

Greenhouse Gas Reduction Fund: Revised Expenditure Record

California Air Resources Board (CARB or the Board)

Community Air Protection Incentives Program

(INCENTIVES) and Assembly Bill 617 Air District

Implementation Funds (IMPLEMENTATION)

Authorizing Legislation:

Item 3900-102-3228, Provision 3, Subdivision (a) of the Budget Act of 2021, as enacted by Senate Bill (SB) 170 (Skinner, Chapter 240, Statutes of 2021) appropriates to CARB \$260,000,000 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).

Item 3900-102-3228, Provision 3, Subdivision (b) of the Budget Act of 2021, as enacted by Senate Bill (SB) 170 (Skinner, Chapter 240, Statutes of 2021) appropriates to CARB \$50,000,000, to be made available for use by the local air districts to support overall implementation of AB 617 (Implementation).

Combined expenditure record format:

This document combines the expenditure records for two different funding sources, as detailed in the authorizing legislation above. To easily differentiate the funding in the subsequent sections of this expenditure record, notation in all caps will be used at the beginning of each bulleted item. For example, "INCENTIVES:" refers to "Item 3900-101- 3228, Provision 3, Subdivision (a)..." on the Community Air Protection Incentives Program above. "IMPLEMENTATION:" refers to "Item 3900-102-3228, Provision 3, Subdivision (b)..." on local air district implementation of AB 617 above.

Unless otherwise specified, the information in this document refers to all authorizing legislation.

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

Agency that will administer funding

CARB will administer the funding and will provide guidance to air districts, who will implement IMPLEMENTATION and INCENTIVES projects at the local level in consultation with communities.

Amount of proposed expenditure and appropriation reference

The expenditures are as follows:

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.

- INCENTIVES: \$260,000,000 per Item 3900-102-3228 of the Budget Act of 2021, as enacted by SB 170, for incentives.
- IMPLEMENTATION: \$50,000,000, Item 3900-102-3228, Provision 3, Subdivision (b) of the Budget Act of 2021, as enacted by SB 170, for local air district implementation of AB 617.

Estimated amount of expenditures for administering agency administrative costs

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 2021, as enacted by SB 170, CARB will use up to \$2.60 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 2021.

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

- 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.
- AB 617 (C. Garcia, Chapter 136, Statutes of 2017) directed CARB, in conjunction with local air districts, to establish the Community Air Protection 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 2021, as enacted by SB 170, directs the funds 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 Program¹ 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 Guidelines), relative to eligible projects, funding amounts, and truck evaluation.

Continuation of Existing Expenditure Record

This is an update to an existing Expenditure Record. The Expenditure Record elements being updated include Assembly Bill 617 Air District Implementation Funds (IMPLEMENTATION) authorizing legislation and appropriation amount, types of projects that will be eligible for funding, and the percentage of total funding that will be expended for projects that benefit disadvantaged and low-income communities or households, per CARB guidance.

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

INCENTIVES:

- *Mobile Sources.* 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 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.
- *Infrastructure.* Air districts may fund zero-emission charging infrastructure, prioritizing infrastructure that supports medium- and heavy-duty vehicles.
- *Stationary sources.* 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.

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

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.

- *Community Emissions Reduction Programs.* Also eligible are programs and projects 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.

IMPLEMENTATION:

- *Community Emissions Reduction Programs.* Development and implementation of Community Emissions Reductions Programs in collaboration with Community Steering Committee members.
- *Air Quality Monitoring Plans.* Includes Community Air Monitoring Plan development intended to generate data that will support action to reduce emissions and exposure. CARB has defined criteria and guidance for community air monitoring so that air districts and communities throughout the State can implement a process that results in action-oriented data to meet the needs of each community.
- *Development of an Expedited Best Available Retrofit Control Technology (BARCT) Schedule.* Emissions control technology or practice that emits less of criteria air pollutant or toxic air contaminant than is currently required (for example, BACT or BARCT) for a given source type.
- *Enhanced Emissions Reporting.* Allows better tracking of emissions reductions throughout communities.
- *Initiatives that are consistent with the goals or objectives of AB 617 implementation.* Including but not limited to, providing language access, facilitation, outreach materials and events, air district staffing, capacity building and other activities that intend to increase public participation in the program.

Intended recipients

- Businesses
- Public and private fleets
- Consumers
- Community-based organizations
- Support funds to local air districts

Program structure and process for selecting projects for funding

- 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 consistently 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 Program 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.
- Following consultation with air districts and the California Air Pollution Control Officers Association, CARB will distribute incentive 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 the AB 617, to help meet AB 1550 investment targets.
- 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 1550 investment targets.

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 Greenhouse Gas Reduction Fund money be appropriated in a manner that is consistent with the Administration's three-year Investment Plan. The *Cap-and-Trade Auction Proceeds Third Investment Plan: Fiscal Years 2019-20 through 2021-22*² identifies the following investment concepts for clean transportation:
 - Support accelerated adoption and deployment of clean passenger vehicles and transit buses.
 - Support demonstrations, pilot projects, and deployment of zero and near zero-emission heavy duty trucks, freight and non-freight equipment (e.g., forklifts, agricultural equipment, yard trucks, locomotives, ships, and other harbor craft), and airport equipment.
 - Support further reductions in criteria pollutants, air toxics, and short-lived climate pollutants from the transportation sector.
 - Projects eligible under the Moyer Program, the Proposition 1B Program, and Community Air Protection incentives are consistent with these investment concepts.
- Implements Climate Change Scoping Plan Recommendations: *California's 2017 Climate Change Scoping Plan* identified key strategies and recommendations to continue reducing greenhouse gas (GHG) emissions and achieve the goals and purposes of AB 32. Key recommendations for the transportation system include:
 - Deploy zero-emission vehicles across all vehicle classes, including rail vehicles, along with the necessary charging infrastructure.
 - Promote research, development, and deployment of new technology to reduce GHGs, criteria pollutants, and toxics.
 - Continue to strengthen the State's existing criteria and toxic air

² Cap-and-Trade Auction Proceeds Third Investment Plan: Fiscal Years 2019-20 through 2021-22
<https://ww2.arb.ca.gov/resources/documents/california-climate-investments-investment-plan>

pollutant programs and relationships with local air districts to ensure all Californians have healthy, clean air. This is especially true of disadvantaged communities.

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

Element (3) A description of how a proposed expenditure will contribute to achieving and maintaining greenhouse 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 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

³ California's 2017 Climate Change Scoping Plan: The strategy for achieving California's 2030 greenhouse gas target, November 2017. https://www.arb.ca.gov/cc/scopingplan/scoping_plan_2017.pdf

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 advanced technologies that emit fewer GHG emissions compared to conventionally fueled vehicles or equipment.
- 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

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

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 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

- Air Quality and Public Health Benefits: Projects funded with Community Air Protection 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

⁴ California Climate Investments Quantification, Benefits, and Reporting Materials. www.arb.ca.gov/cc-resources.

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 scrappage of older, high-polluting vehicles and equipment, these projects help California meet health-based air quality standards and toxic air contaminant reduction goals and 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 Community Air Protection incentives will reduce clean vehicles, 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.

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 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.

Percentage of total funding that will be expended for projects that are located in and benefit priority populations⁵ per CARB guidance

INCENTIVES: At least 80 percent of the \$260,000,000 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.

IMPLEMENTATION: This appropriation is not required to be spent on projects located in and benefiting priority populations. However, when appropriate, implementation funds spent on projects may contribute to meeting the 80 percent target for benefit priority populations. CARB will work with air districts to ensure these benefits are properly captured per CARB guidance.

Describe the benefits to priority populations per CARB guidance

INCENTIVES: 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 *CARB Funding Guidelines for Agencies that Administer California Climate Investments* (CCI Funding Guidelines)⁶, including addressing an important community need such as reducing exposure to local environmental contaminants and reducing health harms.

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

⁶ 2018 Funding Guidelines for Agencies that Administer California Climate Investments.

<https://ww2.arb.ca.gov/resources/documents/funding-guidelines-agencies-administer-california-climate-investments>

IMPLEMENTATION: These expenditures will go towards air district implementation of AB 617 including projects outlined in Element 1 above. These funds will not provide direct benefits to priority populations, but instead will facilitate such benefits associated with implementation of AB 617 as a whole. However, when appropriate, implementation funds spent on projects located in and benefiting priority populations may meet the criteria listed in the CCI Funding Guidelines, 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

- 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 in 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.
- Technical assistance grants to community-based organizations will help disadvantaged communities and populations participate in the development and implementation of the community emission reduction programs established pursuant to AB 617.

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 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.

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

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

- 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

- CARB will collect all data necessary to document emission reductions achieved. This includes location data, the technology funded, the funding amount for each project, 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 reports⁷ 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).

⁷ California Climate Investments Annual Reports Page (2015 -present).
<https://www.caclimateinvestments.ca.gov/annual-report>