Greenhouse Gas Reduction Fund: Expenditure Record

California Air Resources Board
Low Carbon Transportation

Authorizing legislation: Item 3900-101-3228 of the Budget Act of 2025, as enacted by Senate Bill (SB) 105 (Chapter 104, Statutes of 2025) Sec. 155, appropriates $125 million from the Greenhouse Gas Reduction Fund (GGRF) to the California Air Resources Board (CARB or Board). Of this amount:

- $25 million is allocated for the Clean Cars 4 All (CC4A) Program (Schedule 1), pursuant to Section 44124.5 of the Health and Safety Code, exclusively for districts participating in the Clean Cars 4 All Program.
- Per Section 15.14 of the Budget Act, CARB may commit no more than 75% of its $25 million appropriation, or up to $18.75 million, until the Department of Finance authorizes expenditure of the remaining funds following the fourth Cap-and-Trade auction of Fiscal Year (FY) 2025-26, expected in Spring 2026.

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

Agency that will administer funding

- California Air Resources Board

Amount of proposed expenditure and appropriation reference

- The total expenditure is $25 million for CARB's Low Carbon Transportation Program per Item 3900-101-3228 of the Budget Act of 2025.
- Estimated amount of expenditures for administering agency administrative costs
- Consistent with the provisions of Item 3900-101-3228 Budget Act of 2025, CARB may use up to 5% of the $25 million ($1.25 million) appropriation for CARB's administrative costs.

Estimated amount of expenditures for administering agency administrative costs

- Consistent with the provisions of Item 3900-101-3228 Budget Act of 2025, CARB may use up to 5% of the $25 million ($1.25 million) appropriation for CARB's administrative costs.

Identify how any interest earned on appropriated funds will be used, including any interest earned by third-party administrators

- Per the CC4A program grants with CARB,
  - "At least ninety-eight percent (98%) of the interest earned on CC4A funds, including both program funds and administration funds, must be reinvested in CC4A to fund additional eligible incentives."

  - "At least ninety-eight percent (98%) of the interest earned on CC4A funds, including both program funds and administration funds, must be reinvested in CC4A to fund additional eligible incentives."

If applicable, identify laws or regulations that govern how funds will be used

- Assembly Bill (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 (Committee on Budget and Fiscal Review, Chapter 36, Statutes of 2014), **SB 1275 (de León, Chapter 530, 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 and low- and zero-carbon transportation alternatives among others for expenditures from GGRF.
- The Budget Act of 2020 provides direction on the types of projects that should be funded.
- AB 1261 (Burke, Chapter 714, Statutes of 2021) to identify overlap among incentive programs.
- AB 630 (Cooper, Chapter 636, Statutes of 2017) codified the program as CC4A and provides and required measurable goal setting. All funds will be allocated and managed in accordance with this law.

Continuation of existing Expenditure Record

- This is an update to an existing Expenditure Record for the Low Carbon Transportation Program. This year's appropriation will support projects that have already been funded under CARB's Expenditure Records for FY 2013-14 through FY 2024-25. The Expenditure Record elements being updated include the following:
  - The amount of expenditure and appropriation reference.
  - Describe the projects and/or measures that will be eligible for funding.
  - Intended recipients.
  - How the expenditure is consistent with the Investment Plan and the Scoping Plan.
  - Explain when greenhouse gas emission reductions and/or co-benefits are expected to occur and how they will be maintained.
  - Explain how the administering agency will avoid potential substantial burdens to disadvantaged communities and low-income communities.

Project Type(s)

- Low Carbon Transportation Program.

Describe the projects and/or measures that will be eligible for funding

- Per the Budget Act of 2025:

    - "The funds appropriated in Schedule (1) shall be available for the Clean Cars 4 All Program pursuant to Section 44124.5 of the Health and Safety Code, exclusively for districts participating in the Clean Cars 4 All Program. Of this amount, funding shall be prioritized for districts that have insufficient funds to meet processed demand. Any vehicles that are voluntarily retired pursuant to Section 44125 of the Health and Safety Code shall be model year 2004 or older."
- Please note that Section 15.14 of the Budget Act provides the direction that agencies can only commit up to 75% of their appropriations until the Department of Finance makes a determination on the expenditure of remaining funds after the fourth Cap and Trade auction of the Fiscal Year. Thus, initial grants are limited to 75% of the $25 million funding total.

Intended recipients

- Districts that have insufficient funds to meet processed demand for CC4A
- Individuals participating in CC4A

Program structure and process for selecting projects for funding

- The CC4A provides incentives for eligible low-income consumers towards the purchase/lease of new/used clean vehicles within five air districts (Bay Area, Sacramento Metro, San Diego, San Joaquin Valley, and South Coast). The program is currently administered locally by each air district, with statewide expansion supported through the Driving Clean Assistance Program.

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

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. For the Sustainable Transportation and Communities sector, the Cap-and-Trade Auction Proceeds Fourth Investment Plan: FYs 2022-23 through 2024-25 states, "Investments are needed to support:

Development and deployment of zero-emission vehicles, equipment, and associated infrastructure, covering the technology commercialization spectrum from research and demonstration to deployment and the wide range of vehicle and equipment categories operating in California.

- The expenditures described in this record are consistent with these investment recommendations.

California's 2022 Climate Change Scoping Plan identified key strategies and recommendations to continue reducing greenhouse gas emissions and achieve the goals and purposes of AB 32 and related statutes. The plan identifies vehicle technology goals through a strong set of complementary policies—including continuing to provide incentives through CARB's comprehensive portfolio of funding programs, prioritize investments in low--income communities and areas that have the highest concentration of air pollution, provide significant infrastructure investment, broad education and outreach, and regulations with the aim to reach 100% zero-emission vehicle sales. The expenditures described in the record will help implement these Scoping Plan goals.

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 emission reductions in the State

- Expenditures will achieve greenhouse gas emission reductions by funding the purchase of zero-emission vehicles, which emit less greenhouse gas emissions than comparable conventionally fueled vehicles or equipment.

Explain when greenhouse gas emission reductions and/or co benefits are expected to occur and how they will be maintained

- The Regional CC4A programs are already established and the funding appropriated will be allocated to districts using a formula approved by the Board in the *2024-25 Funding Plan* to ensure funding for districts with insufficient funds to meet current demand, allowing benefits to begin as soon as funding becomes available. These reductions will be maintained through the continued use of clean vehicles, supported by program requirements that participants retain ownership or a lease for a minimum of 30 consecutive months, with the vehicle registered in California for the full duration.

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.

Expected co-benefits, particularly environmental, economic, public health and safety, and climate resiliency

- In addition to providing greenhouse gas benefits, these expenditures will provide air quality, public health, and economic benefits.
- Air Quality and Public Health Benefits: All clean vehicle and equipment projects will reduce criteria pollutant forming emissions of oxides of nitrogen (NOx), reactive organic gases (ROG), and particulate matter (PM) that contribute to ozone and PM air pollution. By reducing NOx, ROG, and PM emissions, these projects help California meet the health-based air quality standards and reduce toxic hot spots in California, including those near transportation hubs. Several of the projects may be designed to limit participation to the regions of California in and near disadvantaged communities in order to maximize air quality and public health benefits in these regions.
- Economic Benefits: Several manufacturers of vehicles eligible for CARB's Low Carbon Transportation funding are based in California, and the incentives provided through these programs help stimulate demand, supporting in-state jobs and economic growth. The program also benefits dealerships by increasing sales of clean vehicles. By reducing upfront vehicle costs, these incentives make clean transportation more accessible for low-income households, while strengthening California's clean vehicle market.

How the project will support other objectives of AB 32 and related statutes

- The clean vehicles being funded provide criteria pollutant and air toxics co-benefits thereby complementing the State's efforts to improve air quality.

Percentage of total funding that will be expended for projects that are located in and benefit priority populations[1] per CARB guidance

- For each annual appropriation, CARB staff establish the minimum percentage of funds that must be invested in projects meeting one of the AB 1550 criteria: projects located within and benefiting individuals living in disadvantaged communities; projects within and benefiting low-income communities or benefiting low-income households statewide; and projects in low-income communities that are within one-half mile of a disadvantaged community. The CC4A exclusively serves lower-income households earning at or below 300% of the Federal Poverty Level.

Describe the benefits to priority populations per CARB guidance

- The CC4A program provides direct benefits to priority populations exclusively by offering incentives for the purchase or lease of clean vehicles that reduce emissions of criteria air pollutants and toxic air contaminants. These benefits include improved air quality and increased access to reliable transportation for low-income households.

Explain strategies the administering agency will use to maximize benefits to disadvantaged communities

- CARB is implementing several strategies to maximize benefits to disadvantaged communities, including limiting eligibility to low-income applicants and providing multilingual support to promote equitable access.

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

- The CC4A program minimizes potential burdens on disadvantaged and low-income communities by providing hands-on support throughout the vehicle purchasing process. Participants receive personalized assistance and provide feedback to CARB and administering air districts through surveys and other channels to identify and address issues, ensuring continuous program improvement.

[1] 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 Funding Guidelines for more information on the definitions of priority populations.

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 38500) of the Health and Safety Code.

How the administering agency will track / report progress to make sure projects are implemented per requirements in statute and CARB guidance

- CARB oversees the implementation of CC4A through formal grant agreements with each of the five participating air districts. These agreements require air districts to maintain detailed records and submit quarterly progress reports to CARB. CARB collects and analyzes program data for updates, and reports such as the annual *California Climate Investments* report. In addition, CARB conducts periodic monitoring and reviews to ensure compliance. If an air district fails to meet program requirements, CARB may pursue corrective actions or other remedies for non-performance.

Describe the approach that will be used to document greenhouse gas emission reductions and/or other benefits before and after project completion

- CARB will use several mechanisms to both prospectively estimate project greenhouse gas benefits and co-benefits and retrospectively document the results achieved from its expenditures.
- CARB provided preliminary estimates of potential greenhouse gas benefits and co-benefits for projects and describe its quantification methodology as part of the *annual Funding Plan.* Additional information on the methods for *estimating emission benefits for CC4A* is available on *CARB's Quantification Materials website.*
- In addition to these prospective benefits estimates, CARB will collect all data necessary to document the emission reductions achieved. CARB will include data collection and reporting requirements for Program Administrators as part of its grant agreements. This will include all information necessary to document the benefits for disadvantaged communities, consistent with CARB's Funding Guidelines.

Type of information that will be collected to document results, consistent with CARB guidance

- To assess job-related benefits, CARB will collect program data on both the quality and quantity of jobs created, consistent with CARB guidance.
- CARB will collect all data necessary to document the emission reductions achieved and will include data collection and reporting requirements for Program Administrators as part of its grant agreements. This includes location data, the technology funded, the dollar amount of each rebate, and other data as specified in CARB's Funding Guidelines.
- Once operational, CARB will collect information on project outcomes for a percentage of projects for select programs, consistent with CARB guidance.

- CARB will also continue to review participant surveys sent out by the Program Administrators to evaluate program performance and co-benefits.

How the administering agency will report on program status

- CARB will provide regular updates on its Low Carbon Transportation expenditures, project status, and benefits in future annual reports to the Legislature prepared according to CARB's Funding Guidelines. At a minimum, the reports will include expenditure amounts, current estimates of greenhouse gas emission reductions, and quantification of co-benefits including criteria pollutant emission reductions. CARB will also be providing more data from each of the projects funded in an accessible manner on its webpages.
- CARB reports on *California Climate Investments* through its website, which includes an annual report, interactive data dashboard, project profiles, and other program data.