arb.ca.gov/resources/documents/proposition-1b-guidelines>

	<ul style="list-style-type: none">▪ <i>Community Emissions Reduction Programs.</i> Also eligible are programs and projects that air districts identify as consistent with actions in Community Emissions Reduction Programs under AB 617. These are programs developed by a local air district with community input through a public process.
Intended recipients	<ul style="list-style-type: none">▪ Businesses▪ Public and private fleets▪ Consumers▪ Community-based organizations▪ Support funds to local air districts
Program structure and process for selecting projects for funding	<ul style="list-style-type: none">▪ Project selection occurs at air district discretion but must be consistent with priorities identified by affected communities in a transparent and meaningful public process. Air districts will select projects following outreach and consultation with community organizations.▪ Mobile source projects must be selected consistent with requirements in the Moyer Guidelines and the Proposition 1B Guidelines. Air districts may solicit and rank projects competitively or propose funding on a first-come, first-served basis.▪ Projects eligible in the Moyer Program must satisfy cost-effectiveness and other criteria in the Moyer Guidelines and the CAP Guidelines. Projects eligible in the Proposition 1B Program are ranked competitively based on emissions reductions and cost-effectiveness. Final ranking incorporates Proposition 1B Program funding priorities as described in the Proposition 1B Guidelines, and projects must comply with the project specifications provided in those guidelines.▪ Stationary source projects must reduce criteria and/or toxic pollution sources identified in the selected community, providing benefits that exceed those achieved by air agency rules. CARB will develop additional guidelines that specify requirements for stationary source projects beyond those already included in the CAP Guidelines.▪ Community Emissions Reduction Programs must be approved by CARB prior to implementation. Project selection for the CARB approved program will occur at air

district discretion in accordance with requirements specified in the CARB-approved *Community Air Protection Blueprint*. CARB will develop additional guidelines that specify requirements for these projects.

- Air districts will select projects following outreach and consultation with community-based organizations and community members.
 - CARB will also coordinate with the California Air Pollution Control Officer's Association to distribute implementation funds to air districts in a manner that considers air district populations and pollution severity, as well as the opportunity to spend funds in and for the benefit of disadvantaged communities, including those selected by the Board in accordance with AB 617, to help meet AB 1550 investment targets.
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Element (2) A description of how a proposed expenditure will further the regulatory purposes of Division 25.5 (commencing with Section 38500) of the Health and Safety Code, including, but not limited to, the limit established under Part 3 (commencing with Section 38550) and other applicable requirements of law.

How the expenditure is consistent with the Investment Plan and the Scoping Plan

- Consistent with Investment Plan: Health and Safety Code section 39718 requires that all GGRF moneys be appropriated in a manner that is consistent with the Administration's three-year Investment Plan. The *Cap-and-Trade Auction Proceeds Fourth Investment Plan: Fiscal Years 2022-23 through 2024-25* identifies the following investment concepts in the Sustainable Transportation sector:²
 - Fund investments in sustainable transportation and communities that support GGRF statutory priorities and drive progress on State climate goals.
 - Provide dedicated funding to advance equity, environmental justice, and community participation.
 - Integrate nature-based solutions and zero-emission technologies into investment types across sectors.
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²Cap-and-Trade Auction Proceeds Fourth Investment Plan: Fiscal Years 2022-23 through 2024-25. <https://ww2.arb.ca.gov/resources/documents/california-climate-investments-investment-plan>

- Advance support for priority populations and other underserved communities.
- Invest in the infrastructure to support reliable refueling for transportation such as electricity and hydrogen refueling.
- Channel the deployment of autonomous vehicles, ride-hailing services, and other new mobility options toward high passenger-occupancy and low VMT-impact service models that complement transit and ensure equitable access for priority populations.

Projects eligible under the Moyer Program, the Proposition 1B Program, and CAP incentives are consistent with these investment concepts.

- Implements Climate Change Scoping Plan Recommendations: California's 2022 Scoping Plan for Achieving Carbon Neutrality identified key strategies and recommendations to continue reducing greenhouse gas emissions and achieve the goals and purposes of AB 32. Key recommendations for the transportation system include:
 - Ensure that the transition to ZEV technology is affordable for low-income households and communities of color, and meets the needs of communities and small businesses.
 - Prioritize incentive funding for heavy-duty ZEV technology deployment in regions of the State with the highest concentrations of harmful criteria and toxic air contaminant emissions.
 - Promote private investment in the transition to ZEV technology, undergirded by regulatory certainty such as infrastructure credits in the Low Carbon Fuel Standard for hydrogen and electricity and hydrogen station grants from the California Energy Commission's Clean Transportation Program pursuant to Executive Order B-48-18.
 - Evaluate and continue to offer incentives similar to those through FARMER, the Moyer Program, the Clean Fuel Reward Program, the CAP Program, and Low Carbon Transportation, including CORE (Clean Off-Road Equipment Voucher Incentive Program).
 - Continue and accelerate funding support for ZEVs and refueling infrastructure through 2030 to ensure the rapid transformation of the transportation sector.
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Projects eligible under the Moyer Program, the Proposition 1B Program, and CAP incentives are consistent with these recommendations.³

- Consistent with Auction Proceeds Investment Priorities Identified in AB 398 (Garcia, Chapter 135, Statutes of 2017): The following investment priorities are established by the legislature, among others:
 - Reducing toxic air contaminants and criteria air pollutants from stationary and mobile sources.
 - Low- and zero-carbon transportation alternatives.

Projects eligible under the Moyer Program, the Proposition 1B Program, and CAP incentives are consistent with these priorities.

Element (3) A description of how a proposed expenditure will contribute to achieving and maintaining greenhouse gas emission reductions pursuant to Division 25.5 (commencing with Section 38500) of the Health and Safety Code.

Describe how expenditures will facilitate the achievement of greenhouse gas (GHG) emission reductions in the State

- Some expenditures will achieve GHG emissions reductions by funding the purchase of zero- or near-zero emission vehicles or equipment which emit less GHG emissions than comparable, conventionally fueled vehicles or equipment.
 - Other expenditures will achieve GHG emissions reductions by funding electrification of infrastructure in freight corridors, ports, and railyards, thus displacing higher-emitting sources of GHG emissions in those sectors. Shore power and locomotive switcher electrification are examples of projects that may be selected by air districts.
 - Other expenditures will achieve GHG emissions reductions by accelerating the introduction of fuel efficiency improvements, particularly for heavy-duty trucks.
 - Other expenditures will achieve GHG emissions reductions by replacing equipment at stationary sources with more efficient and/or lower-emitting technologies, including zero-emission technologies.
 - Other expenditures will facilitate current or future GHG emissions reductions by accelerating the commercialization of
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³ 2022 Scoping Plan for Achieving Carbon Neutrality, November 2022.
<https://ww2.arb.ca.gov/sites/default/files/2022-12/2022-sp.pdf>

	<p>advanced technologies that emit fewer GHG emissions compared to conventionally fueled vehicles or equipment.</p> <ul style="list-style-type: none">▪ For Community Emissions Reduction Programs air districts develop pursuant to AB 617, should the benefit of a given type of project include a reduction in GHG emissions, CARB will work with the air districts to ensure the emission benefits are quantifiable either by using an appropriate existing GHG quantification methodology published on CARB's CCI Quantification, Benefits, and Reporting Materials webpage or by developing a new methodology accordingly.⁴
<p>Explain when GHG emission reductions and/or co-benefits are expected to occur and how they will be maintained</p>	<ul style="list-style-type: none">▪ Funded projects will generate emissions reductions upon delivery of new replacement equipment. Each project is assigned a project life (typically 3 to 14 years) based on the remaining useful life of replaced engines and other factors. GHG emissions reductions will be estimated over each project life when the reductions are directly applicable to the project. Where GHG reductions are not directly attributable to projects, CARB staff will assess net GHG benefits quantitatively or qualitatively by project category, to show how the project set facilitates reductions.

Element (4) A description of how the administering agency considered the applicability and feasibility of other non-greenhouse gas reduction objectives of Division 25.5 (commencing with Section 38500) of the Health and Safety Code.

<p>Expected co-benefits, particularly environmental, economic, public health and safety, and climate resiliency</p>	<ul style="list-style-type: none">▪ <u>Air Quality and Public Health Benefits:</u> Projects funded with CAP incentives will reduce criteria pollutant forming emissions of nitrogen oxides (NO_x), reactive organic gases (ROG), and particulate matter that contribute to ozone formation and increased exposure to air toxics. Elevated ambient levels of these pollutants have been linked to a variety of negative health effects, particularly in sensitive individuals such as the elderly, children, and people with compromised immune systems. By reducing NO_x, ROG, and particulate matter emissions through replacement and scrapping of older, high-polluting vehicles and equipment, these projects help California meet health-based air quality standards and toxic air contaminant reduction goals and
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⁴ CCI Quantification, Benefits, and Reporting Materials, December 2022.
<https://ww2.arb.ca.gov/resources/documents/cci-quantification-benefits-and-reporting-materials>

avert early deaths. Diesel particulate reductions also reduce black carbon in support of California's Short-Lived Climate Pollutant Reduction Strategy.

- Economic Benefits: Projects funded with CAP incentives will reduce clean vehicle, equipment, and retrofit purchase costs for both private and public fleets as well as owners of stationary sources, and in many cases reduce the overall cost of operation in those fleets or businesses. In addition, several companies that manufacture eligible vehicles and equipment are located in California. The mobile and stationary source incentives that enable the purchase of new vehicles and equipment provide an economic benefit to these companies and support California jobs.
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How the project will support other objectives of AB 32 and related statutes

- As noted above, the projects eligible under the Moyer Guidelines, the Proposition 1B Guidelines, and the CAP Guidelines provide criteria pollutant and air toxics emission reductions thereby complementing the State's efforts to improve air quality.
 - As per the requirements of AB 617, investment of these funds is directed towards disadvantaged communities in California and provides economic benefits to both private and public fleets.
 - Private and public mobile source fleets and owners of stationary sources statewide are eligible for these funds to purchase qualifying vehicles, equipment, and retrofits, thereby providing an opportunity for small businesses, schools, and other community institutions to participate in and benefit from statewide efforts to reduce GHGs, air toxics, and criteria pollutants.
 - Cleaner technology projects for stationary and mobile sources will assist in the efforts to identify and reduce toxic air contaminants and criteria air pollutants.
 - Projects funded with CAP incentives will also improve and modernize California's infrastructure with zero-emission charging infrastructure projects that supports medium- and heavy-duty vehicles.
 - AB 32 requires, to the extent feasible, directing investments toward the most disadvantaged communities in California and providing an opportunity for community institutions to participate in and benefit from statewide efforts to reduce GHG emissions.
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Percentage of total funding that will be expended for projects that are located in and benefit priority populations ⁵ per CARB guidance	<ul style="list-style-type: none">▪ At least 80 percent of the \$200,000,000 appropriation intended for incentives must benefit residents of priority population communities. The investment targets for these funds are 70 percent spent in and benefiting disadvantaged communities, 5 percent spent in and benefiting low-income communities throughout the State, and an additional 5 percent spent in and benefiting low-income communities within half a mile of a disadvantaged community.
Describe the benefits to priority populations per CARB guidance	<ul style="list-style-type: none">▪ These expenditures will reduce air pollution in priority population communities by providing incentives for cleaner vehicles and equipment registered in, domiciled in, or operating in a disadvantaged or low-income community. Projects located in and benefiting priority populations will meet the criteria listed in the <i>CARB Funding Guidelines for Agencies that Administer California Climate Investments (CCI Funding Guidelines)</i>, including addressing an important community need such as reducing exposure to local environmental contaminants and reducing health harms.
Explain strategies the administering agency will use to maximize benefits to disadvantaged communities	<ul style="list-style-type: none">▪ CARB requires that the air districts that select and fund projects using CAP incentives develop and publish a policies and procedures manual detailing how the air district implements their incentives locally.▪ Separate from GGRF's statutory requirements on priority population investments, the Board established through Resolution 18-15⁶ a requirement that CARB ensures that air districts invest at least 70 percent of their funds in disadvantaged communities and at least 80 percent of their

⁵ Priority populations include residents of: (1) census tracts identified as disadvantaged by California Environmental Protection Agency per SB 535; (2) census tracts identified as low-income per AB 1550; or (3) a low-income household per AB 1550. See Section VII.B of the CCI Funding Guidelines for more information on the definitions of priority populations.

⁶ *Community Air Protection Funds Supplement to the Carl Moyer Memorial Air Quality Standards Attainment Program 2017 Guidelines Resolution 18-15*, April 2018.
<https://www.arb.ca.gov/board/res/2018/res18-15.pdf>

funds in disadvantaged or low-income communities Statewide.

- The Board also established through Resolution 19-12⁷ that staff must publish a memo submitted to members of the Board biannually that updates them and the public on progress expending CAP incentives. Included within this report is also data reported by air districts on their outreach and public processes.
 - For each project funded with CAP incentives, CARB staff ensures that projects are within and benefit priority populations through geolocation of GPS coordinates provided by air districts.
 - Consistent with the objectives of AB 617, the administering agency will coordinate with local and regional entities to host workshops and meetings for public input on the projects that would be funded. Public outreach will be focused on disadvantaged communities. The program selection criteria will emphasize projects located within and providing benefits to disadvantaged communities in order to reach AB 1550 investment targets.
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Explain how the administering agency will avoid potential substantial burdens to disadvantaged communities and low-income communities or, if unknown, explain the process for identifying and avoiding potential substantial burdens

- CARB and air districts will consult directly with communities through various means including workshops and public comments on program guidelines to identify potential burdens. Under SB 85, all selected and funded projects must be consistent with priorities identified by the affected community in a transparent, meaningful public process. CARB will make programmatic adjustments to eligibility criteria, and ultimately funding decisions, as necessary to avoid potential substantial burdens to disadvantaged and low-income communities. Air districts will post on their publicly-viewable websites lists of projects under consideration consistent with the CCI Funding Guidelines. CARB will also monitor community comments and pay particular attention to any comments opposing proposed or selected projects.
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⁷ *Community Air Protection Incentives 2019 Guidelines Resolution 19-12*, May 2019. <https://www.arb.ca.gov/board/res/2019/res19-12.pdf>

Element (5) A description of how the administering agency will document the result achieved from the expenditure to comply with Division 25.5 (commencing with Section 35800) of the Health and Safety Code.

How the administering agency will track and report progress to make sure projects are implemented per requirements in statute and CARB guidance	<ul style="list-style-type: none">▪ Under the terms of its grant agreements each air district will require funding recipients to maintain records and submit regular status reports consistent with CCI guidance. In addition, the air districts will conduct periodic reviews of selected projects and will be required to submit project-level data to CARB. If a funding recipient does not perform in accordance with program guidelines and air district Policies and Procedures, the recipient will be subject to the remedies for non-performance described in those guidelines.
Describe the approach that will be used to document GHG emission reductions or other benefits before and after project completion.	<ul style="list-style-type: none">▪ CARB will both prospectively estimate project GHG benefits and co-benefits, and retrospectively document the results achieved from its expenditures.▪ The air districts will coordinate with CARB to estimate GHG emissions reductions and co-benefits (e.g., criteria air pollutant and toxics air contaminants), using CARB standardized methodologies.▪ CARB will collect all data necessary to document the emissions reduction achieved. CARB will include data collection and reporting requirements for the air districts as part of its grant agreements. This will also include all information necessary to document the benefits for priority populations, consistent with CARB's CCI Funding Guidelines.
Type of information that will be collected to document results, consistent with CARB guidance	<ul style="list-style-type: none">▪ CARB will collect all data necessary to document emission reductions achieved. This includes location data, the technology funded, the funding amount for each project, related information on air district outreach and public processes, and other data as specified in CARB's CCI Funding Guidelines, the Moyer Guidelines, the CAP Guidelines, and the Proposition 1B Guidelines.▪ To determine the job benefits, CARB will compile data from air districts on jobs provided, both the quality and quantity, consistent with CARB guidance.

How the
administering
agency will report
on program status

- CARB will provide regular updates on expenditures, project status, and benefits in reports⁸ prepared according to CARB's CCI Funding Guidelines. The reports will include expenditure amounts, current estimates of GHG emissions reductions, and assessment of other applicable co-benefits (e.g., criteria pollutant and air toxics emission reductions, jobs supported).
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⁸ *California Climate Investments*, December 2022.
<https://www.caclimateinvestments.ca.gov/>